

**GILLHAM LAKE REGIONAL
PUBLIC WATER AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**



GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Gillham Lake Regional Public Water Authority
Wickes, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gillham Lake Regional Public Water Authority (the Authority) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 Gillham Lake Regional Public Water Authority as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in 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 Gillham Lake Regional Public Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gillham Lake Regional Public Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Gillham Lake Regional Public Water Authority'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about financing the Gillham Lake Regional Public Water Authority's ability to continue as a going concern for a reasonable period of time.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024 on our consideration of the Authority'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 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 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 Authority's internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 16, 2024**

FINANCIAL STATEMENTS

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 478,695	\$ 2,568,597
Restricted checking and savings accounts	231,063	232,929
Certificates of deposit	359,000	359,000
Accounts receivable	110,193	126,181
Interest receivable	1,308	757
Prepaid expenses	7,731	8,147
Total Current Assets	1,187,990	3,295,611
Noncurrent Assets - Capital Assets		
Land	10,542	10,542
Plant expansion project	1,283,170	1,283,170
Vehicles	149,285	79,433
Plant and equipment	6,021,606	5,968,075
Construction in progress	8,108,281	5,627,341
Total	15,572,884	12,968,561
Less: accumulated depreciation	4,921,884	4,768,680
Net Noncurrent Assets - Capital Assets	10,651,000	8,199,881
Total Assets	\$ 11,838,990	\$ 11,495,492
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 22,674	\$ 22,642
Taxes payable	4,273	4,254
Accrued interest	14,016	13,801
SEP payable	13,320	12,672
Current maturity of long-term debt	305,299	230,743
Current maturity of construction loan	64,923	63,802
Total Current Liabilities	424,505	347,914
Other Liabilities		
Construction loans (less, current maturity)	640,317	265,711
Total Other Liabilities	640,317	265,711
Long-Term Debt		
	5,305,882	5,675,088
Total Liabilities	6,370,704	6,288,713
Net Position		
Net investment in capital assets	4,335,092	1,987,738
Restricted	178,792	178,817
Unrestricted	954,402	3,040,224
Total Net Position	5,468,286	5,206,779
Total Liabilities and Net Position	\$ 11,838,990	\$ 11,495,492

See accompanying notes.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Operating Revenue		
Metered water sales	\$ 1,269,131	\$ 1,174,951
Other Income	2,797	5,026
Total Operating Revenue	1,271,928	1,179,977
Operating Expenses		
Chemicals	82,179	84,008
Depreciation	174,937	168,447
Electricity	185,854	219,217
Employee benefits	31,035	26,534
Insurance	44,997	35,700
Lab Test Fees	520	624
Legal and accounting	21,012	32,800
Miscellaneous	3,970	57
Office expense	1,739	2,259
Operating supplies	2,649	-
Payroll taxes	12,890	12,608
Permits and licenses	2,264	2,150
Repairs and maintenance	51,502	43,788
Salaries and wages	173,611	163,830
Telephone	4,935	4,409
Vehicle expense	15,055	17,676
Water purchases	12,091	10,427
Total Operating Expenses	821,240	824,534
Net Income From Operations	450,688	355,443
Other Income (Expenses)		
Insurance claims	-	734,544
Interest income	12,286	7,337
Interest expense	(201,467)	(161,597)
Total Net Other Income (Expenses)	(189,181)	580,284
Change in Net Assets	261,507	935,727
Net Assets at Beginning of Year	5,206,779	4,271,052
Net Assets at End of Year	\$ 5,468,286	\$ 5,206,779

