

CITY OF OPPELO WATER / WASTEWATER WORKS

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



CITY OF OPPELO WATER / WASTEWATER WORKS
DECEMBER 31, 2023 AND 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Net Position.....	4-5
Statements of Revenue, Expenses, and Changes in Net Position.....	6
Statements of Cash Flows.....	7-8
Notes to Financial Statements.....	9-20
Additional Report	
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	21-22



Independent Auditor's Report

To the Honorable Mayor and City Council
City of Oppelo Water/Wastewater Works
Oppelo, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Oppelo Water/Wastewater Works, 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 City of Oppelo Water/Wastewater Works 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 on 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Oppelo Water/Wastewater Works and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Oppelo, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 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 Oppelo Water/Wastewater Works' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the 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 May 23, 2024, on our consideration of the City of Oppelo Water/Wastewater Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Oppelo Water/Wastewater Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oppelo Water/Wastewater Works' internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
May 23, 2024

FINANCIAL STATEMENTS

CITY OF OPPELO WATER / WASTEWATER WORKS

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 150,660	\$ 126,056
Restricted checking accounts	58,735	37,891
Certificates of deposit	20,479	13,000
Restricted investments	122,188	801,315
Accounts receivable, net	33,715	34,557
Total Current Assets	385,777	1,012,819
Noncurrent Assets		
Capital Assets		
Utility plant	3,885,132	3,105,677
Machinery and equipment	266,356	266,356
Furniture and fixtures	905	905
Vehicles	76,094	68,276
Construction in process	-	71,451
Total	4,228,487	3,512,665
Less accumulated depreciation	(3,053,286)	(2,951,890)
Net Capital Assets	1,175,201	560,775
Total Noncurrent Assets	1,175,201	560,775
Total Assets	1,560,978	1,573,594
Deferred Outflows		
Deferred amount on refunding of debt, net of amortization	41,951	45,652
Total Deferred Outflows	41,951	45,652
Total Assets and Deferred Outflows	\$ 1,602,929	\$ 1,619,246

See accompanying notes to financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 11,566	\$ 9,070
Due to general fund	16,791	21,307
Sales tax payable	1,602	1,574
Customer meter deposits	29,580	28,239
Accrued interest	7,569	7,709
Current maturity of long-term debt	54,890	52,197
Total Current Liabilities	121,998	120,096
Long-Term Debt, net of unamortized bond discounts	2,324,713	2,348,639
Total Liabilities	2,446,711	2,468,735
Net Position		
Net investment in capital assets	(1,162,374)	(1,106,878)
Restricted	114,619	793,606
Unrestricted	203,973	(536,217)
Total Net Position (deficit)	(843,782)	(849,489)
Total Liabilities and Net Position	\$ 1,602,929	\$ 1,619,246

See accompanying notes to financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Operating Revenue		
Water and sewer revenues, less bad debts	\$ 346,989	\$ 307,728
Late fees	8,861	6,137
Other income	2,817	5,643
Total Operating Revenue	358,667	319,508
Operating Expenses		
Water purchases	108,835	59,579
Salaries, wages, payroll taxes and benefits	80,207	90,784
Office supplies	5,321	6,434
Operating supplies	26,237	21,655
Repairs and maintenance	22,798	28,335
Auto expense	8,840	9,108
Utilities	26,321	32,661
Insurance	2,152	1,035
Memberships, dues, and licenses	19,428	13,432
Trustee fees	1,063	2,300
Advertising	-	1,969
Miscellaneous expenses	3,049	2,102
Depreciation	122,108	114,141
Total Operating Expenses	426,359	383,535
Net Loss From Operations	(67,692)	(64,027)
Other Income (Expenses)		
Interest income	28,783	8,943
Interest expense, inclusive of amortization of bond premium and amortization of deferred amount on advance refunding	(99,295)	(88,069)
Bond issue costs	-	(100,897)
Gain/loss on the sale of asset	3,000	7,140
Total Net Other Income (Expenses)	(67,512)	(172,883)
Net Loss Before Transfers	(135,204)	(236,910)
Operating Transfers	140,911	138,201
Change in Net Position	5,707	(98,709)
Net Position at Beginning of Year	(849,489)	(750,780)
Net Position at End of Year	\$ (843,782)	\$ (849,489)

