

GLENWOOD WATER AND SEWER DEPARTMENT

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GLENWOOD, ARKANSAS

DECEMBER 31, 2022

GLENWOOD WATER AND SEWER DEPARTMENT  
GLENWOOD, ARKANSAS

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DECEMBER 31, 2022

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# *Glenwood Water and Sewer Department*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's analysis of the utility's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### **Overview**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the utility's financial condition and performance.

The financial statements report information about the utility using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a balance sheet, statement of revenues, expenses and changes in net assets, statement of cash flows, notes to the financial statements and other supporting schedules.

The balance sheet presents the financial position of the utility on a full accrual historical cost basis. This statement presents information on all of the assets and liabilities with the difference reported as net assets. Over time, increases and decreases in net assets are an indicator of whether the financial position of the utility is improving or deteriorating.

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net assets presents the results of the business activities over the course of the fiscal year and information on how net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, financing and investing activities. This statement presents cash receipts and disbursement information only.

The notes to the financial statements and supplementary information are provided to disclose information that is essential to a full understanding of the material data provided in the statements.

The financial statements were prepared by Glenwood Water and Sewer Department staff from its detailed transactions for the years ending December 31, 2022 and 2021. The financial statements were audited and adjusted, if material, during the independent external audit process.

### **Financial Analysis**

The financial statements on pages 6 through 10 provide information about the financial activities of Glenwood Water and Sewer Department. The following information is an analysis of the year presented.

**Balance Sheet**

Total assets as of December 31, 2022 were \$18,490,165 and exceeded liabilities, which were \$7,829,780.

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 3,396,155	\$ 2,898,410
Restricted Assets	1,004,744	754,392
Net Capital Assets	13,968,272	13,891,790
Other Assets	120,994	129,549
Current Liabilities	47,651	26,651
Liabilities Payable from Restricted Assets	901,427	879,954
Long-Term Liabilities	6,880,702	7,338,196
Net Position:		
Reserved	103,317	(125,562)
Unreserved	10,557,068	9,554,902
Total Net Position	10,660,385	9,429,340

The current ratio is an indication of short-term liquidity and is calculated by dividing current assets by current liabilities. A resulting number greater than one indicates current assets in excess of current needs that can be applied in future periods. The current ratio of Glenwood Water and Sewer Department was 71.27 for 2022, compared to 108.75 for 2021. Another ratio that is computed from this statement is the debt utilization ratio, which indicates what percentage the total debt is to total assets. This ratio is calculated by dividing total debt by total assets. The debt utilization ratio for the year ending December 31, 2022 was 42% compared to 47% for the year ending December 31, 2021.

**Statement of Revenues, Expenses and Changes in Net Assets**

For the years ending December 31, 2022 and 2021, operating revenues were \$3,076,116 and \$2,628,479, respectively and operating expenses were \$1,607,156 and \$1,360,420, respectively. Non-operating income was \$16,715 and \$10,948, respectively and non-operating expenses were \$254,630 and \$272,733, respectively. The results were a net income of \$1,231,045 and \$1,006,274, respectively.

**Contacting Management**

The financial report is designed to provide our customers, citizens, and creditors with a general overview of the finances of Glenwood Water and Sewer Department and to show the accountability for the money it receives. If you have any questions about this report or need further financial information, contact our office at 210 N 2<sup>nd</sup> St; Glenwood, Arkansas 71943 or call (870) 356-3613.

