

CENTERTON WATERWORKS AND SEWER COMMISSION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023



CENTERTON WATERWORKS AND SEWER COMMISSION
DECEMBER 31, 2024 AND 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position.....	9-10
Statements of Cash Flows.....	11-12
Notes to Financial Statements.....	13-30
Supplemental Information	
Statements of Revenue, Expenses, and Changes in Net Position by Department.....	31-32
Other Information	
Schedule of Customer Counts, Volumes, and Rates.....	33
Additional Report	
Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	34-35



Independent Auditor's Report

To the Commissioners
Centerton Waterworks and Sewer Commission
Centerton, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Centerton Waterworks and Sewer Commission (the Commission), as of and for the years ended December 31, 2024 and December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Centerton Waterworks and Sewer Commission as of December 31, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Centerton Waterworks and Sewer Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City's water and sewer component unit and do not purport to, and do not, present fairly the financial position of the City of Centerton, Arkansas, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centerton Waterworks and Sewer Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying statement of revenues, expenses, and changes in net position by department is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the statement of revenues, expenses, and changes in net position by department is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of customer counts, volumes, and rates, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, on our consideration of the Centerton Waterworks and Sewer Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Centerton Waterworks and Sewer Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Centerton Waterworks and Sewer Commission's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
June 10, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CENTERTON WATERWORKS & SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

Overview

The Centerton Waterworks and Sewer Commission continued its record of successful operation in 2024 doing business as Centerton Utilities. Our city and the surrounding rural area we serve continues to experience high demand for residential housing and associated commercial services. The Commission continues to be focused on providing the best possible service while controlling costs through improvement of system operations and administrative efficiency.

Noteworthy achievements in 2024 were:

- The Commission continues to experience significant annual customer growth for both water and sewer. Our year-over-year growth in 2024 was 6.8% for water and 7.4% for sewer. Over the five-year period 2020-2024 our water customers increased 41% and our sewer customers increased 54%.
- In planning for future wastewater needs the Commission identified a couple of projects. One project is for a northwest sewer project that includes a new lift station, interceptor and force main. This project is in the early stages, and the Commission is evaluating different options to secure funding but has not started any formal application processes. The other project is for improvements to the wastewater system in the downtown area. This project was contracted in 2023 and was completed in 2024.
- Additional planning continues for an expansion of the wastewater treatment facility at the City of Decatur. The Commission and the City of Decatur recognize that expansion of the wastewater treatment facility is essential to support the continued residential growth in the two cities. The cost of this expansion will be shared by the two cities in accordance with the terms of the long-term contract. Currently, the Arkansas Department of Health has placed a hold on new residential developments in the two cities pending a change in the Decatur treatment works discharge permit. Construction on the headworks of the treatment plant has begun. It is anticipated that a new discharge permit will be granted by late December 2025, which is also the expected completion date for the ongoing headworks construction.
- In planning for future water needs the Commission is constructing an additional 2,500,000-gallon Water Tower on the west side of the city with an associated 24-inch main connecting to the distribution line of our potable water. This near-term addition of water storage will significantly improve our ability to meet future growth demand and increase system efficiency by dividing the system into two separate pressure planes with interconnections for emergencies and maintenance. The Commission issued bonds during 2023 for \$7,000,000 and 2022 for \$13,000,000 to pay for construction of this project. Construction has started and should be completed by the end of 2025.

The arterial water distribution and sewer collection systems managed by the Commission were/are constructed in large part with debt financing that is being paid off solely by the revenue from water and sewer service. No tax dollars are available to the Commission for its operations. The water distribution lines and sewer collection lines within residential and commercial/industrial developments are required by City Code to be constructed by the developer and donated to the city. During 2024 there were eight (8) donations of water and sewer infrastructure with a total value of \$4,590,039.

CENTERTON WATERWORKS & SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

The audited financial statements with the accompanying notes present an overall picture of the Commission and its water distribution and sewage collection systems operations in 2024. Certain financial statements or portions of financial statements are highlighted and discussed below.

Statement of Net Position

In the world of general commerce, this would be our Balance Sheet.

While the Commission holds significant cash and cash equivalents, the major portion of those assets are restricted by state laws and bond covenants. The largest amount of cash/near cash holding are bond proceeds held for construction in progress.

Over the years the Commission has accumulated some unrestricted cash that allows us to undertake small system expansion and improvements without the use of debt financing.

The following table is an end of year summary of Net Position.

As of December 31, 2024	
Assets	
Current and other	\$ 23,672,718
Capital Assets	78,532,732
Total Assets	\$ 102,205,450
Liabilities	
Current	\$ 4,771,067
Long Term Debt	43,256,082
Total Liabilities	48,027,149
Net Position	
Net investment in capital assets	44,305,234
Restricted	4,710,159
Unrestricted	5,162,908
Total Net Position	54,178,301
Total Liabilities and Net Position	\$ 102,205,450

Outstanding Debt

The existing level of debt reflects our ever-increasing need to expand our water distribution and sewer collections systems to meet the demands of our increasing number of customers. We foresee that the existing level of debt will increase over the next few years.

The following table displays the Commission’s outstanding bonds at the end of the year.

Long Term Debt as of December 31, 2024

USDA	\$ 824,180
2014 Bonds	8,000,000
2018 Bonds	13,265,000

CENTERTON WATERWORKS & SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

2021 Bonds	3,730,000
2022 Bonds	12,160,000
2023 Bonds	6,785,000
Total	\$ 44,764,180

Changes in Net Position

Total operating revenue for 2024 increased 9.6% over 2023. The revenue increase reflects our growth in the number of customers and their increasing volumes of usage and an increase in water rates.

Total expenses are up 8.9% year over year. We believe that this increase was due to inflation and continued growth of our water and sewer systems.

The competitive market for personnel in Northwest Arkansas makes it difficult to attract competent personnel. We continue to experience an inadequate response to our hiring efforts, a common complaint from employers in Northwest Arkansas so we continue to review our compensation packages.

The increase in Capital Contribution reflects the completion of several large residential developments during the year.