See accompanying notes to financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 360,878	\$ 317,578
Cash payments to suppliers for goods and services	(221,548)	(176,103)
Cash payments to employees for services	(84,723)	(88,575)
Net Cash Provided By Operating Activities	54,607	52,900
Cash Flows From Non-Capital and Related Financing Activities		
Net transfer activity	140,911	138,201
Net Cash Provided By Non-Capital and Related Financing Activities	140,911	138,201
Cash Flows From Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(736,535)	(81,404)
Proceeds from sale of equipment	3,000	7,140
Loan proceeds	28,531	-
Net proceeds from issuance of bonds	-	2,291,171
Principal paid on debt	(52,197)	(1,668,476)
Interest paid on debt	(93,299)	(85,725)
Net Cash Provided (Used) By Capital and Related Financing Activities	(850,500)	462,706
Cash Flows From Investing Activities		
Net activity of restricted investments	679,127	(630,245)
Net purchase and reinvestment of certificates of deposit	(7,480)	-
Interest income	28,783	8,943
Net Cash Provided (Used) By Investing Activities	700,430	(621,302)
Net Increase In Cash, Cash Equivalents and Restricted Cash	45,448	32,505
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	163,947	131,442
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 209,395	\$ 163,947
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 150,660	\$ 126,056
Restricted checking accounts	58,735	37,891
Total Cash, Cash Equivalents, and Restricted Cash	\$ 209,395	\$ 163,947

See accompanying notes to financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2023	2022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net loss from operations	\$ (67,692)	\$ (64,027)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	122,108	114,141
(Increase) decrease in:		
Accounts receivable	842	(1,604)
Increase (decrease) in:		
Accounts payable	2,496	2,507
Due to general fund	(4,516)	2,209
Sales tax payable	28	(102)
Customer meter deposits	1,341	(224)
Net Cash Provided By Operating Activities	\$ 54,607	\$ 52,900

See accompanying notes to financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Operations

The City of Oppelo Water Wastewater Works (the Department) is a proprietary type fund and is a component unit of the City of Oppelo, Arkansas. The purpose of the Department is to provide and maintain water and sewer services to the residents of the City of Oppelo. Activities of the fund include administration, operation and maintenance of the water and sewer department, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 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.

The Department is considered to be a component unit of the City of Oppelo. These financial statements reflect only the Water Wastewater Works Fund of the City of Oppelo, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Department. The Department accounts for its operations as an enterprise fund.

Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Department is exempt from income taxes as a governmental agency.

Investments

Investments are presented at fair value. Investments, consist primarily certificates of deposit and accounts designated for construction, to service semi-annual bond payments, and a debt service reserve fund.

Accounts Receivable

Accounts receivable consists of sewer and water fees and surcharges billed to residential and commercial/industrial customers based on consumption. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$9,701 and \$8,873 as of December 31, 2023 and 2022.

Capital Outlays And Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Utility plant	20 - 30
Machinery and equipment	5 - 30
Furniture and fixtures	7
Vehicles	5 - 10

It is the Department's policy to capitalize all asset purchases.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$41,951 as of December 31, 2023, is shown as deferred outflows on the statement of position and is amortized of the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization of the deferred loss totaled \$6,169 for the year ended December 31, 2023.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Department no longer services the customer. The Department uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Due to General Fund

The City of Oppelo pays all wages and related taxes and benefits of the Department employees and bills the Department quarterly for services provided. The Department paid the City \$80,207 and \$90,783 for payroll and related expenses for the years ended December 31, 2023 and 2022, respectively. The Department had a liability of \$16,791 and \$21,307 at December 31, 2023 and 2022, respectively for the 4th quarter wages, taxes and benefits owed.

Unamortized Bond Discount

The original issue discount incurred with the issuance of the 2022 Water and Sewer Refunding and Construction Revenue Bonds represents the additional interest (over and above any cash interest) over the term of the bond. This original issue discount is being amortized using the straight-line method over the life of the bond which is 30 years. Amortization of the bond discount was \$4,055 and \$1,622 for the years ended December 31, 2023 and 2022, and is included with interest expense on the statement of revenues, expenses and changes in net position.

Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

The Department does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Department personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Department. Operating revenues consist primarily of fees from water and sewer usage. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities.

Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the Commission's fiscal year.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

These statements did not have any impact on the District's financial statements.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions

State statutes generally 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 time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be recovered. At December 31, 2023 all of the Department's deposits were insured and/or collateralized. The bank balances and carrying amount of the Department's deposits held were as follows:

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 210,027	\$ 209,395	\$ 164,310	\$ 163,947
Total	\$ 210,027	\$ 209,395	\$ 164,310	\$ 163,947

Deposits as reported in the following statement of net position captions:

As Of December 31,	2023	2022
Cash and cash equivalents	\$ 150,660	\$ 126,056
Restricted checking accounts	58,735	37,891
Total	\$ 209,395	\$ 163,947

Investments

Investments consist of certificates of deposit and accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost.

