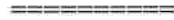


GURDON MUNICIPAL WATER AND SEWER WORKS



GURDON, ARKANSAS

MAY 31, 2022

GURDON MUNICIPAL WATER AND SEWER WORKS  
GURDON, ARKANSAS  
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MAY 31, 2022

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INDEPENDENT AUDITORS' REPORT

City Council  
Gurdon, Arkansas  
Gurdon Municipal Water and Sewer Works

**Report on the Financial Statements**

*Opinions*

We have audited the accompanying financial statements of Gurdon Municipal Water and Sewer Works, a component unit of the City of Gurdon, Arkansas, as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Gurdon Municipal Water and Sewer Works' 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 financial position of Gurdon Municipal Water and Sewer Works as of May 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years 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 Gurdon Municipal Water and Sewer Works 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 clear basis for our audit opinions.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Gurdon Municipal Water and Sewer Works' 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.

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***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 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 controls. 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 Gurdon Municipal Water and Sewer Works' 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 Gurdon Municipal Water and Sewer Works' 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.

**Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above present only Gurdon Municipal Water and Sewer Works and do not purport to, and do not present fairly the financial position of the City of Gurdon, Arkansas, as of May 31, 2022 and 2021, 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.

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information (page 24) 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information presented herein on pages 19-23 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024, on our consideration of Gurdon Municipal Water and Sewer Works' 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 Gurdon Municipal Water and Sewer Works' 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 Gurdon Municipal Water and Sewer Works' internal control over financial reporting and compliance.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

August 30, 2024

GURDON MUNICIPAL WATER AND SEWER WORKS  
 STATEMENTS OF NET POSITION  
 MAY 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash	\$ 191,940	\$ 185,484
Certificates of Deposit	355,145	353,864
Accounts Receivable	62,096	62,972
Inventory of Materials and Supplies	68,663	64,011
Prepaid Expenses	6,691	6,306
Accrued Interest Receivable	76	487
TOTAL CURRENT ASSETS	<u>684,611</u>	<u>673,124</u>
TOTAL RESTRICTED ASSETS (Schedule II)	<u>161,937</u>	<u>159,609</u>
PLANT AND EQUIPMENT:		
Land	23,615	20,115
Water Plant, Extensions, and Improvements	1,647,269	1,647,269
Sewer Plant, Extensions, and Improvements	2,839,032	2,839,032
Rural Plant, Extensions, and Improvements	2,233,344	2,233,344
Vehicles and Equipment	784,854	735,878
	<u>7,528,114</u>	<u>7,475,638</u>
Less: Accumulated Depreciation	(5,438,343)	(5,251,919)
TOTAL PLANT AND EQUIPMENT	<u>2,089,771</u>	<u>2,223,719</u>
TOTAL ASSETS	<u>\$ 2,936,319</u>	<u>\$ 3,056,452</u>

The accompanying notes are an integral part of these Financial Statements.

GURDON MUNICIPAL WATER AND SEWER WORKS  
STATEMENTS OF NET POSITION  
MAY 31, 2022 AND 2021

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LIABILITIES AND NET POSITION

	2022	2021
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 19,079	\$ 23,680
Accrued Salaries	4,872	2,355
Accrued Taxes Payable	10,224	8,586
Notes Payable - Current Maturity	16,369	7,129
<b>TOTAL CURRENT LIABILITIES</b>	<b>50,544</b>	<b>41,750</b>
 <b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued Interest Payable	1,441	1,427
Customers' Meter Deposits	107,910	105,651
Rural Development Bonds Payable - Current Maturity	27,184	25,866
<b>TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS</b>	<b>136,535</b>	<b>132,944</b>
 <b>LONG-TERM DEBT:</b>		
Rural Development Bond Payable (1992)	71,282	77,495
Rural Development Bond Payable (1997)	404,830	425,697
First State Bank Notes Payable	51,833	29,825
<b>TOTAL LONG-TERM DEBT</b>	<b>527,945</b>	<b>533,017</b>
 <b>TOTAL LIABILITIES</b>	<b>715,024</b>	<b>707,711</b>
 <b>NET POSITION:</b>		
Invested Capital Assets, Net of Related Debt	6,956,616	6,909,626
Restricted	52,586	52,531
Unrestricted	(4,787,907)	(4,613,416)
<b>TOTAL NET POSITION</b>	<b>2,221,295</b>	<b>2,348,741</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,936,319</b>	<b>\$ 3,056,452</b>

