

**THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Greenwood
Greenwood, Arkansas

Opinion

I have audited the accompanying financial statements of the City of Greenwood, Arkansas Water and Sewer Fund 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Greenwood, Arkansas Water and Sewer Fund 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Greenwood, Arkansas and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Greenwood, Arkansas Water and Sewer Fund and do not purport to, and do not, present fairly the financial position of the City of Greenwood, 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. My 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

My 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 my 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, I:

- 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 Greenwood, 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.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenwood, Arkansas Water and Sewer Fund's basic financial statements. The combining financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 my opinion, the combining financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Gammell, Boyd & Anderson, P.A.

Fort Smith, Arkansas
December 10, 2024

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
 Combined Statements of Net Position
 December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash on hand and in bank	\$ 1,525,945	\$ 2,013,595
Accounts receivable – customers	247,440	244,043
Inventory	<u>236,395</u>	<u>202,312</u>
Total Current Assets	<u>2,009,780</u>	<u>2,459,950</u>
<u>Restricted Assets</u>		
Cash in bank	5,479,060	4,900,315
Cash – bond reserves and construction fund	<u>163,633</u>	<u>155,429</u>
Total Restricted Assets	<u>5,642,693</u>	<u>5,055,744</u>
<u>Capital Assets</u>		
Buildings	114,478	114,478
Water system	22,294,696	21,626,849
Sewer system	8,613,467	8,587,687
Equipment	<u>2,463,953</u>	<u>2,065,729</u>
	33,486,594	32,394,743
Less: Accumulated depreciation	<u>(12,622,396)</u>	<u>(11,884,687)</u>
Net Capital Assets	<u>20,864,198</u>	<u>20,510,056</u>
<u>Other Assets</u>		
Construction in progress – water and sewer system improvements	<u>404,982</u>	<u>112,325</u>
Total Assets	<u>28,921,653</u>	<u>28,138,075</u>
<u>Deferred Outflows of Resources</u>		
Unamortized bond discounts and fees	<u>30,186</u>	<u>32,601</u>
Total Assets and Deferred Outflows of Resources	\$ <u>28,951,839</u>	\$ <u>28,170,676</u>

The accompanying Notes to Financial Statements are an integral part of this report.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
 Combined Statements of Net Position (continued)
 December 31, 2023 and 2022

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
<u>Current Liabilities</u> (Payable from current assets)		
Accounts payable	\$ 280,370	\$ 148,340
Accrued wages and compensated absences	<u>89,718</u>	<u>73,272</u>
Total Current Liabilities (Payable from current assets)	<u>370,088</u>	<u>221,612</u>
<u>Current Liabilities</u> (Payable from restricted assets)		
Current maturities of long-term debt	95,000	90,000
Accrued interest payable	23,054	24,182
Customer meter deposits	<u>115,351</u>	<u>117,048</u>
Total Current Liabilities (Payable from restricted assets)	<u>233,405</u>	<u>231,230</u>
<u>Long-term Liabilities</u>		
Bonds and notes payable-principal amount	1,435,000	1,525,000
Less: Current maturities	<u>(95,000)</u>	<u>(90,000)</u>
Total Long-term Liabilities	<u>1,340,000</u>	<u>1,435,000</u>
Total Liabilities	<u>1,943,493</u>	<u>1,887,842</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	19,834,180	19,097,381
Restricted	5,642,693	5,055,744
Unrestricted	<u>1,531,473</u>	<u>2,129,709</u>
Total Net Position	<u>27,008,346</u>	<u>26,282,834</u>
Total Liabilities and Net Position	<u>\$ 28,951,839</u>	<u>\$ 28,170,676</u>

