

# **CITY OF TAYLOR WATER AND SEWER**

**June 30, 2022**

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
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June 30, 2022

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WOOD AND WOOD, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS

K. DALE WOOD, CPA (dec'd)  
WALTER D. WOOD, CPA  
WILLIAM E. WOOD, CPA

P. O. BOX 356 - 519 NORTH WASHINGTON  
MAGNOLIA, ARKANSAS 71754-0356  
WWW.WOODANDWOODLTD.COM  
870-234-4343

INDEPENDENT AUDITORS' REPORT

To The City of Taylor, Arkansas  
Honorable Mayor and City Council  
Taylor, Columbia County, Arkansas 71861

**Opinion**

We have audited the accompanying financial statements of the City of Taylor Municipal Waterworks and Sewer System enterprise funds of the City of Taylor, Arkansas, as of and for the year ended June 30, 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 Taylor Municipal Waterworks and Sewer System as of June 30, 2022, the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Taylor Municipal Waterworks and 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.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taylor Municipal Waterworks and Sewer System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Municipal Waterworks and 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taylor Municipal Waterworks and Sewer System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Emphasis of Matter**

As discussed in Note A, the financial statements present only the City of Taylor Municipal Waterworks and Sewer System and do not purport to, and do not, present fairly the financial position of the City of Taylor, Arkansas as of June 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

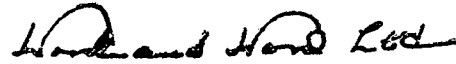
#### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Financial Information as listed in the Table of Contents is presented for the purpose 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 standard 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.

Management has omitted the management, 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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the City of Taylor Municipal Waterworks and Sewer System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the City of Taylor Municipal Waterworks and Sewer System's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Wood and Wood, Ltd.", is positioned above the printed name.

Wood and Wood, Ltd.  
Magnolia, AR

November 15, 2022

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINED STATEMENT OF NET POSITION  
June 30, 2022

ASSETS

Current Assets

Cash on hand and in banks	\$ 255,792
Accounts receivable-customers	22,372
Accounts receivable-city general	22,600
Accounts receivable-sewer system	<u>22,983</u>
Total Current Assets	<u>\$ 323,747</u>

Restricted Assets

Cash in banks	\$ 159,572
Total Restricted Assets	<u>\$ 159,572</u>

Property and Equipment

Land, buildings and equipment	\$ 2,437,296
Construction in process	403,997
Less: Accumulated depreciation	<u>1,449,035</u>
Net Property and Equipment	<u>\$ 1,392,258</u>

Total Assets	<u>\$ 1,875,577</u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable-trade	\$ 2,329
Accounts payable-water system	22,983
Accounts payable-fire department	174
Accrued and collected taxes	<u>2,031</u>
Total Current Liabilities	<u>\$ 27,517</u>

Payable from Restricted Assets

Interest payable	\$ 5,380
Notes payable	<u>10,579</u>
Total Payable from Restricted Assets	<u>\$ 15,959</u>

Other Liabilities

Customer water meter deposits	<u>\$ 37,600</u>
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Long-Term Debt

Notes payable	<u>\$ 702,603</u>
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Total Liabilities	<u>\$ 783,679</u>
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Net Position

Investment in land, buildings and equipment	\$ 689,655
Restricted: for debt service fund	( 3,414 )
Restricted: for depreciation fund	147,027
Unrestricted	<u>258,630</u>
Total Net Position	<u>\$ 1,091,898</u>

Total Liabilities and Net Position	<u>\$ 1,875,577</u>
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The accompanying notes are an integral part of these financial statements

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINED STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN NET POSITION  
For the year ended June 30, 2022

<u>Operating Revenue</u>	
Sales-Water and Sewer Service	\$ 190,114
Sales-Miscellaneous	<u>23,809</u>
Total Operating Revenue	\$ <u>213,923</u>
<u>Operating Expenditures</u>	
Salaries	\$ 36,000
Utilities	21,735
Taxes, Licenses and Permits	2,761
Vehicle/Travel	3,128
Office Expense	5,089
Maintenance and Supplies	18,462
Professional Fees	3,954
Training	1,053
Sewer Analysis	1,683
Depreciation	<u>43,956</u>
Total Operating Expenditures	\$ <u>137,821</u>
Operating Income (Loss)	\$ <u>76,102</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	\$ 160
Interest Expense	<u>( 10,787)</u>
Net Non-Operating Revenues (Expenses)	\$ <u>( 10,627)</u>
Income (Loss) Before Transfers	\$ <u>65,475</u>
<u>Transfers</u>	
Transfers In	\$ 31,213
Transfers Out	<u>( 31,213)</u>
Net Transfers	\$ <u>0</u>
Change in Net Position	\$ 65,475
Net Position, 6-30-21	<u>1,026,423</u>
Net Position, 6-30-22	\$ <u>1,091,898</u>

