

***WATER AND SEWER DISTRICT
OF THE CITY OF TUCKERMAN, ARKANSAS***

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Bonds & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Water and Sewer District
City of Tuckerman, Arkansas

We have audited the accompanying financial statements of the Water and Sewer District of the City of Tuckerman, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer District of the City of Tuckerman, Arkansas as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water and Sewer District of the City of Tuckerman, Arkansas and do not purport to, and do not, present fairly the financial position of the City of Tuckerman, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water and Sewer District of the City of Tuckerman, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

Other Information

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20-21 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Bonds & Company, P.A.
Bonds & Company, P.A.
December 26, 2024

FINANCIAL STATEMENTS

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash in Bank - Unrestricted	\$ 27,588	\$ 33,178
Accounts Receivable - Trade	72,436	79,224
Inventory	21,329	9,489
Prepaid Insurance	8,067	7,540
Total Current Assets	<u>129,420</u>	<u>129,431</u>
Restricted Assets:		
Certificates of Deposit	57,875	57,875
Debt Reserve and Construction Account	206,730	264,154
Meter Deposit Fund	37,908	40,740
Receivable from Meter Deposit	5,000	-0-
Receivable from Nonrestricted Funds	18,097	18,097
Total Restricted Assets	<u>325,610</u>	<u>380,866</u>
Capital Assets:		
Land and other non-depreciable assets	38,783	38,783
Other Capital Assets - net of accumulated depreciation	<u>6,871,074</u>	<u>7,060,393</u>
Total Capital Assets, Net	<u>6,909,857</u>	<u>7,099,176</u>
Total Assets	<u>\$ 7,364,887</u>	<u>\$7,609,473</u>
Deferred Outflows		
Unamortized Debit on Debt Refunding	<u>\$ 49,914</u>	<u>\$ 57,401</u>

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

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
STATEMENT OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Accounts Payable - Trade	\$ 43,742	\$ 31,241
Accrued Payroll Expenses	563	5,032
Sales Tax Payable	3,989	4,665
Payable to Restricted Funds	18,097	18,097
Customer Meter Deposits	47,724	45,239
Payable to City General Fund	10,279	19,415
Accrued Interest Payable	12,975	14,163
Current Maturities of Long-Term Debt	<u>160,567</u>	<u>153,516</u>
Total Current Liabilities	<u>297,936</u>	<u>291,368</u>
Long-Term Liabilities:		
Long-Term Debt	4,422,393	4,575,909
Less: Current Maturities	<u>(160,567)</u>	<u>(153,516)</u>
Total Long-Term Liabilities	<u>4,261,826</u>	<u>4,422,393</u>
Total Liabilities	<u><u>4,559,762</u></u>	<u><u>4,713,761</u></u>
Net Position/(Deficit):		
Net Investment in Capital Assets	2,474,489	2,509,104
Restricted Net Position	269,605	317,530
Unrestricted Net Position	<u>110,945</u>	<u>126,479</u>
Total Net Position	<u><u>\$2,855,039</u></u>	<u><u>\$2,953,113</u></u>

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

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Water Service	\$ 533,859	\$ 509,818
Sewer Service	263,131	261,670
Penalties	16,399	16,027
Miscellaneous Income	<u>532</u>	<u>2,969</u>
Total Operating Revenues	<u>813,921</u>	<u>790,484</u>
Operating Expenses:		
Bad Debts Expense	-0-	167
Bank Service Charges	577	344
Casual Labor	3,900	5,100
Depreciation	226,292	230,455
Insurance Expense	11,565	9,825
Licenses, Dues and Fees	-0-	3,253
Management Fees	64,271	69,611
Miscellaneous Expense	8,601	5,929
Office Supplies and Expense	4,576	4,942
Payroll Taxes	7,338	6,479
Postage	5,824	4,456
Professional Fees	16,365	7,362
Rent Expense	-0-	600
Repairs and Maintenance	137,543	82,573
Supplies and Materials	141,127	164,238
Trustee Fees	1,900	1,900
Utilities and Telephone	52,285	55,160
Wages	<u>94,824</u>	<u>79,120</u>
Total Operating Expenses	<u>776,988</u>	<u>731,514</u>
Net Income/(Loss)from Operations	<u>36,933</u>	<u>58,970</u>
Other Revenues/(Expenses):		
Interest Income	5,166	1,178
Interest Expense	<u>(140,173)</u>	<u>(145,623)</u>
Total Other Revenues/(Expenses)	<u>(135,007)</u>	<u>(144,445)</u>
Change in Net Position	(98,074)	(85,475)
Net Position - January 1	<u>2,953,113</u>	<u>3,038,588</u>
Net Position - December 31	<u>\$2,855,039</u>	<u>\$2,953,113</u>

