

TUMBLING SHOALS PUBLIC WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
SEPTEMBER 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tumbling Shoals Public Water Authority

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Tumbling Shoals Public Water Authority, as of and for the years ended September 30, 2023 and 2022, 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 Tumbling Shoals Public Water Authority, as of September 30, 2023 and 2022, and the changes in its 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 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 section of our report. We are required to be independent of the Tumbling Shoals Public Water 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 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 Tumbling Shoals 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 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 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 Tumbling Shoals 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 the Tumbling Shoals 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 and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 operating, economic, or historical context. Our opinion of the basic 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 January 4, 2024, on our consideration of the Tumbling Shoals Public Water 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 Tumbling Shoals Public Water 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 Tumbling Shoals Public Water Authority's internal control over financial reporting and compliance.

*Turner, Williams and Associates, P.A.*

Turner, Williams and Associates, P.A.

Searcy, Arkansas  
January 4, 2024

**TUMBLING SHOALS PUBLIC WATER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023 AND 2022**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash - unrestricted	\$ 238,140	\$ 55,570
Accounts receivable, net of allowance	418,643	320,605
<b>Total Current Assets</b>	<u>656,783</u>	<u>376,175</u>
<b>Noncurrent Assets</b>		
Cash - restricted	358,034	240,369
Investments, restricted	320,908	318,380
<b>Total Noncurrent Assets</b>	<u>678,942</u>	<u>558,749</u>
<b>Property, Plant, and Equipment</b>		
Property, plant, and equipment, net of accumulated depreciation	3,135,398	3,302,574
<b>Total Property, Plant, and Equipment</b>	<u>3,135,398</u>	<u>3,302,574</u>
<b>Total Assets</b>	<u><u>\$ 4,471,123</u></u>	<u><u>\$ 4,237,498</u></u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 114,339	\$ 105,550
Accrued expenses	21,198	24,530
Accrued interest payable	5,273	5,273
Current maturities of long-term debt	122,640	118,822
<b>Total Current Liabilities</b>	<u>263,450</u>	<u>254,175</u>
<b>Long-term Liabilities</b>		
Customer meter deposits	117,057	108,173
Long-term debt, net of discount of \$3,541	1,696,136	1,817,755
<b>Total Long-term Liabilities</b>	<u>1,813,193</u>	<u>1,925,928</u>
<b>Deferred Inflows of Resources</b>		
Deferred revenue	16,449	11,871
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,093,092</u>	<u>2,191,974</u>
<b>Net Position:</b>		
Net investment in capital assets	1,316,622	1,322,915
Restricted	481,377	450,575
Unrestricted	580,032	272,034
<b>Total Net Position</b>	<u>2,378,031</u>	<u>2,045,524</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 4,471,123</u></u>	<u><u>\$ 4,237,498</u></u>

The accompanying notes are an integral part of these financial statements.

**TUMBLING SHOALS PUBLIC WATER AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues and Fees</b>		
Water revenue	\$ 2,089,489	\$ 1,702,786
Connection fees	25,914	36,093
Maintenance fees	157,405	132,610
Miscellaneous income	56,770	46,786
<b>Total Operating Revenues and Fees</b>	<u>2,329,578</u>	<u>1,918,275</u>
 <b>Cost of Water Sold</b>	 <u>908,767</u>	 <u>963,202</u>
 <b>Gross Profit</b>	 <u>1,420,811</u>	 <u>955,073</u>
 <b>Operating Expenses</b>		
Salaries	372,557	427,617
Supplies and repairs	144,089	140,747
Utilities and phone	147,805	172,466
Insurance	77,166	80,298
Truck expense	43,957	54,676
Other	19,302	14,496
Engineering services	3,865	6,560
Bad debt expense	11,562	7,518
Depreciation	211,527	210,575
<b>Total Operating Expenses</b>	<u>1,031,830</u>	<u>1,114,953</u>
 <b>Operating Income (Loss)</b>	 <u>388,981</u>	 <u>(159,880)</u>
 <b>Non-operating Income (Expense)</b>		
Interest income	14,108	8,318
Unrealized gain/(loss) on investments	2,528	(18,544)
Interest expense	(73,110)	(75,698)
<b>Non-operating Income (Expense)</b>	<u>(56,474)</u>	<u>(85,924)</u>
 <b>Increase (Decrease) in Net Position</b>	 <u>332,507</u>	 <u>(245,804)</u>
 <b>Net Position, Beginning of Year</b>	 <u>2,045,524</u>	 <u>2,291,328</u>
 <b>Net Position, End of Year</b>	 <u><u>\$ 2,378,031</u></u>	 <u><u>\$ 2,045,524</u></u>

The accompanying notes are an integral part of these financial statements.