As of December 31, 2023	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Funds</u>			
Federated Hermes Treasury Obligations Fund	\$ 122,188	9 days	AAAm, Aaa-mf
Certificates of Deposit	20,479	300 days	N/A
Total	\$ 142,667		

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Investments (continued)

As of December 31, 2022	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Funds</u>			
Federated Hermes Treasury Obligations Fund	\$ 801,315	9 days	AAAm, Aaa-mf
Certificates of Deposit	13,000	300 days	N/A
Total	\$ 814,315		

Investments as reported in the following Statement of Net Position captions:

As Of December 31,	2023	2022
Current Assets:		
Certificates of deposit	\$ 20,479	\$ 13,000
Restricted investments	122,188	801,315
Total	\$ 142,667	\$ 814,315

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Department's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

At December 31, 2023 and 2022, the Department has \$122,188 and \$801,315, respectively, in government mutual fund accounts that primarily invest in U.S. Treasury and government securities which are investments permitted by Arkansas statutes and generally considered to be risk-free as they have the backing of the government.

The Department also has \$20,479 and \$13,000 in a certificates of deposit at December 31, 2023 and 2022. This account was entirely FDIC insured for both years.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Department or by an agent of the Department are in the City's name.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits with Financial Institutions (continued)

Fair Value Measurements

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Federated Hermes Treasury Obligation	\$ 122,188	\$ -	\$ -	\$ 122,188
Certificate of deposit	20,479	-	-	20,479
Total	\$ 142,667	\$ -	\$ -	\$ 142,667

3. Restricted Assets

Restricted assets consists of the following:

As Of December 31,	2023	2022
Restricted checking account:		
Water meter fund	\$ 39,523	\$ 37,891
Restricted investments:		
2022 Bond Fund	\$ 45,945	\$ 40,997
2022 Project Construction Fund	77	687,531
2022 Debt Service Reserve Fund	76,166	72,787
Total restricted investments	\$ 122,188	\$ 801,315

Water Meter Fund - holds refundable customer deposits.

2022 Bond Fund - established to fund the semi-annual interest and annual principal payments of the 2022 Series Water and Sewer Refunding and Construction Revenue Bonds along with any trustee fees.

2022 Project Construction Fund - established to disburse funds for the project as described in Note 4.

2022 Debt Service Reserve Fund - established as a special fund as the name implies.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023
Utility plant	\$ 3,105,677	\$ 779,455	\$ -	\$ 3,885,132
Machinery and equipment	266,356	-	-	266,356
Furniture and fixtures	905	-	-	905
Vehicles	68,276	28,531	20,713	76,094
Construction in process	71,451	708,004	779,455	-
Total	\$ 3,512,665	\$ 1,515,990	\$ 800,168	\$ 4,228,487

As Of	January 1, 2022	Additions	Retirements	December 31, 2022
Utility plant	\$ 3,105,677	\$ -	\$ -	\$ 3,105,677
Machinery and equipment	256,403	9,953	-	266,356
Furniture and fixtures	905	-	-	905
Vehicles	68,276	-	-	68,276
Construction in process	-	71,451	-	71,451
Total	\$ 3,431,261	\$ 9,953	\$ -	\$ 3,441,214

Construction in progress of \$71,451 at December 31, 2022 consists primarily of engineering fees for the sewer rehabilitation project. The project is to be construction with proceeds from the 2022 bond issue and will include replacement, repair, and construction of Stations 1 and 2, replacement and repair of a line running from Station 2 to Station 1 to the sewer retention ponds, which will reduce the demand on Station 1. The total cost was \$779,455 and completed in 2023.

5. Long-Term Debt

On May 17, 2022, the Department issued Water and Sewer Revenue Refunding Bonds, Series 2022 in the amount of \$2,465,000. Proceeds from the bonds were used to pay in full the Series 2012 Water and Sewer Revenue Refunding Bonds that had an outstanding principal balance of \$1,560,000, plus interest, and cost of issuance fees totaling \$100,897. The remaining bond proceeds will be used to fund the project noted on note 4.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Long-Term Debt (continued)

Long-term debt of the District consists of:

As Of December 31,	2023	2022
\$2,465,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2012 with coupon rates ranging from 2.75% to 4.00%. Payments are made semi-annually for interest and principal through December 2052. The bonds are secured by substantially all assets and revenues of the water and sewer system.	\$ 2,420,000	\$ 2,465,000
\$20,229 Farmers and Merchants Bank note dated June 1, 2020. \$5,675.74 is made annually including interest of 4.74% with final payment of unpaid principal and interest due June 1, 2023. The note was used to purchase a 2019 Dodge Ram truck and is secured by that truck.	-	5,404
\$10,100 Farmers and Merchants Bank note dated August 31, 2021. \$3,694.07 is made annually including interest of 4.74% with final payment of unpaid principal and interest due August 27, 2024. The note was used to purchase a John Deere 520M Loader and is not secured.	-	1,793
\$28,531 Farmers and Merchants Bank note dated August 3, 2023. \$6,894.53 will made annually starting September 3, 2024, including interest of 6.37% with final payment of unpaid principal and interest due September 3, 2028. The note was used to purchase a 2016 Dodge Ram truck and is surcured by that truck.	28,531	-
Total	2,448,531	2,472,197
Less current maturities	54,890	52,197
Long-term debt	2,393,641	2,420,000
Less unamortized bond discounts	68,928	71,361
Long-Term Debt	\$ 2,324,713	\$ 2,348,639