The table on the following page summarizes changes in the Commission's net position:

For year ended December 31, 2024	
Operating Revenue	
Water Revenue, net of bad debt	\$ 7,035,814
Sewer Revenue	5,247,540
Capacity fees	1,714,984
Operating services and fees	1,038,914
Total Operating Revenue	15,037,252
Operating Expenses	
Water Purchased	3,791,594
Sewer Treatment purchased	1,675,118
Employee Compensation and Benefits	2,609,422
Office/administrative expenses	219,548
Depreciation	2,449,401
Professional Fees	171,069
Operating Expenses	652,593
Insurance	78,588
Utilities and Telephone	228,392
Total Expenses	11,875,725
Net Income from Operations	3,161,527
Other Income (Expenses)	
Interest Income	1,194,494

CENTERTON WATERWORKS & SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

Insurance Proceeds	12,227
Gain on capital assets	15,866
Interest Expense	(1,725,320)
Trustee Fees	(12,668)
Total Other Income(Expense)	(515,401)
Change In Net Position Before Capital Contributions	2,646,126
Transfers	(1,000,000)
Contributed Capital Improvements	4,590,039
Change in Net position	6,236,165
Net Position at Beginning of Year	47,942,136
Net Position at End of Year	\$ 54,178,301

Capital Assets

The primary changes in Capital Assets were the donations of water and sewer infrastructure in completed residential subdivisions and the completion of a major construction project.

A major construction project was in process at the end of the year and one was in the infancy stage.

The changes are summarized below:

Additions to Capital Assets in 2024	
Contributed property	4,590,039
Distribution and collection system	900,624
Buildings	6,451
Machinery and equipment	114,360
Total Net additions	\$ 5,611,474
Construction in process	
Northwest Sewer Project	80,480
Southern Water Tower	11,629,224
Total Construction in process	\$ 11,709,704

The Commission remains committed to its goal of providing safe drinking water and sanitary wastewater treatment for the citizens of Centerton and the citizens within our Water Service Area. As such we annually review and adopt a long-range plan for capital needs. Capital needs identified are categorized as: capacity improvements, efficiency improvements, and growth accommodation. Capital needs are also prioritized as to when it is anticipated they will be required.

FINANCIAL STATEMENTS

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,592	\$ 21,832
Restricted cash and cash equivalents	119,053	306,447
Certificates of deposit	55,581	55,581
Investments	4,910,000	4,170,460
Restricted investments	16,652,461	23,088,342
Accounts receivable, net of allowance for doubtful accounts	1,099,878	926,544
Inventory	545,875	349,650
Prepaid expenses	282,278	303,628
Total Current Assets	23,672,718	29,222,484
Capital Assets, Net	78,532,732	68,047,117
Total Assets	\$ 102,205,450	\$ 97,269,601
Liabilities		
Current Liabilities		
Outstanding checks in excess of bank balance	\$ -	\$ 198,037
Accounts payable	1,654,066	1,363,556
Accrued payroll and related liabilities	57,679	44,138
Sales tax payable	26,552	22,747
Accrued interest	239,253	217,957
Customer deposits	1,223,640	1,140,233
Current portion of lease liability	58,946	55,967
Current portion of long-term debt	1,510,931	1,459,854
Total Current Liabilities	4,771,067	4,502,489
Long-Term Liabilities		
Lease liability	30,130	88,869
Bonds and notes payable, net unamortized premium and discounts	43,225,952	44,736,107
Total Long-Term Liabilities	43,256,082	44,824,976
Total Liabilities	48,027,149	49,327,465
Net Position		
Net investment in capital assets	44,305,234	39,751,729
Restricted	4,710,159	3,991,190
Unrestricted	5,162,908	4,199,217
Total Net Position	54,178,301	47,942,136
Total Liabilities and Net Position	\$ 102,205,450	\$ 97,269,601

See accompanying notes to financial statements.

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Operating Revenue		
Water sales, net of bad debts	\$ 7,035,814	\$ 6,267,804
Sewer revenue, net of bad debts	5,247,540	4,877,469
Capacity fees	1,714,984	2,010,518
Operating services and fees	1,038,914	565,556
Total Operating Revenue	15,037,252	13,721,347
Operating Expenses		
Bank charges	35,711	30,485
Bill processing	68,442	65,060
Bore expenses	30,480	24,378
Depreciation and amortization	2,449,401	2,309,666
Employee benefits	415,405	384,408
Equipment rental	31,228	20,434
Fuel expense	48,781	45,669
Insurance	78,588	79,296
Licenses, dues, and fees	5,740	8,187
Office supplies	23,203	17,549
Payroll taxes	153,557	138,447
Postage and printing	3,716	2,797
Miscellaneous	132	94
Other operating expenses	114,555	240,251
Professional fees	171,069	260,888
Repairs and maintenance	128,322	109,775
Salaries and wages	2,002,231	1,795,019
Sewer treatment services	1,675,118	1,671,278
Software	82,604	78,026
Uniforms	38,229	35,426
Utilities	228,392	219,963
Vehicle expenses	29,686	34,084
Water meters	269,541	290,190
Water purchased	3,791,594	3,052,055
Total Operating Expenses	11,875,725	10,913,425
Net Income From Operations	3,161,527	2,807,922

See accompanying notes to financial statements.

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Other Income (Expenses)		
Interest income	\$ 1,194,494	\$ 1,031,739
Insurance proceeds	12,227	234,348
ARDOT reimbursement	-	10,487
Other revenues	-	24,109
Gain on disposition of capital assets	15,866	-
Loss on inventory disposal	-	(21,080)
Interest expense	(1,725,320)	(1,410,730)
Bond issuance costs	-	(145,080)
Trustee fees	(12,668)	(12,961)
Total Other Expenses	(515,401)	(289,168)
Change in Net Position Before Transfers and Capital Contributions	2,646,126	2,518,754
Transfers	(1,000,000)	-
Contributed capital improvements	4,590,039	4,899,176
Change in Net Position	6,236,165	7,417,930
Net Position at Beginning of Year	47,942,136	40,524,206
Net Position at End of Year	\$ 54,178,301	\$ 47,942,136

See accompanying notes to financial statements.