The accompanying notes are an integral part of these financial statements

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINED STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2022

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers, Inclusive	\$ 226,784
Cash Payment for Labor	( 36,000)
Cash Payment to Fire Improvement Fund	( 5,994)
Cash Payment for Sales Tax	( 8,330)
Cash Payment for Safe Water Tax	( 1,330)
Cash Payment for Refund of Meter Deposits	( 3,190)
Cash Payment for Other Operating Expenses	( 55,204)
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,736</u>

Cash Flows from Capital and Related Financing Activities:

Purchases of Equipment	\$( 2,809)
Construction in Process	( 403,997)
Net Borrowing	502,911
Principal Paid on Notes Payable	( 66,185)
Interest Paid on Notes Payable	( 11,522)
Net Cash Used by Capital and Related Financing Activities	<u>\$ 18,398</u>

Cash Flows from Investing Activities:

Interest Earned on Accounts	<u>\$ 160</u>
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Net Increase (Decrease) in Cash and Equivalents	\$ 135,294
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Cash and Cash Equivalents at Beginning of Year	<u>280,070</u>
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Cash and Cash Equivalents at End of Year	<u>\$ 415,364</u>
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Reconciliation of Operating Income to Net Cash Provided  
By Operating Activities

Operating Income or (Loss)	\$ 76,102
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Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:

Depreciation	43,956
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Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	( 6,541)
Increase (Decrease) in Accounts Payable	3,064
Increase (Decrease) in Taxes Payable	( 50)
Increase (Decrease) in Customer Meter Deposits	<u>205</u>

Net Cash Provided by Operating Activities	<u>\$ 116,736</u>
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The accompanying notes are an integral part of these financial statements



CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
NOTES TO ACCOMPANY FINANCIAL STATEMENTS  
June 30, 2022

**Note A: Summary of Significant Accounting Policies**

The City of Taylor, Arkansas operates under the Mayor-Council form of government. The City of Taylor Municipal Waterworks and Sewer System are enterprise funds of the City of Taylor, Arkansas. Operations of the Waterworks and Sewer System began in 1952.

The accounting policies of the City of Taylor, relative to the aforementioned enterprise funds, conforms to accounting principles generally accepted in the United States of America, applicable to governmental unit proprietary funds.

**(1) The Reporting Entity**

The City of Taylor Municipal Waterworks and Sewer System, are enterprise funds of the City of Taylor, Arkansas, and for financial purposes, reports only on the financial position, results of operations, and cash flows of the City of Taylor Municipal Waterworks and Sewer System.

The excluded funds and account groups are audited and reported thereon by the Division of Legislative Audit of the State of Arkansas.

**(2) Proprietary Fund Types-Enterprise Funds**

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Waterworks and Sewer System are charges to customers for water and sewer sales and services. Operating expenses for the Waterworks and Sewer System include the cost of pumping, treating, and delivering water and sewer discharge, maintenance of equipment and lines, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**(3) Property, Plant and Equipment and Long-Term Liabilities**

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All property, plant and equipment are valued at historical cost. Donated property, plant and equipment are valued at their estimated fair market value on the date donated.

The enterprise funds of the city account for its property, plant and equipment on a "cost of service or capital maintenance" measurement focus. This means that all assets or liabilities (whether current or noncurrent) associated with its activity is included on its balance sheet. The reported net position (net total assets) is segregated into investment in property, plant, and equipment, donated capital, and net position components.

Depreciation is provided in the enterprise funds of the city in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Water System Equipment	10 to 40 Yrs.
Sewer System Equipment	25 to 40 Yrs.

(4) Basis of Accounting/Revenue Recognition

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing measurements made, regardless of the measurement focus applied. The enterprise funds of the city are accounted for using the accrual basis of accounting.