The accompanying notes are an integral part of these Financial Statements.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 STATEMENTS OF REVENUE, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE:		
Water Revenue	\$ 353,646	\$ 361,924
Sewer Revenue	253,641	257,334
Penalties	14,231	15,030
Connection Fees	13,925	10,675
Processing Services	24,000	24,000
Other Income	14,395	12,859
TOTAL OPERATING REVENUE	673,838	681,822
OPERATING EXPENSES (SCHEDULE I)	688,464	656,021
OPERATING INCOME (LOSS)	(14,626)	25,801
OTHER INCOME (EXPENSES):		
Interest Earned	3,364	4,919
Interest Expense	(27,829)	(24,291)
TOTAL OTHER INCOME (EXPENSES)	(24,465)	(19,372)
NET INCOME (LOSS)	(39,091)	6,429
NET POSITION AT BEGINNING OF YEAR	2,348,741	2,417,312
TRANSFERS TO CITY OF GURDON	(88,355)	(75,000)
NET POSITION AT END OF YEAR	\$ 2,221,295	\$ 2,348,741

The accompanying notes are an integral part of these Financial Statements.



GURDON MUNICIPAL WATER AND SEWER WORKS  
STATEMENTS OF CASH FLOWS  
FOR YEARS ENDED MAY 31, 2022 AND 2021

Page 7

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 674,714	\$ 684,169
Cash Paid to Suppliers	(249,339)	(272,275)
Cash Paid to Employees	(258,184)	(205,020)
NET CASH FLOW FROM OPERATING ACTIVITIES	167,191	206,874
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	3,778	4,607
Investment Sales - Certificate of Deposit	-	37,612
Investment Purchases	(1,281)	(4,318)
NET CASH FLOW FROM INVESTING ACTIVITIES	2,497	37,901
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Change in Meter Deposits	2,259	3,102
Transfer to City of Gurdon	(88,355)	(75,000)
NET CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES	(86,096)	(71,898)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Debt	46,520	37,462
Fixed Asset Acquisition	(52,476)	(208,863)
Principal Debt Payment	(41,034)	(28,045)
Interest Payment	(27,815)	(24,356)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(74,805)	(223,802)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,787	(50,925)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	259,768	310,693
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 268,555	\$ 259,768

The accompanying notes are an integral part of these Financial Statements.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 STATEMENTS OF CASH FLOWS  
 FOR YEARS ENDED MAY 31, 2022 AND 2021

Reconciliation of operating income to net cash provided by operating activities:

	2022	2021
OPERATING INCOME (LOSS)	\$ (14,626)	\$ 25,801
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	186,424	169,196
Change in Assets and Liabilities:		
Accounts Receivable	876	2,347
Inventory	(4,652)	(460)
Prepaid Expenses	(385)	531
Accounts Payable and Accrued Expenses	(447)	9,459
TOTAL ADJUSTMENTS	181,816	181,073
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 167,190	\$ 206,874

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

The accompanying notes are an integral part of these Financial Statements.

GURDON MUNICIPAL WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022

Note 1. Significant Accounting Policies:

The Gurdon Municipal Water and Sewer Works is an enterprise fund of the City of Gurdon, Arkansas. The System is governed by the Board of Directors of the City of Gurdon, Arkansas. The accompanying financial statements and other information reflect the Gurdon Municipal Water and Sewer Works fund and do not include other funds of the City of Gurdon, Arkansas.

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The System applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

Inventory of material and supplies is stated at cost on the first-in, first-out basis.

The Water Works capitalizes all expenditures in excess of \$2,000 and with a useful life of more than one year. Donated fixed assets are valued at their estimated fair market value on the date donated. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Plant infrastructure and equipment are stated on the basis of cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Water Plant	40
Sewer Plant	40
Vehicles and Equipment	4 - 10

Depreciation is partially funded by transfers to the depreciation fund at the rate of 5% of gross revenues of the System. No current year transfers were required or made as Debt Service Reserves were fully funded on May 31, 2022 and 2021.

