

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

Bonds & Company, P.A.

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INDEPENDENT AUDITORS' REPORT

Sherwood Wastewater Treatment Committee
City of Sherwood, Arkansas

Opinion

We have audited the accompanying financial statements of the Sherwood Wastewater Treatment Committee of the City of Sherwood, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sherwood Wastewater Treatment Committee of the City of Sherwood, Arkansas, as of December 31, 2023, and the changes in its financial position and cash flows for the year 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. 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 Sherwood Wastewater Treatment Committee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Sherwood Wastewater Treatment Committee of the City of Sherwood, Arkansas, 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.

Sherwood Wastewater Treatment Committee
August 25, 2024
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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.

Other Matters

Management Discussion and Analysis

The Committee has not presented a Management Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Bonds & Company, P. A.
August 25, 2024

FINANCIAL STATEMENTS

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,781,138
Accounts receivable	<u>135,198</u>
Total current assets	<u>2,916,336</u>

Restricted Assets:

Investment in Certificate of Deposit	459,389
Cash and cash equivalents	<u>157,183</u>

Total restricted assets 616,572

Capital Assets:

Capital Assets, Net of Accumulated Depreciation	<u>11,379,194</u>
Total Capital Assets	<u>11,379,194</u>

Total Assets **\$ 14,912,102**

The accompanying notes are an integral part of these financial statements

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023**

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ <u>14,154</u>
Total current liabilities	<u>14,154</u>
Long-Term Liabilities:	
Total long-term liabilities	<u>-0-</u>
Total Liabilities	<u>14,154</u>
Net Position:	
Invested in capital assets, net of related debt	11,379,194
Restricted for sewer improvement and debt service	616,572
Unrestricted	<u>2,902,182</u>
Total Net Position	<u>14,897,948</u>
Total Liabilities and Net Position	\$ <u>14,912,102</u>

The accompanying notes are an integral part of these financial statements

SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

Operating Revenues:	
Sewer service charges	\$ 1,659,972
Miscellaneous income	-0-
Inspection and connection fees	<u>7,365</u>
Total operating revenues	<u>1,667,337</u>
Operating Expenses:	
Depreciation	549,280
Dues and subscriptions	23,722
Employee Retirement	46,302
Insurance	75,405
Laboratory costs	25,386
Licenses and permits	9,496
Operating fees - Wastewater	428,219
Payroll taxes	37,394
Professional fees	62,856
Repairs and maintenance	212,583
Salaries	461,473
Supplies	56,939
Telephone and utilities	159,270
Training and seminars	4,289
Uniforms	7,952
Vehicle operation	<u>28,344</u>
Total operating expenses	<u>2,188,910</u>
Net (Loss) from Operations	<u>(521,573)</u>
Other Revenues/(Expenses):	
Interest income	<u>131,612</u>
Total other revenues/(expenses)	<u>131,612</u>
Change in Net Position	(389,961)
Net Position - Beginning of Year	<u>15,287,909</u>
Net Position - End of Year	\$ <u><u>14,897,948</u></u>

The accompanying notes are an integral part of these financial statements

SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,656,260
Payments to suppliers for goods and services	(428,219)
Payments to employees and professionals for service	(524,329)
Other Operating Payments	(684,976)
Net cash provided by operating activities	<u>18,736</u>
Net Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets and construction in progress	<u>(39,136)</u>
Net cash used by capital and related financing activities	<u>(39,136)</u>
Net Cash Flows from Investing Activities:	
Receipts of interest income	<u>131,614</u>
Net cash provided by investing activities	<u>131,614</u>
Increase (Decrease) in Cash and Cash Equivalents	111,214
Cash and Cash Equivalents - Beginning of Year	<u>2,827,107</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,938,321</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating (loss) from Operations	\$ (521,573)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation	549,280
Changes in:	
Accounts receivable - (Increase) Decrease	3,712
Accrued expenses and accounts payable	<u>(12,683)</u>
Increase (Decrease)	
Net cash provided by operating activities	<u>\$ 18,736</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Sherwood Wastewater Treatment Committee (the "Committee") is organized as an enterprise fund of the City of Sherwood, Arkansas. The original Commission was established in 1959 for the purpose of constructing a system of sewers to serve the inhabitants of the City of Sherwood, Arkansas. City Ordinance #1515, dated January 2001, recreated the Committee as it currently exists, incorporating the Indianhead Lakes sewer system. The Committee's purpose is to carry out the purchase and construction of additions, extensions, and improvements to the sewer system. The Committee is considered to be a component unit of the City of Sherwood, Arkansas.

Proprietary Fund

The accounts of the Committee are accounted for as an enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to a private business enterprise or for which periodic determination of revenues earned, expenses incurred, and/or net income is desirable. These funds render services to the general public on a user-charge basis.

Measurement Focus and Basis of Accounting

The financial statements of the Committee are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flow.

The accounting policies and financial reporting practices of the Committee conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Committee are charges to customers for sales and services. The Committee also recognizes as operating revenue the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Committee include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Committee's policy to use unrestricted resources first, then restricted resources as needed. See Note 3 for information describing restricted assets.

Estimates

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

Budgets and Budgetary Accounting

The Committee adopts a budget annually for planning purposes.

Cash Equivalents

For purposes of the statement of cash flows, the Committee considers all highly liquid cash investments with an original maturity of three months or less to be cash and cash equivalent items.

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation

Additions to the Committee are recorded at cost, or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance, which do not improve or extend the lives of the related assets, are expensed when incurred. The sale or disposal of capital assets is recorded by removing the cost and accumulated depreciation of the asset and charging the resulting gain or loss to income.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operation. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided for over the estimated useful life of each individual asset using the straight-line method. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings	50
Sewer facility systems	30-40
Equipment and vehicles	5-7

Long-Term Obligations

As a proprietary fund, the Committee reports long-term debt and other long-term obligations as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As of December 31, 2023, the Committee did not have any long-term obligations.