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 14,951,130	\$ 13,828,130
Cash payments to suppliers for goods and services	(6,748,980)	(6,629,360)
Cash payments to employees for services	(1,988,690)	(1,787,682)
Other cash receipts	-	24,109
Net Cash Provided By Operating Activities	6,213,460	5,435,197
Cash Flows From Non-Capital and Related Financing Activities		
Transfer to County returning ARPA funds	(1,000,000)	-
Insurance recoveries	12,227	-
Net Cash Used In Non-Capital and Related Financing Activities	(987,773)	-
Cash Flows From Capital and Related Financing Activities		
Cash paid for property, plant, and equipment	(9,163,520)	(4,265,651)
Cash received for sale of vehicle	10,920	-
Insurance proceeds for capital projects / replacements	65,975	234,348
Arkansas Department of Transportation capital project reimbursements	-	10,487
Net bond proceeds	-	7,000,000
Bond cost of issuance fees	-	(145,080)
Trustee fees	(12,668)	(12,961)
Lease payments	(55,760)	(31,112)
Repayment of debt	(1,459,866)	(1,218,833)
Interest paid on debt	(1,703,237)	(1,418,074)
Net Cash Provided (Used) By Capital and Related Financing Activities	(12,318,156)	153,124
Cash Flows From Investing Activities		
Investment redemption (purchases), net	5,696,341	(6,547,182)
Redemption of certificates of deposit	-	149,359
Net reinvestment of certificate of deposit earnings	-	(276)
Interest income	1,194,494	1,031,739
Net Cash Provided (Used) By Investing Activities	6,890,835	(5,366,360)
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	(201,634)	221,961
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	328,279	106,318
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 126,645	\$ 328,279
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 7,592	\$ 21,832
Restricted cash and cash equivalents	119,053	306,447
Total Cash, Cash Equivalents and Restricted Cash	\$ 126,645	\$ 328,279

See accompanying notes to financial statements.

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net Income from operations	\$ 3,161,527	\$ 2,807,922
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,449,401	2,309,666
Other income	-	24,109
(Increase) decrease in:		
Accounts receivable	(173,334)	(18,600)
Inventory	(196,225)	(78,755)
Prepaid expenses	21,350	12,350
Increase (decrease) in:		
Outstanding checks in excess of bank balance	(198,037)	198,037
Accounts payable	1,048,025	47,748
Accrued payroll and related liabilities	13,541	7,337
Sales tax payable	3,805	3,783
Customer deposits	83,407	121,600
Net Cash Provided By Operating Activities	\$ 6,213,460	\$ 5,435,197
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed assets acquired	\$ 12,996,044	\$ 9,839,848
Less: Noncash contributions of capital assets from developers	(4,590,039)	(4,899,176)
Current year construction payables	-	(757,515)
Plus: prior year construction payables	757,515	82,494
Net cash used to acquire capital assets	9,163,520	4,265,651
Right to use lease assets acquired in exchange for lease liabilities	\$ -	\$ 159,239

See accompanying notes to financial statements.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Nature of Business

The Centerton Waterworks and Sewer Commission (the Commission) is a proprietary type fund and is a component unit of the City of Centerton, Arkansas. The purpose of the Commission is to provide and maintain water and sewer services to the residents in the City of Centerton and surrounding areas. Activities of the fund include administration, operation and maintenance of the water and sewer systems, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers. The Commission currently services approximately 11,300 active metered water approximately 8,700 sewer customers.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Commission's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Commission accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Commission is considered to be a component unit of the City of Centerton, Arkansas (the City). These financial statements reflect only the Waterworks and Sewer Commission Fund of the City and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Commission. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Tax Status

The Commission is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Commission considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are presented at fair value. Investments, consist primarily of U.S. Government mutual and money market funds some of which are designated for construction, to service semi-annual bond payments and fund debt service, depreciation reserve funds, and other required reserves.

Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Commission does not charge interest on overdue accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated collectible amounts. The Commission considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, and current economic trends. Balances that remain outstanding after the Commission has used reasonable collection efforts are written off. The allowance for doubtful accounts was \$93,242 and \$36,653 at December 31, 2024 and 2023, respectively.

Inventory

Inventories consist of water meters, pipes, valves, miscellaneous parts, and accessories and are stated at the lower of cost or market using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year in which services are consumed.

Capital Outlays and Depreciation

Capital assets are stated at cost. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Buildings	7 - 50 years
Contributed property	30 - 50 years
Distribution and collection system	7 - 50 years
Machinery and equipment	5 - 15 years
Office furniture and fixtures	5 - 15 years

It is the Commission's policy to capitalize all asset purchases equal to or greater than \$2,500. It is the Commission's policy to expense all asset purchases under \$2,500.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Right-to-Use Lease Assets / Lease Liabilities

Leases

The Commission determines if an arrangement contains a lease at the inception of a contract. Right-to-use assets represent the Commission's right to use an underlying asset for the lease term and lease liabilities represent the Commission's obligation to make lease payments arising from the lease during the lease term. Right-to-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The Commission uses its incremental borrowing rate to discount the lease payments. Lease liabilities are reduced by the principal portion as the payments are made. Right-to-use lease assets are amortized straight-line over the lease term with estimated useful lives as follows:

Construction equipment	3 years
Office equipment	5 years

Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in payments based on changes in index rates or usage, are not included in the right-to-use assets or lease liabilities. These are expensed as incurred.

Leases with a term or twelve months or less are not reflected on the Statement of Net Position. Rental payments are recognized on a straight-line basis over the lease term.

The Commission monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

SBITAS

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Commission does not have any SBITA's in excess of one year.