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

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 823,194	\$ 789,532
Receipts from other funds	(5,000)	-0-
Payments to employees	(94,824)	(79,120)
Other operating payments	(470,021)	(406,314)
Net cash provided (used) by operating activities	<u>253,349</u>	<u>304,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Purchases of capital assets	(36,971)	-0-
Principal paid on capital debt	(153,516)	(151,520)
Proceeds from new capital loans	-0-	-0-
Interest paid on capital debt	(133,874)	(139,323)
Net cash provided (used) by capital and related financing activities	<u>(324,361)</u>	<u>(290,843)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>5,166</u>	<u>1,177</u>
Net cash provided (used) by investing activities	<u>5,166</u>	<u>1,177</u>
Net increase (decrease) in cash and cash equivalents	(65,846)	14,432
Cash and cash equivalents, beginning of year	<u>395,947</u>	<u>381,515</u>
Cash and cash equivalents, end of year	<u><u>\$ 330,101</u></u>	<u><u>\$ 395,947</u></u>

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

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING
ACTIVITIES**

	<u>2023</u>	<u>2022</u>
Operating Income	\$ 36,933	\$ 58,970
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	226,292	230,455
(Increase) decrease in:		
Prepaid Insurance	(529)	(1,095)
Due from other funds	(5,000)	-0-
Inventory	(11,840)	-0-
Receivables, net	6,788	(3,364)
Increase (decrease) in:		
Accounts Payable	12,501	351
Customer meter deposits liability	2,485	2,412
Other accrued liabilities	(14,281)	16,369
Net cash provided (used) by operating activities	<u>\$ 253,349</u>	<u>\$ 304,098</u>
Reconciliation of cash and cash equivalents to statement of net position		
Cash in bank - unrestricted	\$ 27,588	\$ 33,178
Restricted:		
Certificates of deposit	57,875	57,875
Debt reserve and construction account	206,730	264,154
Meter deposit fund	37,908	40,740
Total cash and cash equivalents	<u>\$ 330,101</u>	<u>\$ 395,947</u>

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

NOTES TO THE FINANCIAL STATEMENTS

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basis of Accounting

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer District of the City of Tuckerman, Arkansas are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). Accordingly, the Water & Sewer District of the city of Tuckerman, Arkansas uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

Reporting Entity

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

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Type

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

Management Estimates

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

Cash Equivalents

For purpose of the statement of cash flows, the Water and Sewer District of the City of Tuckerman, Arkansas considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory is stated at the lower of cost or market.

Compensated Absences

Certain employees of the Company are entitled to paid vacation and sick days, depending on length of service. It is not practical for the Company to estimate the amount of compensation for future absences; accordingly, no liability for compensated absences has been recorded in the accompanying financial statement. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Water and Sewer District is part of a municipality and, accordingly, is exempt from Federal and State income taxes.

Capital Assets

All purchased fixed assets are valued at cost, when historical records are available. Repairs and maintenance are expensed as incurred. Generally accepted accounting principles require that depreciation be recognized in order to provide for a reasonable, consistent matching of revenue and expense by systematically allocating the cost of the depreciable asset over its estimated useful life. The system provides for depreciation for plant and equipment acquired or put into service in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives of the assets, ranging from 5 years for equipment to 40 years for the plant facility. Depreciation expense totaled \$226,292 for 2023 and \$230,455 for 2022.

