

City of Vilonia Sewer System

Audited Financial Statements

and

Supplementary Information

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Sewer Committee
City of Vilonia Sewer System
Vilonia, Arkansas

Opinion

We have audited the financial statements of the City of Vilonia Sewer System as of and for the years ended December 31, 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 City of Vilonia Sewer System as of December 31, 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. 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 City of Vilonia Sewer System, 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 City of Vilonia Sewer System and do not purport to, and do not, present fairly the financial position of the City of Vilonia, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years 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 City of Vilonia Sewer System'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.

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

The City of Vilonia Sewer System has omitted a Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 16-18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 17-19 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bonds & Company, P.A.

Bonds & Company, P. A.
September 11, 2024

**City of Vilonia Sewer System
Statements of Net Position
December 31, 2023 and 2022**

	ASSETS	2023	2022
CURRENT ASSETS			
Cash		456,432	518,494
Accounts Receivable		109,967	102,678
Prepaid Insurance		<u>1,692</u>	<u>1,653</u>
Total Current Assets		568,091	622,825
RESTRICTED ASSETS			
Cash and Cash Equivalents		<u>1,002,488</u>	<u>1,329,057</u>
Total Restricted Assets		1,002,488	1,329,057
PROPERTY, PLANT, AND EQUIPMENT			
Construction in Progress -			
Not Subject to Depreciation		812,166	521,291
2016 Plant Upgrade		350,331	279,992
Land and Easements		45,860	45,860
Sewer Plant		4,551,921	4,551,921
LIM Hookups		65,069	65,069
EQ Basin		131,489	131,489
Sewer System Improvements		20,453	20,453
Vehicles		96,459	96,459
Office Furniture and Fixtures		77,760	77,760
Equipment - Communication		6,847	6,847
- Maintenance		279,094	274,004
- Sewer		311,293	311,293
Small Tools		8,899	8,899
Treatment Site Building		291,920	291,920
Sewer Outflow Construction		<u>30,585</u>	<u>30,585</u>
Total Property, Plant, and Equipment		7,080,146	6,713,842
Less: Accumulated Depreciation		<u>(3,354,524)</u>	<u>(3,186,943)</u>
Net Property, Plant, and Equipment		3,725,622	3,526,899
OTHER ASSETS			
Grant Administration -			
ESC Planning		40,139	40,139
Accumulated Amortization - ESC		(28,239)	(27,235)
Debt Issue Expenses		17,565	17,565
Less: Accumulated Amortization		<u>(12,537)</u>	<u>(12,098)</u>
Total Other Assets		<u>16,928</u>	<u>18,371</u>
TOTAL ASSETS		<u><u>\$5,313,129</u></u>	<u><u>\$5,497,152</u></u>

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

**City of Vilonia Sewer System
Statements of Net Position (Continued)
December 31, 2023 and 2022**

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts Payable	22,474	28,935
Accrued Interest Payable	7,511	7,635
Current Maturities of Long-Term Debt	<u>100,000</u>	<u>100,000</u>
Total Current Liabilities	129,985	136,570
PAYABLE FROM RESTRICTED ASSETS		
Customer Deposits	<u>82,015</u>	<u>94,933</u>
Total Payable From Restricted Assets	82,015	94,933
LONG-TERM DEBT		
Bonds Payable	3,740,925	3,841,700
Less: Current Maturities of Long-Term Debt	<u>(100,000)</u>	<u>(100,000)</u>
Total Long-Term Liabilities	<u>3,640,925</u>	<u>3,741,700</u>
TOTAL LIABILITIES	3,852,925	3,973,203
NET POSITION		
Net Invested in Capital Assets	(15,303)	(314,801)
Restricted	920,473	1,234,124
Unrestricted	<u>555,034</u>	<u>604,626</u>
Total Net Position	<u>1,460,204</u>	<u>1,523,949</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$5,313,129</u>	<u>\$5,497,152</u>

