

CITY OF TAYLOR MUNICIPAL WATERWORKS
AND SEWER SYSTEM

JUNE 30, 2024

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM
Enterprise Funds of the City of Taylor, Arkansas
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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, 2024, 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, 2024, 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 and the standards applicable to 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 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, 2024 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 is 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 October 9, 2024 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 and 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.



Wood and Wood, Ltd.
Magnolia, AR

October 9, 2024

CITY OF TAYLOR MUNICIPAL WATERWORKS AND SEWER SYSTEM
Enterprise Funds of the City of Taylor, Arkansas
COMBINED STATEMENT OF NET POSITION
June 30, 2024

ASSETS

Current Assets

Cash on hand and in banks	\$ 300,418
Accounts receivable-customers	30,005
Accounts receivable-city general	<u>22,600</u>
Total Current Assets	<u>\$ 353,023</u>

Restricted Assets

Cash in banks	\$ <u>111,936</u>
Total Restricted Assets	<u>\$ 111,936</u>

Property and Equipment

Land, buildings and equipment	\$ 3,041,522
Less: Accumulated depreciation	<u>627,108</u>
Net Property and Equipment	<u>\$ 2,414,414</u>

Total Assets	<u>\$ 2,879,373</u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable-trade	\$ 3,730
Accounts payable-fire department	674
Accrued and collected taxes	2,002
Payable from restricted assets:	
Interest payable	11,244
Notes payable	<u>50,922</u>
Total Current Liabilities	<u>\$ 68,572</u>

Other Liabilities

Customer water meter deposits	<u>\$ 36,665</u>
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Long-Term Debt

Notes payable	<u>\$ 1,629,777</u>
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Total Liabilities	<u>\$ 1,735,014</u>
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Net Position

Investment in land, buildings and equipment	\$ 784,637
Restricted: for debt service fund	0
Restricted: for depreciation fund	61,807
Unrestricted	<u>297,915</u>
Total Net Position	<u>\$ 1,144,359</u>

Total Liabilities and Net Position	<u>\$ 2,879,373</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, 2024

<u>Operating Revenue</u>	
Sales-Water and Sewer Service	\$ 220,312
Sales-Miscellaneous	<u>6,745</u>
Total Operating Revenue	\$ <u>227,057</u>
<u>Operating Expenditures</u>	
Salaries	\$ 39,000
Utilities	24,937
Taxes, Licenses and Permits	3,346
Vehicle/Travel	4,237
Office Expense	7,772
Maintenance and Supplies	25,374
Professional Fees	7,989
Training	195
Sewer Analysis	1,967
Depreciation	<u>70,931</u>
Total Operating Expenditures	\$ <u>185,748</u>
Operating Income (Loss)	\$ <u>41,309</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	\$ 13,287
Interest Expense	<u>(47,117)</u>
Net Non-Operating Revenues (Expenses)	<u>\$ (33,830)</u>
Income (Loss) Before Transfers	\$ <u>7,479</u>
<u>Transfers</u>	
Transfers In	\$ 106,229
Transfers Out	<u>(106,229)</u>
Net Transfers	\$ <u>0</u>
Change in Net Position	\$ 7,479
Net Position, 6-30-23	<u>1,136,880</u>
Net Position, 6-30-24	\$ <u>1,144,359</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, 2024