Compensated Absences

Employees earn vacation, sick and personal pay in varying amounts based upon length of service with the Commission and other criteria. Employees can carryforward a maximum of 60 unused sick days from year to year. No unused vacation or personal days can carryforward to the following year. Upon termination from the Commission, employees are paid their accumulated unused vacation. No unused sick or personal days are paid upon termination. No accrual for compensated absences is necessary at December 31, 2024 and 2023.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Customer Meter Deposits

Customers are required to make separate water meter and, if applicable, sewer deposits before being connected to the water/sewer systems. If requested by the customer, these deposits are refundable to the customer after two years of timely payments. Otherwise, the Commission uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

The Commission also requires a deposit from contractors while they are working in the Commission's service area. The deposits are refundable after the contractor's work is complete.

Net Position

Net position of the Commission are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Commission does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Commission personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The Commission's restricted net position are primarily those resources necessary to comply with various covenants of bond financing agreements.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission consist of water sales, sewage fees, and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective during the Commission's fiscal year.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement and guidance under a unified model and by amending certain previously required disclosures.

These pronouncements did not have any impact on the Commission's financial statements.

2. Deposits and Investments

The Commission does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits and Investments (continued)

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be recovered. At December 31, 2024 and 2023, all of the Commission's deposits were insured and/or collateralized. The bank balances and carrying amount of the Commission's deposits held were as follows:

As of December 31,	As of December 31, 2024		As of December 31, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 149,148	\$ 125,745	\$ 147,003	\$ 318,905
Pledged with securities	-	-	-	8,474
Cash on hand	-	900	-	900
Total cash and cash equivalents	\$ 149,148	\$ 126,645	\$ 147,003	\$ 328,279

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2024	2023
Cash and cash equivalents	\$ 7,592	\$ 21,832
Restricted checking and savings accounts	119,053	306,447
Total	\$ 126,645	\$ 328,279

Investments

Investments consist of accounts established for construction, debt service and to administer the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost.

The investments of the Commission consist of the following:

As of December 31, 2023	Market	Weighted Avg. Maturity	Credit Rating
Government Mutual Fund	\$ 12,026,860	\$ 40 days	AAA
Government Mutual Fund	365,601	34 days	AAA
Government Mutual Fund	9,170,000	47 days	AAA
Certificates of deposit	55,581	201 days	N/A
Total	\$ 21,618,042		

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits with Financial Institutions (continued)

As of December 31, 2023	Market	Weighted Avg. Maturity	Credit Rating
Government Mutual Fund	\$ 17,823,225	\$ 45 days	AAA
Government Mutual Fund	365,576	34 days	AAA
Government Mutual Fund	9,070,000	45 days	AAA
Certificates of deposit	55,582	202 days	N/A
Total	\$ 27,314,383		

Investments as reported in the following Statement of Net Position captions:

As Of December 31,	2024	2023
Certificate of deposit	\$ 55,581	\$ 55,581
Restricted certificates of deposit	-	-
Investments	4,910,000	4,170,460
Restricted investments	16,652,461	23,088,342
Total	\$ 21,618,042	\$ 27,314,383

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Commission minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

At December 31, 2024 and 2023, the Commission had \$21,562,461 and \$27,258,802 in government mutual and money market accounts that generally invest in U.S. Treasury and government securities which are investments permitted by Arkansas statutes. These investments are generally considered to be risk-free as they have the backing of the government.

The Commission also had \$55,582 invested in a certificate of deposit at December 31, 2024 and 2023, all of which was covered by FDIC insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Commission or by an agent of the Commission are in the Commission's name.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits with Financial Institutions (continued)

Fair Value Measurement

The Commission's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the Commission's investments that are measured at fair value on a recurring basis at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Government Mutual Funds	\$ 21,562,461	\$ -	\$ -	\$ 21,562,461
Certificates of deposit	55,581	-	-	55,581
Total	\$ 21,618,042	\$ -	\$ -	\$ 21,618,042

3. Restricted Assets

Restricted accounts consists of the following:

As Of December 31,	2024	2023
Checking accounts:		
Capacity fees	\$ 25,879	\$ 128,935
Refurbishment and replacement	11,300	105,011
Depreciation reserve	57,385	51,419
Meter deposits	13,640	10,233
Debt service reserve	10,849	10,849
Total Restricted Checking Accounts	119,053	306,447
Investments:		
Construction fund	10,598,462	16,845,869
Capacity fees	3,000,000	2,520,000
Meter deposits	1,210,000	1,130,000
American Rescue Plan Act funds	-	1,199,540
Refurbishment and replacement	1,290,000	850,000
Bond Funds	503,996	492,930
Debt service reserve	50,001	50,001
Cost of issuance	2	2
Total Restricted Investments	16,652,461	23,088,342
Total Restricted Cash and Investments	\$ 16,771,514	\$ 23,394,789

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

3. Restricted Assets (continued)

Meter Deposits - restricted for repayment of customer and/or contractor meter deposits.

Depreciation Fund / Refurbishment and Replacement - for repairs, maintenance, betterments and improvements of the Commission.

Debt Service Reserve - restricted for payment of principal and interest of the USDA Rural Development Bonds if funds are not available.

Construction Fund - bond proceeds restricted for sewer improvements (see Note 4).

Bond Funds - established to fund the semi-annual interests and annual principal payments of the 2014, 2018, 2021, 2022-A and 2022-B, and 2023 Series bonds.

Capacity Fees - restricted for projects increasing capacity of system (see Note 11).

American Rescue Plan Act funds - restricted for projects.

Cost of Issuance Fund - to pay expenses of issuing 2023 bonds.