For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets), such as certificates of deposit, with a maturity of three months or less when purchased to be cash equivalents.

The Utility System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited by these deposits. The Utility monitors its exposure for credit losses and maintains allowances for anticipated losses, if warranted.

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.



GURDON MUNICIPAL WATER AND SEWER WORKS  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2022

Note 1. Significant Accounting Policies: (Continued)

The System has investments of \$440,451 in bank certificates of deposit. Maturities are as follows:

Maturity Date	Market Value at 5/31/2022
9/30/2022	\$ 119,967
10/14/2022	108,931
10/22/2022	85,306
12/21/2022	62,593
8/17/2023	63,654
	\$ 440,451

Note 2. Current Assets:

The accounts receivable at May 31, 2022 amounting to \$62,096 are for May billings except for \$1,667, which are accounts in arrears.

The materials and supplies inventory in the amount of \$68,663 contains various items on hand for use in repair and maintenance of the plant and for extensions. A physical inventory was taken on May 31, 2022.

Prepaid expenses consists of the unexpired portion of payments for insurance coverage and a credit balance for amounts prepaid to the Arkansas Department of Workforce Services.

Note 3. Restricted Assets:

Schedule II of this report shows a schedule of restricted assets at May 31, 2022, compared with those balances at May 31, 2021.

Note 4. Liabilities:

Accounts payable in the amount of \$19,079, reported as a current liability, is composed of operating expenses for May 2022 paid in June 2022.

Note 5. Bonded Debt:

In July, 1992, the System issued a 5% Water and Sewer Revenue Bond for \$170,000 to USDA/Rural Development. Interest only was due at July 28, 1993. Payments of \$828 per month for 39 years began August 28, 1993. This bond was issued to finance a new water well and transmission line. A schedule of debt service requirements is presented on Schedule IV of this report.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2022

Note 5. Bonded Debt: (Continued)

In April, 1997 the System issued a revenue bond to the USDA/Rural Development for \$709,300 for part of the financing of Phase II of the Rural Water Project. This is a 5% bond to be paid over 40 years. Payments of \$3,483 per month for 38 years began May 8, 1999. A schedule of debt service requirements is presented on Schedule V of this report.

Bonds payable as of May 31, 2022 and 2021 are summarized as follows:

	5/31/2022	5/31/2021
1992 Revenue Bond - Rural Development; payable \$828 monthly including interest at 5%, collateralized by system revenues.	\$ 77,484	\$ 83,395
1997 Revenue Bond - Rural Development; payable \$3,483 monthly including interest at 5%, collateralized by system revenues.	425,812	445,663
	503,296	529,058
Less portion considered current	(27,184)	(25,866)
Total long-term debt	\$ 476,112	\$ 503,192

Note 6. Notes Payable:

The System entered into a loan agreement with First State Bank on June 7, 2021. Proceeds from the loan were \$46,520, at 2.6% interest. Monthly payments are set at \$828.51 to be paid over a period of 60 months. On May 31, 2022 the outstanding balance due is \$38,444. The system has a second loan agreement with First State Bank with an outstanding balance due on May 31, 2022 of \$29,758, monthly payment of \$667, at 2.6% interest. Principal payments for the two loans for the next five years are:

	Payment Amount	Loan Interest	Principal
2023	\$ 17,948	\$ 1,579	\$ 16,369
2024	17,948	1,149	16,799
2025	17,948	706	17,242
2026	17,255	253	17,002
2027	791	1	790
Total	\$ 71,890	\$ 3,688	\$ 68,202

GURDON MUNICIPAL WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022

Page 12

Note 7. Contributed Capital and Retained Income:

Contributed capital represents grants received to assist in financing construction of new additions or replacements to the system. The amount of grants received was \$2,098,194, of which \$377,467 was from the Arkansas Community and Economic Development Program, \$929,102 was from the Department of Housing and Urban Development and \$791,625 from the Arkansas Industrial Development Commission and passed through Clark County, Arkansas.