A summary of changes in capital assets is as follows:

	Balance <u>1-1-23</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12-31-23</u>
Non-Depreciable Assets:				
Land	\$ 38,783	-	-	\$ 38,783
Total Non-Depreciable Assets	\$ 38,783	-	-	\$ 38,783
Depreciable Assets:				
Water Plant and System	\$ 6,941,100	\$ 32,800	-	\$ 6,973,900
Sewer system	4,664,367	-	-	4,664,367
Equipment and tools	419,507	4,172	-	423,679
Total Depreciable Assets	\$12,024,974	\$ 36,972	-	\$12,061,946

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

	Balance 1-1-23	<u>Increases</u>	<u>Decreases</u>	Balance 12-31-23
Less Accumulated Depreciation				
Water Plant and system	\$3,458,345	\$ 103,938	\$ -	\$ 3,562,283
Sewer System	1,097,363	118,757	-	1,216,120
Equipment and tools	408,873	3,597	-	412,470
Total Accumulated Depreciation	<u>\$4,964,581</u>	<u>\$ 226,292</u>	<u>\$ -</u>	<u>\$ 5,190,873</u>
 Total Depreciable Assets	 <u>7,060,393</u>			 <u>\$ 6,871,073</u>
 Capital Assets, Net	 <u>\$7,099,176</u>			 <u>\$ 6,909,856</u>

	Balance 1-1-22	<u>Increases</u>	<u>Decreases</u>	Balance 12-31-22
Non-Depreciable Assets:				
Land	\$ 38,783	\$ -	\$ -	\$ 38,783
Total Non-Depreciable Assets	<u>\$ 38,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,783</u>

Depreciable Assets:

Water Plant and system	\$ 6,941,100	\$	\$ -	\$ 6,941,100
Sewer System	4,664,367		-	4,664,367
Equipment and tools	419,507	-	-	419,507
Total Depreciable Assets	<u>\$12,024,974</u>	<u>\$</u>	<u>\$ -</u>	<u>\$12,024,974</u>

	Balance 1-1-22	<u>Increases</u>	<u>Decreases</u>	Balance 12-31-22
Less Accumulated Depreciation				
Water Plant and system	\$3,349,617	\$ 108,728	\$ -	\$ 3,458,345
Sewer System	978,607	118,756	-	1,097,363
Equipment and tools	405,902	2,971	-	408,873
Total Accumulated Depreciation	<u>\$4,734,126</u>	<u>\$ 230,455</u>	<u>\$ -</u>	<u>\$ 4,964,581</u>
 Total Depreciable Assets	 <u>7,290,848</u>			 <u>\$ 7,060,393</u>
 Capital Assets, Net	 <u>\$7,329,631</u>			 <u>\$ 7,099,176</u>

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

NOTE 2. CASH AND INVESTMENTS

Cash and investments are stated at cost.

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. The Water and Sewer District of the City of Tuckerman, Arkansas has not adopted a formal deposit or investment policy but is required to comply with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal deposit insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

As of December 31, 2023 and 2022, all deposits with financial institutions were fully covered by either FDIC insurance or appropriate collateralization.

NOTE 3. RESTRICTED ASSETS

Restricted assets of the District consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Certificates of Deposit	\$ 57,875	\$ 57,875
Debt Reserve and Construction Account	100,220	118,193
Meter Deposit Fund	37,908	40,740
Short Lived Assets Reserve	106,510	145,961
Receivable from Nonrestricted Funds	<u>23,097</u>	<u>18,097</u>
Total	<u>\$ 325,610</u>	<u>\$ 380,866</u>

Under the terms of the 2015-2016 debt issues, the Water and Sewer District of the City of Tuckerman, Arkansas was required to begin funding short lived fixed asset reserves for the new water and sewer loans in the amounts of \$23,584 annually for the water system improvements loan and \$13,466 for the sewer system improvements loan to replace and repair components of the system which have useful lives significantly less than the loan repayment period of 40 years.

