

***NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS***

***ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022***

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WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditors' Report

April 26, 2024

Board of Directors
Nashville Rural Water Public Authority of the State of Arkansas
Nashville, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Nashville Rural Water Public Authority of the State of Arkansas (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 respective financial position of the business-type activities of Nashville Rural Water Public Authority of the State of Arkansas as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 sections of our report. We are required to be independent of the Authority 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 opinions. 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 one for 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 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the 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

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 basic 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the Schedule of Miscellaneous Information Required by Mortgage Notes Payable but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 April 26, 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 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 Authority'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 Nashville Rural Water Public Authority of the State of Arkansas' internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Nashville Rural Water Public Authority of the State of Arkansas (the Authority) financial performance provides an overview of the Authority's financial activities for the years ended December 31, 2023 and 2022. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- On November 5, 2012, the Authority was created by the State of Arkansas. On November 5, 2012, all assets and liabilities of Nashville Rural Water Association, Inc. were converted to the Authority.
- The Authority maintained an Unrestricted Net Position balance of \$1,440,904 and \$1,401,218 at December 31, 2023 and 2022, respectively. Unrestricted Net Position represents the net balance accumulated by the Authority above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).
- The total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$3,040,351 at December 31, 2023, and \$3,074,835 at December 31, 2022.
- The Authority had \$6,029,135 and \$6,332,121 of bonded debt and note payables outstanding at December 31, 2023 and 2022, respectively.
- The most significant continuing revenue sources for the Authority consisted of \$2,326,579 of water sales for the year December 31, 2023. The water sales were \$2,337,726 at December 31, 2022.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide long-term and short-term information about the Authority's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position is an indicator of whether the Authority's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current period's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of operations over the period and can be used to determine whether operations have successfully recovered all Authority costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditors' report that the financial statements are fairly stated.

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis as a Whole

Net position increased by \$77,711 in 2023, and decreased by (\$1,964) in 2022, as a result of the period's operations. The balance in net position represents the accumulated results of all past period's operations and capital contributions from the conversion.

Statement of Net Position

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the Authority.

**Nashville Rural Water Public Authority of the State of Arkansas
Statement of Net Position**

Assets:	2023	2022
Current assets (unrestricted)	\$ 1,635,712	\$ 1,594,814
Restricted assets	885,268	814,395
Capital assets	9,069,486	9,406,956
Total Assets	<u>11,590,466</u>	<u>11,816,165</u>
 Liabilities:		
Current liabilities (payable from current assets)	421,639	403,912
Current liabilities (payable from restricted assets)	200,700	202,336
Long-term liabilities	5,724,253	6,033,510
Total Liabilities	<u>6,346,592</u>	<u>6,639,758</u>
 Deferred Inflows of Resources:		
Deferred inflow related to lease receivable	<u>78,051</u>	<u>88,295</u>
 Net Position:		
Net investment in capital assets	3,040,351	3,074,835
Restricted	684,568	612,059
Unrestricted	1,440,904	1,401,218
Total Net Position	<u>\$ 5,165,823</u>	<u>\$ 5,088,112</u>

In 2023, the largest category of net position is Net Investment in Capital Assets and comprises 59% of net position. This category totaling \$3,040,351 reflects the total invested in capital assets (land, buildings, equipment, water and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resource available for future spending. For 2022, the largest category of net position is Net Investment in Capital Assets, and comprised 60% of net position. The Authority's investment in its capital assets of \$3,074,835 is reported net of related debt. Related long-term liabilities outstanding at December 31, 2023 and 2022, totaled \$5,724,253 and \$6,033,510, respectively. The current portion of the long-term debt of \$304,882 and \$298,611 for the years ended December 31, 2023 and 2022, respectively, is reflected in current liabilities. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position totaled \$684,568 for the current year. For 2022, this category totaled \$612,059. Net position is restricted for customer meter deposits and debt reserve required by USDA and Regions and short lived asset reserves required by USDA.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position totaled \$1,440,904 and \$1,401,218 at December 31, 2023 and 2022, respectively.

At the end of the current period, the Authority was able to report positive balances in all three categories of net position and for the Authority as a whole.

Changes in Net Position

While the Statement of Net Position shows the financial position, the Statement of Revenues, Expenses and Changes in Net Position shows the changes in net position. As can be seen in the table below, the Authority had an increase in net position \$77,711 for 2023, and a decrease in net position of (\$1,964) for 2022. A summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in the table below.