**TUMBLING SHOALS PUBLIC WATER AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 2,245,003	\$ 1,900,274
Cash paid to suppliers	(1,351,057)	(1,444,035)
Cash paid to employees	(372,557)	(427,617)
Net Cash Provided (Used) by Operating Activities	<u>521,389</u>	<u>28,622</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(44,351)	(121,756)
Principal paid on capital debt and capital leases	(118,549)	(90,228)
Proceeds from borrowings		70,151
Interest paid on capital debt and capital leases	(72,362)	(75,978)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(235,262)</u>	<u>(217,811)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment income	14,108	8,318
Proceeds from sale of investments	-	89,000
Net Cash Provided (Used) by Investing Activities	<u>14,108</u>	<u>97,318</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	300,235	(91,871)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>295,939</u>	<u>387,810</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 596,174</u></u>	<u><u>\$ 295,939</u></u>
<b>Reconciliation of Operating Income/(Loss) to Net Cash</b>		
<b>Operating Income/(Loss)</b>	\$ 388,981	\$ (159,880)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>		
Depreciation and amortization expense	211,527	210,575
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	(98,038)	(22,294)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	8,789	(6,413)
Deferred revenue	4,579	(70)
Accrued expenses	(3,333)	2,341
Customer meter deposits	8,884	4,363
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 521,389</u></u>	<u><u>\$ 28,622</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>		
Restricted	\$ 358,034	\$ 240,369
Unrestricted	238,140	55,570
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 596,174</u></u>	<u><u>\$ 295,939</u></u>

The accompanying notes are an integral part of these financial statements.

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Tumbling Shoals Public Water Authority ("The Authority") was incorporated as Tumbling Shoals Water System, a non-stock, not-for-profit corporation under the laws of Arkansas on October 13, 1976. The Authority was organized to associate its members for their mutual benefit of maintaining and operating a private water system for supplying water to its members. The Authority is governed by a board of directors. On October 8, 2001, the Authority reorganized as a Public Water Authority under the laws of Arkansas.

Basis of accounting

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing US GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and regulatory requirements. Accordingly, net position of the Authority and changes therein are classified and reported as follows as required by GASB:

*Unrestricted Net Position* - consists of all other fund position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

*Restricted Net Position*— Component of net position that consist of amounts which have external constraints placed on its use 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.

*Net investment in Capital Assets*- consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Adoption of New Accounting Standard

On October 1, 2020, the Authority adopted GASB Accounting Standards Statement 87, Leases, which improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizing as inflows or outflows of resources based on payment provisions. The Authority did not have any leases subject to the new standards and therefore, there was no impact to net position, revenues, or expenses as a result of applying GASB 87 for the year ended September 30, 2023, and there have been no significant changes to the Authority's business processes, systems, or internal controls as a result of implementing the standard.

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Authority is a political subdivision of the State of Arkansas and is exempt from federal income taxes.

Management has evaluated the Association's tax position and concluded the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the United States federal, state or local authorities for years before 2020.

Concentration of Credit Risk

With the exception of securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations, the Authority's policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

Custodial Credit Risk

For a deposit or investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the deposits, investments or collateral securities that are in the possession of an outside party. State statutes require the Authority to maintain cash balances on deposit with financial institutions located within the State and that account balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) be collateralized by the financial institution in accordance with state statutes. All of the Authority's deposit account balances are fully insured by the FDIC or secured by collateral. All investments are held in the name of the Authority by the Authority's agent.

Concentration of Vendor Risk

The Authority purchased \$908,767 and \$963,202 of water from Heber Springs Water for the years ended September 30, 2023 and 2022, respectively. These purchases accounted for 100% of the water purchased by the Authority. Management believes no significant risk is present under this arrangement.

Cash and cash equivalents

Cash and cash equivalents include all short term highly liquid investments with original maturities of three months or less which are readily convertible to cash.

Accounts receivable

Accounts receivable consist of amounts due for water sales and various miscellaneous charges. Meter deposits are considered to adequately cover past due accounts. Sales of water are made on open account to customers and are collateralized to the extent of each customer's meter deposit. Only balances over 365 days are recorded as bad debt and allowance for doubtful accounts. Bad debt expense was \$11,562 and \$7,518 for the years ended September 30, 2023 and 2022, respectively.

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

Inventories

Inventories consist primarily of maintenance materials and are valued at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Interest expenditures incurred on construction projects are capitalized as a cost of construction. Depreciation is computed using primarily the straight-line method over the following estimated useful lives:

Equipment and Vehicles	5 – 10 years
Plant and equipment	5 – 50 years

Depreciation expense was \$211,527 and \$210,575 for the years ended September 30, 2023 and 2022, respectively.

Revenue Recognition

Revenue is recognized each month for the sales of water used by the Authority's customers and for services rendered at the time of completion of the service. Operating revenues consist of charges for water and other fees billed to customers. Non-operating revenues consist of interest income and miscellaneous income. Expenses are recognized when incurred. Accounts receivable and revenues reported on the Authority's financial statements include an estimate of charges for services provided but unbilled at year end.