The accompanying Notes to Financial Statements are an integral part of this report.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
 Combined Statements of Revenues, Expenses and
 Changes in Fund Net Position
 For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues</u>		
Charges for services	\$ <u>3,208,875</u>	\$ <u>3,213,102</u>
<u>Operating Expenses</u>		
Depreciation	756,698	685,749
Insurance	334,128	293,438
Salaries and wages	1,048,818	901,026
Payroll taxes	78,436	63,757
Professional services	181,642	45,038
Sanitation fees	602,059	595,811
Repairs and maintenance	426,383	442,488
Materials and supplies	387,242	293,066
Purchased water	393,534	298,494
Utilities and telephone	264,547	228,592
Postage and office expense	52,851	51,536
Retirement contribution	66,723	59,557
Miscellaneous	<u>19,308</u>	<u>8,443</u>
Total Operating Expenses	<u>4,612,369</u>	<u>3,966,995</u>
Operating Loss	(<u>1,403,494</u>)	(<u>753,893</u>)
<u>Nonoperating Revenues (Expenses)</u>		
Interest income	163,833	45,913
Interest expense	(46,228)	(50,257)
Amortization of bond discounts and fees	(<u>2,415</u>)	(<u>2,415</u>)
Net Nonoperating Revenues (Expenses)	<u>115,190</u>	(<u>6,759</u>)
<u>Loss Before Operating Transfers</u>	(<u>1,288,304</u>)	(<u>760,652</u>)
<u>Operating Transfers</u>		
Transfers in	2,013,816	1,914,257
Net Operating Transfers	<u>2,013,816</u>	<u>1,914,257</u>
<u>Increase in Net Position</u>	725,512	1,153,605
<u>Beginning Net Position</u>	<u>26,282,834</u>	<u>25,129,229</u>
<u>Ending Net Position</u>	\$ <u>27,008,346</u>	\$ <u>26,282,834</u>

The accompanying Notes to Financial Statements are an integral part of this report.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
 Combined Statements of Cash Flows
 For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities</u>		
Receipts from customers	\$ 3,203,781	\$ 3,214,088
Payments to suppliers	(2,309,946)	(2,181,518)
Payments to employees	(1,032,372)	(892,158)
Payments for other administrative costs	(398,960)	(228,831)
Net Cash Used by Operating Activities	(537,497)	(88,419)
<u>Cash Flows From Non-capital Financing Activities</u>		
Transfers from City of Greenwood	<u>2,013,816</u>	<u>1,914,257</u>
Net Cash Provided by Non-capital Financing Activities	<u>2,013,816</u>	<u>1,914,257</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of property, plant and equipment	(1,403,497)	(1,585,197)
Principal payment of notes and bonds payable	(90,000)	(224,656)
Interest paid on notes and bonds payable	(47,356)	(51,597)
Net Cash Used by Capital and Related Financing Activities	(1,540,853)	(1,861,450)
<u>Cash Flows From Investing Activities</u>		
Interest received	<u>163,833</u>	<u>45,913</u>
Net Cash Provided by Investing Activities	<u>163,833</u>	<u>45,913</u>
Increase in Cash	99,299	10,301
<u>Cash, at Beginning of Year</u>	<u>7,069,339</u>	<u>7,059,038</u>
<u>Cash, at End of Year</u>	\$ <u>7,168,638</u>	\$ <u>7,069,339</u>

The accompanying Notes to Financial Statements are an integral part of this report.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
 Combined Statements of Cash Flows (continued)
 For The Years Ended December 31, 2023 and 2022

Reconciliation of Cash to the Statements of Net Assets

	<u>2023</u>	<u>2022</u>
Unrestricted cash	\$ 1,525,945	\$ 2,013,595
Restricted cash	<u>5,642,693</u>	<u>5,055,744</u>
 Total Cash on Hand and in Bank	 \$ <u>7,168,638</u>	 \$ <u>7,069,339</u>

Reconciliation of Operating Income to Net Cash
Used by Operating Activities

Operating loss	\$ (1,403,494)	\$ (753,893)
Adjustment to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	756,698	685,749
Change in accounts receivable	(3,397)	5,250
Change in inventory	(34,083)	(75,477)
Change in accounts payable and due to other funds	132,030	45,348
Change in accrued wages and vacation and payroll taxes	16,446	8,868
Change in customer meter deposits	(<u>1,697</u>)	(<u>4,264</u>)
 Total adjustments	 <u>865,997</u>	 <u>665,474</u>
 Net Cash Used by Operating Activities	 \$ (<u>537,497</u>)	 \$ (<u>88,419</u>)

The accompanying Notes to Financial Statements are an integral part of this report.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Greenwood provides water and sewer service to the residents and businesses of Greenwood, Arkansas and surrounding areas. The revenue to finance the system is provided through user charges based on usage and monthly service charges.