INDEPENDENT AUDITORS' REPORT

To the City Council and Management  
Glenwood, Arkansas

**Report on the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of Glenwood Water and Sewer Department, a component unit of the City of Glenwood, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Glenwood Water and Sewer Department'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 Glenwood Water and Sewer Department, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 section of our report. We are required to be independent of Glenwood Water and Sewer Department 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 Glenwood Water and Sewer Department'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.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are

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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 Glenwood Water and Sewer Department'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 Glenwood Water and Sewer Department'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 (pages 1 and 2), budgetary comparison information (page 19) be presented to supplement the basic financial statements. Such information, 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 inquiries 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.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements referred to above present only the Glenwood Water and Sewer Department which is an enterprise fund of the City of Glenwood, Arkansas and are not intended to present fairly the financial position of the City of Glenwood, Arkansas, and the results of its operations and cash flows of its other proprietary fund types and non-expendable trust funds in conformity with generally accepted accounting principles.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, on our consideration of the Glenwood Water and Sewer Department'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 Glenwood Water and Sewer Department'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 Glenwood Water and Sewer Department's internal control over financial reporting and compliance.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

January 29, 2024

GLENWOOD WATER AND SEWER DEPARTMENT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 2,581,352	\$ 2,138,634
Certificates of Deposit	484,367	480,453
Accounts Receivable - Customers	150,600	105,466
Accounts Receivable - State Sales Tax	135,674	132,380
Accrued Interest Receivable	541	405
Inventory	24,868	24,868
Prepaid Expenses	18,753	16,204
TOTAL CURRENT ASSETS	<u>3,396,155</u>	<u>2,898,410</u>
RESTRICTED ASSETS:		
Depreciation Fund	367,335	290,675
Sewer and Water Sales Tax Funds	353,578	189,317
Meter Deposits Fund	117,873	115,875
ADFA Water and Sewer Funds	165,958	158,525
TOTAL RESTRICTED ASSETS	<u>1,004,744</u>	<u>754,392</u>
PLANT AND EQUIPMENT:		
Land and Improvements	426,455	426,455
Water and Sewer Plant	21,875,601	21,036,911
Water Treatment	484,290	484,290
Construction in Progress	-	247,734
	<u>22,786,346</u>	<u>22,195,390</u>
Less Accumulated Depreciation	<u>(8,818,074)</u>	<u>(8,303,600)</u>
TOTAL PLANT AND EQUIPMENT	<u>13,968,272</u>	<u>13,891,790</u>
OTHER ASSETS:		
Debt Issuance Costs - Net of Amortization (2022 - \$126,624 / 2021 - \$118,069)	120,994	129,549
TOTAL ASSETS	<u>\$18,490,165</u>	<u>\$17,674,141</u>

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



GLENWOOD WATER AND SEWER DEPARTMENT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022 AND 2021

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LIABILITIES AND FUND EQUITY

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 38,541	\$ 19,152
Accrued Wages	2,992	1,619
Sales Tax Payable	6,118	5,880
TOTAL CURRENT LIABILITIES	<u>47,651</u>	<u>26,651</u>
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Accrued Interest Payable	48,994	53,419
Customer Deposits	117,831	113,078
Current Portion of Long-Term Debt	734,602	713,457
TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS	<u>901,427</u>	<u>879,954</u>
LONG-TERM LIABILITIES	6,880,702	7,338,196
TOTAL LIABILITIES	<u>7,829,780</u>	<u>8,244,801</u>
NET POSITION:		
Retained Earnings:		
Reserved	103,317	(125,562)
Unreserved	10,557,068	9,554,902
TOTAL NET POSITION	<u>10,660,385</u>	<u>9,429,340</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 18,490,165</u>	<u>\$ 17,674,141</u>