The Waterworks and Sewer System recognizes revenue as water and sewer services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period includes amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average daily usage of the billing cycle immediately following the accounting period. Unbilled amounts are included in accounts receivable and operating revenues in the financial statements.

The City of Taylor Municipal Waterworks and Sewer System applies all Governmental Accounting Standards Board pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict other GASB pronouncements.

(5) Restrictions of Net Position

The City of Taylor Municipal Waterworks and Sewer System records restrictions of net position to indicate that a portion of the net position is legally segregated for a specific future use. The following details the description and the amount of the reserves.

	<u>Water Sys</u>	<u>Sewer Sys</u>
Restricted for Debt Service	\$	\$ ( 3,414 )
Restricted for Depreciation Account	<u>24,518</u>	<u>122,509</u>
	<u>\$ 24,518</u>	<u>\$ 119,095</u>

(6) Payable from Restricted Assets

The City of Taylor Municipal Waterworks and Sewer System restricts certain assets for payment of debt service and accumulation of depreciation funds. These assets are as follows:

	<u>Water Sys</u>	<u>Sewer Sys</u>
Cash, Debt Service Funds		
And Reserves	\$ 24,518	\$ 12,545
Cash, Unspecified		<u>122,509</u>
	<u>\$ 24,518</u>	<u>\$ 135,054</u>

(7) Allowance for Uncollectible Accounts

The City of Taylor Municipal Waterworks and Sewer System does not provide an allowance for uncollectible accounts receivable, but uses the direct charge off method for amounts in excess of the customers' meter deposit, i.e.; the uncollectible accounts receivable are charged directly against earnings when 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.

(8) Cash and Cash Equivalents

The city maintains cash deposits and cash equivalents; i.e.; checking accounts, savings passbooks and certificates of deposit, in eligible banks within the State of Arkansas, as designated, annually by the Commissioner of Banking.

Generally, state laws require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal 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 on which the principal and interest are fully guaranteed by the United States of America.

For the purposes of the Statement of Cash Flows, the Municipal Water and Sewer System considers checking accounts, savings accounts and certificates of deposit to be cash and/or cash equivalents.

(9) Credit Risk

The City of Taylor, Arkansas provides water and sewer services for residential and commercial customers and citizens in the City of Taylor, Arkansas.

(10) Use of Estimates

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

Note B: Property, Plant and Equipment

The following is a summary of property, plant and equipment of the City of Taylor Waterworks and Sewer System at June 30, 2022.

		Water System	Sewer System
Original System	1952-1954	\$ 54,000	\$ 47,000
Water Treatment Plant	1974	37,789	
Equipment & Renovations	1965-1986	38,872	26,383
New System	1977-1981		876,738
New Equipment/Building	1990-1995	26,795	7,467
New Equipment	1996-1999	9,175	9,097
New Equipment and Renovations	2000-2011	87,517	59,030
New Equipment	2013-2016	61,824	97,872
New Equipment	2017-2021	20,509	29,920
Sewer Plant	2018		944,499
New Equipment	2022		2,809
Total		\$ 336,481	\$ 2,100,815
Accumulated Depreciation		( 281,734 )	( 1,167,301 )
Total		\$ 54,747	\$ 933,514
Depreciation Expense Year Ending 6-30-22		\$ 10,002	\$ 33,954

Note C: Restricted Assets

The following funds, as listed in the subsequent tabulation, were created basically to comply with the provisions of Ordinance No. 154 of the City of Taylor, Arkansas, which relates to the Farmers Home Administration Loan of December 31, 1980, in the original amount of \$218,000.00.

- (1) Revenue Fund
- (2) Sewer Bond and Interest Fund
- (3) Depreciation Fund

The purpose of and operations of each of the foregoing funds are as follows:

Revenue Fund: This Fund was established for the collection of all revenues from sewer service sales. Payments from this fund are made, on a monthly basis, to the Sewer Bond and Interest Fund and the Depreciation Fund as specified by Ordinance No. 154. Presently these payments are \$1,600.00 per month to the Bond and Interest Fund, and 3% of monthly sewer sales to the Depreciation Fund. The remainder of funds is distributed to the Sewer Operating Fund.