**Nashville Rural Water Public Authority of the State of Arkansas
Statement of Revenues, Expenses and Changes in Net Position**

	2023	2022
Operating Revenues:		
Service charges and fees	\$ 2,537,412	\$ 2,525,285
Total Operating Revenues	<u>2,537,412</u>	<u>2,525,285</u>
Operating Expenses:		
Operating expenses	1,916,486	1,897,224
Total Operating Expenses	<u>1,916,486</u>	<u>1,897,224</u>
Operating income (loss) before depreciation	<u>620,926</u>	<u>628,061</u>
Depreciation expense	(470,183)	(468,515)
Nonoperating Revenues (Expenses):		
Nonoperating revenues	75,585	11,657
Nonoperating expenses	<u>(148,617)</u>	<u>(173,167)</u>
Total nonoperating revenues (expenses)	<u>(73,032)</u>	<u>(161,510)</u>
Increase (Decrease) in Net Position	77,711	(1,964)
Net Position - Beginning of Year	<u>5,088,112</u>	<u>5,090,076</u>
Net Position - End of Year	<u><u>\$ 5,165,823</u></u>	<u><u>\$ 5,088,112</u></u>

Operating revenues and expenditures were comparable to the prior year. Nonoperating revenues increased due to the gain on sale of a trackhoe and truck in the amount of \$30,763.

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Budgetary Analysis

The Authority adopted an operating budget for 2023, which included \$2,723,340 in revenues and \$2,682,744 for expenses. The Authority's actual total revenues were less than the total amount budgeted by \$185,928. The Authority did not exceed the budget for operating expenditures. The total amount budgeted was \$2,682,744 and total operating and nonoperating expenses for the year were \$2,535,286. There were no budget amendments in fiscal year 2023.

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2023 and 2022, was \$9,069,486 and \$9,406,956, respectively. In 2023, the Authority spent \$29,030 on improvements made to the water system, \$69,249 on a trackhoe, and \$40,549 on a truck. The Authority sold a trackhoe and truck resulting in a gain on disposal of \$30,763. Depreciation expense during the year ended December 31, 2023, amounted to \$474,558. More detailed information about capital assets is presented in Note H to the financial statements.

Long-Term Debt

At year-end, the Authority had \$6,029,135 for 2023 and \$6,332,121 for 2022 of long-term bonds and notes outstanding. More detailed information about long-term liabilities is presented in Note I to the financial statements.

Economic Factors and Next Year's Projections

The Authority serves over 3,000 connections serving about 11,000 people. This includes approximately 230 poultry producers, 1 pork producer, 1 sheetrock plant, 1 feed mill, and a 20 bed hospital with emergency care unit and 4 clinic buildings. The System has converted from touch-read meters to radio-read meters. This project was completed during the summer of 2022. The system covers over 800 miles of water lines. Currently, the Authority does not have plans to expand the system. The System strives to abide by their mission statement: "To the best of our ability we shall conduct all operations under our control in such a manner as will provide adequate water service, and preserve public health for our residential and agricultural members."

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions regarding this report or need additional information, contact the Authority at P.O. Box 563, Nashville, Arkansas 71852. The phone number for the Authority is (870) 845-5442.

***NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS***

BASIC FINANCIAL STATEMENTS

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
Current Assets:		
Cash on hand and in bank	\$ 357,677	\$ 540,130
Certificates of deposit	854,618	629,131
Accounts receivable, net of allowance for doubtful accounts	242,787	249,241
Lease receivable	78,051	88,295
Inventories	102,579	88,017
Total Current Assets	<u>1,635,712</u>	<u>1,594,814</u>
Restricted Assets:		
Meter deposits		
Cash in bank	39,328	38,356
Certificates of deposit	189,114	186,460
Debt Service Reserve		
Cash in bank	227,126	304,779
Certificates of deposit	106,500	-
Cash in bank - short-lived asset reserve	323,200	284,800
Total Restricted Assets	<u>885,268</u>	<u>814,395</u>
Capital Assets:		
Property, plant and equipment, net of accumulated depreciation	<u>9,069,486</u>	<u>9,406,956</u>
Total Assets	<u>11,590,466</u>	<u>11,816,165</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	93,642	81,285
Sales tax payable	16,600	16,635
Interest payable	6,515	7,381
Long-term debt, current portion	304,882	298,611
Total Current Liabilities	<u>421,639</u>	<u>403,912</u>
Payable From Restricted Assets:		
Customer deposits	<u>200,700</u>	<u>202,336</u>
Noncurrent Liabilities:		
Long-term debt, net of current portion	5,687,958	5,992,839
Bond premium	36,295	40,671
Total Noncurrent liabilities	<u>5,724,253</u>	<u>6,033,510</u>
Total Liabilities	<u>6,346,592</u>	<u>6,639,758</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to lease receivable	<u>78,051</u>	<u>88,295</u>
NET POSITION		
Net investment in capital assets	3,040,351	3,074,835
Restricted	684,568	612,059
Unrestricted	<u>1,440,904</u>	<u>1,401,218</u>
Total Net Position	<u>\$ 5,165,823</u>	<u>\$ 5,088,112</u>