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

GLENWOOD WATER AND SEWER DEPARTMENT  
STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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	2022			2021
	Sewer	Water	Total	Total
OPERATING REVENUE:				
Water Revenue	\$ -	\$ 1,335,989	\$ 1,335,989	\$ 1,233,640
Sewer Revenue	525,013	-	525,013	491,374
Penalties	6,914	15,775	22,689	24,393
Connection Fees	-	30,990	30,990	41,345
Sales Tax Revenue	544,154	330,298	874,452	826,132
Grants - ARDOT	277,613	-	277,613	-
Miscellaneous Income	-	9,370	9,370	11,595
TOTAL REVENUE	<u>1,353,694</u>	<u>1,722,422</u>	<u>3,076,116</u>	<u>2,628,479</u>
OPERATING EXPENSES:				
Salaries	58,352	212,556	270,908	223,611
Utilities	71,617	115,977	187,594	162,606
Insurance	16,887	56,767	73,654	41,259
Maintenance, Supplies, and Chemicals	140,894	303,404	444,298	301,121
Office Expense	23	13,983	14,006	8,074
Depreciation	171,474	343,000	514,474	502,611
Miscellaneous	50,687	51,535	102,222	121,138
TOTAL OPERATING EXPENSES	<u>509,934</u>	<u>1,097,222</u>	<u>1,607,156</u>	<u>1,360,420</u>
OPERATING INCOME	<u>843,760</u>	<u>625,200</u>	<u>1,468,960</u>	<u>1,268,059</u>
NONOPERATING REVENUE (EXPENSES):				
Interest Earned	5,608	11,107	16,715	10,948
Amortization of Debt Issuance Costs	-	(8,555)	(8,555)	(8,555)
Interest Expense	(51,701)	(194,374)	(246,075)	(264,178)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(46,093)</u>	<u>(191,822)</u>	<u>(237,915)</u>	<u>(261,785)</u>
NET INCOME	<u>\$ 797,667</u>	<u>\$ 433,378</u>	<u>1,231,045</u>	<u>1,006,274</u>
NET POSITION - BEGINNING OF YEAR			9,429,340	8,423,066
NET POSITION - END OF YEAR			<u>\$10,660,385</u>	<u>\$ 9,429,340</u>

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

GLENWOOD WATER AND SEWER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,869,580	\$ 1,823,378
Cash Received from Sales Tax Revenue	871,158	750,210
Cash Paid to Suppliers	(517,746)	(628,289)
Cash Paid to Employees	(269,535)	(226,225)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>1,953,457</u>	<u>1,719,074</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	16,579	10,941
Purchases of Certificates of Deposit	(3,914)	(3,391)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>12,665</u>	<u>7,550</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Customer Deposits Received	<u>4,753</u>	<u>12,490</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for Capital Expenditures	(590,956)	(221,640)
Principal Payment - Debt	(671,967)	(651,515)
Proceeds from Long-Term Debt	235,618	179,524
Interest Paid	(250,500)	(268,465)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,277,805)</u>	<u>(962,096)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>693,070</u>	<u>777,018</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,893,026	2,116,008
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,586,096</u></u>	<u><u>\$ 2,893,026</u></u>

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

GLENWOOD WATER AND SEWER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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Reconciliation of operating income to net cash flow from operating activities:

	<u>2022</u>	<u>2021</u>
OPERATING INCOME	<u>\$ 1,468,960</u>	<u>\$ 1,268,059</u>
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	514,474	502,611
Bad Debts	9,337	6,814
Change in Assets and Liabilities:		
Accounts Receivable	(57,765)	(54,891)
Prepaid Expense	(2,549)	(471)
Accounts Payable and Accrued Expenses	<u>21,000</u>	<u>(3,048)</u>
TOTAL ADJUSTMENTS	484,497	451,015
NET CASH FLOW FROM OPERATING ACTIVITIES	<u><u>\$ 1,953,457</u></u>	<u><u>\$ 1,719,074</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING  
ACTIVITIES:

None

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

GLENWOOD WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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Note 1. Significant Accounting Policies:

The Glenwood Water and Sewer Department (the Department) is an operating entity of the City of Glenwood, Arkansas. The Department is independent with respect to revenue, expenses, assets, and liabilities in that the City of Glenwood is prohibited by loan agreements from converting any revenue or assets to general use, and the City is not responsible for any Water and Sewer Department debt. It serves customers in the City of Glenwood and the Pike County area as well as the City of Norman and Montgomery County.

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.

For the purpose of the statement of cash flows, the Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Materials and supplies on hand at December 31, 2022 and 2021 were valued at estimated cost.