Sewer Bond and Interest Fund: This fund was established to provide funds as well as to establish a reserve to meet the annual note payment to the Arkansas Natural Resources Commission on a loan of \$257,500 dated December 1, 2016. (Note E)

Depreciation Reserve Fund: This fund was established to accumulate and maintain an amount totaling 3% of gross sewer sales deposited monthly. These funds are to be used solely for the purpose of paying the cost for replacements and repairs made necessary by the depreciation of the system and for the cost of justifiable extensions to the system.

Sinking Fund Requirement: Bond and Interest Fund of the Municipal Sewer System for the ensuing five-year period is as follows:

2023	\$ 19,200
2024	19,200
2025	19,200
2026	19,200
2027	19,200
	<u>\$ 96,000</u>

The following funds, as listed in the subsequent tabulation, were created basically to comply with the provisions of the City Council of the City of Taylor, Arkansas, which relates to the Arkansas Natural Resources Commission Loan of May 27, 2014, in the original amount of \$77,250.

- (1) Sewer Debt Service Fund
- (2) Construction/Depreciation Fund

This loan was paid off during the year.

The following funds, as listed in the subsequent tabulation, were created basically to comply with the provisions of the City Council of the City of Taylor, Arkansas, which relates to the Arkansas Development Finance Authority Loan of December 22, 2021, in the original amount of \$1,633,114.

- (1) Construction Fund
- (2) Depreciation Fund

Upon completion of the project, the System will remit to the Arkansas Development Finance Authority (ADFA) 1/6 of the semi-annual payment each month. The ADFA will make semi-annual payments on the bond.

Construction Fund: This fund was established to receive proceeds from the ADFA loan in the amount of \$1,633,114 and to remit approved amounts for improvements to the Sewer System. As of June 30, 2022, funds in the amount of \$502,911 had been received. Payments in the amount of \$396,297 have been made.

Depreciation Reserve Fund: This fund was established to accumulate and maintain an amount totaling 3% of gross sewer sales deposited monthly. These funds are to be used solely for the purpose of paying the cost replacements and repairs made necessary by the depreciation of the system and for the cost of justifiable extensions to the system. Transfers will begin upon completion of the project.

#### Note D: Long-Term Debt

The City of Taylor Sewer Department borrowed \$77,250 on May 27, 2014 to be used for improvements to the system. The payments on this loan are \$5,435 annually due on December 1 of each year which includes interest at the rate of 3.50%. This loan was paid off during the year.

The City of Taylor Sewer Department borrowed \$257,500 on December 1, 2016 to be used for repair and renovation of the sewer treatment plant. The payments on this loan are \$18,780 annually due on December 1 of each year which includes interest at the rate of 3.90%.

The City of Taylor Sewer Department committed to borrow \$1,633,114 on December 22, 2021 to be used for repair and renovation of the sewer treatment plant. The payments on this loan are to be \$37,578 semi-annually due on April 15<sup>th</sup> and October 15<sup>th</sup> of each year which includes interest at the rate of 2.25%. Payments will begin on October 15, 2023. Draws on this note during the year totaled \$502,911.

The following is a summary of transactions relative to the notes payable to the Arkansas Natural Resources Commission, for the year ended June 30, 2022.

	Payable 7-1-21	Add/Reduct 2021-2022	Balance 6-30-22
Sewer System ANRC1	\$ 56,003	\$( 56,003)	\$ 0
Sewer System ANRC2	220,453	( 10,182)	210,271
Sewer System ANRC3	0	502,911	502,911
	<u>\$ 276,456</u>	<u>\$ 436,726</u>	<u>\$ 713,182</u>

Maturities of long-term debt for the ensuing five-year period are as follows:

	Total	Interest	Principal
2023	\$ 18,780	\$ 8,201	\$ 10,579
2024	18,780	7,788	10,992
2025	93,936	43,889	50,047
2026	93,936	42,569	51,367
2027	93,936	41,213	52,723
2028-2032	469,680	184,332	285,348
2032-2036	469,680	217,554	252,126
Total Debt	<u>\$ 1,258,728</u>	<u>\$ 545,546</u>	<u>\$ 713,182</u>

Note E: Net Position

The following tabulation presents the components of net position as presented in the accompanying statement of net position:

	<u>Components of Net Position</u>			
	<u>Operating Fund</u>	<u>Bond and Interest Fund</u>	<u>Depreciation Fund</u>	<u>Fixed Asset Investment</u>
<u>Water System</u>				
Current Assets	\$ 178,143	\$	\$	\$
Restricted Assets			24,518	
Property and Equipment				54,747
Total	<u>\$ 178,143</u>	<u>\$</u>	<u>\$ 24,518</u>	<u>\$ 54,747</u>
Current Liabilities	\$ 4,411	\$	\$	\$
Payable from Restricted Assets:				
Meter Deposits	37,600			
Long-Term Debt				
Total	<u>\$ 42,011</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Position	<u>\$ 136,132</u>	<u>\$</u>	<u>\$ 24,518</u>	<u>\$ 54,747</u>
<u>Sewer System</u>				
Current Assets	\$ 145,604	\$	\$	\$
Restricted Assets		12,545	122,509	
Property and Equipment				1,337,511
Total	<u>\$ 145,604</u>	<u>\$ 12,545</u>	<u>\$ 122,509</u>	<u>\$1,337,511</u>
Current Liabilities	\$ 23,106	\$	\$	\$
Payable from Restricted Assets:		15,959		
Long-Term Debt				702,603
Total	<u>\$ 23,106</u>	<u>\$ 15,959</u>	<u>\$</u>	<u>\$ 702,603</u>
Net Position	<u>\$ 122,498</u>	<u>\$ ( 3,414 )</u>	<u>\$ 122,509</u>	<u>\$ 634,908</u>

Note F: Accounts Receivable-Payable: Interfund

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>
<u>Water System</u>		
Payment for City Equipment-Due from City General	\$ 17,600	\$
Application of Meter Deposits to Past Due Billings:		
Collection Made and Pending-Due from Sewer System	4,421	
Payments Made on Behalf-Due from Sewer System	18,562	
Collection of Funds-Due to Fire Department		174
	<u>\$ 40,583</u>	<u>\$ 174</u>
<u>Sewer System</u>		
Due to Water System- Application of Meter Deposit to Past Due Billings; Collections Made and Pending	\$	\$ 4,421
Due to Water System-Payments Made on Behalf		18,562
Payment for City Equipment-Due from City General	5,000	
	<u>\$ 5,000</u>	<u>\$ 22,983</u>
<u>City General Fund</u>		
Payment by Water System for City Equipment	\$	\$ 17,600
Payment by Sewer System for City Equipment		5,000
	<u>\$</u>	<u>\$ 22,600</u>

Fire Department

Collection Funds-Due from Water System  
Collection Funds-Due from Sewer System

174

\$ 174 \$

Totals

\$ 45,757 \$ 45,757

## Note G: Public Fund Deposits-Collateralization

The following information is presented in regard to collateralization of public unit funds of the City of Taylor, Arkansas as of June 30, 2022. The following categories of credit risk are presented relative to deposits, at carrying value.

(A) Insured or collateralized with securities held by the entity or by its agent in the entity's name.

(B) Collateralized by/with securities held by the pledging financial institution's trust department or agent in the entity's name.

(C) Uncollateralized.

BancorpSouth  
Taylor, AR

Municipal Waterworks

Demand Deposits

\$ 154,295

Total

\$ 154,295

Municipal Sewer System

Demand Deposits

\$ 270,706

Total

\$ 270,706

City Funds-Other (Inclusive)

Demand Deposits

\$ 321,286

Time Deposits

Total

\$ 321,286

Grand Total

\$ 746,287

Demand Deposits

\$ 746,287

Time Deposits

Total

\$ 746,287

Collateralization

FDIC-Checking Accounts (A)

\$ 250,000

FDIC-Time Deposits (A)

Uncollateralized (C)

496,287

Total

\$ 746,287

## Note H: Compliance-Specific:

The City of Taylor, Municipal Waterworks and Sewer System of the City of Taylor, Arkansas, is basically in compliance with the following:

- (1) The Arkansas Water and Sewer Department Accounting Law 1973 (ACA 14-234-101)
- (2) Bonding of Municipal Officials (ACA 21-2-307)
- (3) Improvement Contracts over \$10,000.00 (ACA 22-9-203)
- (4) Budget; Purchases in Excess of \$5,000.00; Payment of Claims, Etc. (ACA 14-58-303)

(5) Deposit of Public Funds (ACA 19-8-104) (ACA 19-8-105)

(6) Investment of Public Funds (ACA 19-8-201-203)

**Note I: Fair Value**

The carrying amounts reflected in the statement of net position relative to cash and cash equivalents, approximate the respective fair values of such amounts. The notes payable of the entity, as presented on the combined net position, approximates the market price of such instruments of similar circumstances.