The accompanying notes are an integral part of this statement.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water sales	\$ 2,326,579	\$ 2,337,726
Connection fees	20,150	24,550
Late charges	53,249	53,784
Other income	<u>137,434</u>	<u>109,225</u>
Total operating revenues	<u>2,537,412</u>	<u>2,525,285</u>
Operating expenses		
Purchases - water	946,859	956,209
Advertising	3,571	2,573
Bank charges	3,285	3,674
Contract labor	4,275	4,775
Credit card fees	30,743	28,362
Employee benefits	48,307	47,034
Fuel	20,227	21,831
Insurance	35,067	32,651
Legal and accounting	13,647	12,450
Miscellaneous	6,232	4,411
Office expense	24,971	25,611
Parts and supplies / distribution	97,893	99,114
Postage	13,372	11,708
Printing	2,567	1,547
Protection fee	14,343	14,342
Rent	7,372	7,046
Repair and maintenance	138,275	143,508
Salaries	330,919	317,310
Supplies	6,292	7,068
Taxes - payroll	29,037	24,303
Telephone	13,128	15,481
Utilities	102,267	105,192
Vehicle expense	<u>23,837</u>	<u>11,024</u>
Total operating expenses	<u>1,916,486</u>	<u>1,897,224</u>
Operating income (loss) before depreciation	620,926	628,061
Depreciation and amortization	<u>470,183</u>	<u>468,515</u>
Operating income (loss) before nonoperating revenues and expenses	<u>150,743</u>	<u>159,546</u>
Nonoperating revenues (expenses)		
Interest income	44,822	11,657
Interest expense	(148,617)	(173,167)
Gain on disposal of asset	<u>30,763</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(73,032)</u>	<u>(161,510)</u>
Increase (Decrease) in Net Position	77,711	(1,964)
Net Position - Beginning of Year	<u>5,088,112</u>	<u>5,090,076</u>
Net Position - End of Year	<u><u>5,165,823</u></u>	<u><u>\$ 5,088,112</u></u>

The accompanying notes are an integral part of this statement.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 2,542,230	\$ 2,483,114
Cash paid to suppliers	(1,587,807)	(1,549,546)
Cash paid to employees	(330,919)	(317,310)
Net Cash Provided (Used) by Operating Activities	<u>623,504</u>	<u>616,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of certificate of deposit	-	197,657
Investment of certificate of deposit	(306,500)	(186,460)
Interest received on cash in bank	16,682	6,845
Net Cash Provided (Used) by Investing Activities	<u>(289,818)</u>	<u>18,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(138,828)	(34,040)
Sale of capital assets	32,500	1,253
Principal payments made on notes payable	(43,610)	(42,380)
Principal payments made on bonds payable	(255,000)	(225,000)
Interest paid	(149,482)	(175,176)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(554,420)</u>	<u>(475,343)</u>
Net increase (decrease) in cash and cash equivalents	(220,734)	158,957
Cash and cash equivalents, beginning of year	1,168,065	1,009,108
Total cash and cash equivalent, end of year	<u>\$ 947,331</u>	<u>\$ 1,168,065</u>
Cash on hand and in bank	\$ 357,677	\$ 540,130
Restricted cash in bank	589,654	627,935
Total cash and cash equivalents, end of year	<u>\$ 947,331</u>	<u>\$ 1,168,065</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss) before nonoperating revenues (expenses)	\$ 150,743	\$ 153,980
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	470,183	474,081
(Increase) decrease in assets:		
Accounts receivable	6,454	(47,483)
Inventory	(14,562)	18,322
Prepaid assets	-	1,500
Increase (decrease) in liabilities:		
Accounts payable	12,357	8,482
Sales tax payable	(35)	2,064
Customer deposits	(1,636)	5,312
Net Cash Provided (Used) by Operating Activities	<u>\$ 623,504</u>	<u>\$ 616,258</u>