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Customers, Inclusive	\$ 245,775
Cash Payment for Labor	(39,000)
Cash Payment to Fire Improvement Fund	(5,574)
Cash Payment for Sales Tax	(8,351)
Cash Payment for Safe Water Tax	(1,258)
Cash Payment for Refund of Meter Deposits	(2,885)
Cash Payment for Other Operating Expenses	(76,202)
Net Cash Provided (Used) by Operating Activities	<u>\$ 112,505</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Equipment	\$(0)
Construction in Process-Completed	(63,764)
Net Borrowing	71,456
Principal Paid on Notes Payable	(49,618)
Interest Paid on Notes Payable	(40,718)
Net Cash Used by Capital and Related Financing Activities	<u>\$(82,644)</u>
Cash Flows from Investing Activities:	
Interest Earned on Accounts	<u>\$ 13,287</u>
Net Increase (Decrease) in Cash and Equivalents	\$ 43,148
Cash and Cash Equivalents at Beginning of Year	<u>369,206</u>
Cash and Cash Equivalents at End of Year	<u>\$ 412,354</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>By Operating Activities</u>	
Operating Income or (Loss)	\$ 41,309
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	70,931
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	26
Increase (Decrease) in Accounts Payable	115
Increase (Decrease) in Taxes Payable	99
Increase (Decrease) in Customer Meter Deposits	<u>25</u>
Net Cash Provided by Operating Activities	<u>\$ 112,505</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
NOTES TO ACCOMPANY FINANCIAL STATEMENTS
June 30, 2024

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) 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.

(6) 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.

(7) 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.

(8) 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, 2024.

		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	1967-1981		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	2018-2022		947,308
New Equipment	2023	6,408	4,314
Sewer Proj in Process	2023		1,466,862
Balance 6-30-23		342,889	3,571,991
Sewer Project Complete 2024			63,763
Disposals			(937,121)
Balance 6-30-24		\$ 342,889	\$ 2,698,633
Accumulated Depreciation		(300,582)	(326,526)
Total		<u>\$ 42,307</u>	<u>\$ 2,372,107</u>
Depreciation Expense Year Ending 6-30-24		<u>\$ 8,614</u>	<u>\$ 62,317</u>

Note C: Restricted Assets

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 December 1, 2026, in the original amount of \$257,500.

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

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

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 D)

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.

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, 2024, funds in the amount of \$1,530,633 had been received. Payments in the amount of \$1,530,625 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 \$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 15th and October 15th of each year which includes interest at the rate of 2.25%. Payments began on October 15, 2023. Draws on this note during the year totaled \$71,456.

The following is a summary of transactions relative to the notes payable to the Arkansas Natural Resources Commission, for the year ended June 30, 2024.

	Payable 7-1-23	Add/Reduct 2023-2024	Balance 6-30-24
Sewer System ANRC2	\$ 199,692	\$ (10,992)	\$ 188,700
Sewer System ANRC3 (net)	1,459,169	32,830	1,491,999
	<u>\$ 1,658,861</u>	<u>\$ 21,838</u>	<u>\$ 1,680,699</u>

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

	Total	Interest	Principal
2025	\$ 91,630	\$ 40,708	\$ 50,922
2026	91,629	39,369	52,260
2027	91,630	37,992	53,638
2028	91,631	36,577	55,054
2029	91,630	35,122	56,508
2030-2034	458,150	152,293	305,857
2035-2039	420,588	109,910	310,678
2040-2044	364,250	75,192	289,058
2045-2049	364,250	40,976	323,274
2050-2051	189,948	6,498	183,450
Total Debt	<u>\$ 2,255,336</u>	<u>\$ 574,637</u>	<u>\$ 1,680,699</u>

Note E: Net Position

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

	Components of Net Position			
	Operating Fund	Bond and Interest Fund	Depreciation Fund	Fixed Asset Investment
<u>Water System</u>				
Current Assets	\$ 230,169	\$	\$	\$
Restricted Assets			32,681	
Property and Equipment				42,307
Total	<u>\$ 230,169</u>	<u>\$</u>	<u>\$ 32,681</u>	<u>\$ 42,307</u>
Current Liabilities	\$ 6,055	\$	\$	\$
Payable from Restricted Assets:				
Meter Deposits	36,665			
Long-Term Debt				
Total	<u>\$ 42,720</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Position	<u>\$ 187,449</u>	<u>\$</u>	<u>\$ 32,681</u>	<u>\$ 42,307</u>
<u>Sewer System</u>				
Current Assets	\$ 145,837	\$	\$	\$
Restricted Assets		50,129	29,126	
Property and Equipment				2,372,107
Total	<u>\$ 145,837</u>	<u>\$ 50,129</u>	<u>\$ 29,126</u>	<u>\$2,372,107</u>
Current Liabilities	\$ 23,334	\$	\$	\$
Payable from Restricted Assets:	12,037	50,129		
Long-Term Debt				1,629,777
Total	<u>\$ 35,371</u>	<u>\$ 50,129</u>	<u>\$</u>	<u>\$1,629,777</u>
Net Position	<u>\$ 110,466</u>	<u>\$ 0</u>	<u>\$ 29,126</u>	<u>\$ 742,330</u>