See accompanying notes.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,287,916	\$ 1,116,600
Cash payments to suppliers for goods and services	(471,577)	(489,423)
Cash payments to employees for services	(173,611)	(163,830)
Net Cash Provided By Operating Activities	642,728	463,347
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(2,626,056)	(2,615,193)
Loan proceeds	439,528	3,239,770
Forgivable loan proceeds	-	-
Interest paid on long-term debt	(201,252)	(156,597)
Principal paid on long-term debt	(358,451)	(132,703)
Insurance proceeds	-	734,544
Net Cash Provided (Used) By Capital and Related Financing Activities	(2,746,231)	1,069,821
Cash Flows From Investing Activities		
Interest income	11,735	6,993
Net Cash Provided By Investing Activities	11,735	6,993
Net Increase (Decrease) In Cash and Cash Equivalents	(2,091,768)	1,540,161
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	2,801,526	1,261,365
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 709,758	\$ 2,801,526
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 478,695	\$ 2,568,597
Restricted checking and savings accounts	231,063	232,929
Total Cash, Cash Equivalents and Restricted Cash	\$ 709,758	\$ 2,801,526
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 450,688	\$ 355,443
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	174,937	168,447
Net change in assets and liabilities:		
Accounts receivable	15,988	(63,377)
Interest receivable		
Prepaid expense	416	(1,075)
Accounts payable	32	5,121
Taxes payable	19	(1,016)
SEP payable	648	(196)
Net Cash Provided By Operating Activities	\$ 642,728	\$ 463,347

See accompanying notes.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Operations

The Gillham Lake Regional Public Water Authority (formerly Gillham Lake Regional Water Association) (the Authority) was incorporated in Arkansas on June 17, 1980 under the provisions of Title 64, Chapter 19, Arkansas Statutes, Act 176 of the 1963 General Assembly. On October 3, 2017 the members adopted a resolution to convert to a water authority under and pursuant to Arkansas Code of 1987 Annotated Title 4, Chapter 35 (the Water Authority Act). On July 1, 2018, the Gillham Lake Regional Water Association transferred all of its assets and liabilities, both tangible and intangible, to the Gillham Lake Regional Public Water Authority. The purpose of the Authority is for the acquisition and utilization of water and water storage facilities; treatment of said water and the sale and delivery of water to any state, county, or municipality desiring same, and specifically the Arkansas towns of Hatfield, Cove, Grannis, Wickes, and Vandervoort.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Authority'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 Authority 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.

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 Authority. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Taxes

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

Accounts receivables

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

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 which services are consumed.

Compensated Absences

The vacation policy of the Authority is as follows - one week of vacation after one year of employment, two weeks of vacation after three years of employment, and three weeks of vacation after five years of employment. The Association accrues the obligation for future absences. At December 31, 2023 and 2022, all vacation time had been utilized, therefore no accrual has been made.

Capital Assets and Depreciation

Capital outlays of the Authority are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	Years
Plant expansion project	40
Vehicles	7-40
Plant and equipment	3-5

It is the Authority's policy to capitalize asset purchases greater than \$250 and expense asset purchases less than \$250.

The Authority's depreciation expense for the years ended December 31, 2023 and 2022, was \$174,937 and \$168,447 respectively.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position of the Authority 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 invested 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 invested in capital assets".

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of water sales and fees for miscellaneous services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following accounting pronouncements which became effective for the Waterworks' fiscal year ended December 31, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

Implementation of these new standards did not have any impact on the Authority's financial statements.

2. Deposits with Financial Institutions

Custodial credit risk is the risk that in the event of a bank failure, a Authority's deposits may not be recovered. The Authority follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

The Organization maintains its operating bank accounts in several local financial institutions. The Federal

Deposit Insurance Corporation ("FDIC") insures accounts at these institutions. The Organization's cash balances at December 31, 2023 and 2022 were fully insured or collateralized by the financial institution's pledged securities.

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000	\$ 750,000	\$ 750,000
Collateralized - held by pledging bank or pledging bank's trust department in the Authority's name	541,375	530,341	2,396,510	2,392,549
Total	\$ 1,041,375	\$ 1,030,341	\$ 3,146,510	\$ 3,142,549

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Restricted Cash

The Rural Development loan incurred in 1995 required a reserve account to be established in which a balance of \$5,328 is to be maintained. The balances at December 31, 2023 and 2022 were \$5,983 and \$5,977, respectively.

The Rural Development loan incurred in 1998 required a reserve account to be established in which a balance of \$47,364 is maintained. The balances at December 31, 2023 and 2022 were \$47,995 and \$47,947 respectively.