The accompanying notes are an integral part of this statement.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

- 1) Nature of the Organization - Nashville Rural Water Association Public Authority of the State of Arkansas (the Authority), is a public body operated by an independent board of directors for the purpose of providing adequate water services to its residential and agricultural customers. On November 5, 2012, Nashville Rural Water Association, Inc. converted to a Public Water Authority of the State of Arkansas. Act 115 of 2001 provides a not-for-profit corporation involved in the sale, transmission and distribution of portable water to members of the public and others may convert their entity status from that of a body corporate to that of a body public thereby allowing such entities the opportunity to access the tax-exempt capital markets and thereby assuring the State of Arkansas and the customers of such entities of the lowest water rates possible. Upon conversion, the Public Water Authority of the State of Arkansas comes into existence and all assets and liabilities become vested in and benefit to the water authority.
- 2) The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).
- 3) Basis of Presentation – The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about one fund, a proprietary fund. Because a proprietary fund's fund financials are identical to government-wide statements, the report includes only the fund financials.
- 4) Proprietary Fund Type – Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The Authority's proprietary fund is the water enterprise fund.
- 5) Basis of Accounting – An enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled water utility service receivables are recorded at year-end.
- 6) Budgets and Budgetary Accounting – The Authority follows Arkansas Statutes in establishing the budgetary data. Prior to the start of the year, the budget committee prepares a proposed budget for the Authority. Formal budgetary integration is employed as a management control device for the Authority. Although state law requires that annual budgets be adopted for proprietary funds, there is no state requirement to report budget versus actual data.
- 7) Inventories - Inventories are valued at the lower of cost or market.
- 8) Property, Plant and Equipment - Additions to property, plant and equipment are recorded at cost or capitalized at fair market value if donated. Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

	Proprietary Fund
Buildings	39
Furniture and fixtures	5 - 8
Machinery and equipment	5
Vehicles	5
Water distribution system	40

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

- 9) Depreciation - The Authority provides for depreciation computed on the straight-line method over the estimated service lives of the assets.
- 10) Unearned Revenue - It is the Authority's policy to record as unearned any revenues received in advance of the period for which the revenue applies.
- 11) Cash Equivalent - For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- 12) Bad Debt Expense - The Authority utilizes the reserve method of recognizing bad debts.
- 13) Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.
- 14) Fair Value - The stated value of the Authority's financial instruments approximates market, based on current rates offered for similar financial instruments.
- 15) Compensated Absences - The Authority does not have a compensated absence policy; therefore, compensated absences cannot reasonably be estimated.
- 16) Lease Receivable – The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the lease receivable. The deferred inflow is reduced annually by the lease revenue received.

- 16) New Accounting Pronouncement - The Authority implemented Governmental Accounting Standards Board (GASB) Number 96 "Subscription-Based Information Technology Arrangements (SBITAs)". GASB Statement No. 96 requires recognition of certain right-to-use subscription assets and liabilities for SBITAs in the financial statements. The Authority did not have any material SBITAs individually or in the aggregate for the fiscal year.

NOTE B – ACCOUNTS RECEIVABLE

Details of accounts receivable as of December 31, 2023 and 2022, are as follows:

	2023	2022
Accounts Receivable	\$ 258,347	\$ 254,813
Less: Allowance for Doubtful Accounts	(15,560)	(5,572)
	<u>\$ 242,787</u>	<u>\$ 249,241</u>

NOTE C – DOUBTFUL ACCOUNTS

Estimated allowances for doubtful accounts are determined using the percentage of revenue and receivables method. Receivables are charged off as uncollectible by management when collection efforts are exhausted. Receivables are generally considered delinquent 14 days after the last day of each month.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE D – RESTRICTED ASSETS

Meter Deposits - The Authority requires that a customer make a deposit before service is started. These funds are held separately until service is terminated, at which time final bills are applied to the deposit and the balance, if any, is refunded. The meter deposit cash and certificates of deposit balance at December 31, 2023, amounted to \$228,442 and the required balance was \$200,700. The meter deposit cash and certificates of deposit balance at December 31, 2022, amounted to \$224,816 and the required balance was \$202,336.