Sales Taxes

Sales taxes charged to the Authority's customers are recorded as accounts receivable and sales tax payable when charged to customer. When these amounts are remitted to the appropriate taxing authority, the sales tax payable is reduced. When the customer pays the bill the accounts receivable is reduced.

Meter deposits

Meter deposits consist of amounts collected from customers to secure against non-payment of the customer's final bill. The deposit required for homeowners and renters is \$100.

Investments

Governmental Accounting Standard No. 31 (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that certain investments with remaining maturity of one year or more at the time of purchase be reported at fair market value. In accordance with GASB 31, investments are recorded at fair market value. Gains and losses on investments are determined by specific identification. Realized gains and losses on investments held more than one year and sold in the current year were included as a net change in the fair value of investments reported in prior years and the current year. The Authority is authorized to invest per the discretion of the Board of Directors. As of September 30, 2023 and 2022, investments consisted entirely of certificates of deposits with banks located in the United States of America.

Subsequent Events

Management has evaluated subsequent events through January 4, 2024, the date which the financial statements were available to be issued.

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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2) RESTRICTED ASSETS

Certain loan agreements require the Authority to fund loan reserve accounts. These reserve accounts are restricted in use and require prior approval of Rural Development, CoBank and Arkansas Natural Resources Commission before any expenditure is made from the reserve accounts. As of September 30, 2023 and 2022, these loan agreements require minimum reserves of \$481,377 and \$450,575, respectively. The Authority has funded the loan reserves as follows:

	<u>2023</u>	<u>2022</u>
Short lived asset reserve	\$ 317,457	\$ 287,708
Debt reserve	<u>163,920</u>	<u>162,867</u>
Total debt reserves	<u>481,377</u>	<u>450,575</u>
Meter deposits	117,057	108,174
RRA reserve account	<u>80,508</u>	<u>-</u>
Total restricted assets	<u>\$ 678,942</u>	<u>\$ 558,749</u>

3) INVESTMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Authority has the following fair value measurements as of September 30, 2023:

	<u>Fair Value Measurement</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Restricted:</b>				
Money Market Mutual Funds	\$ 211,061	\$ 211,061	\$ -	\$ -
Certificates of Deposit	<u>320,908</u>	<u>320,908</u>	<u>-</u>	<u>-</u>
<b>Total Investments</b>	<u>\$ 531,969</u>	<u>\$ 531,969</u>	<u>\$ -</u>	<u>\$ -</u>

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
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The Authority had the following fair value measurements as of September 30, 2022:

	Fair Value Measurement			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Restricted:</b>				
Money Market Mutual Funds	\$164,611	\$ 164,611	\$ -	\$ -
Certificates of Deposit	<u>318,380</u>	<u>318,380</u>	<u>-</u>	<u>-</u>
<b>Total Investments</b>	<b><u>\$ 482,991</u></b>	<b><u>\$ 482,991</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
		<u>2023</u>	<u>2022</u>	
Reconciliation to statements of net position:				
Total investments as presented in the schedule above		\$531,969	\$482,991	
Less amounts included in cash and cash and cash equivalents		<u>(211,061)</u>	<u>(164,611)</u>	
Total investments as presented in the statements of net position		<u>\$320,908</u>	<u>\$318,380</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than 5 years from the date of purchase.

Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Authority's investment policy specifies the types of securities in which the Authority may invest. In general, the following investments are considered permissible investments:

- direct obligations of the United States government
- open end, government obligation money market mutual funds
- obligations that are fully guaranteed, secured or insured by United States government agencies, instrumentalities and government-sponsored entities
- repurchase agreements that are fully collateralized by direct obligations of the United States government and general obligations of any state of the United States or political subdivision thereof
- general obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof
- pre-funded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government
- revenue bond issues of any state of the United States or any municipality or any political subdivision thereof

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
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4) PROPERTY AND EQUIPMENT

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>2023</u>
Land	\$ 44,152	\$ -	\$ -	\$ -	\$ 44,152
Plant and equipment	8,960,552	20,139	-	-	8,980,691
Construction in progress	4,713	7,142	-	-	11,855
Equipment and vehicles	<u>237,745</u>	<u>17,070</u>	<u>-</u>	<u>-</u>	<u>254,815</u>
	9,247,162	44,351	-	-	9,291,513
Less accumulated depreciation	<u>(5,944,588)</u>	<u>(211,527)</u>	<u>-</u>	<u>-</u>	<u>(6,156,115)</u>
	<u>\$ 3,302,574</u>	<u>\$(167,176)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,135,398</u>