Restricted assets and requirements as of December 31, 2023 and 2022 were as follows:

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 3. RESTRICTED ASSETS (CONTINUED)

	<u>2023</u>	<u>Liability</u>	<u>Restricted Assets</u>
Meter Deposits		\$ 47,724	\$ 61,005
Funds restricted to meet the debt service requirements of the 2015 and 2016 USDA loans for water and sewer system improvements			
USDA 91-01		64,350	
USDA 91-06		5,251	
USDA 92-03		49,050	
USDA 92-08		8,820	
Short-Lived Asset Replace Reserve Fund		110,782	
Current Year Asset Repairs		(137,543)	
Total USDA Bond Debt Requirement		100,710	206,730
Certificates of Deposit-2003 Bond Issue		57,875	57,875
Total Restricted Liability/Requirement and Cash		\$ 206,309	\$ 325,610
	<u>2022</u>	<u>Liability</u>	<u>Restricted Assets</u>
Meter Deposits		\$ 45,239	\$ 58,837
Funds restricted to meet the debt service requirements of the 2015 and 2016 USDA loans for water and sewer system improvements			
USDA 91-01		55,770	
USDA 91-06		4,543	
USDA 92-03		42,510	
USDA 92-08		7,644	
Short-Lived Asset Replace Reserve Fund		156,305	
Current Year Asset Repairs		(82,573)	
Total USDA Bond Debt Requirement		184,199	264,154
Certificates of Deposit - 2003 Bond Issue		57,875	57,875
Total Restricted Liability/Requirement and Cash		\$287,313	\$380,866

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 3. RESTRICTED ASSETS (CONTINUED)

All restricted funds were held in checking and savings accounts maintained by the District.

NOTE 4. ACCOUNTS RECEIVABLE

The composition of accounts receivable as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Total Accounts Receivable	\$ 79,596	\$ 86,384
Less: Allowance for Bad Debts	(7,160)	(7,160)
	<u>\$ 72,436</u>	<u>\$ 79,224</u>

NOTE 5. LONG-TERM DEBT

The Long-Term Debt at December 31, consists of the following:

	<u>2023</u>	<u>2022</u>
5.0% note payable to Arkansas Natural Resources Commission, annual payments of \$5,785	\$ 62,704	\$ 65,228
2003 Bond Issue	665,000	740,000
Water revenue bonds were issued under ordinance 2015-06 (USDA #91-01) for the purpose of providing for the construction of a water plant and other improvements. Monthly principal and interest payment of \$7,451, interest at 2.5%	1,802,110	1,837,761
Water revenue bonds were issued under ordinance 2015-04 (USDA #91-06) for the purpose of providing for the construction of a water tower, tank and other improvements. Monthly principal and interest payment of \$587, interest at 2.5%	148,099	151,023
Wastewater revenue bonds were issued (USDA #92-03) for the purpose of providing for the construction of a wastewater plant and other improvements. Monthly principal and interest payment of \$5,450, interest at 2.25%	1,481,940	1,513,610
Wastewater revenue bonds were issued (USDA #92-08) for the purpose of providing for the construction of a wastewater plant and other improvements. Monthly principal and interest payment of \$9,977, interest at 2.25%	<u>262,540</u>	<u>268,287</u>
	4,422,393	4,575,909
Less: Current Maturities	<u>(160,567)</u>	<u>(153,516)</u>
Total Long-Term Debt net of Current Maturities	<u>\$4,261,826</u>	<u>\$4,422,393</u>

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 5. LONG-TERM DEBT (CONTINUED)

Future annual debt service requirements are as follows:

<u>Year(s) Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	160,567	128,376	288,943
2025	167,673	122,270	289,943
2026	174,837	115,856	290,693
2027	182,059	109,134	291,193
2028	189,343	102,100	291,443
2029-2033	698,201	411,514	1,109,715
2034-2038	550,417	328,048	878,465
2039-2043	602,529	252,813	855,342
2044-2048	676,965	172,575	849,540
2049-2053	767,756	81,784	849,540
2054-2055	<u>252,046</u>	<u>5,094</u>	<u>257,140</u>
Total	<u>\$ 4,422,393</u>	<u>\$ 1,829,565</u>	<u>\$6,251,957</u>