Note F: Accounts Receivable-Payable: Interfund

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

	Due From	Due To
<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		674
	<u>\$ 40,583</u>	<u>\$ 674</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	\$	674	\$
Collection Funds-Due from Sewer System			
	\$	674	\$
Totals	\$	46,257	\$ 46,257

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, 2024. 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.

	Cadence Bank Taylor, AR
<u>Municipal Waterworks</u>	
Demand Deposits	\$ 206,943
Total	\$ 206,943
<u>Municipal Sewer System</u>	
Demand Deposits	\$ 205,361
Total	\$ 205,361
<u>City Funds-Other (Inclusive)</u>	
Demand Deposits	\$ 537,994
Time Deposits	
Total	\$ 537,994
Grand Total	\$ 950,298
Demand Deposits	\$ 950,298
Time Deposits	
Total	\$ 950,298
<u>Collateralization</u>	
FDIC-Checking Accounts (A)	\$ 250,000
FDIC-Time Deposits (A)	
Uncollateralized (C)	700,298
Total	\$ 950,298

Note H: 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 I: 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 J: Management Review

The management of the City of Taylor, Arkansas Municipal Waterworks and Sewer System has evaluated subsequent events through October 9, 2024, 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, 2024

ASSETS

	<u>Water System</u>	<u>Sewer System</u>	<u>Total (Memorandum Only)</u>
<u>Current Assets</u>			
Cash on hand and in banks	\$ 174,312	\$ 126,106	\$ 300,418
Accounts receivable-customers	15,274	14,731	30,005
Accounts receivable-city general	17,600	5,000	22,600
Accounts receivable-sewer system	22,983		22,983
Total Current Assets	<u>\$ 230,169</u>	<u>\$ 145,837</u>	<u>\$ 376,006</u>
<u>Restricted Assets</u>			
Cash in banks	\$ 32,681	\$ 79,255	\$ 111,936
Total Restricted Assets	<u>\$ 32,681</u>	<u>\$ 79,255</u>	<u>\$ 111,936</u>
<u>Property and Equipment</u>			
Land, buildings and equipment	\$ 342,889	\$ 2,698,633	\$ 3,041,522
Less: Accumulated depreciation	300,582	326,526	627,108
Net Property and Equipment	<u>\$ 42,307</u>	<u>\$ 2,372,107</u>	<u>\$ 2,414,414</u>
Total Assets	<u>\$ 305,157</u>	<u>\$ 2,597,199</u>	<u>\$ 2,902,356</u>

LIABILITIES AND NET POSITION

<u>Current Liabilities</u>			
Accounts payable-trade	\$ 3,379	\$ 351	\$ 3,730
Accounts payable-water system		22,983	22,983
Accounts payable-fire department	674		674
Accrued and collected taxes	2,002		2,002
Payable from restricted assets:			
Interest payable		11,244	11,244
Notes payable		50,922	50,922
Total Current Liabilities	<u>\$ 6,055</u>	<u>\$ 85,500</u>	<u>\$ 91,555</u>
<u>Other Liabilities</u>			
Customer water meter deposits	\$ 36,665	\$ 0	\$ 36,665
<u>Long-Term Debt</u>			
Notes payable	\$ 0	\$ 1,629,777	\$ 1,629,777
Total Liabilities	<u>\$ 42,720</u>	<u>\$ 1,715,277</u>	<u>\$ 1,757,997</u>
<u>Net Position</u>			
Investment in land, buildings and equipment	\$ 42,307	\$ 742,330	\$ 784,637
Restricted: for debt service fund		0	0
Restricted: for depreciation fund	32,681	29,126	61,807
Unrestricted	187,449	110,466	297,915
Total Net Position	<u>\$ 262,437</u>	<u>\$ 881,922</u>	<u>\$ 1,144,359</u>
Total Liabilities and Net Position	<u>\$ 305,157</u>	<u>\$ 2,597,199</u>	<u>\$ 2,902,356</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, 2024