Contributed capital also includes the value of system additions paid for by customers. The City of Whelen Springs contributed \$50,000 toward the construction of a new well, and the Gurdon Public Schools contributed \$58,700 toward the rural water project. The total amount of customers' contribution was \$172,775 at May 31, 2022.

Retained Earnings in the amount of \$77,772 as of May 31, 2022 consists of the accumulated earnings of the Water and Sewer Works of \$54,107 and the excess of restricted assets over liabilities payable from restricted assets of \$23,665.

Note 8. Public Fund Deposits and Investments:

State law generally requires that City 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 the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the Systems, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Gurdon Municipal Water and Sewer Works in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Gurdon Municipal Water and Sewer Works does not have a policy for custodial credit risk. The carrying value of the Systems' accounts and investments at May 31, 2022 was \$708,106. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$709,254 before reduction of outstanding items. Financial institutions pledged securities with a fair market value of \$251,210 to collateralize deposits.

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

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

All securities are classified under category 3, above.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all time and savings accounts, and separately \$250,000 on all demand accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Gurdon Municipal Water and

GURDON MUNICIPAL WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022

Note 8. Public Fund Deposits and Investments: (Continued)

Sewer Works' accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Gurdon accounts and investments at a financial institution.

Investment Interest Rate Risk: Gurdon Municipal Water and Sewer Works does not have an investment interest rate risk. All investments are six-month certificates of deposit and the Systems are under no obligation to renew upon maturity.

Investment Credit Risk: Gurdon Municipal Water and Sewer Works 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 System has a collateral agreement.

Foreign Currency Risk: Gurdon Municipal Water and Sewer Works has no exposure to foreign currency risk.

Note 9. General:

In addition to the insurance carried on the System's equipment, a blanket bond of \$50,000 per person, per occurrence, is carried by the Commission on all employees. The City of Gurdon maintains insurance on the plant and equipment.

The City of Gurdon contracts with an outside service company for garbage service. The Utility System bills and collects for the service and remits the collections to the City Treasurer.

The System has an agreement to furnish water to the City of Whelen Springs, Arkansas. The System charges a minimum bill of \$1,700 for the first 400,000 gallons of water and \$2.55 for each additional 1,000 gallons each month. In addition, the System charged the City of Whelen Springs \$24,000 for operating the system for the City.

The City's personnel policy allows for sick leave of one and one-half days per month to a maximum accumulation of 60 days. Employees are not paid for any unused sick leave.

The System's customers are classified as water and sewer service, water service only, sewer service only, and garbage pickup only. The total number of customers at May 31, 2022 was 1,283.

Ordinance # 17-003 passed March 27, 2017 set the following water rates:

1. For residence and small businesses (3/4" meters) (excluding customers on Gurdon Rural Water System):  
For first 1,000 gallons of water  
consumption per month or portion  
thereof \$ 13.00 (minimum)  
In excess of 1,000 gallons of water  
consumption per month \$ 1.75 per 1,000 gallons



GURDON MUNICIPAL WATER AND SEWER WORKS  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2022

Note 9. General: (Continued)

2. For residence and small businesses on Gurdon Rural Water System (3/4" meters):
  - For first 1,000 gallons of water consumption per month or portion thereof \$ 19.75 (minimum)
  - In excess of 1,000 gallons of water consumption per month \$ 2.75 per 1,000 gallons
3. For businesses and apartment complexes (2"meters):
  - For the first 25,000 gallons water consumption per month or portion thereof \$ 53.00 (minimum)
  - In excess of 25,000 gallons of water consumption per month \$ 1.75 per 1,000 gallons

Ordinance # 17-003 passed March 27, 2017 set the following sewer rates:

1. For residence and small businesses (excluding customers on Gurdon Rural Water System):
  - For first 1,000 gallons water consumption per month or portion thereof \$ 15.25 (minimum)
  - In excess of 1,000 gallons water consumption per month \$ 2.30 per 1,000 gallons
2. For residence and small businesses on Gurdon Rural Water System:
  - For first 1,000 gallons water consumption per month or portion thereof \$ 19.30 (minimum)
  - In excess of 1,000 gallons water consumption per month \$ 2.30 per 1,000 gallons
3. For businesses and apartment complexes:
  - For first 25,000 gallons water consumption per month or portion thereof \$ 65.20 (minimum)
  - In excess of 25,000 gallons water consumption per month \$ 2.30 per 1,000 gallons