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

	<u>Balance 1-1-23</u>	<u>New Debt Acquisition</u>	<u>Payments on Principal</u>	<u>Balance 12-31-23</u>	<u>Current Portion</u>
2003 Revenue Bonds	\$ 740,000	\$ -0-	\$ (75,000)	\$ 665,000	\$ 80,000
Revenue Bonds Payable- USDA 92-03	1,513,610	-0-	(31,670)	1,481,940	32,389
Revenue Bonds Payable- USDA 92-08	268,287	-0-	(5,747)	262,540	5,878
Revenue Bonds Payable- USDA 91-06	151,023	-0-	(2,924)	148,099	3,009
Revenue Bonds Payable- USDA 91091	1,837,761	-0-	(35,651)	1,802,110	36,641
Note Payable - ANRC	<u>65,228</u>	<u>-0-</u>	<u>(2,524)</u>	<u>62,704</u>	<u>2,650</u>
Total	<u>\$4,575,909</u>	<u>\$ -0-</u>	<u>\$ (153,516)</u>	<u>\$4,422,393</u>	<u>\$ 160,567</u>

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 5. LONG-TERM DEBT (CONTINUED)

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

	<u>Balance</u> <u>1-1-22</u>	<u>New Debt</u> <u>Acquisition</u>	<u>Payments on</u> <u>Principal</u>	<u>Balance</u> <u>12-31-22</u>	<u>Current</u> <u>Portion</u>
2003 Revenue Bonds	\$ 815,000	\$ -0-	\$ (75,000)	\$ 740,000	\$ 75,000
Revenue Bonds Payable- USDA 92-03	1,544,576	-0-	(30,966)	1,513,610	31,668
Revenue Bonds Payable- USDA 92-08	273,906	-0-	(5,619)	268,287	5,747
Revenue Bonds Payable- USDA 91-06	153,872	-0-	(2,849)	151,023	2,928
Revenue Bonds Payable- USDA 91-09	1,872,444	-0-	(34,683)	1,837,761	35,649
Note Payable - ANRC	<u>67,631</u>	<u>-0-</u>	<u>(2,403)</u>	<u>65,228</u>	<u>2,524</u>
Total	<u>\$4,727,429</u>	<u>\$ -0-</u>	<u>\$ (151,520)</u>	<u>\$4,575,909</u>	<u>\$ 153,516</u>

NOTE 6. REVENUE BONDS - SERIES 2003

In August 2003, revenue bonds in the amount of \$1,740,000 were issued for Water and Sewer Refunding and Construction. The \$1,740,000 proceeds were used as follows.

Legal Fees - Friday Law Firm	\$ 17,500
Escrow Verification - Moore Stephens & Frost	2,500
Underwriting Costs	52,200
Professional Fees - Crews & Associates	707
Printing Charges	880
Trustee Fees	5,750
Refund - 2000 Bond Issue	1,708,504
Bond Debt Reserve - 2000 Series	(63,363)
Original Issue Discount Costs	14,702
Other	<u>620</u>
	<u>\$1,740,000</u>

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 6. REVENUE BONDS - SERIES 2003 (CONTINUED)

Government Auditing Standards require that, upon a current refunding resulting in a bond defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. In regards to the 2003 bond issue which refunded the 2000 bond issue, the difference between the reacquisition price and the net carrying amount of the old debt was \$202,151. The net balance, after amortization, was \$49,914 at December 31, 2023 and \$57,401 at December 31, 2022. This represents unamortized reacquisition costs.

In accordance with GASB No. 65 as issued by the Government Accounting Standards Board, the District reports this unamortized amount as a deferred outflow of resources on its statement of net position.

NOTE 7. INSURANCE

The City of Tuckerman Water and Sewer District had the following insurance in force on December 31, 2023 and 2022:

- A. Workers' Compensation Policy - \$100,000 Employer's Liability, \$100,000 each accident, \$500,000 policy limit. \$100,000 each employee; Policy in force for the period 1-1-23 to 12-31-23.
- B. Business Auto Policy covering company vehicles - \$100,000 liability, \$25,000 coverage bodily injury/death one person, \$50,000 coverage bodily injury/death two or more persons, \$25,000 coverage destruction to others, \$1,000 comprehensive/collision deductible; Policy in force for period 9-10-23 to 9-9-24.