	Water System	Sewer System	Total (Memorandum Only)
<u>Operating Revenue</u>			
Sales-Water and Sewer Service	\$ 95,235	\$ 125,077	\$ 220,312
Sales-Miscellaneous	<u>6,745</u>	<u>6,745</u>	<u>6,745</u>
Total Operating Revenue	<u>\$ 101,980</u>	<u>\$ 125,077</u>	<u>\$ 227,057</u>
<u>Operating Expenditures</u>			
Salaries	\$ 19,500	\$ 19,500	\$ 39,000
Utilities	10,712	14,225	24,937
Taxes, Licenses and Permits	1,854	1,492	3,346
Vehicle/Travel	4,237		4,237
Office Expense	7,420	352	7,772
Maintenance and Supplies	20,586	4,788	25,374
Professional Fees	7,989		7,989
Training	195		195
Sewer Analysis		1,967	1,967
Depreciation	<u>8,614</u>	<u>62,317</u>	<u>70,931</u>
Total Operating Expenditures	<u>\$ 81,107</u>	<u>\$ 104,641</u>	<u>\$ 185,748</u>
Operating Income (Loss)	<u>\$ 20,873</u>	<u>\$ 20,436</u>	<u>\$ 41,309</u>
<u>Non-Operating Revenues (Expenditures)</u>			
Interest Revenue	\$ 6,305	\$ 6,982	\$ 13,287
Interest Expense		(47,117)	(47,117)
Net Non-Operating Revenues (Expenditures)	<u>\$ 6,305</u>	<u>\$ (40,135)</u>	<u>\$ (33,830)</u>
Income (Loss) Before Transfers	<u>\$ 27,178</u>	<u>\$ (19,699)</u>	<u>\$ 7,479</u>
<u>Transfers</u>			
Transfers In	\$ 4,566	\$ 101,663	\$ 106,229
Transfers Out	(4,566)	(101,663)	(106,229)
Net Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change in Net Position	<u>\$ 27,178</u>	<u>\$ (19,699)</u>	<u>\$ 7,479</u>
Net Position, 6-30-23	<u>235,259</u>	<u>901,621</u>	<u>1,136,880</u>
Net Position, 6-30-24	<u>\$ 262,437</u>	<u>\$ 881,922</u>	<u>\$ 1,144,359</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, 2024