4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions / Transfers	Retirements/ Transfers	December 31, 2024
Land	\$ 1,352,196	\$ -	\$ -	\$ 1,352,196
Buildings	1,878,728	6,451	-	1,885,179
Contributed property	36,719,699	4,590,039	-	41,309,738
Distribution and collection system	43,373,508	900,624	-	44,274,132
Machinery and equipment	1,683,481	272,837	158,477	1,797,841
Office furniture and fixtures	353,079	-	-	353,079
Right-to-use	176,811	-	-	176,811
Construction in process	4,483,611	7,226,093	-	11,709,704
Total Capital Assets	90,021,113	12,996,044	158,477	102,858,680
Less: Accumulated Depreciation				
Buildings	(303,978)	(43,683)	-	(347,661)
Contributed property	(6,224,158)	(880,387)	-	(7,104,545)
Distribution and collection system	(13,996,084)	(1,268,399)	-	(15,264,483)
Machinery and equipment	(1,154,500)	(187,498)	(97,448)	(1,244,550)
Office furniture and fixtures	(255,708)	(12,050)	-	(267,758)
Right-to-use equipment	(39,568)	(57,383)	-	(96,951)
Total Accumulated Depreciation	(21,973,996)	(2,449,400)	(97,448)	(24,325,948)
Capital Assets, Net	\$ 68,047,117	\$ 10,546,644	\$ 61,029	\$ 78,532,732

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

4. Capital Assets (continued)

As Of	January 1, 2023	Additions / Transfers	Retirements/ Transfers	December 31, 2023
Land	\$ 1,352,196	\$ -	\$ -	\$ 1,352,196
Buildings	1,878,728	-	-	1,878,728
Contributed property	31,820,523	4,899,176	-	36,719,699
Distribution and collection system	41,709,610	1,663,898	-	43,373,508
Machinery and equipment	1,494,892	188,589	-	1,683,481
Office furniture and fixtures	353,079	-	-	353,079
Right-to-use equipment	57,073	159,239	39,501	176,811
Construction in process	1,395,426	4,687,027	1,598,842	4,483,611
Total Capital Assets	80,061,527	11,597,929	1,638,343	90,021,113
Less: Accumulated Depreciation				
Buildings	(260,152)	(43,826)	-	(303,978)
Contributed property	(5,450,678)	(773,480)	-	(6,224,158)
Distribution and collection system	(12,727,114)	(1,268,970)	-	(13,996,084)
Machinery and equipment	(1,007,841)	(146,659)	-	(1,154,500)
Office furniture and fixtures	(217,280)	(38,428)	-	(255,708)
Right-to-use equipment	(40,766)	(38,303)	(39,501)	(39,568)
Total Accumulated Depreciation	(19,703,831)	(2,309,666)	(39,501)	(21,973,996)
Capital Assets, Net	\$ 60,357,696	\$ 9,288,263	\$ 1,598,842	\$ 68,047,117

Contributed property represents the value of the infrastructure constructed by developers in new subdivisions. Upon completion of the infrastructure, the developer provides documentation that the infrastructure has been completed in accordance with the approved plans and specifications of the project engineers and policies adopted by the Commission, as well as the cost of the infrastructure. The Commission then records the value of contributed property as provided by the developer. Contributed property received during the years ended December 31, 2024 and 2023 was \$4,590,039 and \$4,899,176, respectively.

Construction in progress is for the following:

Project	Balance at 12/31/24	Balance at 12/31/23	Total (Estimated) Cost	Estimated Completion
Southern Water Tower	\$ 11,629,224	\$ 4,403,131	18,900,000	Dec. 2025
Northwest Sewer Project	80,480	80,480	21,100,000	2029
Total	\$ 11,709,704	\$ 4,483,611	\$ 40,000,000	

The southern water tower project includes the construction of a new water tower with a new meter vault, a 24" transmission line to the new tower, pumps for the tower, and a 24" distribution line off the new tower to connect to an existing 12" line. The project is being funded with the Series 2022-A, 2022-B, and 2023 Water and Sewer Improvement Revenue Bonds.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

4. Capital Assets (continued)

The northwest sewer project is for a new lift station, interceptor and force main. The project is currently delayed as the Commission determined in its long range plan meeting that other projects should take priority. The Commission is waiting until more project details are finalized before commencing any formal funding application processes.

The Commission is awaiting approval from the Arkansas Department of Transportation (ARDOT) for plans to relocate existing utilities along a portion of Highway 102 that ARDOT has proposed to be widened. The Plan includes upsizing from a 8" line to a 12" line. The total estimated cost of the project is \$9 million of which the Commission is expected to pay \$3.2 million. No costs have been incurred as of yet for the project.

5. Lease Liabilities

The Commission leases construction equipment and office equipment under several non-cancellable leases. The construction equipment contracts are three year leases expiring in June 2026 and charge a fixed monthly rate. Additional amounts may be charged if usage exceeds certain limits. The office equipment lease is a five year lease expiring in February 2026. This lease charges a fixed monthly rate, plus additional variable amounts based on usage. The Commission incurred approximately \$4,132 and \$3,371 of variable expenses related to the lease during the years ended December 31, 2024 and 2023, respectively. The Commission also pays sales tax on equipment rental leases. This is expensed as equipment rental as the amounts are paid and totaled \$5,524 and \$20,434 for the years ended December 31, 2024 and 2023, respectively.

In addition, the Commission also leases construction equipment on a month to month basis. Equipment rental expense for the year ended December 31, 2024 totaled \$25,704.

Future payments on lease liabilities are as follows:

December 31,	Principal	Interest	Total
2025	\$ 58,946	\$ 3,625	62,571
2026	30,130	508	30,638
Total	\$ 89,076	\$ 4,133	\$ 93,209

6. Long-Term Debt

On November 16, 2023, the City issued Water and Sewer Improvement Revenue Bonds Series 2023 in the amounts of \$7,000,000. The Bonds were issued as additional funding for betterments and improvements to the water and sewer system (see Note 4).