- C. Commercial Package Policy covering property as follows:

Buildings and Treatment Plant	\$ 3,351,000
Equipment	224,000

This policy is in effect for the period 9-10-23 through 9-9-24.

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 8. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current liabilities payable from restricted assets were as follows, as of December 31:

	<u>2023</u>	<u>2022</u>
Customers' Meter Deposits	\$ 47,724	\$ 45,239
Accrued Interest	<u>12,975</u>	<u>14,163</u>
Total	<u>\$ 60,699</u>	<u>\$ 59,402</u>

NOTE 9. CUSTOMER DEPOSITS

Active customer deposits are held by the City of Tuckerman Water and Sewer District. Interest earned on deposit funds is considered to be the property of the City of Tuckerman, Arkansas Water and Sewer District. As of December 31, 2023, the Customer Deposit Fund totaled \$61,005, of which \$37,908 represented customer deposits held by the district, \$18,097 represented a receivable from the operations and maintenance account for the meter deposit account, and a \$5,000 receivable from the City of Tuckerman general fund. As of December 31, 2022, the Customer Deposit Fund totaled \$58,837 of which \$40,740 represented customer deposits held by the district and \$18,097 represented a receivable from the operations and maintenance account for the meter deposit account.

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022

NOTE 10. CURRENT WATER AND SEWER RATES

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

<u>USAGE</u>	<u>WATER</u>	<u>SEWER</u>
0 - 1,000 gallons	\$28.62	\$21.19
1,000 - 2,000 gallons	\$32.19	\$23.47
2,000 - 3,000 gallons	\$35.76	\$25.75
3,000 - 4,000 gallons	\$39.33	\$28.03
4,000 - 5,000 gallons	\$42.90	\$30.31
5,000 - 6,000 gallons	\$46.47	\$32.59
6,000 - 7,000 gallons	\$50.04	\$34.87
7,000 - 8,000 gallons	\$53.61	\$37.15
8,000 - 9,000 gallons	\$57.18	\$39.47
9,000 - 10,000 gallons	\$60.75	\$41.71
10,000 - 11,000 gallons	\$64.72	\$43.99
11,000 - 12,000 gallons	\$67.89	\$46.27
12,000 - 13,000 gallons	\$71.46	\$48.55
13,000 - 14,000 gallons	\$75.03	\$50.83
14,000 - 15,000 gallons	\$78.60	\$53.11
15,000 - 16,000 gallons	\$82.17	\$55.39
16,000 - 17,000 gallons	\$85.74	\$57.67
17,000 - 18,000 gallons	\$89.31	\$59.95
18,000 - 19,000 gallons	\$92.88	\$62.23
19,000 - 20,000 gallons	\$96.45	\$64.51
20,000 - 21,000 gallons	\$100.02	\$66.79
21,000 - 22,000 gallons	\$103.59	\$69.07
22,000 - 23,000 gallons	\$107.16	\$71.35
23,000 - 24,000 gallons	\$110.73	\$73.63
24,000 - 25,000 gallons	\$114.30	\$75.91

**WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022**

NOTE 11. ANNUAL BILLABLE WATER IN GALLONS FOR SEWER USERS

The annual billable water in gallons for sewer users for the years ended December 31, 2023 and 2022 were 37,122,000 and 34,747,000 gallons, respectively. The number of sewer users, excluding North Jackson County RWA, was 723 at December 31, 2023 and 759 at December 31, 2022.