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

City of Vilonia Sewer System
Statements of Revenues, Expenses, and
Changes in Net Position
For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Sewer Charges	\$ 696,776	\$ 688,865
Sewer Connections	3,600	10,200
Late Fees Assessed	16,587	15,587
Transfer- City of Vilonia Gen Fund	-0-	91,467
Consumption Fee Income	<u>24,000</u>	<u>68,000</u>
Total Operating Revenues	\$ 740,963	\$ 874,119
OPERATING EXPENSES		
Amortization	668	668
Bad Debt Expense	-0-	50,158
Contract Labor	800	850
Depreciation	167,581	175,947
Dues and Subscriptions	1,468	440
Employee Medical Insurance	36,250	32,248
Insurance	7,752	7,523
Licenses and Permits	4,691	6,195
Office Supplies	7,518	8,815
Payroll Tax Expense	16,573	14,397
Pension Plan Expense	18,884	16,714
Postage	13,861	11,235
Professional Fees	18,046	15,620
Repairs and Maintenance	122,973	87,535
Salaries	223,378	187,694
Service - Testing	6,479	4,692
Truck Expense	46,450	45,395
Uniforms	2,323	1,869
Utilities	<u>65,187</u>	<u>60,593</u>
Total Operating Expenses	<u>760,882</u>	<u>728,588</u>
NET INCOME FROM OPERATIONS	<u>(19,919)</u>	<u>145,531</u>
OTHER REVENUES/(EXPENSES)		
Gain/Loss Sale of Assets	-0-	-0-
Interest Income	51,820	10,787
Trustee Fees	(4,090)	(2,950)
Interest Expense	<u>(91,557)</u>	<u>(93,434)</u>
Net Other Revenues/(Expenses)	<u>(43,827)</u>	<u>(85,597)</u>
NET PROFIT (LOSS)	<u>\$ (63,746)</u>	<u>\$ 59,934</u>
CHANGE IN NET POSITION	\$ (63,746)	\$ 59,934
NET POSITION - BEGINNING OF YEAR	<u>1,523,949</u>	<u>1,464,015</u>
NET POSITION - END OF YEAR	<u>\$1,460,203</u>	<u>\$1,523,949</u>

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

**City of Vilonia Sewer System
Statements of Cash Flows
For the Year Ended December 31, 2023 and 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2023</u>	<u>2022</u>
Cash Received From Customers	\$ 733,675	\$ 865,990
Payments to Employees, Incl. Taxes	(239,951)	(202,091)
Payments to Suppliers	(372,100)	(289,193)
Net Cash Provided by Operating Activities	121,624	374,706

NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase-Capital Assets-(Net of Sales)	(366,304)	(39,347)
Interest and Fees Payments	(95,771)	(96,456)
Principal Payments on Debt	(100,000)	(100,000)
Net Cash Flows Used by Capital and Related Financing Activities	(562,075)	(235,803)

NET CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	51,820	10,787
Net Cash Provided (Used) by Investing Activities	51,820	10,787
NET INCREASE (DECREASE) IN CASH	(388,631)	149,690
CASH - BEGINNING OF YEAR	1,847,551	1,697,861
CASH - END OF YEAR	\$ 1,458,920	\$ 1,847,551

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

**City of Vilonia Sewer System
Statements of Cash Flows (Continued)
For the Year Ended December 31, 2023 and 2022**

**RECONCILIATION OF NET INCOME FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

	<u>2023</u>	<u>2022</u>
Net Income from Operations	\$ (19,919)	\$ 145,531
Depreciation Expense	167,581	175,947
Amortization Expense	668	668
Adjust for Changes in Current Asset and Current Liability Accounts:		
(Increase)/Decrease in Accounts Receivable	(7,288)	42,029
(Increase)/Decrease in Prepaid Insurance	(39)	(16)
Increase/(Decrease) in Accrued Payroll Withholding	-0-	-0-
Increase/(Decrease) in Accounts Payable	(6,461)	11,373
Increase/(Decrease) in Payables from Restricted Assets	(12,918)	(826)
Net Cash Provided by Operating Activities	<u>\$ 121,624</u>	<u>\$ 374,706</u>

For the years ended December 31, 2023 and 2022, the City of Vilonia Sewer System paid \$95,647 and \$95,456, respectively, for interest expense and \$-0- and -0-, respectively, for income taxes.