**Note J: Insurance in Force**

All vehicles as well as the City's business office, owned by the City are specifically covered by individual policies. Premiums, if paid by individual departments, are not necessarily computed on the basis of coverage for the specific department.

**Note K: Management Review**

The management of the City of Taylor, Arkansas Municipal Waterworks and Sewer System has evaluated subsequent events through November 15, 2022, the date the financial statements were available to be issued.



## SUPPLEMENTAL FINANCIAL INFORMATION

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINING STATEMENT OF NET POSITION  
June 30, 2022

ASSETS

	<u>Water System</u>	<u>Sewer System</u>	<u>Total (Memorandum Only)</u>
<u>Current Assets</u>			
Cash on hand and in banks	\$ 128,034	\$ 127,758	\$ 255,792
Accounts receivable-customers	9,526	12,846	22,372
Accounts receivable-city general	17,600	5,000	22,600
Accounts receivable-sewer system	<u>22,983</u>		<u>22,983</u>
Total Current Assets	<u>\$ 178,143</u>	<u>\$ 145,604</u>	<u>\$ 323,747</u>
<u>Restricted Assets</u>			
Cash in banks	<u>\$ 24,518</u>	<u>\$ 135,054</u>	<u>\$ 159,572</u>
Total Restricted Assets	<u>\$ 24,518</u>	<u>\$ 135,054</u>	<u>\$ 159,572</u>
<u>Property and Equipment</u>			
Land, buildings and equipment	\$ 336,481	\$ 2,100,815	\$ 2,437,296
Construction in process		403,997	403,997
Less: Accumulated depreciation	<u>281,734</u>	<u>1,167,301</u>	<u>1,449,035</u>
Net Property and Equipment	<u>\$ 54,747</u>	<u>\$ 1,337,511</u>	<u>\$ 1,392,258</u>
 Total Assets	 <u>\$ 257,408</u>	 <u>\$ 1,618,169</u>	 <u>\$ 1,875,577</u>

LIABILITIES AND NET POSITION

<u>Current Liabilities</u>			
Accounts payable-trade	\$ 2,206	\$ 123	\$ 2,329
Accounts payable-water system		22,983	22,983
Accounts payable-fire department	174		174
Accrued and collected taxes	<u>2,031</u>		<u>2,031</u>
Total Current Liabilities	<u>\$ 4,411</u>	<u>\$ 23,106</u>	<u>\$ 27,517</u>
<u>Payable from Restricted Assets</u>			
Interest payable	\$	\$ 5,380	\$ 5,380
Notes payable		<u>10,579</u>	<u>10,579</u>
Total Payable from Restricted Assets	<u>\$ 0</u>	<u>\$ 15,959</u>	<u>\$ 15,959</u>
<u>Other Liabilities</u>			
Customer water meter deposits	<u>\$ 37,600</u>	<u>\$ 0</u>	<u>\$ 37,600</u>
<u>Long-Term Debt</u>			
Notes payable	<u>\$ 0</u>	<u>\$ 702,603</u>	<u>\$ 702,603</u>
Total Liabilities	<u>\$ 42,011</u>	<u>\$ 741,668</u>	<u>\$ 783,679</u>
<u>Net Position</u>			
Investment in land, buildings and equipment	\$ 54,747	\$ 634,908	\$ 689,655
Restricted: for debt service fund		( 3,414)	( 3,414)
Restricted: for depreciation fund	24,518	122,509	147,027
Unrestricted	<u>136,132</u>	<u>122,498</u>	<u>258,630</u>
Total Net Position	<u>\$ 215,397</u>	<u>\$ 876,501</u>	<u>\$ 1,091,898</u>
Total Liabilities and Net Position	<u>\$ 257,408</u>	<u>\$ 1,618,169</u>	<u>\$ 1,875,577</u>

See independent auditors' report

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINING STATEMENTS OF REVENUES AND EXPENSES  
AND CHANGES IN NET POSITION  
For the year ended June 30, 2022