GURDON MUNICIPAL WATER AND SEWER WORKS  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2022

Note 10. Capital Assets:

Capital Asset activity for the year ended May 31, 2022 and 2021 was as follows:

	5/31/2021 BALANCE	INCREASES	DECREASES	5/31/2022 BALANCE
<b>CAPITAL ASSETS:</b>				
Land	\$ 20,115	\$ 3,500	\$ -	\$ 23,615
Water Plant	1,647,269	-	-	1,647,269
Sewer Plant	2,839,032	-	-	2,839,032
Rural Plant	2,233,344	-	-	2,233,344
Vehicles and Equipment	735,878	48,976	-	784,854
<b>TOTAL CAPITAL ASSETS AT HISTORICAL COST</b>	<b>7,475,638</b>	<b>52,476</b>	<b>-</b>	<b>7,528,114</b>
<b>LESS ACCUMULATED DEPRECIATION:</b>				
Water Plant	(1,403,890)	(24,509)	-	(1,428,399)
Sewer Plant	(1,941,894)	(58,121)	-	(2,000,015)
Rural Plant	(1,344,088)	(55,834)	-	(1,399,922)
Vehicles and Equipment	(562,047)	(47,960)	-	(610,007)
<b>TOTAL DEPRECIATION</b>	<b>(5,251,919)</b>	<b>(186,424)</b>	<b>-</b>	<b>(5,438,343)</b>
<b>NET CAPITAL ASSETS</b>	<b>\$ 2,223,719</b>	<b>\$ (133,948)</b>	<b>\$ -</b>	<b>\$ 2,089,771</b>
	5/31/2020 BALANCE	INCREASES	DECREASES	5/31/2021 BALANCE
<b>CAPITAL ASSETS:</b>				
Land	\$ 20,115	\$ -	\$ -	\$ 20,115
Water Plant	1,647,269	-	-	1,647,269
Sewer Plant	2,696,784	142,248	-	2,839,032
Rural Plant	2,233,344	-	-	2,233,344
Vehicles and Equipment	669,263	66,615	-	735,878
<b>TOTAL CAPITAL ASSETS AT HISTORICAL COST</b>	<b>7,266,775</b>	<b>208,863</b>	<b>-</b>	<b>7,475,638</b>
<b>LESS ACCUMULATED DEPRECIATION:</b>				
Water Plant	(1,379,381)	(24,509)	-	(1,403,890)
Sewer Plant	(1,884,998)	(56,896)	-	(1,941,894)
Rural Plant	(1,288,254)	(55,834)	-	(1,344,088)
Vehicles and Equipment	(530,091)	(31,956)	-	(562,047)
<b>TOTAL DEPRECIATION</b>	<b>(5,082,724)</b>	<b>(169,195)</b>	<b>-</b>	<b>(5,251,919)</b>
<b>NET CAPITAL ASSETS</b>	<b>\$ 2,184,051</b>	<b>\$ 39,668</b>	<b>\$ -</b>	<b>\$ 2,223,719</b>

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*

City Council  
Gurdon, Arkansas  
Gurdon Municipal Water and Sewer Works

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 Gurdon Municipal Water and Sewer Works as of and for the year ended May 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gurdon Municipal Water and Sewer Works' internal control over financial reporting (internal control) to determine 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 the Gurdon Municipal Water and Sewer Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Gurdon Municipal Water and Sewer Works' 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gurdon Municipal Water and Sewer Works' 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 determination of financial statement amounts. 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 an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

August 30, 2024

GURDON MUNICIPAL WATER AND SEWER WORKS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2022

Page 18

**Summary of Auditor's Results**

The auditor's report expresses an unqualified opinion on the financial statements of Gurdon Municipal Water and Sewer Works.

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 Gurdon Municipal Water and Sewer Works were disclosed by during the audit.