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

City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Vilonia Sewer System have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

The City of Vilonia Sewer System proprietary fund is accounted for using the economic resources measurement focus. Accordingly, the fund reports all assets and liabilities on its balance sheet. Proprietary fund operating statements use the accrual basis of accounting. Revenues are recognized when earned and become measurable, and expenses are recognized when incurred, if measurable. The City of Vilonia Sewer System applies all applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for its proprietary funds. The water and sewer enterprise fund bills for services on a monthly basis and accounts for that revenue when billed.

Operating revenues and expenses are distinguished from nonoperating revenue (expense) items. Operating revenues and expenses generally result from providing service in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues (expenses), but remain a major component of the overall revenues and expenses of the System.

When both restricted and unrestricted resources are available for use, it is the City of Vilonia Sewer System's policy to use unrestricted resources first, then restricted resources as needed. See Note 7 for information describing restricted assets.

Compensated Absences

Management does not consider the effect of compensated absences to be material in relation to the financial statements taken as a whole, therefore, no accrual was made for compensated absences earned but not yet taken.

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment

All fixed assets are valued at cost when historical records are available. Generally accepted accounting principles require that depreciation be recognized in order to provide for a reasonable and consistent matching of revenues and expenses by systematically allocating the cost of the depreciable asset over its estimated useful life. The system provides for depreciation for property, plant, and equipment acquired or put into service after September 1995 in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives. For the years ended December 31, 2023 and 2022, depreciation expense totaled \$167,581 and 175,947, respectively.

A summary of changes in general fixed assets follows:

	Balance		Reclassifications		Balance
	<u>1-1-23</u>	<u>Additions</u>	&	<u>Deletions</u>	<u>12-31-23</u>
Not Depreciated -	\$ 521,291	\$ 290,875	\$	\$	812,166
Const. In Progress					
2016 Plant Upgrade	279,992	70,339			350,331
Land and Easements	45,860				45,860
Sewer Plant	4,551,921				4,551,921
LIM Hookups	65,069				65,069
EQ Basin	131,489				131,489
Sewer System					
Improvements	20,453				20,453
Vehicles	96,459				96,459
Office Furniture and					
Fixtures	77,760				77,760
Equipment-Communication	6,847				6,847
Equipment-Maintenance	274,004	5,090			279,094
Equipment-Sewer	311,293				311,293
Small Tools	8,899				8,899
Treatment Site Building	291,920				291,920
Sewer Outflow					
Construction	<u>30,585</u>				<u>30,585</u>
	6,713,842	366,304			7,080,146
Less Accumulated					
Depreciation	<u>(3,186,943)</u>	<u>(167,581)</u>			<u>(3,354,524)</u>
Net Fixed Assets	<u>\$ 3,526,899</u>	<u>\$ 198,723</u>			<u>\$3,725,622</u>

Proprietary fund type fixed assets are presented by asset class in the balance sheet.