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

Long-term debt of the Commission consisted of the following:

As of December 31,	2024	2023
USDA Rural Development Revenue Bonds - dated June 22, 2005 in the amount of \$1,161,000 to finance the acquisition of an adjoining water system. Payments are made monthly in the amount of \$5,039 including interest at 4.25%. The bonds mature in 2045 and are secured by revenues of the water and sewer system.	\$ 824,180	\$ 849,046
Water and Sewer Revenue Bonds - dated September 4, 2014, in the amount of \$9,995,000 to design and construct a wastewater transmission line to the City of Decatur, Arkansas' wastewater treatment plant and related improvements. Principal payments are made annually ranging from \$205,000 to \$545,000. Interest payments are made semi-annually at rates ranging from 2.00% to 4.00%. The bonds mature in 2045 and are secured by revenues of the water and sewer system.	8,000,000	8,245,000
Water and Sewer Revenue Improvement and Refunding Bonds - dated December 20, 2018, in the amount of \$15,985,000 to refund the Water and Sewer Refunding Revenue Bonds, Series 2012, and for improvements including a new water tower, new pumping station and completion of a sewer collection system for the southern portion of the City. Principal payments are made annually ranging from \$440,000 to \$915,000. Interest payments are made semi-annually at rates ranging from 3.00% to 4.00%. The bonds mature in 2044 and are secured by revenues of the water and sewer system.	13,265,000	13,745,000
Water and Sewer Revenue Refunding and Improvement Bonds - dated April 29, 2021, in the amount of \$4,265,000 to refund the Water and Sewer Revenue Improvement Bonds, Series 2019, and to construct a new sewer main line extension. Principal payments are made annually ranging from \$75,000 to \$225,000. Interest payments are made semi-annually at rates ranging from 1.00% to 2.25%. The bonds mature in 2044 and are secured by revenues of the water and sewer system.	3,730,000	3,885,000

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

As of December 31,	2024	2023
Water and Sewer Improvement Revenue Bonds, Series 2022-A - private placement bonds dated June 7, 2022 in the amount of \$9,470,000. The bonds were issued in conjunction with Series 2022B for the construction of a new water tower with a new transmission and distribution lines, and related equipment. Principal payments are made annually ranging from \$170,000 to \$630,000. Interest is paid semi-annually at 3.45%. The bonds mature in 2042 and are secured by revenues of the water and sewer system.	8,630,000	8,970,000
Water and Sewer Improvement Revenue Bonds, Series 2022-B - dated June 7, 2022 in the amount of \$3,530,000. Issued in conjunction with Series 2022-A (see above for purpose of bonds). Semi-annual interest only payments commence in December 2022 at rates ranging from 4.0% to 4.125%. Annual principal payments ranging from \$650,000 to \$765,000 commence after the retirement of the 2022-A Series bonds in 2043. The bonds mature in 2047 and are secured by revenues of the water and sewer system.	3,530,000	3,530,000
Water and Sewer Improvement Revenue Bonds, Series 2023 - dated November 16, 2023 in the amount of \$7,000,000 as additional funding for improvements to water and sewer system (see projects detailed in Series 2022-A bonds). Principal payments are made annually ranging from \$215,000 to \$510,000. Interest payments are made semi-annually at 4.34%. The bonds mature in 2043 and are secured by revenues of the water and sewer system.	6,785,000	7,000,000
Total	44,764,180	46,224,046
Less: Current maturities	1,510,931	1,459,854
Long-term debt	43,253,249	44,764,192
Plus: unamortized bond premium	120,929	127,078
Less: unamortized bond discount	(148,226)	(155,163)
Long-Term Debt	\$ 43,225,952	\$ 44,736,107

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Direct Placement		Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 1,485,000	\$ 1,602,122	\$ 25,931	\$ 34,537
2026	1,540,000	1,551,875	27,055	33,413
2027	1,600,000	1,501,450	28,228	32,240
2028	1,645,000	1,448,805	29,451	31,017
2029	1,700,000	1,394,120	30,728	29,740
2030-2034	9,435,000	6,049,933	174,805	127,535
2035-2039	11,255,000	4,219,858	219,111	83,229
2040-2044	11,855,000	1,964,444	267,179	35,161
2045-2046	3,425,000	206,187	21,692	3,503
Total	\$ 43,940,000	\$ 19,938,794	\$ 824,180	\$ 410,375

The bond trust indentures contain certain provisions in the event of loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the Commission on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; enforce any and all other rights and remedies by law.

7. Activity of Long-Term Liabilities

Activity of long-term liabilities consists of the following:

As Of	January 1, 2024	Additions	Retirements	December 31, 2024	Due Within One Year
USDA	\$ 849,046	\$ -	\$ 24,866	\$ 824,180	\$ 25,931
2014 Bonds	8,245,000	-	245,000	8,000,000	250,000
2018 Bonds	13,745,000	-	480,000	13,265,000	490,000
2021 Bonds	3,885,000	-	155,000	3,730,000	155,000
2022-A Bonds	8,970,000	-	340,000	8,630,000	355,000
2022-B Bonds	3,530,000	-	-	3,530,000	-
2023 Bonds	7,000,000	-	215,000	6,785,000	235,000
Lease liabilities	144,836	-	55,760	89,076	58,946
Total	\$ 46,368,882	\$ -	\$ 1,515,626	\$ 44,853,256	\$ 1,569,877

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

7. Activity of Long-Term Liabilities (continued)

As Of	January 1, 2023	Additions	Retirements	December 31, 2023	Due Within One Year
USDA	\$ 872,879	\$ -	\$ 23,833	\$ 849,046	\$ 24,854
2014 Bonds	8,485,000	-	240,000	8,245,000	245,000
2018 Bonds	14,215,000	-	470,000	13,745,000	480,000
2021 Bonds	4,040,000	-	155,000	3,885,000	155,000
2022-A Bonds	9,300,000	-	330,000	8,970,000	340,000
2022-B Bonds	3,530,000	-	-	3,530,000	-
2023 Bonds	-	7,000,000	-	7,000,000	215,000
Lease liabilities	16,709	159,239	31,112	144,836	55,967
Total	\$ 40,459,588	\$ 7,159,239	\$ 1,249,945	\$ 46,368,882	\$ 1,515,821

8. Bond Discount and Premium

The bond issue discounts incurred with the issuance of the 2022-B Water and Sewer Improvement Revenue Bonds, 2021 Series Water and Sewer Revenue Refunding and Improvement Bonds and the 2018 Water and Sewer Revenue Improvement and Refunding Bonds totaling \$97,757, \$11,752 and \$65,951, respectively, represent the additional interest (over and above any cash interest) over the term of the bonds. The original issue discounts are being amortized using the straight-line method over the lives of the bonds which range between 24 and 26 years. Amortization of the bond discounts totaled \$6,937 and \$6,936 for the years ended December 31, 2024 and 2023, respectively, and is included with interest expense on the Statement of Revenues, Expenses and Changes in Net Position. The unamortized portion is subtracted from long-term debt.