	Water System	Sewer System	Total (Memorandum Only)
<u>Operating Revenue</u>			
Sales-Water and Sewer Service	\$ 84,794	\$ 105,320	\$ 190,114
Sales-Miscellaneous	<u>12,539</u>	<u>11,270</u>	<u>23,809</u>
Total Operating Revenue	<u>\$ 97,333</u>	<u>\$ 116,590</u>	<u>\$ 213,923</u>
<u>Operating Expenditures</u>			
Salaries	\$ 18,000	\$ 18,000	\$ 36,000
Utilities	10,930	10,805	21,735
Taxes, Licenses and Permits	1,304	1,457	2,761
Vehicle/Travel	3,128		3,128
Office Expense	4,720	369	5,089
Maintenance and Supplies	16,720	1,742	18,462
Professional Fees	3,954		3,954
Training	220	833	1,053
Sewer Analysis		1,683	1,683
Depreciation	<u>10,002</u>	<u>33,954</u>	<u>43,956</u>
Total Operating Expenditures	<u>\$ 68,978</u>	<u>\$ 68,843</u>	<u>\$ 137,821</u>
Operating Income (Loss)	<u>\$ 28,355</u>	<u>\$ 47,747</u>	<u>\$ 76,102</u>
<u>Non-Operating Revenues (Expenditures)</u>			
Interest Revenue	\$ 62	\$ 98	\$ 160
Interest Expense	<u>( )</u>	<u>( 10,787 )</u>	<u>( 10,787 )</u>
Net Non-Operating Revenues (Expenditures)	<u>\$ 62</u>	<u>\$ ( 10,689 )</u>	<u>\$ ( 10,627 )</u>
Income (Loss) Before Transfers	<u>\$ 28,417</u>	<u>\$ 37,058</u>	<u>\$ 65,475</u>
<u>Transfers</u>			
Transfers In	\$ 3,416	\$ 27,797	\$ 31,213
Transfers Out	<u>( 3,416 )</u>	<u>( 27,797 )</u>	<u>( 31,213 )</u>
Net Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change in Net Position	<u>\$ 28,417</u>	<u>\$ 37,058</u>	<u>\$ 65,475</u>
Net Position, 6-30-21	<u>186,980</u>	<u>839,443</u>	<u>1,026,423</u>
Net Position, 6-30-22	<u>\$ 215,397</u>	<u>\$ 876,501</u>	<u>\$ 1,091,898</u>

See independent auditors' report

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas  
COMBINING STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2022

	Water System	Sewer System	Total (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers, Inclusive	\$ 112,908	\$ 113,876	\$ 226,784
Cash Payment for Labor	( 18,000)	( 18,000)	( 36,000)
Cash Payment to Fire Improvement Fund	( 5,994)		( 5,994)
Cash Payment for Sales Tax	( 8,330)		( 8,330)
Cash Payment for Safe Water Tax	( 1,330)		( 1,330)
Cash Payment for Refund of Meter Deposits	( 3,190)		( 3,190)
Cash Payment for Other Operating Expenses	( 40,705)	( 14,499)	( 55,204)
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,359</u>	<u>\$ 81,377</u>	<u>\$ 116,736</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Equipment	\$	\$( 2,809)	\$( 2,809)
Construction in Process		( 403,997)	( 403,997)
Net Borrowing		502,911	502,911
Principal Paid on Notes Payable		( 66,185)	( 66,185)
Interest Paid on Notes Payable		( 11,522)	( 11,522)
Net Cash Used by Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ 18,398</u>	<u>\$ 18,398</u>
Cash Flows from Investing Activities:			
Interest Earned on Accounts	<u>\$ 62</u>	<u>\$ 98</u>	<u>\$ 160</u>
Net Increase (Decrease) in Cash and Equivalents	<u>\$ 35,421</u>	<u>\$ 99,873</u>	<u>\$ 135,294</u>
Cash and Cash Equivalents at Beginning of Year	<u>117,131</u>	<u>162,939</u>	<u>280,070</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 152,552</u></u>	<u><u>\$ 262,812</u></u>	<u><u>\$ 415,364</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>			
<u>By Operating Activities</u>			
Operating Income or (Loss)	\$ 28,355	\$ 47,747	\$ 76,102
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	10,002	33,954	43,956
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	( 3,423)	( 3,118)	( 6,541)
Increase (Decrease) in Accounts Payable	270	2,794	3,064
Increase (Decrease) in Taxes Payable	( 50)		( 50)
Increase (Decrease) in Customer Meter Deposits	<u>205</u>		<u>205</u>
Net Cash Provided by Operating Activities	<u><u>\$ 35,359</u></u>	<u><u>\$ 81,377</u></u>	<u><u>\$ 116,736</u></u>