Debt is scheduled to mature as follows:

December 31,	Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 50,000	\$ 90,144	\$ 4,890	\$ 2004
2025	50,000	88,769	5,368	1527
2026	55,000	87,256	5,714	1180
2027	55,000	85,606	6,084	811
2028	55,000	83,887	6,475	419

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Long-Term Debt (continued)

December 31,	Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest
2029-2033	315,000	389,741	-	-
2034-2038	370,000	329,788	-	-
2039-2043	450,000	250,200	-	-
2044-2048	530,000	152,600	-	-
2049-2053	490,000	40,200	-	-
Total	\$ 2,420,000	\$ 1,598,191	\$ 28,531	\$ 5,941

Activity of the long-term debt consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023	Due Within One Year
Water and Sewer Refunding & Const.					
Revenue Bonds	\$ 2,465,000	\$ -	\$ 45,000	\$ 2,420,000	\$ 50,000
Farmers & Merchants	7,197	28,531	7,197	28,531	4,890
Total	\$ 2,472,197	\$ 28,531	\$ 52,197	\$ 2,448,531	\$ 54,890

As Of	January 1, 2022	Additions	Retirements	December 31, 2022	Due Within One Year
Water and Sewer Refunding & Const.					
Revenue Bonds	\$ 1,655,000	\$ 2,465,000	\$ 1,655,000	\$ 2,465,000	\$ 45,000
Farmers & Merchants	20,673	-	13,476	7,197	7,197
Total	\$ 1,675,673	\$ 2,465,000	\$ 1,668,476	\$ 2,472,197	\$ 52,197

The 2022 Water and Sewer Refunding and Construction Bonds contain several provisions for loan default including: outstanding principal and interest become immediately due and payable, surrender possession of the Department and appoint a receiver to administer the department on behalf of the issuer until all defaults have been cured; enforce any and all other rights and remedies by law.

In the event of default on the Farmers and Merchants Bank note, the Department would surrender the 2016 Dodge truck purchased with the borrowed funds.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

6. Bond Discount / Deferred Refunding

The bond issue discounts incurred with the issuance of the 2012 Water and Sewer Refunding and Construction Revenue Bonds, subsequently replaced with the 2022 Water and Sewer Refunding and Construction Revenue Bonds totaling \$72,983, respectively, represent the additional interest (over and above any cash interest) over the term of the bonds. The original issue discounts are being amortized using the straight-line method over the lives of the bonds which are 24 and 30 years.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$41,951 and \$45,642 as of December 31, 2023 and 2022, is shown as deferred outflows on the Statement of Net Position and is being amortized over 13 years which is the remaining term of the old debt. Amortization of the deferred loss totaled \$6,169 and \$2,468 for the year ended December 31, 2023 and 2022, and is included with interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

7. Rate Covenant

The Series 2022 City of Oppelo, Arkansas, Water and Sewer Refunding and Construction Revenue Bonds require the Department's rates and charges fixed for services together with proceeds of the County Sales Tax allocated to the Department, will produce revenues at least sufficient to (1) pay the Department's operation, repair and maintenance expenses, (2) make all required deposits to the debt service reserve fund for the bonds, and (3) leave a balance equal to 110% of the maximum annual debt service requirements for the bonds and all other additional parity obligations. The Department was in compliance with the rate covenant for the year ended December 31, 2023.

8. Interfund Transfers

The Department received transfers totaling \$140,911 and \$138,201 from the City during the years ended December 31, 2023 and 2022 to pay certain debt and other operating expenses.

9. Risk Management

The Department is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries property and liability insurance as well as workers' compensation insurance through Arkansas Municipal League.

There has been no significant reduction in the Department's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

CITY OF OPPELO WATER / WASTEWATER WORKS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

10. Concentrations of Credit Risks

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

11. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through May 23, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REQUIRED REPORT



**Independent Auditor's 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 Honorable Mayor and City Council
City of Oppelo Water/Wastewater Works
Oppelo, Arkansas

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 Oppelo Water/Wastewater Works ("the Department"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Department's financial statements, and have issued our report thereon dated May 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

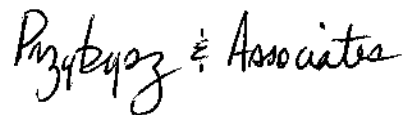
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 part of obtaining reasonable assurance about whether the Department'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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 Department's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
May 23, 2024