Advertising

The Committee expenses advertising costs as incurred. No advertising costs were incurred during the year ended December 31, 2023.

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As a municipally owned utility, the Committee is exempt from federal and state income taxes.

NOTE 2. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2023 is as follows:

	1-1-2023 <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	12-31-2023 <u>Balance</u>
Buildings	381,959	\$ -0-	-	381,959
Sewer Facility Systems	21,883,872	39,134	-	21,923,006
Equipment and Vehicles	<u>1,118,486</u>	<u>-0-</u>	<u>-</u>	<u>1,118,486</u>
Total Property, Plant, and Equipment	23,384,317	39,134		23,423,451
Less: Accumulated Depreciation	<u>(11,494,977)</u>	<u>(549,280)</u>	<u>-</u>	<u>(12,044,257)</u>
Net Property, Plant, and Equipment	<u>11,889,340</u>	<u>\$(510,146)</u>	<u>\$ -</u>	<u>11,379,194</u>

NOTE 3. RESTRICTED ASSETS

Proceeds from the city sales tax enacted April 1, 2000, for a 60-month period, are restricted by law for improvements to and expansion of the Committee's sewer facilities and/or retirement of long-term debt. This tax had a sunset date of April 30, 2005, and collections ceased at that date.

Cash and cash equivalents - city sales tax	\$ 157,183
Certificates of deposit - wastewater	<u>459,389</u>
Total restricted assets	<u>\$ 616,572</u>

NOTE 4. SEWER SERVICE CHARGES

Sewer service charges are billed and collected by Central Arkansas Water, and the net amount of sewer charges, less billing fees, is remitted to the Committee. A portion of the sewage treatment fees are then remitted by the Committee to North Little Rock Wastewater Utility.

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4. SEWER SERVICE CHARGES CONT

Sewer Rates

For 2023 Inside City Limits: \$15.00 minimum and \$3.75 per 100 cf over 400 cf minimum
For 2024 Inside City Limits: \$18.75 minimum and \$5.25 per 100 cf over 400 cf minimum

For 2023 Outside City Limits: \$19.28 minimum and \$4.69 per 100 cf over 400 cf minimum
For 2024 Outside City Limits: \$23.44 minimum and \$6.56 per 100 cf over 400 cf minimum

NOTE 5. RISK MANAGEMENT

The Committee is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the City of Sherwood, Arkansas' participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for Workers' Compensation coverage.

The City also participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Property Program

This program covers city-owned property as listed on the Statement of Values. Reinsurance is provided by the Public Entity Property Insurance Program of Alliant Insurance Services, Inc.

When a loss has occurred, the program has the option to pay the replacement cost of the property or to repair the property, whichever is lower. If the loss is equal to or in excess of the scheduled amount, the payment is determined by applying the appropriate deductible to the total amount of damages. The maximum amount the City will ever receive is the scheduled amount as listed on the Statement of Values.

**SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5. RISK MANAGEMENT (continued)

Vehicle Program

Liability -

This program may pay all sums the city legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered city vehicle and for which the city is liable. The limit of payment for in-state claims is \$25,000 for bodily injury, or death of one person per accident, \$50,000 for bodily injury or death of two or more persons in any one accident, and \$25,000 for property damage per accident.

Physical damage - Auto physical damage comprehensive/collision is actual cash value of the vehicle.

Participating members' deductible is \$10,000 for property for each occurrence except auto comprehensive which is actual cash value. Underlying reinsurance is provided by the National League of Cities Mutual Insurance Company. The vehicle deductible is \$1,000.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

NOTE 6. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - For deposits this is the risk that in the event of a bank failure, the Committee's deposits may not be returned to it. As of December 31, 2023, none of the City's bank balances of \$3,468,165 were exposed to custodial credit risk because they were insured or collateralized with securities held by the pledging financial institution's trust department or agent. The Committee has not formally adopted deposit and investment policies.

SHERWOOD WASTEWATER TREATMENT COMMITTEE
CITY OF SHERWOOD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7. SUBSEQUENT EVENTS

The Committee has evaluated subsequent events through June 30, 2024, which is the date that the financial statements were available to be issued.

NOTE 8. PENSION PLAN - 457(b) DEFERRED COMPENSATION PLAN

The employees of the Sherwood Wastewater Treatment Committee are covered by a 457(b) Retirement Plan maintained by the City of Sherwood.

This Plan is not available to elected officials. Employees may elect to defer part of their salary and contribute pre tax dollars into this Plan.

The Plan also has a mandatory 4% contribution amount if hired after 1/1/2014, pre tax. This amount will always be 100% vested by the employee.

The City may contribute to the Plan by matching contributions or non-elective contributions.

The matching contributions are a discretionary percentage of employee salary deferrals. To receive the matching contributions, an employee will be eligible upon hire for this match.

The Plan's non-elective contribution is discretionary and will be determined each year.

For 2023, the City will match up to 4% salary deferrals and also contribute 5% non-elective contribution to an employee's account bi-weekly. The 4% match is calculated each payroll and remitted to a bank custodian, who maintains the employees accounts and the plan assets. For 2023, the City match was \$46,302.

Employees will be entitled to all their account balances at separation of service, with various payment options.

The City also has a defined benefit plan that was frozen in 2011, prior to establishing the 457(b) Plan. This was 100% employer monies. The City is continuing to fund this plan for an unfunded obligation that still remains.