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CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM  
Enterprise Funds of the City of Taylor, Arkansas

STATEMENTS OF REVENUES AND EXPENSES-BUDGET AND ACTUAL  
For the year ended June 30, 2022

	Water System			Sewer System		
	Budget 6-30-22	Actual 6-30-22	Variance Favorable (Unfavorable)	Budget 6-30-22	Actual 6-30-22	Variance Favorable (Unfavorable)
<u>Operating Revenues</u>						
Sales-Service	\$ 91,000	\$ 84,794	\$ ( 6,206 )	\$ 93,000	\$ 105,320	\$ 12,320
Sales-Miscellaneous	4,600	12,539	7,939		11,270	11,270
Total Operating Revenue	\$ 95,600	\$ 97,333	\$ 1,733	\$ 93,000	\$ 116,590	\$ 23,590
<u>Operating Expenditures</u>						
Salaries	\$ 18,000	\$ 18,000	\$	\$ 18,000	\$ 18,000	\$
Utilities	21,000	10,930	10,070	12,000	10,805	1,195
Taxes, Licenses & Permits	2,800	1,304	1,496		1,457	( 1,457 )
Vehicle/Travel		3,128	( 3,128 )			
Office Expense	6,000	4,720	1,280	2,000	369	1,631
Maintenance & Supplies	18,000	16,720	1,280	2,000	1,742	258
Professional Fees	3,500	3,954	( 454 )	3,000		3,000
Training		220	( 220 )	300	833	( 533 )
Sewer Analysis				2,000	1,683	317
Miscellaneous						
Depreciation	9,000	10,002	( 1,002 )	43,000	33,954	9,046
Total Operating Expenditures	\$ 78,300	\$ 68,978	\$ 9,322	\$ 82,300	\$ 68,843	\$ 13,457
Operating Income (Loss)	\$ 17,300	\$ 28,355	\$ 11,055	\$ 10,700	\$ 47,747	\$ 37,047
<u>Non-Operating Revenues (Expenditures)</u>						
Interest Revenue	\$ 60	\$ 62	\$ 2	\$ 70	\$ 98	\$ 28
Interest Expense					( 10,787 )	( 10,787 )
Net Non-Operating Revenue (Expenditures)	\$ 60	\$ 62	\$ 2	\$ 70	\$ ( 10,689 )	\$ ( 10,759 )
Income (Loss) before transfers	\$ 17,360	\$ 28,417	\$ 11,057	\$ 10,770	\$ 37,058	\$ 26,288
<u>Transfers</u>						
Transfers-In/Transfers-Out	\$	\$	\$	\$	\$	\$
Net Income (Loss)	\$ 17,360	\$ 28,417	\$ 11,057	\$ 10,770	\$ 37,058	\$ 26,288

See independent auditors' report

## NON-FINANCIAL INFORMATION

K. DALE WOOD, CPA (dec'd)  
WALTER D. WOOD, CPA  
WILLIAM E. WOOD, CPA

P. O. BOX 356 - 519 NORTH WASHINGTON  
MAGNOLIA, ARKANSAS 71754-0356  
WWW.WOODANDWOODLTD.COM  
870-234-4343

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

To the City of Taylor, Arkansas  
Honorable Mayor and City Council  
Taylor, Columbia County, Arkansas 71861

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 the City of Taylor Municipal Waterworks and Sewer System as of and for the year ended June 30, 2022, and the related notes to the financial statements and have issued our report thereon dated November 15, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Taylor Waterworks and Sewer System's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Municipal Waterworks and Sewer System's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Taylor Municipal Waterworks and Sewer System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether the City of Taylor Waterworks and Sewer System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Wood and Wood Ltd", written in a cursive style.

Wood and Wood, Ltd.  
Magnolia, AR

November 15, 2022