The reoffering premium incurred in connection with the 2014 Water Revenue Bonds totaled \$184,468 and is being amortized using the straight-line method over 30 years. Amortization of the bond premium was \$6,149 for both years ended December 31, 2024 and 2023, and is net with interest expense in the Statement of Revenues, Expenses and Changes in Net Position. The unamortized portion is added to long-term debt.

9. Bond Covenants

The Commission's bond ordinances contain a provision (the Rate Covenant) which requires the Commission to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund debt service requirements to which the system revenues are pledged. For the years ended December 31, 2023 and 2022, the Commission was in compliance with the rate covenant.

The bond ordinance also contains specific requirements for annual debt service and various covenants which require the Commission to maintain various restricted cash and investment accounts and to meet various other general requirements. The Commission was in compliance with all such significant financial covenants and restrictions for the years ended December 31, 2024 and 2023.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

10. Contract Revenue - City of Highfill

On January 14, 2020, the City entered into a twenty year agreement with the City of Highfill to provide disposal of the City of Highfill's wastewater. The Commission charges specified rates per gallons received. The City of Highfill may cancel the contract after the ninth year with a prepayment penalty. During the years ended December 31, 2024 and 2023, the Commission received \$250,773 and \$250,989 from the City of Highfill for wastewater disposal which is included in other operating services and fees on the Statement of Revenues, Expenses and Changes in Net Position.

11. Capacity Fee Revenue

The Commission charges developers a capacity fee based upon the meter size required for the new lot. Capacity fees are development impact fees to recoup expenditures for the planning, design, and construction of new public facilities or of capital improvements to the existing facility that expand its capacity. Amounts collected may only be used for the sewer main and water tower projects (see Note 4), including debt service expenditures. The Commission collected \$1,714,984 and \$2,010,518 in capacity fees during the years ended December 31, 2024 and 2023, respectively.

12. Insurance Recoveries / Gain on Asset Disposal

The Commission received insurance and FEMA proceeds totaling \$39,682 during the year ended December 31, 2024 for tornado storm damage on property and a vehicle. The Commission received an additional \$31,150 and \$7,371 of insurance proceeds for a vehicle wreck and damage to a hydrant, respectively. The Commission recognized a net gain on asset disposal totaling \$15,866 for the damaged vehicles which includes \$11,120 proceeds from the sale of a third non-damaged vehicle.

The Commission received insurance proceeds totaling \$234,348 during the year ended December 31, 2023 to replace a tower dome that had been damaged by an ice storm. The total cost of the project was \$498,832 which, minus the deductible, was covered by insurance.

13. Concentrations of Credit Risks

a. Revenues & Receivables

The Commission is engaged in operating water and sewer systems in Centerton, Arkansas and surrounding areas. Although the Commission has a diverse customer base, a portion of its customer's ability to honor their water bills is dependent upon the economy of the surrounding area.

b. Water Supply System

The Commission purchases its water from Benton/Washington Regional Public Water Authority. If the cost of the water were to increase or the possibility of the Commission to have to obtain water from another supplier was to occur, this may have an effect on the Commission's ability to continue in its current state.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

14. Wastewater Treatment

On August 19, 2013, the City signed a thirty year agreement with the City of Decatur, Arkansas. Under the contract, the City of Decatur agrees to accept and treat at its plant, sewage as delivered by the Commission. The Commission pays the City of Decatur a base rate per 1,000 gallons of flow. Per the contract, the Commission paid an additional treatment surcharge until the earlier of ten years from the commencement of delivery or aggregate surcharge payments totaled \$500,000 which was satisfied in 2023. During the years ended December 31, 2024 and 2023, the Commission paid \$1,675,118 and \$1,671,278, respectively, to the City of Decatur for wastewater treatment services.

The treatment plant at Decatur is currently under construction to expand capacity. Currently the Arkansas Department of Health has placed a hold on new residential developments until this construction is completed, and a new discharge permit is issued. The Commission will share the project cost through an increased monthly rate charged for services. Construction is expected to be completed by December 2025. Treatment services provided have not been impacted during construction. The Commission is also exploring other options for wastewater treatment that would provide additional capacity for long-term growth.

15. Retirement Plan

The Commission offers employees a deferred retirement savings plan created in accordance with the Internal Revenue Code Section 457. The Plan permits employees to defer 5% of their salary until future years. Participation is required after employees have completed one year of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Commission has no liability for losses under the plan.

Investments are managed by the plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The Commission has no management control over the assets of the plan. Thus the assets of the plan and the offsetting liability to employees are not recorded in the Commission's financial statements.

On behalf of each participant, the Commission may make a discretionary contribution to the Plan. During the years ended December 31, 2024 and 2023, the Commission matched 7.5% of each employee's compensation which totaled \$129,974 and \$116,758, respectively.

16. Transfers

Benton County transferred \$1,000,000 of American Rescue Plan Act funds to the Commission in 2022 for a new water line on Pumpkin Hollow Road. The Commission decided not to proceed with the project and transferred the funds back to the County during the year ended December 31, 2024.

CENTERTON WATERWORKS AND SEWER COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

17. Risk Management

The Commission is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries property and liability insurance as well as workers' compensation insurance to minimize the risk of loss.

There has been no significant reduction in the Commission's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Commission's coverage in any of the prior three fiscal years.

During the ordinary course of business, the Commission may be subject to claims and lawsuits. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that the disposition or resolution of such claims and lawsuits, if any, will not have a material effect on the financial position of the Commission.