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Balance		Reclassifications		Balance
	<u>1-1-22</u>	<u>Additions</u>	&	<u>Deletions</u>	<u>12-31-22</u>
Not Depreciated -	\$ 501,296	\$ 19,995		\$	\$ 521,291
Const. In Progress					
2016 Plant Upgrade	265,798	14,194			279,992
Land and Easements	45,860				45,860
Sewer Plant	4,551,921				4,551,921
LIM Hookups	65,069				65,069
EQ Basin	131,489				131,489
Sewer System					
Improvements	20,453				20,453
Vehicles	96,459				96,459
Office Furniture and					
Fixtures	75,730	2,030			77,760
Equipment-Communication	6,847				6,847
Equipment-Maintenance	270,876	3,128			274,004
Equipment-Sewer	311,293				311,293
Small Tools	8,899				8,899
Treatment Site Building	291,920				291,920
Sewer Outflow					
Construction	<u>30,585</u>	<u> </u>		<u> </u>	<u>30,585</u>
	6,674,495	39,347			6,713,842
Less Accumulated					
Depreciation	<u>(3,010,996)</u>	<u>(175,947)</u>		<u> </u>	<u>(3,186,943)</u>
Net Fixed Assets	<u>\$ 3,663,499</u>	<u>\$ (136,600)</u>			<u>\$3,526,899</u>

Proprietary fund type fixed assets are presented by asset class in the balance sheet.

Operating/Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with the fund's principal operations of providing sewer services. All other revenues are non-operating. Operating expenses can be tied specifically to the rendering of sewer services, such as materials and labor and direct overhead. Other expenses are non-operating.

Reporting Entity

These financial statements present only the City of Vilonia Sewer System, a component unit of the City of Vilonia, Arkansas, and are not intended to present the financial position of the City of Vilonia, Arkansas.

City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Type

The City of Vilonia Sewer System is a proprietary enterprise fund of the City of Vilonia, Arkansas. This fund type accounts for operations that are financed and operated in a manner similar to private business where the intent of the entity is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, federal grants, and other entity funds.

Management Estimates

Management used estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Equivalents

The City of Vilonia Sewer System considers both restricted and unrestricted demand deposits, certificates of deposit and money market funds to be cash equivalents. In addition, any highly liquid investments with maturities of 3 months or less from the date of purchase are considered to be cash or cash equivalents.

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 2. INTANGIBLE ASSETS

Bond issue costs of \$40,139, \$17,565, and \$1,560 have been capitalized in relation to the debt issuance of the City of Vilonia Sewer System's revenue bonds. These amounts have been amortized over the life of the related bonds, from ten to forty years, using the straight-line method. Amortization expense for the years ended December 31, 2023 and 2022 was \$668 for 2023 and \$668 for 2022.

NOTE 3. LONG-TERM DEBT

Long-Term Debt consists of the following:

	<u>2023</u>	<u>2022</u>
Sewer revenue bonds were issued under ordinance 2020-3 for the purpose of providing for the expansion of the sewer system and the refunding of outstanding revenue bonds.. These bonds were issued August 27, 2020 in the amount of \$3,990,000 at an interest rate of 0.875%; annual interest payments beginning June 1, 2021; annual interest and principal payments beginning December 1, 2022.	\$ <u>3,720,000</u>	<u>\$3,820,000</u>
Unamortized Bond Premium	3,720,000 <u>20,925</u>	3,820,000 <u>21,700</u>
Total Long-Term Debt	<u>\$3,740,925</u>	<u>\$3,841,700</u>

See note 13 for schedule of future annual debt service Requirements and note 14 for activity

NOTE 4. DEPRECIATION EXPENSE

Depreciation is figured on property, plant and equipment and taken over the estimated useful lives of the assets as follows:

Buildings	25 - 50 years
Improvements	10 - 20 years
Equipment	3 - 10 years

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 5. CASH AND INVESTMENTS

Cash and investments are stated at cost. The City of Vilonia Sewer System has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments.

Deposits

A summary of deposits in cash and cash equivalents (unrestricted and restricted) at December 31, 2023, is as follows:

<u>Carrying Amount</u>	<u>Balance Per Bank Statement</u>	<u>Amount Insured or Collateralized</u>	<u>Amount Uninsured</u>
<u>\$1,458,920</u>	<u>\$1,441,513</u>	<u>\$1,441,513</u>	<u>\$ -0-</u>

Deposits are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the agency or by its agent in the agency's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent in the agency's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution, or by its' trust department or agent but not in the entity's name.