CRITERIA USED IN DETERMINING THE SCOPE OF THE REPORTING ENTITY FOR FINANCIAL PURPOSES

The City of Greenwood, Arkansas Water and Sewer Fund, (the Fund) is a component unit of the City of Greenwood. As such, a presentation of financial position and results of operations in accordance with accounting principles generally accepted in the United States of America for the City of Greenwood would require inclusion of the Fund in the financial statements of the City of Greenwood. The City of Greenwood exercises oversight responsibility over the Fund. Factors considered in determining this relationship were as follows:

- a. Financial interdependency
- b. Selection of governing authority
- c. Designation of management
- d. Ability to significantly influence operations
- e. Accountability for fiscal matters

These financial statements present only the City of Greenwood, Arkansas Water and Sewer Fund and are not intended to present fairly the financial position and results of operations of the City of Greenwood in conformity with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. 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.

BASIS OF ACCOUNTING

The City of Greenwood, Arkansas Water and Sewer Fund has adopted the accrual basis of accounting whereby all assets and all liabilities (whether current or noncurrent) associated with the activities of the Water and Sewer Fund are recorded on its statements of net position. Revenues are recognized when earned, and expenses are recognized when incurred. The Fund implemented *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This pronouncement incorporates the FASB, APB and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

REGULATORY ENVIRONMENT

The quality of water emitted from the sewer treatment plant is regulated by the Environmental Protection Agency and the Arkansas Department of Environmental Quality (ADEQ). The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the ADEQ.

DEPOSITORY ACCOUNTS

The City of Greenwood, Arkansas Water and Sewer Fund maintains depository accounts with two local banks in excess of FDIC coverage. The amount over FDIC coverage at December 31, 2023 and 2022 was \$6,526,147 and \$6,545,570, respectively. These deposits are fully collateralized with securities the banks have pledged against these excess deposits.

ACCOUNTS RECEIVABLE

Uncollectible accounts receivable are charged directly against income in the year they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

INVENTORY

Inventory is stated at the lower of estimated cost or market value, using the first-in, first-out (FIFO) method.

CAPITAL ASSETS

Additions and major renewals and improvements which have the effect of extending the useful lives of property are carried at cost. Depreciation of property and equipment of the Fund is computed by the straight-line method over the following useful lives:

Capital Assets -	
Buildings	20 years
Water System	5-50 years
Sewer System	5-50 years
Equipment	5-12 years

Depreciation expense for the years ended December 31, 2023 and 2022 was \$756,698 and \$685,749, respectively.

BOND DISCOUNTS AND FEES

Bond discounts and fees are amortized over the life of the bonds on the straight-line method. Amortization for 2023 and 2022 was \$2,415 and \$2,415, respectively. See Note 3 for a list of unamortized accounts at December 31, 2023.

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

INCOME TAX

The Fund is a municipally owned system that is exempt from federal and state income tax.

COMPENSATED ABSENCES

The Fund records a liability for vacation pay earned by employees but not paid to them at the end of the year. The balance of this liability at December 31, 2023 and 2022 was \$89,718 and \$73,272, respectively. This amount is disclosed as a current liability on the combined statements of net position under the account "accrued wages and compensated absences".

CASH EQUIVALENTS

For purposes of the Combined Statements of Cash Flows, cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents include cash, certificates of deposit, and restricted cash.

NONOPERATING REVENUE

Revenue derived from sources other than customers of the Fund are classified as nonoperating and reported under the nonoperating revenues/expenses section of the Combined Statements of Revenues, Expenses and Changes in Fund Net Position.

NOTE 2 - CHANGES IN CAPITAL ASSETS

A summary of the changes in fixed assets of the Fund for the year ending December 31, 2023 and 2022 are as follows:

	<u>Balance</u> <u>12-31-22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-23</u>
Buildings	\$ 114,478	\$ -0-	\$ -0-	\$ 114,478
Water Distribution System	21,626,849	667,847	-0-	22,294,696
Sewer Collection System	8,587,687	25,780	-0-	8,613,467
Equipment	<u>2,065,729</u>	<u>417,213</u>	<u>(18,989)</u>	<u>2,463,953</u>
	<u>\$ 32,394,743</u>	<u>\$ 1,110,840</u>	<u>\$ (18,989)</u>	<u>\$ 33,486,594</u>
	<u>Balance</u> <u>12-31-21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-22</u>
Buildings	\$ 114,478	\$ -0-	\$ -0-	\$ 114,478
Water Distribution System	20,736,304	890,545	-0-	21,626,849
Sewer Collection System	7,257,687	1,330,000	-0-	8,587,687
Equipment	<u>1,881,600</u>	<u>192,698</u>	<u>(8,569)</u>	<u>2,065,729</u>
	<u>\$ 29,990,069</u>	<u>\$ 2,413,243</u>	<u>\$ (8,569)</u>	<u>\$ 32,394,743</u>

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 3 - LONG-TERM DEBT

Long-term notes and bonds payable collateralized by pledge of water and sewer revenue consisted of the following at December 31, 2023 and 2022:

	<u>Interest Rate</u>	<u>Balance 2023</u>	<u>Balance 2022</u>
City of Greenwood, Arkansas 2016 Water and Sewer Revenue Bonds with principal payments due each July 1st in the amounts ranging from \$80,000 to \$135,000. Interest is payable each January 1st and July 1st. These bonds mature serially through 2036.	1.15% - 3.50%	<u>1,435,000</u>	<u>1,525,000</u>
		\$ 1,435,000	\$ 1,525,000
Less: Current Installments		<u>(95,000)</u>	<u>(90,000)</u>
		<u>\$ 1,340,000</u>	<u>\$ 1,435,000</u>

The following is a summary of debt service requirements as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 95,000	\$ 45,981
2025	95,000	43,606
2026	100,000	40,994
2027	100,000	38,244
2028	105,000	35,243
2029-2033	575,000	125,299
2034-2036	365,000	27,494

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 3 - LONG-TERM DEBT - Continued

Activity of the long-term notes and bonds payable consists of the following:

	<u>Balance at</u> <u>01/01/2023</u>	<u>Loan</u> <u>Advances</u>	<u>Loan</u> <u>Repayments</u>	<u>Balance at</u> <u>12/31/2023</u>
2016 Water and Sewer Revenue Bonds	\$ <u>1,525,000</u>	\$ <u>-0-</u>	\$ <u>90,000</u>	\$ <u>1,435,000</u>
Arkansas Development Finance Authority	\$ 109,656	\$ -0-	\$ 109,656	\$ -0-
2016 Water and Sewer Revenue Bonds	<u>1,640,000</u>	<u>-0-</u>	<u>115,000</u>	<u>1,525,000</u>
	\$ <u>1,749,656</u>	\$ <u>-0-</u>	\$ <u>224,656</u>	\$ <u>1,525,000</u>

The above bonds are not general obligations of the City, but are special obligations that are secured and are payable solely from revenues derived from operation of the City of Greenwood, Arkansas Water and Sewer Fund.

Except for the following matter, the Fund was in substantial compliance with all bond covenant requirements for the above bond issues. The Fund failed to meet the 110% coverage requirement for 2022 and 2023. Pursuant to the requirements of the Official Statement of the 2016 bonds, the Fund concluded a study of rate revisions required to bring the Fund back into compliance. A two phase rate increase was approved during 2023. The first phase being the usage rate increase effective for January 2024 bills. The second phase will be a fixed rate increase to cover debt service costs that will be implemented in January 2025.

Unamortized bond discounts consisted of the following at December 31, 2023:

	<u>Unamortized Bond</u> <u>Discounts</u>
Series 2016 Bond	\$ <u>30,186</u>

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 4 - RETIREMENT PLANS

DEFINED CONTRIBUTION PLAN

The employees of the Fund are eligible to participate in a Money Purchase Pension Plan maintained by the City of Greenwood, known as the City of Greenwood Employees Pension Trust. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. To be eligible, an employee must have attained age twenty and one half years of age and have been employed at least one year. After these requirements are met, a participant will be eligible to participate in the Plan the following January 1st. The Fund contributes an amount equal to 7.50% of eligible employees' salaries. Employees are fully vested after six years of service. Investment earnings and forfeitures of employees that separate employment before coming fully vested are allocated to all participants eligible to share in the allocation in the same proportion that each participant's compensation for the year bears to the compensation of all participants for the year.