Debt Service Reserve - Conditions set forth in the loan agreements require that the Authority maintain a debt reserve account. Deposits commenced when the water system became revenue producing in October, 1991.

In May 2006, the Authority requested permission from USDA to use funds from the debt service reserve account to meet interest payment obligations due to the Rural Development. The USDA granted the request and stipulated that replacement of the debt service reserve funds begin immediately based on the projected budget information which included a water rate adjustment. In October 2007, USDA sent a letter stating the Authority was required to deposit \$1,000 per month in addition to the required \$32,868 annual debt service reserve obligation to replace borrowed funds and meet current requirements.

In March 2010, USDA approved the Authority to borrow \$25,000 from the debt service reserve account due to operational cash flow problems. As stated in a letter of communication, the Authority agreed to continue to pay \$885 a month through October 2026 into the reserve account and to submit monthly debt reserve account summaries to USDA for monitoring. The Authority complied with these requirements paying \$14,000 to the debt reserve account during the year ended December 31, 2023. The debt service reserve account balance was \$106,500 at December 31, 2023. The Authority also complied with these requirements for the year ended December 31, 2022, by paying \$12,000 to the debt reserve account. The debt service reserve account balance was \$93,791 at December 31, 2022.

In fiscal year 2022, the Authority refunded several USDA and ANRC loans. As a result, the debt agreement required the Authority to maintain a debt reserve of \$172,603. The Authority complied with these requirements and has maintained a balance of \$172,603 since the refunding.

Additionally, as a result of the Water Revenue Refunding Bonds, Series 2021, the Authority is required to transfer one-sixth of the next installment of interest on the outstanding Bonds and one-twelfth of the next installment of principal on the outstanding Bonds into a designated account called the "Bond Fund." At December 31, 2023, the balance of this account is \$54,523 and as of December 31, 2022 the balance was \$38,385.

Short-Lived Asset Reserve - Conditions set forth in the USDA loan agreement and Water Revenue Refunding Bonds, Series 2021, require that the Authority maintain a short-lived asset reserve account depositing \$3,200 per month. The Authority complied with the current year requirement. The cumulative required amount by the USDA loan agreement is \$323,200 as of December 31, 2023. The \$323,200 is recognized as restricted cash and the remainder in unrestricted cash. The short-lived asset reserve account balance was \$339,675 and \$481,421 at December 31, 2023 and 2022, respectively.

NOTE E – CASH AND DEPOSITS

State law generally requires the Authority funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, saving accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of American and obligations where the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the System, except bond funds held by the trustee of prior bond issues, are deposited in accounts in the name of Nashville Rural Water Public Authority in financial institutions permitted by law.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Nashville Rural Water Public Authority does not have a policy for custodial credit risk. The Authority had cash deposits and certificates of deposits located at several financial institutions as of December 31, 2023. All of the Authority's bank accounts were adequately secured by the Federal Deposit Insurance Corporation and pledged securities at the year ended December 31, 2023. For the year ended December 31, 2022, the Authority's bank accounts were adequately secured by the Federal Deposit Insurance Corporation and pledged securities at all institutions. Since the Authority complies with this law, it has no custodial credit risk for deposits.

NOTE F – CREDIT RISKS

The Authority provides water to users located in rural communities in three counties in southwest Arkansas. Operating costs are funded primarily by charges to the users in the service area. The Authority is subject to economic conditions which affect its members.

NOTE G – NET POSITION

Net investment in capital assets represents the total of property, plant, and equipment, net of accumulated depreciation, less the long-term portion of long-term debt. Restricted net position includes the excess of restricted assets over certain liabilities restricted for customer deposits and restricted assets required by existing loan agreements. Unrestricted net position is the remaining balance after restricted net positions are segregated.