<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Total Bank Balance</u>
<u>\$1,441,513</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,441,513</u>

NOTE 6 CURRENT WATER AND SEWER RATES

Current sewer rates as of December 31, 2023, are as follows:

City Water Users

0 - 1,000 gallons	\$16.00
Over 1,000 gallons	6.00 per 1,000

If the Customer is not a City Water User

1 (one) person home	\$14.00
2 (two) person home	23.00
3 (three) person home	31.00
4 (four) person home	37.00
5 (five) person home	44.00

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 7. RESTRICTED ASSETS

Certain assets of the proprietary fund are classified as restricted and unrestricted and consist of the following as of December 31, 2023 and 2022:

	2023	2022
Sewer Expansion Account	\$ 88,865	\$ 153,465
Meter Deposit Checking	81,547	92,889
CD - Meter Deposits	23,742	23,335
Sewer Reserve Fund	2,837	2,834
Debt Service Reserve	195,631	195,631
2020 Bonds Fund	22,721	18,398
Construction Account - 2020 Bond Issue	587,145	842,505
	<u>\$ 1,002,488</u>	<u>\$ 1,329,057</u>

NOTE 8. INSURANCE COVERAGE

The City of Vilonia Sewer System carries the following insurance policies:

Automobiles

Automobile coverage is incorporated with the City of Vilonia.

Worker's Compensation

Worker's compensation coverage is issued through the Municipal League Worker's Compensation Trust and is part of the policy held by the City of Vilonia.

Building and Property

Building and property coverage is in excess of the value of the fixed assets of the City of Vilonia Sewer System. This policy is separate from any of the component units of the City of Vilonia.

City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2021

NOTE 9. CONSUMPTION FEES

Consumption fees are collected when a new homeowner hooks up to the sewer system. Of the amount collected, 30% is available to offset operating and maintenance costs and 70% is to be restricted for use in expanding the sewer system. As of December 31, 2023, all consumption fees had been funded to the Sewer Expansion Account and the Sewer Reserve Fund.

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable are shown net of an allowance for doubtful accounts of \$68,471 as of December 31, 2023 and \$68,471 for December 31, 2022

Management analyzes periodically to determine the adequacy of the allowance for doubtful accounts.

NOTE 11. SUBSEQUENT EVENTS

The City of Vilonia Sewer System has evaluated subsequent events through September 11, 2024 which is the date that the financial statements were available to be issued.

NOTE 12. PENSION PLAN

The City of Vilonia Sewer began an employee pension plan in June 2016. The plan has a 457(b) deferred compensation component, where the employee elects pre-tax salary deferrals. Another component of the pension plans is a 401(a) type plan, where the employer contributes 9% of each eligible employee's payroll, after June 1, 2016. The plans have no future unfunded liability and are both defined contribution plans. The pension expense for 2023 was \$18,884 and for 2022 was \$16,714.

City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 13. SCHEDULE OF FUTURE ANNUAL DEBT SERVICE REQUIREMENTS

Total of Semi-annual and annual payments

<u>Date</u>	<u>Total Requirement</u>	<u>Principal</u>	<u>Interest</u>
2024	191,631	100,000	91,631
2025	195,631	105,000	90,631
2026	193,531	105,000	88,531
2027	191,431	105,000	86,431
2028	194,331	110,000	84,331
2029-2033	966,206	580,000	386,206
2034-2038	967,150	655,000	312,150
2039-2043	964,225	735,000	229,225
2044-2048	975,300	850,000	125,300
2049-2050	390,820	375,000	15,820
	\$5,230,256	\$ 3,720,000	\$ 1,510,256
	\$5,230,256	\$ 3,720,000	\$ 1,510,256