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>2022</u>
Land	\$ 44,152	\$ -	\$ -	\$ -	\$ 44,152
Plant and equipment	8,847,425	113,127	-	-	8,960,552
Construction in progress	-	4,713	-	-	4,713
Equipment and vehicles	<u>234,364</u>	<u>3,381</u>	<u>-</u>	<u>-</u>	<u>237,745</u>
	9,125,941	121,221	-	-	9,247,162
Less accumulated depreciation	<u>(5,734,013)</u>	<u>(210,575)</u>	<u>-</u>	<u>-</u>	<u>(5,944,588)</u>
	<u>\$ 3,391,928</u>	<u>\$(89,354)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,302,574</u>

5) NONCURRENT LIABILITIES

Long-term debt consists of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<u>USDA – Rural Development</u>		
Note payable in monthly installments of \$926, including interest at 3.5% per annum through November 2051. The note is secured by all assets of the Authority.	\$ 201,267	\$ 205,259
Note payable in monthly installments of \$1,224, including interest at 3.0% per annum through July 2052. The note is secured by all assets of the Authority.	272,815	279,215
<u>CoBank, ACB</u>		
Mortgage payable in monthly installments of \$1,840, including interest at 3.75% per annum through September 20, 2029. The note is secured by the water system plant.	118,518	135,780

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

NONCURRENT LIABILITIES (CONTINUED)

Mortgage payable in monthly installments of \$2,579, including interest at 3.9% per annum through September 20, 2031. The note is secured by the water system plant.	212,465	234,614
Mortgage payable in monthly installments of \$4,331, including interest at 4.2% per annum through December 20, 2036. The note is secured by the water system plant.	527,496	556,533
Mortgage payable in monthly installments of \$2,894, including interest at 4.36% per annum through March 20, 2042. The note is secured by the water system plant.	440,486	455,560

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Noninterest bearing note payable in annual installments of \$24,635, including interest, with future payments discounted with imputed interest rate of 3.05% per annum through December 31, 2024. The note is secured by improvements to the water system plant.	45,730	69,616
Total debt	1,818,776	1,936,577
Less: current portion of long-term debt	<u>(122,640)</u>	<u>(118,822)</u>
Total long-term debt	<u>\$ 1,696,136</u>	<u>\$ 1,817,755</u>

Future long-term debt payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the years ending:			
2024	\$ 122,640	\$ 67,551	\$ 190,191
2025	126,595	63,597	190,192
2026	106,077	59,481	165,558
2027	110,361	55,197	165,558
2028	114,820	50,738	165,558
2029 – 2033	488,133	189,379	677,512
2034 – 2038	370,168	101,416	471,584
2039 – 2043	204,949	45,608	250,557
2044 – 2048	108,434	20,566	129,000
2049 – 2053	<u>70,140</u>	<u>3,751</u>	<u>73,891</u>
Total payments	1,822,317	657,284	2,479,601
Unamortized discount	<u>(3,541)</u>	<u>3,541</u>	<u>-</u>
Present value of payments	<u>\$ 1,818,776</u>	<u>\$ 660,825</u>	<u>\$ 2,479,601</u>

TUMBLING SHOALS PUBLIC WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

Changes in noncurrent liabilities for the years ended September 30, 2023 and September 30, 2022 are as follows:

	<u>Balance</u> <u>9/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2023</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>	<u>Amounts due</u> <u>greater than</u> <u>one year</u>
Loans payable	\$1,936,577	\$ 748	\$ (118,549)	\$1,818,776	\$ 122,640	\$ 1,696,136
Customer deposits	108,173	15,827	(6,943)	117,057	-	117,057
Total noncurrent liabilities	<u>\$2,044,750</u>	<u>\$16,575</u>	<u>\$ (125,492)</u>	<u>\$1,935,833</u>	<u>\$ 122,640</u>	<u>\$ 1,813,193</u>

	<u>Balance</u> <u>9/30/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2022</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>	<u>Amounts due</u> <u>greater than</u> <u>one year</u>
Loans payable	\$1,957,189	\$69,616	\$ (90,228)	\$1,936,577	\$ 118,822	\$ 1,817,755
Customer deposits	103,810	13,154	(8,791)	108,173	-	108,173
Total noncurrent liabilities	<u>\$2,060,999</u>	<u>\$82,770</u>	<u>\$ (99,019)</u>	<u>\$2,044,750</u>	<u>\$ 118,822</u>	<u>\$ 1,925,928</u>

## **Supplemental Information**

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  
Tumbling Shoals Public Water Authority

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 Tumbling Shoals Public Water Authority, as of and for the year ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Tumbling Shoals Public Water Authority's basic financial statements, and have issued our report thereon dated January 4, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Tumbling Shoals Public Water 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 Tumbling Shoals Public Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tumbling Shoals Public Water 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.

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

*Turner, Williams and Associates, P.C.*

Searcy, Arkansas  
January 4, 2024