NOTE H - PROPERTY, PLANT AND EQUIPMENT

A summary of the property, plant and equipment, accumulated depreciation and estimated service lives of the property, plant and equipment by type is as follows:

For the year ended December 31, 2023:

	Balance December 31, 2022	Additions	Reclassifications/ Deletions	Balance December 31, 2023
Capital Assets, not being depreciated:				
Land	\$ 258,862	\$ -	\$ -	\$ 258,862
Total capital assets, not being depreciated	258,862	-	-	258,862
Capital Assets, being depreciated:				
Water distribution system	16,312,434	29,030	-	16,341,464
Office building	366,997	-	-	366,997
Buck range generator shed	33,755	-	-	33,755
Chapel Hill generator & shed	101,334	-	-	101,334
Machinery & Equipment	224,051	69,249	(43,952)	249,348
Furniture and Equipment	101,896	-	-	101,896
Vehicles	184,444	40,549	(34,743)	190,250
Total capital assets, being depreciated	17,324,911	138,828	(78,695)	17,385,044
Less: Accumulated Depreciation	(8,176,817)	(474,558)	76,955	(8,574,420)
Total capital assets, being depreciated net	9,148,094	(335,730)	(1,740)	8,810,624
Total capital assets	\$ 9,406,956	\$ (335,730)	(1,740)	\$ 9,069,486

In 2023, the Authority spent \$29,030 on improvements made to the water system, \$69,249 on a trackhoe, and \$40,549 on a truck. The Authority sold a trackhoe and truck resulting in a gain on disposal of \$30,763. Depreciation expense during the year ended December 31, 2023, amounted to \$474,558.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

For the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Reclassifications/ Deletions	Balance December 31, 2022
Capital Assets, not being depreciated:				
Land	\$ 258,862	\$ -	\$ -	\$ 258,862
Total capital assets, not being depreciated	258,862	-	-	258,862
Capital Assets, being depreciated:				
Water distribution system	16,289,237	23,197	-	16,312,434
Office building	366,997	-	-	366,997
Buck range generator shed	33,755	-	-	33,755
Chapel Hill generator & shed	101,334	-	-	101,334
Machinery & Equipment	219,747	10,843	(6,539)	224,051
Furniture and Equipment	101,896	-	-	101,896
Vehicles	184,444	-	-	184,444
Total capital assets, being depreciated	17,297,410	34,040	(6,539)	17,324,911
Less: Accumulated Depreciation	(7,708,022)	(474,081)	5,286	(8,176,817)
Total capital assets, being depreciated net	9,589,388	(440,041)	(1,253)	9,148,094
Total capital assets	\$ 9,848,250	\$ (440,041)	(1,253)	\$ 9,406,956

In 2022, the Authority spent \$23,197 on improvements made to the water system and \$10,843 on a trackhoe. Depreciation expense during the year ended December 31, 2022, amounted to \$474,081.

NOTE I – LONG-TERM DEBT

Long-term debt at December 31, 2023 and 2022, consist of the following:

	2023	2022
Water Revenue Bond payable to USDA/Rural Development with interest at 2.875%, secured by water system improvements, maturing May 31, 2054.	2,152,840	2,196,450
Water Revenue Refunding Bonds payable to Regions Bank with interest at 2.375% - 4%, secured by water system improvements, maturing December 1, 2043.	3,840,000	4,095,000
	5,992,840	6,291,450
Current Maturities	(304,882)	(298,611)
Total long-term debt, net of current portion	\$ 5,687,958	\$ 5,992,839

On October 6, 2021, the Authority issued Water Revenue Refunding Bonds, Series 2021 in the amount of \$4,320,000 to refund a portion of the USDA and ANRC debt. The bond was issued at a premium of \$46,237. Amortization of bond premium of \$4,376 was recognized in fiscal year 2023, resulting in bond premium of \$36,295 at December 31, 2023.

Interest expense for the year ended December 31, 2023, amounted to \$149,482 and for the year ended December 31, 2022, amounted to \$175,176.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

A summary of the changes in the long-term debt for the year ended December 31, 2023 is as follows:

	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Notes from direct borrowings	2,196,450	-	(43,610)	2,152,840	44,882
Bonds payable	4,095,000	-	(255,000)	3,840,000	260,000
	6,291,450	-	(298,610)	5,992,840	304,882

The aggregate maturities of long-term debt by year are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	304,882	138,012	442,894
2025	311,189	131,505	442,694
2026	317,535	124,859	442,394
2027	328,920	118,074	446,994
2028	340,345	111,049	451,394
2029-2033	1,279,598	476,435	1,756,033
2034-2038	1,176,995	341,220	1,518,215
2039-2043	975,938	208,077	1,184,015
2044-2048	422,437	108,503	530,940
2049-2053	487,661	43,279	530,940
2054	47,340	1,287	48,627
Total amount of payments due	5,992,840	1,802,300	7,795,140