NOTE 14. ACTIVITY IN BONDS AND NOTES PAYABLE

Activity for the year ended December 31, 2023 and 2022 in bonds and notes payable was as follows:

	<u>Balance</u> <u>12-31-2023</u>	<u>New Debt</u> <u>Acquisition</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12-31-2023</u>	<u>Current</u> <u>Portion</u>
2020 Bond Issue	\$ 3,820,000	\$ -0-	\$ (100,000)	\$ 3,820,000	\$ 100,000
	\$ 3,820,000	\$ -0-	\$ (100,000)	\$ 3,720,000	\$ 100,000
	\$ 3,820,000	\$ -0-	\$ (100,000)	\$ 3,720,000	\$ 100,000

**City of Vilonia Sewer System
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 14. ACTIVITY IN BONDS AND NOTES PAYABLE (Continued)

	<u>Balance</u> <u>12-31-2021</u>	<u>New Debt</u> <u>Acquisition</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12-31-2022</u>	<u>Current</u> <u>Portion</u>
2020 Bond Issue	\$ 3,920,000	\$ -0-	\$ (100,000)	\$ 3,820,000	\$ 100,000
	<u>\$ 3,920,000</u>	<u>\$ -0-</u>	<u>\$ (100,000)</u>	<u>\$ 3,820,000</u>	<u>\$ 100,000</u>

NOTE 15. NEW BOND ISSUE- 2020

On August 27, 2020, the City of Vilonia Sewer System issued \$3,995,000 of bonds to pay off the existing USDA bonds and finance an expansion project. Included in the proceeds from the bond issuance were \$23,444 of premiums received. After bond issue costs and paying off the outstanding USDA bonds, \$1,354,941 was deposited into a construction fund restricted account to be used for system expansion. Semiannual payments of interest and annual payments of principal are due until December 1, 2050 at a variable interest rate, beginning at 0.875% and increasing to 2.8% at maturity.

SUPPLEMENTARY INFORMATION

**City of Vilonia Sewer System
Annual Budgetary Comparison
December 31, 2023 and 2022**

SCHEDULE 1

	<u>2023 Actual</u>	<u>2023 Budget</u>	<u>2023 Difference</u>
OPERATING REVENUES			
Sewer Charges	\$ 696,776	\$ 700,000	\$ (3,224)
Sewer Connections	3,600	8,750	(5,150)
Late Fees Assessed	16,587	16,000	587
Consumption Fee Income	<u>24,000</u>	<u>50,000</u>	<u>(26,000)</u>
Total Operating Revenues	<u>740,963</u>	<u>774,750</u>	<u>(33,787)</u>
OPERATING EXPENSES			
Amortization	668	-0-	(668)
Contract Labor	800	-0-	(800)
Depreciation	167,581	-0-	(167,581)
Dues and Subscriptions	1,468	1,200	(268)
Employee Medical Insurance	36,250	45,000	8,750
Insurance	7,752	9,500	1,748
Licenses and Permits	4,691	3,000	(1,691)
Office Supplies	7,518	6,500	(1,018)
Payroll Tax Expense	16,573	15,350	(1,223)
Pension Plan Expense	18,884	16,600	(2,284)
Postage	13,861	10,075	(3,786)
Professional Fees	18,046	16,500	(1,546)
Repairs and Maintenance	122,973	59,500	(63,473)
Salaries	223,378	207,400	(15,978)
Service - Testing	6,479	5,000	(1,479)
Truck Expense	46,450	10,000	(36,450)
Uniforms	2,323	2,000	(323)
Utilities	<u>65,187</u>	<u>69,100</u>	<u>3,913</u>
Total Operating Expenses	<u>760,882</u>	<u>476,725</u>	<u>(284,157)</u>
NET INCOME FROM OPERATIONS	(19,919)	298,025	(317,944)
OTHER REVENUES/ (EXPENSES)			
Gain/Loss Sale of Assets	-0-	-0-	-0-
Interest Income	51,820	700	51,120
Trustee Fees	(4,090)	-0-	(4,090)
Interest Expense	<u>(91,557)</u>	<u>(125,000)</u>	<u>33,443</u>
Net Other Revenues/ (Expenses)	<u>(43,827)</u>	<u>(124,300)</u>	<u>80,473</u>
NET INCOME/ (LOSS)	\$ <u>(63,746)</u>	\$ <u>173,725</u>	\$ <u>(237,471)</u>