The Rural Development loan incurred in 2002 required a reserve account to be established in which a balance of \$139,056 is maintained. The balances at December 31, 2023 and 2022 were \$138,363 and \$138,224 respectively.

Depreciation reserve savings account. The balances at December 31, 2023 and 2022 were \$468 and \$470 respectively.

Construction account. This account was established to deposit loan and forgivable loan proceeds from the Arkansas Development Finance Authority and pay expenditures related to the water treatment plant rehabilitation & expansion project. The balances at December 31, 2023 and 2022 were \$513 and \$23,010 respectively.

Debt service escrow account maintained by Arkansas Development Finance Authority. The balance at December 31, 2023 and 2022 was \$37,742 and \$17,301.

4. Long-Term Debt

Long-term debt of the Authority consists of:

As of December 31,	2023	2022
Arkansas Development Finance Authority - 2020A Series Water Revenue Bond, in the original amount of \$2,400,000. Payments are made semi-annually in the amount of \$71,371 including interest of 0.75% and a service of 1.00%. Final maturity of the bond is October 15, 2042. The bond is secured by revenues of the Authority.	\$ 2,298,817	\$ 2,400,000
Arkansas Development Finance Authority - 2020C Series Water Revenue Bond, in the original amount of \$1,513,346. Payments are made semi-annually in the amount of \$45,004 including interest of 0.75% and a service of 1.00%. Final maturity of the bond is October 15, 2042. The bond is secured by revenues of the Authority.	705,240	329,513

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

4. Long-Term Debt (continued)

First State Bank, issued August 22, 2022, in the original amount of \$1,000,000. Payments are made monthly in the amount of \$10,365.67 and include interest of 4.50%. Final maturity of the note is August 22, 2032. The note is secured by property.	891,214	973,581
Rural Development, issued April 10, 1995, in the original amount of \$98,500. Payments are made monthly in the amount of \$444 and include interest of 4.50%. Final maturity of the note is April 10, 2035. The note is secured by property and equipment.	42,176	45,524
Rural Development, issued May 18, 1998, in the original amount of \$869,300. Payments are made monthly in the amount of \$3,947 and include interest of 4.50%. Final maturity of the note is May 18, 2038. The note is secured by property and equipment.	488,583	513,354
Rural Development, issued October 9, 2002, in the original amount of \$2,524,520. Payments are made monthly in the amount of \$11,588 and include interest of 4.50%. Final maturity of the note is October, 9, 2042. The note is secured by property and equipment.	1,725,099	1,785,058
Arkansas Natural Resources Commission, issued June 27, 1980, in the original amount of \$175,000. Payments are made annually in the amount of \$10,199 and include interest of 5.00%. Final maturity of the note is June 27, 2030. The note is secured by property and equipment.	59,014	65,916
Arkansas Natural Resources Commission, issued July 18, 1980, in the original amount of \$210,000. Payments are made annually in the amount of \$12,238 and include interest of 5.00%. Final maturity of the note is July 18, 2030. The note is secured by property and equipment.	70,816	79,100
Arkansas Natural Resources Commission, issued November 11, 1997, in the original amount of \$124,630. Payments are made annually in the amount of \$10,001 and include interest of 5.00%. Final maturity of the note is December 1, 2027. The note is secured by property and equipment.	35,462	43,298
Total debt	6,316,421	6,235,344
Less current maturity	370,222	294,545
Long-term debt	\$ 5,946,199	\$ 5,940,799

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

4. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2024	\$ 370,222	\$ 211,101	\$ 581,323
2025	382,569	198,756	581,325
2026	395,399	185,924	581,323
2027	408,743	172,581	581,324
2028	412,615	158,708	571,323
2029-2033	2,043,056	579,178	2,622,234
2034-2038	1,342,129	303,680	1,645,809
2039-2043	961,688	217,377	1,179,065
Total	\$ 6,316,421	\$ 2,027,305	\$ 8,343,726

Activity of the long-term debt consists of the following:

As of	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023
First State Bank	\$ 973,582	\$ -	\$ 82,366	\$ 891,216
Rural Development	2,343,936	-	88,078	2,255,858
ANRC	188,313	-	23,022	165,291
ADFA	2,729,513	439,528	164,985	3,004,056
Total	\$ 6,235,344	\$ 439,528	\$ 358,451	\$ 6,316,421

As of	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022
First State Bank	\$ -	\$ 1,000,150	\$ 26,568	\$ 973,582
Rural Development	2,428,145	-	84,209	2,343,936
ANRC	210,239	-	21,926	188,313
ADFA	489,893	2,239,620	-	2,729,513
Total	\$ 3,128,277	\$ 3,239,770	\$ 132,703	\$ 6,235,344

The construction loans shown as other liabilities on the statement of net position consist of draws-to-date on the 2020C bonds. The balance of the 2020C bonds at December 31, 2023 and 2022 was \$705,239 and \$329,513 and has a remaining balance to be drawn on of \$818,107.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Capital Assets

Activity of property, plant and equipment consists of the following:

As of	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023
Land	\$ 10,542	\$ -	\$ -	\$ 10,542
Plant expansion project	1,283,170	-	-	1,283,170
Vehicles	79,433	91,585	21,733	149,285
Plant and equipment	5,968,075	53,531	-	6,021,606
Construction in progress	5,627,341	2,480,940	-	8,108,281
Total	\$ 12,968,561	\$ 2,626,056	\$ 21,733	\$ 15,572,884

As of	January 1, 2022	Additions & Contributions	Retirements	December 31, 2022
Land	\$ 10,542	\$ -	\$ -	\$ 10,542
Plant expansion project	1,283,170	-	-	1,283,170
Vehicles	79,433	-	-	79,433
Plant and equipment	5,961,424	6,651	-	5,968,075
Construction in progress	3,018,799	2,608,542	-	5,627,341
Total	\$ 7,334,569	\$ 2,615,193	\$ -	\$ 7,341,220

Construction in process consists of expenditures-to-date relating the water treatment plant rehabilitation and expansion project and a water tank replacement. The estimated cost of the plant rehabilitation and expansion project is \$6.2 million and the estimated cost of the water tank replacement is \$2.088 million. The estimated completion date is toward the end of 2024.

6. Concentrations of Credit Risk and Commitments

Financial instruments that potentially subject the Authority to credit risk consist primarily of accounts receivable. The receivables are from the cities/towns of Cove, Hatfield, Wickes, Grannis, Vandervoort and Gillham.

The Authority receives a substantial portion of its revenue from Tyson Foods, Inc. A significant reduction or a total discontinuance of this revenue, if this were to occur, may have a significant negative effect on the Authority's ability to continue in its current state.

The Authority has entered into contracts with the cities/towns of Cove, Hatfield, Wickes, Grannis, Vandervoort and Gillham for the sale of water through an Interlocal Agreement dated March 13, 1980, and has entered into a water purchase contract with the Tri-Lakes Regional Water Association for the purchase of water up to one-half million gallons per day to supply the above cities/towns. The agreement with the Tri-Lakes Regional Water Association is for a period of fifty years.

GILLHAM LAKE REGIONAL PUBLIC WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. Joint Venture

In July of 1980, the Authority entered into a sponsorship agreement with the County of Polk in order to obtain funding for a joint venture between the County of Polk and the Gillham Lake Regional Public Water Authority, to construct a water system consisting of an intake structure, treatment plant, pump stations and water mains. Through the County's sponsorship, funding was obtained from the Arkansas Natural Resources Commission, a grant from the USDA, and a grant from the Ozarks Regional Commission.

8. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through October 16, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REQUIRED 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 Board of Directors
Gillham Lake Regional Public Water Authority
Wickes, 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 of the Gillham Lake Regional Public Water Authority (the Authority), as of and for the year then ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated October 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gillham Lake Regional Public Water Authority's internal control over financial reporting (internal control) as a basis for designing the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gillham Lake Regional Public Water Authority's financial statements are free from 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

The 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 an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 16, 2024