An allowance for bad debts has been provided based on the estimated bad debts experience.

Fixed assets are stated at cost. Depreciation has been computed using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Water and Sewer Plant	50
Buildings and Improvements	15 - 40
Machinery and Equipment	5 - 15

Restricted funds are those that have been restricted in accordance with various ordinances or some other purpose. These ordinances require that monthly deposits be made directly to these accounts for one sixth (1/6) of the next installment of principal and interest due. The accounts are titled Sewer and Water Sales Tax Fund, ADFA Water and Sewer Bond Fund and ADFA Depreciation Fund. After making the required deposits above, three percent (3%) of gross monthly revenues will be deposited into the ADFA Depreciation Fund.

Debt issuance cost is being amortized by the straight-line method over the life of the bonds. The amount charged to operations was \$8,555 for each of the years ended December 31, 2022 and 2021, respectively. The amortization of debt issuance costs included in construction in progress will be amortized when principal payments commence on the bonds. Debt issue cost of \$247,618 is being amortized over the life of the bonds or thirty years, whichever is shorter.

The Department requires every customer to pay a meter deposit before service is provided. Concentration of credit risk with respect to trade receivables is limited by these deposits.

Management has evaluated subsequent events through January 29, 2024, the date the financial statements were available for issuance.

GLENWOOD WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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Note 2. Capital Assets:

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<b>Fixed Assets:</b>					
Land and Improvements	\$ 426,455	\$ -	\$ -	\$ -	\$ 426,455
Water and Sewer Plant	21,036,911	63,447	775,243	-	21,875,601
Water Treatment	484,290	-	-	-	484,290
Construction in Progress	247,734	527,509	(775,243)	-	-
<b>Total Fixed Assets</b>	<b>22,195,390</b>	<b>590,956</b>	<b>-</b>	<b>-</b>	<b>22,786,346</b>
<b>Less Accumulated Depreciation:</b>					
Water and Sewer Plant	(7,953,835)	(343,000)	-	-	(8,296,835)
Water Treatment	(349,765)	(171,474)	-	-	(521,239)
<b>Total Depreciation</b>	<b>(8,303,600)</b>	<b>(514,474)</b>	<b>-</b>	<b>-</b>	<b>(8,818,074)</b>
<b>Net Fixed Assets</b>	<b>\$ 13,891,790</b>	<b>\$ 76,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,968,272</b>

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<b>Fixed Assets:</b>					
Land and Improvements	\$ 426,455	\$ -	\$ -	\$ -	\$ 426,455
Water and Sewer Plant	21,009,045	27,866	-	-	21,036,911
Water Treatment	484,290	-	-	-	484,290
Construction in Progress	53,960	193,774	-	-	247,734
<b>Total Fixed Assets</b>	<b>21,973,750</b>	<b>221,640</b>	<b>-</b>	<b>-</b>	<b>22,195,390</b>
<b>Less Accumulated Depreciation:</b>					
Water and Sewer Plant	(7,467,367)	(486,468)	-	-	(7,953,835)
Water Treatment	(333,622)	(16,143)	-	-	(349,765)
<b>Total Depreciation</b>	<b>(7,800,989)</b>	<b>(502,611)</b>	<b>-</b>	<b>-</b>	<b>(8,303,600)</b>
<b>Net Fixed Assets</b>	<b>\$ 14,172,761</b>	<b>\$ (280,971)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,891,790</b>

Note 3. Revenue:

Ordinances 06-03 and 06-02 were approved by the voters extending the ½% sales tax until April 2037, in conjunction with the 2007 bond issuance, in order to pay for water and sewer department improvements.

Note 4. Risk Management:

Significant losses are covered by commercial insurance. There has been no significant reduction in insurance coverage. Any settlement amounts have not exceeded insurance coverage for the current year.