NOTE J – LEASE RECEIVABLE

On November 1, 2020, the Authority entered into a five year agreement with Premier Broadband, LLC to lease space on top of a water tower to install antenna equipment for \$1,000 per month. The lease receivable is measured as the present value of the future minimum payments expected to be received during the lease term at a discount rate of 2.10%. As of December 31, 2023, the Authority recognized deferred inflow related to the lease receivable and a lease receivable in the amount of \$78,051. In fiscal year 2023, the City recognized \$10,244 of lease revenue and \$1,756 of interest revenue under the lease.

NOTE K – WATER PURCHASE AGREEMENT

The Authority entered into a water purchase agreement with the City of Nashville, Arkansas, on September 19, 1989, to purchase water. The agreement extends for a term of forty (40) years from the date of initial delivery of water, and thereafter may be renewed or extended upon such terms as may be agreed to by buyer and seller. The contract had no minimum purchase/payment requirements until such time as the Authority had 600 customers connected to the system, at which time a minimum \$3,000 monthly payment was required. The Authority had 2,637 active meters connected to the system at December 31, 2023 and 2,625 active meters connected to the system at December 31, 2022. Payments to the City of Nashville, Arkansas totaled \$946,859 and \$946,861 for the years ended December 31, 2023 and 2022, respectively.

NOTE L – CASH FLOW DISCLOSURES

Interest paid during the years ended December 31, 2023 and 2022, was \$149,482 and \$175,176 respectively.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Cash and restricted cash at December 31, 2023 and 2022, consist for the following:

	<u>2023</u>	<u>2022</u>
Cash on hand and in bank	\$ 357,677	\$ 540,130
Cash in bank - Meter deposits	39,328	38,356
Cash in bank - Debt service reserve	227,126	304,779
Cash in bank - Short-lived asset reserve	<u>323,200</u>	<u>284,800</u>
 Total Cash and Restricted Cash - End of Year	 <u><u>\$ 947,331</u></u>	 <u><u>\$ 1,168,065</u></u>

NOTE M – SUBSEQUENT EVENT

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through April 26, 2024, which is the date the financial statements were available to be issued.

***NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS***

REPORT ON COMPLIANCE AND INTERNAL CONTROL



**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***

Independent Auditors' Report

April 26, 2024

**Board of Directors
Nashville Rural Water Public Authority of the State of Arkansas
Nashville, 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 business-type activities of Nashville Rural Water Public Authority of the State of Arkansas (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Nashville Rural Water Public Authority of the State of Arkansas' basic financial statements, and have issued our report thereon dated April 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions 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 a 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. We did not identify any significant deficiencies.

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 Nashville Rural Water Public Authority of the State of Arkansas' 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*.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903.793.5646 • Fax 903.792.7630 • www.wilhen.com

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilf & Henderson, P.C.

WILF & HENDERSON, P. C.
Certified Public Accountants
Texarkana, Texas

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

I. Summary of the Auditor's Results:

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Nashville Rural Water Public Authority of the State of Arkansas were prepared in accordance with GAAP.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Nashville Rural Water Public Authority of the State of Arkansas were disclosed during the audit.

II. Findings – Financial Statement Audit.

No findings reported.

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

There were no prior year audit findings.

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023**

There are no current year audit findings.

***NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS***

OTHER INFORMATION

**NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MISCELLANEOUS INFORMATION REQUIRED BY MORTGAGE NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2023**

UNAUDITED

Current Authority Water Rates:

Minimum bill		\$24.66		
Next	4,000 Gallons	\$7.62	per	1,000 gallons
Next	6,000 Gallons	\$6.29	per	1,000 gallons
All over	10,000 Gallons	\$4.32	per	1,000 gallons

Number of Water Users at December 31, 2023	2,637
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Annual billable gallons of water for 2023	291,185,000
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Nashville Rural Water Public Authority of the State of Arkansas maintains insurance coverage as follows:

Authority has property coverage through EMC Insurance.

Authority has vehicle coverage through EMC Insurance.

Authority has workmen's compensation through EMC Insurance.