**Findings – Financial Statement Audit**

None

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

N/A

SUPPLEMENTAL INFORMATION

GURDON MUNICIPAL WATER AND SEWER WORKS  
 SCHEDULES OF OPERATING EXPENSES  
 FOR YEARS ENDED MAY 31, 2022 AND 2021

SCHEDULE I  
 Page 19

	2022	2021
OPERATING EXPENSES:		
Salaries	\$ 260,701	\$ 205,982
Depreciation:		
Water Plant	24,509	24,509
Sewer Plant	58,121	56,897
Rural Plant	55,834	55,834
Other	47,960	31,956
Maintenance and Repairs:		
Water Plant	31,558	58,952
Sewer Plant	60,709	65,151
Utilities	42,855	48,186
Auditing and Legal	6,400	7,453
Office Supplies and Expense	24,662	22,439
Training and Seminars	475	-
Vehicle Expense	13,024	16,184
Payroll Taxes	20,856	16,993
Insurance	29,226	25,102
Federal Safe Drinking Water Fee	5,016	5,016
Licenses and Permits	6,134	7,434
Miscellaneous	424	7,933
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 688,464</b>	<b>\$ 656,021</b>

See Independent Auditors' Report.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 SCHEDULES OF RESTRICTED ASSETS  
 MAY 31, 2022 AND 2021

SCHEDULE II  
 Page 20

	2022	2021
DEPRECIATION FUND:		
Cash	\$ 54,012	\$ 53,958
TOTAL DEPRECIATION FUND	54,012	53,958
CUSTOMERS' METER DEPOSIT FUND:		
Cash	22,603	20,326
Certificates of Deposit	85,306	85,306
Accrued Interest Receivable	16	19
TOTAL CUSTOMERS' METER DEPOSIT FUND	107,925	105,651
TOTAL RESTRICTED ASSETS	\$ 161,937	\$ 159,609

See Independent Auditors' Report.



GURDON MUNICIPAL WATER AND SEWER WORKS  
 SCHEDULE OF OPERATING INCOME BY DEPARTMENT  
 FOR YEAR ENDED MAY 31, 2022

SCHEDULE III  
 Page 21

	<u>WATER</u> <u>DEPARTMENT</u>	<u>SEWER</u> <u>DEPARTMENT</u>
OPERATING INCOME:		
Water and Sewer Service	\$ 353,646	\$ 253,641
Penalties	4,739	9,492
Connection Fee	13,925	-
Processing Services	24,000	-
Other Income	6,645	7,750
TOTAL OPERATING INCOME	402,955	270,883
OPERATING EXPENSES:		
Salaries	130,351	130,350
Depreciation	96,170	90,254
Maintenance and Repairs	31,558	60,709
Utilities	14,142	28,713
Auditing and Legal	3,200	3,200
Office Supplies and Expense	8,138	16,524
Vehicle Expense	4,298	8,726
Payroll Taxes	10,428	10,428
Insurance	9,645	19,581
Federal Safe Drinking Water Fee	5,016	-
Licenses and Permits	6,134	-
Miscellaneous	450	449
TOTAL OPERATING EXPENSES	319,530	368,934
INCOME (LOSS) FROM OPERATIONS	\$ 83,425	\$ (98,051)

See Independent Auditors' Report.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS  
 RURAL DEVELOPMENT REVENUE BOND DATED JULY 30, 1992  
 MAY 31, 2022

SCHEDULE IV  
 Page 22

<u>PAYMENT DATE</u>	<u>PAYMENT AMOUNT</u>	<u>LOAN INTEREST</u>	<u>PRINCIPAL</u>	<u>PRINCIPAL BALANCE</u>
05-31-22				77,484
05-31-23	9,936	3,734	6,202	71,282
05-31-24	9,936	3,416	6,520	64,762
05-31-25	9,936	3,082	6,854	57,908
05-31-26	9,936	2,732	7,204	50,704
05-31-27	9,936	2,363	7,573	43,131
05-31-28	9,936	1,976	7,960	35,171
05-31-29	9,936	1,568	8,368	26,803
05-31-30	9,936	1,140	8,796	18,007
05-31-31	9,936	691	9,245	8,762
05-31-32	8,979	217	8,762	-
<b>TOTALS</b>	<u><u>\$98,403</u></u>	<u><u>\$ 20,919</u></u>	<u><u>\$ 77,484</u></u>	