The Fund's share of contributions to the plan for the years ending December 31, 2023 and 2022 was \$66,723 and \$59,557, respectively.

NOTE 5 - FLEXIBLE BENEFIT PLAN

The City offers all active full-time employees and elected City officials who receive a W-2 form, the option to participate in a flexible benefit plan administered by the Mayor and City Clerk. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code of 1954, as amended, to provide for group medical/dental assistance for its eligible employees and dependents. The Plan is funded solely by salary reductions as elected on a voluntary basis by participants.

NOTE 6 – RESTRICTION OF NET POSITION

Net positions of the Fund are classified in three components. Net position invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Fund, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

The following details the description and amount of all restrictions on net position by the Water and Sewer Fund at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Restricted for repayment of customer deposits	\$ 115,351	\$ 117,047
Restricted for bond repayment	163,633	155,429
Restricted for construction/capital improvement	<u>5,363,709</u>	<u>4,783,268</u>
Total Restricted Net Position	\$ <u>5,642,693</u>	\$ <u>5,055,744</u>

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 7 - TRANSFERS IN

The amounts below were transferred in to the Fund from the City of Greenwood from sales tax proceeds for the years ended December 31, 2023 and 2022. All amounts are shown as Transfers In on the Combined Statement of Revenues, Expenses and Changes in Fund Net Assets.

2005 Sales Tax Revenue Fund

Proceeds from the 1% city-wide sales tax are allocated strictly for water and sewer system improvements. For 2023 and 2022, \$2,013,816 and \$1,914,257 respectively, were transferred for current and future system improvements.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Fund has a contract with a regional water district to supply supplemental water. Under this contract the City is obligated to purchase a minimum of 15 million gallons per month.

As of December 31, 2023, the Fund had no construction commitments for signed contracts in progress or not yet commenced.

The Fund has not been specifically named in any pending or threatened litigation as of December 31, 2023.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Fund does not have any material transactions with related parties other than normal transactions with other funds of the City of Greenwood.

See Note 7 regarding transfers to Water and Sewer Fund from other funds of the City of Greenwood.

NOTE 10 - SUBSEQUENT EVENT

Subsequent events were evaluated through December 10, 2024 - the date the financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

THE CITY OF GREENWOOD, ARKANSAS
WATER AND SEWER FUND

Combining Statement of Revenues, Expenses,
And Changes in Fund Net Position
For the Year Ending December 31, 2023

	Water Fund	Sewer Fund	<u>Total</u> December 31, 2023
<u>Operating Revenues</u>			
Charges for services	2,407,577	801,298	3,208,875
<u>Operating Expenses</u>			
Depreciation	479,704	276,994	756,698
Insurance	212,250	121,878	334,128
Salaries and wages	705,802	343,016	1,048,818
Payroll taxes	52,889	25,547	78,436
Professional Services	117,241	64,401	181,642
Sanitation fees	602,059	0	602,059
Repairs and maintenance	192,096	234,287	426,383
Materials and supplies	193,474	193,768	387,242
Purchased water	393,534	0	393,534
Utilities and telephone	99,168	165,379	264,547
Postage and office expense	38,825	14,026	52,851
Retirement contribution	45,103	21,620	66,723
Miscellaneous	17,774	1,534	19,308
Total Operating Expenses	3,149,919	1,462,450	4,612,369
Operating Loss	(742,342)	(661,152)	(1,403,494)
<u>Nonoperating Revenues (Expenses)</u>			
Interest income	156,312	7,521	163,833
Interest expense	(46,228)	0	(46,228)
Amortization of bond discounts and fees	(2,415)	0	(2,415)
Total Nonoperating Revenues (Expenses)	107,669	7,521	115,190
<u>Loss Before Operating Transfers</u>	(634,673)	(653,631)	(1,288,304)
<u>Operating Transfers</u>			
Transfers in	1,231,885	781,931	2,013,816
Net Operating Transfers	1,231,885	781,931	2,013,816
<u>Increase in Net Position</u>	597,212	128,300	725,512
<u>Beginning Net Position</u>	19,130,596	7,152,238	26,282,834
<u>Ending Net Position</u>	19,727,808	7,280,538	27,008,346