NOTE 12. SUBSEQUENT EVENTS

The Water and Sewer District of the City of Tuckerman, Arkansas has evaluated subsequent events through December 27, 2024, which is the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
DECEMBER 31, 2023

SCHEDULE 1

	<u>Water</u>	<u>Sewer</u>	<u>Total 2023</u>
Operating Revenues:			
Water Service (Note 1)	\$ 533,859	\$ -0-	\$ 533,859
Sewer Service	-0-	263,131	263,131
Penalties	10,946	5,453	16,399
Miscellaneous Income	<u>355</u>	<u>177</u>	<u>532</u>
Total Operating Revenues	<u>545,160</u>	<u>268,761</u>	<u>813,921</u>
Operating Expenses:			
Bank Service Charges	385	192	577
Casual Labor	2,603	1,297	3,900
Depreciation	107,535	118,757	226,292
Insurance Expense	7,720	3,845	11,565
Management Fees	42,901	21,370	64,271
Miscellaneous Expense	5,741	2,860	8,601
Office Supplies and Expense	3,054	1,522	4,576
Payroll Taxes	4,898	2,440	7,338
Postage	3,888	1,936	5,824
Professional Fees	10,924	5,441	16,365
Repairs and Maintenance	91,810	45,733	137,543
Supplies and Materials	94,202	46,925	141,127
Trustee Fees	1,268	632	1,900
Utilities and Telephone	34,900	17,385	52,285
Wages	<u>63,295</u>	<u>31,529</u>	<u>94,824</u>
Total Operating Expenses	<u>475,124</u>	<u>301,864</u>	<u>776,988</u>
Net Income/(Loss) from Operations	<u>70,036</u>	<u>(33,103)</u>	<u>36,933</u>
Other Revenues/(Expenses):			
Interest Income	3,448	1,718	5,166
Interest Expense	<u>(82,702)</u>	<u>(57,471)</u>	<u>(140,173)</u>
Total Other Revenues/(Expenses)	<u>(79,254)</u>	<u>(55,753)</u>	<u>(135,007)</u>
Net Income/(Loss)	<u><u>\$ (9,218)</u></u>	<u><u>\$ (88,856)</u></u>	<u><u>\$ (98,074)</u></u>

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WATER AND SEWER DISTRICT OF THE CITY OF TUCKERMAN, ARKANSAS
SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
DECEMBER 31, 2022

SCHEDULE 1

	<u>Water</u>	<u>Sewer</u>	<u>Total 2022</u>
Operating Revenues:			
Water Service	\$ 509,818	\$ -0-	\$ 509,818
Sewer Service	-0-	261,670	261,670
Penalties	10,591	5,436	16,027
Miscellaneous Income	<u>1,962</u>	<u>1,007</u>	<u>2,969</u>
Total Operating Revenues	<u>522,371</u>	<u>268,113</u>	<u>790,484</u>
Operating Expenses:			
Bad Debts Expense	110	57	167
Bank Service Charges	227	117	344
Casual Labor	3,370	1,730	5,100
Depreciation	110,690	119,765	230,455
Insurance Expense	6,493	3,332	9,826
Licenses, Dues and Fees	2,150	1,103	3,253
Management Fees	46,001	23,610	69,611
Miscellaneous Expense	3,918	2,011	5,929
Office Supplies and Expense	3,266	1,676	4,942
Payroll Taxes	4,281	2,198	6,479
Postage	2,945	1,511	4,456
Professional Fees	4,865	2,497	7,362
Rent Expense	396	204	600
Repairs and Maintenance	54,566	28,007	82,573
Supplies and Materials	108,532	55,706	164,238
Trustee Fees	1,256	644	1,900
Utilities and Telephone	36,451	18,709	55,160
Wages	<u>52,284</u>	<u>26,836</u>	<u>79,120</u>
Total Operating Expenses	<u>441,801</u>	<u>289,713</u>	<u>731,514</u>
Net Income/(Loss) from Operations	<u>80,570</u>	<u>(21,600)</u>	<u>58,970</u>
Other Revenues/(Expenses):			
Interest Income	707	471	1,178
Interest Expense	(85,146)	(60,477)	(145,623)
Grant Income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other Revenues/(Expenses)	<u>(84,439)</u>	<u>(60,006)</u>	<u>(144,445)</u>
Net Income/(Loss)	<u>\$ (3,869)</u>	<u>\$ (81,606)</u>	<u>\$ (85,475)</u>

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