	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	\$ 122,324	\$ 123,451	\$ 245,775
Cash Payment for Labor	(19,500)	(19,500)	(39,000)
Cash Payment to Fire Improvement Fund	(5,574)		(5,574)
Cash Payment for Sales Tax	(8,351)		(8,351)
Cash Payment for Safe Water Tax	(1,258)		(1,258)
Cash Payment for Refund of Meter Deposits	(2,885)		(2,885)
Cash Payment for Other Operating Expenses	(53,561)	(22,641)	(76,202)
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,195</u>	<u>\$ 81,310</u>	<u>\$ 112,505</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Equipment	\$	\$	\$ 0
Construction in Process-Completed		(63,764)	(63,764)
Net Borrowing		71,456	71,456
Principal Paid on Notes Payable		(49,618)	(49,618)
Interest Paid on Notes Payable		(40,718)	(40,718)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (0)</u>	<u>\$ (82,644)</u>	<u>\$ (82,644)</u>
Cash Flows from Investing Activities:			
Interest Earned on Accounts	<u>\$ 6,305</u>	<u>\$ 6,982</u>	<u>\$ 13,287</u>
Net Increase (Decrease) in Cash and Equivalents	<u>\$ 37,500</u>	<u>\$ 5,648</u>	<u>\$ 43,148</u>
Cash and Cash Equivalents at Beginning of Year	<u>169,493</u>	<u>199,713</u>	<u>369,206</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 206,993</u></u>	<u><u>\$ 205,361</u></u>	<u><u>\$ 412,354</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</u>			
Operating Income or (Loss)	\$ 20,873	\$ 20,436	\$ 41,309
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	8,614	62,317	70,931
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1,652	(1,626)	26
Increase (Decrease) in Accounts Payable	(68)	183	115
Increase (Decrease) in Taxes Payable	99		99
Increase (Decrease) in Customer Meter Deposits	<u>25</u>		<u>25</u>
Net Cash Provided by Operating Activities	<u><u>\$ 31,195</u></u>	<u><u>\$ 81,310</u></u>	<u><u>\$ 112,505</u></u>

See independent auditors' report.

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, 2024

	Water System			Sewer System		
	Budget 6-30-24	Actual 6-30-24	Variance Favorable (Unfavorable)	Budget 6-30-24	Actual 6-30-24	Variance Favorable (Unfavorable)
<u>Operating Revenues</u>						
Sales-Service	\$ 78,800	\$ 95,235	\$ 16,435	\$ 128,360	\$ 125,077	\$ (3,283)
Sales-Miscellaneous	8,545	6,745	(1,800)			
Total Operating Revenue	\$ 87,345	\$ 101,980	\$ 14,635	\$ 128,360	\$ 125,077	\$ (3,283)
<u>Operating Expenditures</u>						
Salaries	\$ 16,140	\$ 19,500	\$ (3,360)	\$ 18,000	\$ 19,500	\$ (1,500)
Utilities	15,000	10,712	4,288	15,000	14,225	775
Taxes, Licenses & Permits	2,000	1,854	146	950	1,492	(542)
Vehicle/Travel		4,237	(4,237)			
Office Expense	80	7,420	(7,340)		352	(352)
Maintenance & Supplies	12,000	20,586	(8,586)	9,615	4,788	4,827
Professional Fees	4,002	7,989	(3,987)			
Training	300	195	105			
Sewer Analysis				2,011	1,967	44
Miscellaneous						
Depreciation		8,614	(8,614)		62,317	(62,317)
Total Operating Expenditures	\$ 49,522	\$ 81,107	\$ (31,585)	\$ 45,576	\$ 104,641	\$ (59,065)
Operating Income (Loss)	\$ 37,823	\$ 20,873	\$ (16,950)	\$ 82,784	\$ 20,436	\$ (62,348)
<u>Non-Operating Revenues (Expenditures)</u>						
Interest Revenue	\$ 105	\$ 6,305	\$ 6,200	\$ 38	\$ 6,982	\$ 6,944
Interest Expense					(47,117)	(47,117)
Net Non-Operating Revenue (Expenditures)	\$ 105	\$ 6,305	\$ 6,200	\$ 38	\$ (40,135)	\$ (40,173)
Income (Loss) before transfers	\$ 37,928	\$ 27,178	\$ (10,750)	\$ 82,822	\$ (19,699)	\$ (102,521)
<u>Transfers</u>						
Transfers-In/Transfers-Out	\$	\$	\$	\$	\$	\$
Net Income (Loss)	\$ 37,928	\$ 27,178	\$ (10,750)	\$ 82,822	\$ (19,699)	\$ (102,521)

See independent auditors' report.

NON-FINANCIAL INFORMATION

WOOD AND WOOD, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2024, and the related notes to the financial statements and have issued our report thereon dated October 9, 2024.

Report on 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.

Report on 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.", with a stylized, cursive script.

Wood and Wood, Ltd.
Magnolia, AR

October 9, 2024