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

**City of Vilonia Sewer System
Annual Budgetary Comparison
December 31, 2023 and 2022**

SCHEDULE 1

	<u>2022 Actual</u>	<u>2022 Budget</u>	<u>2022 Difference</u>
OPERATING REVENUES			
Sewer Charges	\$ 688,865	\$ 715,000	\$ (26,135)
Sewer Connections	10,200	8,950	1,250
Late Fees Assessed	15,587	15,000	587
Transfer from General Fund	91,467	-0-	91,467
Consumption Fee Income	<u>68,000</u>	<u>48,000</u>	<u>20,000</u>
Total Operating Revenues	<u>874,119</u>	<u>786,950</u>	<u>87,169</u>
OPERATING EXPENSES			
Amortization	668	1,500	832
Bad Debt Expense	50,158	-0-	(50,158)
Contract Labor	850	1,000	150
Depreciation	175,947	-0-	(175,947)
Dues and Subscriptions	440	1,500	1,060
Employee Medical Insurance	32,248	40,000	7,752
Insurance	7,523	10,000	2,477
Licenses and Permits	6,195	5,000	(1,195)
Office Supplies	8,815	7,500	(1,315)
Payroll Tax Expense	14,397	14,300	(97)
Pension Plan Expense	16,714	15,500	(1,214)
Postage	11,235	11,260	25
Professional Fees	15,620	15,000	(620)
Repairs and Maintenance	87,535	64,200	(23,335)
Salaries	187,694	184,000	(3,694)
Service - Testing	4,692	5,000	308
Truck Expense	45,395	10,250	(35,145)
Uniforms	1,869	2,000	131
Utilities	<u>60,593</u>	<u>73,500</u>	<u>12,907</u>
Total Operating Expenses	<u>728,588</u>	<u>461,510</u>	<u>(267,078)</u>
NET INCOME FROM OPERATIONS	145,531	325,440	(179,909)
OTHER REVENUES/ (EXPENSES)			
Trustee Fees	(2,950)	(2,000)	(950)
Interest Income	10,787	1,250	9,537
Interest Expense	<u>(93,434)</u>	<u>(80,000)</u>	<u>(13,434)</u>
Net Other Revenues/ (Expenses)	<u>(85,597)</u>	<u>(80,750)</u>	<u>(4,847)</u>
NET INCOME/ (LOSS)	\$ <u><u>59,934</u></u>	\$ <u><u>244,690</u></u>	\$ <u><u>(184,756)</u></u>

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

City of Vilonia Sewer System
Notes to the Supplementary Information
December 31, 2023 and 2022

Note A - Annual Budgetary Comparison

The budget, which is presented in the Annual Budgetary Comparison (See Schedule 2, pages 18 and 19), was prepared by the management of the Vilonia Sewer System for internal use. This budget is not required to be, and has not been, approved or adopted by the governing body of the City of Vilonia.

The following adjustments were made to the budget prepared by the management of the City of Vilonia Sewer System to present in accordance with generally accepted accounting principles in order to make the comparison to actual results:

	<u>2023</u>	<u>2022</u>
Net income per prepared budget	\$ 73,725	\$144,690
Budgeted Fixed Asset Purchases and Capital Improvements/Eng.	-0-	-0-
Total payments on debt	<u>100,000</u>	<u>100,000</u>
 Net Budgetary Income for Comparison Purposes	 <u>\$173,725</u>	 <u>\$244,690</u>