See Independent Auditors' Report.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS  
 RURAL DEVELOPMENT REVENUE BOND DATED APRIL 8, 1997  
 MAY 31, 2022

<u>PAYMENT DATE</u>	<u>PAYMENT AMOUNT</u>	<u>LOAN INTEREST</u>	<u>PRINCIPAL</u>	<u>PRINCIPAL BALANCE</u>
05-31-22				425,812
05-31-23	41,796	20,810	20,982	404,830
05-31-24	41,796	19,741	22,055	382,775
05-31-25	41,796	18,612	23,184	359,591
05-31-26	41,796	17,426	24,370	335,221
05-31-27	41,796	16,180	25,616	309,605
05-31-28	41,796	14,868	26,928	282,677
05-31-29	41,796	13,491	28,305	254,372
05-31-30	41,796	12,043	29,753	224,619
05-31-31	41,796	10,520	31,276	193,343
05-31-32	41,796	8,922	32,874	160,469
05-31-33	41,796	7,238	34,558	125,911
05-31-34	41,796	5,474	36,325	89,586
05-31-35	41,796	3,612	38,184	51,402
05-31-36	41,796	1,658	40,138	11,264
05-31-37	11,366	102	11,264	-
<b>TOTALS</b>	<u><u>\$ 596,510</u></u>	<u><u>\$ 170,697</u></u>	<u><u>\$ 425,812</u></u>	

See Independent Auditors' Report.

GURDON MUNICIPAL WATER AND SEWER WORKS  
 BUDGETARY COMPARISON SCHEDULE  
 FOR YEAR ENDED MAY 31, 2022

SCHEDULE VI  
 Page 24

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUE:			
Water Revenue	\$ 390,925	\$ 353,646	\$ (37,279)
Sewer Revenue	302,925	253,641	(49,284)
Penalties	12,000	14,231	2,231
Connection Fees	12,000	13,925	1,925
Processing Services	24,000	24,000	-
Other Income	7,100	14,395	7,295
<b>TOTAL OPERATING REVENUE</b>	<u>748,950</u>	<u>673,838</u>	<u>(75,112)</u>
OPERATING EXPENSES:			
Salaries	165,000	\$ 260,701	95,701
Depreciation:			
Water Plant	-	24,509	24,509
Sewer Plant	-	58,121	58,121
Rural Plant	-	55,834	55,834
Other	-	47,960	47,960
Maintenance and Repairs:			
Water Plant	100,000	31,558	(68,442)
Sewer Plant	70,000	60,709	(9,291)
Utilities	50,000	42,855	(7,145)
Auditing and Legal	8,500	6,400	(2,100)
Office Supplies and Expense	18,000	24,662	6,662
Training and Seminars	600	475	(125)
Vehicle Expense	25,000	13,024	(11,976)
Payroll Taxes	16,000	20,856	4,856
Insurance	28,000	29,226	1,226
Federal Safe Drinking Water Fee	5,100	5,016	(84)
Licenses and Permits	5,900	6,134	234
Bad Debts	1,200	-	(1,200)
Miscellaneous	1,200	424	(776)
<b>TOTAL OPERATING EXPENSES</b>	<u>494,500</u>	<u>688,464</u>	<u>193,964</u>
<b>OPERATING INCOME (LOSS)</b>	<u>254,450</u>	<u>(14,626)</u>	<u>(269,076)</u>
OTHER INCOME (EXPENSES):			
Interest Income	-	3,364	3,364
Interest Expense	-	(27,829)	(27,829)
<b>TOTAL OTHER INCOME</b>	<u>-</u>	<u>(24,465)</u>	<u>(24,465)</u>
<b>TRANSFER TO CITY OF GURDON</b>	<u>(75,000)</u>	<u>(88,355)</u>	<u>(13,355)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 179,450</u>	<u>\$ (127,446)</u>	<u>\$ (306,896)</u>

See Independent Auditors' Report.