GLENWOOD WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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Note 5. Public Fund Deposits and Investments:

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

Public funds may also be invested in direct obligations of the United States of America and obligations, where the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the Department are deposited in accounts in the name of Glenwood Water and Sewer Department in financial institutions permitted by law.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. Glenwood Water and Sewer Department does not have a policy for custodial credit risk. The carrying value of the Departments' accounts and investments at December 31, 2021 was \$4,070,463. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$4,080,167 before adjustment for outstanding items.

The securities held as collateral are classified as to credit risk under three categories, as follows:

- Category 1 - Collateralized with securities held by the Departments or by its agent in the Departments' name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
- Category 3 - Uncollateralized - this includes held by the pledging financial institution's trust department or agent but not in the Department's name.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Glenwood Water and Sewer Department's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Glenwood accounts and investments at a financial institution. At December 31, 2022, securities with a total fair market value of \$4,970,061 were pledged as collateral by financial institutions and held by the pledging agent in the Department's name.

**Investment Interest Rate Risk:** Glenwood Water and Sewer Department does not have an investment interest rate risk. All investments are certificates of deposit with maturities up to 36 months and the Department is under no obligation to renew upon maturity.

**Investment Credit Risk:** Glenwood Water and Sewer Department does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the Department has a collateral agreement.

**Foreign Currency Risk:** Glenwood Water and Sewer Department has no exposure to foreign currency risk.

GLENWOOD WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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Note 6. Long-Term Debt:

The water and sewer revenue bonds are secured by a pledge of funds in the revenue bond fund and the revenues of the department as well as a mortgage lien on the water and sewer facilities. An analysis of the long-term debt is as follows:

	2022	2021
Note payable - Natural Resource Commission, interest on advances at 2.5% to be converted to a Bond on April 5, 2007. Secured by water and sewer revenue on the first \$6,000,000 in debt. To be repaid from the pledge of one-quarter cent sales and use tax. Total amount of commitment \$6,750,000. Amortized over a thirty-year period beginning April 5, 2007. Maturing in 2037. Current portion \$222,762.	\$ 4,125,446	\$ 4,340,612
Bond payable - Natural Resource Commission, 3.25% interest payable \$51,292 semi-annually principal and interest beginning October 15, 2008 for twenty years. Secured by pledge of sales and use tax, the net water and sewer revenues and plant and equipment of the department. This pledge is subordinate to all prior bonds. Maturing in 2028. Current portion \$85,228.	555,159	637,666
Bond payable - Natural Resource Commission, 3.25% interest payable \$102,564 semi-annually beginning October 15, 2007 for twenty years. Secured by pledge of sales and use tax, the net water and sewer revenues, and plant and equipment of the department. This pledge is subordinate to all prior bonds. Maturing in 2027. Current portion \$178,863.	852,502	1,025,731
Bond payable - Natural Resources Commission 1.75% interest payable semi-annually beginning April 15, 2009 for twenty years. Secured by pledge of sales and use tax, the net water and sewer revenues, and plant and equipment of the department. This pledge is subordinate to all prior bonds. Maturing in 2029. Current portion \$183,434.	1,453,406	1,631,897
Bond payable - Arkansas Development Finance Authority, 0% interest, 1% service fee, payable \$12,440 semi-annually beginning April 15, 2012 for 20 years. Secured by pledge of sales and use tax, the net water and sewer revenues, and plant and equipment of the department. This pledge is subordinate to all prior bonds. Maturing in 2032. Current portion \$22,801.	213,649	236,223
Note Payable - Arkansas Department of Transportation, 0% interest, payable \$41,514 per year for 10 years. Loan is for the Caddo River Bridge Utilities project in Glenwood. Funds drawn on loan during 2022 totaled \$235,618. Total project totaled \$415,142. Current Portion \$41,514.	415,142	179,524
	7,615,304	8,051,653
Less portion considered current	(734,602)	(713,457)
Total long-term debt	<u>\$ 6,880,702</u>	<u>\$ 7,338,196</u>



GLENWOOD WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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Note 6. Long-Term Debt: (Continued)

Bond issuance costs, bond discounts, and the difference between the reacquisition price and the net carrying value of proprietary debt are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method.