18. Subsequent Events

The Commission has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through June 10, 2025, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Total
Operating Revenue			
Water sales, net of bad debts	\$ 7,035,814	\$ -	\$ 7,035,814
Sewer revenue, net of bad debts	-	5,247,540	5,247,540
Capacity fees	965,336	749,648	1,714,984
Operating services and fees	783,838	255,076	1,038,914
Total Operating Revenue	8,784,988	6,252,264	15,037,252
Operating Expenses			
Bank charges	35,711	-	35,711
Bill processing	39,696	28,746	68,442
Bore expenses	30,480	-	30,480
Depreciation	1,415,613	1,033,788	2,449,401
Employee benefits	240,052	175,353	415,405
Equipment lease expense	18,920	12,308	31,228
Fuel expense	28,588	20,193	48,781
Insurance	45,581	33,007	78,588
Licenses, dues, and fees	3,365	2,375	5,740
Office supplies	13,804	9,399	23,203
Payroll taxes	89,060	64,497	153,557
Postage and printing	2,159	1,557	3,716
Miscellaneous	132	-	132
Other operating expenses	24,875	89,680	114,555
Professional fees	79,315	91,754	171,069
Repairs and maintenance	19,093	109,229	128,322
Salaries and wages	1,160,223	842,008	2,002,231
Sewer treatment services	-	1,675,118	1,675,118
Software	53,055	29,549	82,604
Uniforms	21,435	16,794	38,229
Utilities and telephone	104,211	124,181	228,392
Vehicle expenses	20,124	9,562	29,686
Water meters	269,541	-	269,541
Water purchased	3,791,594	-	3,791,594
Total Operating Expenses	7,506,627	4,369,098	11,875,725
Net Income From Operations	1,278,361	1,883,166	3,161,527
Other Income (Expenses)			
Interest income	1,068,604	125,890	1,194,494
Reimbursement	12,227	-	12,227
Gain on disposition of capital assets	15,866	-	15,866
Interest expense	(1,072,619)	(652,701)	(1,725,320)
Trustee fees	(12,668)	-	(12,668)
Total Other Expenses	11,410	(526,811)	(515,401)
Change in Net Position	\$ 1,289,771	\$ 1,356,355	\$ 2,646,126

See independent auditor's report.

CENTERTON WATERWORKS AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Total
Operating Revenue			
Water sales, net of bad debts	\$ 6,267,804	\$ -	\$ 6,267,804
Sewer revenue, net of bad debts	-	4,877,469	4,877,469
Capacity fees	1,207,588	802,930	2,010,518
Operating services and fees	298,817	266,739	565,556
Total Operating Revenue	7,774,209	5,947,138	13,721,347
Operating Expenses			
Bank charges	30,485	-	30,485
Bill processing	37,735	27,325	65,060
Bore expenses	24,378	-	24,378
Depreciation	1,315,493	994,173	2,309,666
Employee benefits	223,888	160,520	384,408
Equipment lease expense	11,851	8,583	20,434
Fuel expense	26,991	18,678	45,669
Insurance	50,685	28,611	79,296
Licenses, dues, and fees	4,809	3,378	8,187
Office supplies	10,211	7,338	17,549
Payroll taxes	80,299	58,148	138,447
Postage and printing	1,756	1,041	2,797
Miscellaneous	5	89	94
Other operating expenses	133,514	106,737	240,251
Professional fees	94,462	166,426	260,888
Repairs and maintenance	1,932	107,843	109,775
Salaries and wages	1,040,023	754,996	1,795,019
Sewer treatment services	-	1,671,278	1,671,278
Software	58,110	19,916	78,026
Uniforms	20,165	15,261	35,426
Utilities and telephone	99,543	120,420	219,963
Vehicle expenses	26,076	8,008	34,084
Water meters	290,190	-	290,190
Water purchased	3,052,055	-	3,052,055
Total Operating Expenses	6,634,656	4,278,769	10,913,425
Net Income From Operations	1,139,553	1,668,369	2,807,922
Other Income (Expenses)			
Interest income	952,937	78,802	1,031,739
Reimbursement	234,348	-	234,348
ARDOT Reimbursement	-	10,487	10,487
Other revenues	24,109	-	24,109
Loss on inventory disposal	(21,080)	-	(21,080)
Interest expense	(778,875)	(631,855)	(1,410,730)
Bond issuance costs	(145,080)	-	(145,080)
Trustee fees	(12,961)	-	(12,961)
Total Other Expenses	253,398	(542,566)	(289,168)
Change in Net Position	\$ 1,392,951	\$ 1,125,803	\$ 2,518,754

See independent auditor's report.

OTHER INFORMATION

CENTERTON WATERWORKS AND SEWER COMMISSION

SCHEDULE OF CUSTOMER COUNTS, VOLUMES, AND RATES

FOR THE YEAR ENDED DECEMBER 31, 2024

Water customers	11,279
Sewer customers	8,744
Gallons purchased	1,184,897,000
Gallons billed	681,593,200

Water Rates

Inside City Residential	\$20.00 - \$1,066 base plus \$5.83 per thousand thereafter
Outside City Residential	\$25.00 - \$1,333 base plus \$6.13 per thousand thereafter
Double Residence	\$50.25 base plus \$6.13 per thousand thereafter
All commercial	\$34.50 - \$1,840 base plus \$4.63 per thousand gallons 1,000 - 99,999 \$4.43 per thousand gallons 100,000 - 499,999 \$4.33 per thousand gallons over 499,999

Sewer Rates

Inside City	\$16.76 - \$894 base plus \$7.99 per thousand gallons 1,000 - 299,999 \$8.57 per thousand gallons over 300,000
Outside City *	\$18.18 - \$970 base plus \$9.08 per thousand gallons 1,000 - 299,999 \$9.66 per thousand gallons over 300,000
Inside City (no water)	\$42.19 per month
Outside City (no water)	\$49.19 per month

* Sewer services outside the corporate limits of Centerton is handled on an individual basis and requires special approval before service is granted. Call the office for details.

Note - Base rates vary depending on the size meter required for the property

See independent auditor's report.

ADDITIONAL REPORT



**Independent Auditor’s Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the Commissioners
Centerton Waterworks and Sewer Commission
Centerton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements Centerton Waterworks and Sewer Commission, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the System’s financial statements, and have issued our report thereon dated June 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Centerton Waterworks and Sewer Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Centerton Waterworks and Sewer Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Centerton Waterworks and Sewer Commission’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Centerton Waterworks and Sewer Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
June 10, 2025