Maturities of long-term debt are as follows:

	Principal	Interest	Total
Year Ending December 31:			
2023	\$ 734,602	\$ 226,874	\$ 961,476
2024	756,427	205,049	961,476
2025	778,956	182,520	961,476
2026	802,213	159,263	961,476
2027	723,852	135,256	859,108
Thereafter	3,819,254	563,189	4,382,443
	<u>\$ 7,615,304</u>	<u>\$ 1,472,151</u>	<u>\$ 9,087,455</u>

The city council has approved various construction projects to upgrade the water and sewer department of the city and the neighboring city of Norman.

Significant restrictive covenants on long-term debt include:

Maintaining and preserving the distribution system.

Maintaining insurance policies.

Providing audited financial statements to the bondholder within 120 days of year-end, unless an extension is granted.

The covenants listed above are not intended to represent all restrictive covenants related to the debts. For a complete list, the debt agreement should be inspected.

Management is not aware of any violations of restrictive covenants related to long-term debt.

Note 7. Post-Retirement Benefit Plans:

The City of Glenwood maintains a 457(b) salary reduction plan and a 401(a) retirement plan. All full-time employees that have worked three full months are eligible to participate. The 457(b) plan is a tax-deferred plan that requires no contribution by the Department and employees elect how much of their compensation is deferred (contributed) to the plan. The City contributes 2% of gross wages to the 401(a) plan.

INDEPENDENT AUDITORS' 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 City Council and Management  
City of Glenwood, 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 Glenwood Water and Sewer Department of the City of Glenwood, Arkansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Glenwood Water and Sewer Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenwood Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Glenwood Water and Sewer Department'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 may exist that have not been identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

January 29, 2024

GLENWOOD WATER AND SEWER DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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**Summary of Auditors' Results**

The auditors' report expresses an unqualified opinion on the financial statements of Glenwood Water and Sewer Department ("the Department").

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

N/A

SUPPLEMENTARY INFORMATION

GLENWOOD WATER AND SEWER DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
FOR YEAR ENDED DECEMBER 31, 2022

SCHEDULE I  
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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES:			
Water Revenue	\$ 1,288,299	\$ 1,335,989	\$ 47,690
Sewer Revenue	515,943	525,013	9,070
Penalties	24,393	22,689	(1,704)
Connection Fees	41,345	30,990	(10,355)
Sales Tax Revenue	760,325	874,452	114,127
Grants - ARDOT	-	277,613	277,613
Miscellaneous Income	11,595	9,370	(2,225)
TOTAL OPERATING REVENUES	<u>2,641,900</u>	<u>3,076,116</u>	<u>434,216</u>
OPERATING EXPENSES:			
Salaries	264,736	270,908	(6,172)
Utilities	164,000	187,594	(23,594)
Insurance	68,084	73,654	(5,570)
Maintenance, Supplies, and Chemicals	199,667	444,298	(244,631)
Office Expense	7,448	14,006	(6,558)
Depreciation	495,296	514,474	(19,178)
Miscellaneous	117,796	102,222	15,574
TOTAL OPERATING EXPENSES	<u>1,317,027</u>	<u>1,607,156</u>	<u>(290,129)</u>
OPERATING INCOME (LOSS)	<u>1,324,873</u>	<u>1,468,960</u>	<u>144,087</u>
OTHER INCOME (EXPENSES):			
Interest Revenue	10,314	16,715	6,401
Amortization of Debt Issuance Costs	-	(8,555)	(8,555)
Interest Expense	(271,000)	(246,075)	24,925
TOTAL OTHER INCOME (EXPENSES)	<u>(260,686)</u>	<u>(237,915)</u>	<u>22,771</u>
NET INCOME (LOSS)	<u>\$ 1,064,187</u>	<u>\$ 1,231,045</u>	<u>\$ 166,858</u>

See Independent Auditors' Report.