

ARKADELPHIA WATER AND SEWER SYSTEM



ARKADELPHIA, ARKANSAS

DECEMBER 31, 2021

ARKADELPHIA WATER AND SEWER SYSTEM
ARKADELPHIA, ARKANSAS

AUDIT REPORT - TABLE OF CONTENTS
DECEMBER 31, 2021

	<u>PAGE NO.</u>
Independent Auditors' Report	1 - 3
Balance Sheets - December 31, 2021 and 2020	4 - 5
Statements of Revenues, Expenses and Changes in Fund Equity - For Years Ended December 31, 2021 and 2020	6
Combined Statements of Cash Flows - For Years Ended December 31, 2021 and 2020	7 - 8
Notes to Financial Statements	9 - 19
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 <i>Government Auditing Standards</i>	20 - 21
Schedule of Findings and Questioned Costs	22
SUPPLEMENTARY INFORMATION	
SCHEDULE I Schedules of Restricted Assets and Liabilities - December 31, 2021 and 2020	23
SCHEDULE II Schedule of Operating Revenues and Operating Expenses - By Division - For Year Ended December 31, 2021	24
SCHEDULE III Schedule of Operating Revenues and Operating Expenses - By Department (Arkadelphia Division) - For Year Ended December 31, 2021	25
SCHEDULE IV Schedule of Operating Revenues and Operating Expenses - By Operating Area (Water) (Arkadelphia Division) - For Year Ended December 31, 2021	26
SCHEDULE V Schedule of Operating Revenues and Operating Expenses - By Operating Area (Sewer) (Arkadelphia Division) - For Year Ended December 31, 2021	27
SCHEDULE VI Budgetary Comparison Schedule - For Year Ended December 31, 2021	28
SCHEDULE VII Schedule of Debt Service Requirements - 2.5% Plus 1% Service Fee Water and Sewer Revenue Bond Series 2004 - December 31, 2021	29
SCHEDULE VIII Schedule of Debt Service Requirements - 2.0% Plus 1% Service Fee Water and Sewer Revenue Bond Series 2016 - December 31, 2021	30
SCHEDULE IX Schedule of Debt Service Requirements - 1.25% Plus 1% Service Fee Water and Sewer Revenue Bond Series 2020 - December 31, 2021	31
SCHEDULE X Required Supplemental Information for Cost-Sharing Plans	32

INDEPENDENT AUDITORS' REPORT

The Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

Report on the Financial Statements

We have audited the accompanying financial statements of Arkadelphia Water and Sewer System, a component unit of the City of Arkadelphia, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Arkadelphia Water and Sewer System's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkadelphia Water and Sewer System as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only Arkadelphia Water and Sewer System and do not purport to, and do not present fairly the financial position of the City of Arkadelphia, Arkansas, as of December 31, 2021 and 2020, 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.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 and the supplemental information for cost-sharing plans on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Restricted Assets and Liabilities (Page 23), Schedules of Operating Revenues and Operating Expenses – By Division (Page 24), By Department (Arkadelphia Division) (Page 25) and By Operating Area (Arkadelphia Division) (Pages 26-27), and Schedules of Debt Service Requirements (Pages 29-31) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, on our consideration of the Arkadelphia Water 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 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 Arkadelphia Water and Sewer System's 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 Arkadelphia Water and Sewer System's internal control over financial reporting and compliance.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

October 3, 2022

ARKADELPHIA WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

Page 4

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:			
Cash and Cash Equivalents		\$ 851,042	\$ 744,291
Certificates of Deposit		608,969	599,997
Accounts Receivable - Trade		503,451	518,525
Unbilled Revenue		70,105	72,782
Materials and Supplies		114,245	69,248
Accrued Interest Receivable		566	1,198
TOTAL CURRENT ASSETS		<u>2,148,378</u>	<u>2,006,041</u>
RESTRICTED ASSETS (Schedule I)		<u>936,854</u>	<u>927,302</u>
PLANT AND EQUIPMENT:			
Water Plant		23,163,013	23,163,013
Sewer Plant		8,894,417	8,894,417
Operating Equipment		2,078,197	2,078,197
Office Equipment		64,267	64,267
Construction in Progress		1,099,390	-
		<u>35,299,284</u>	<u>34,199,894</u>
Less: Accumulated Depreciation		<u>(20,885,997)</u>	<u>(20,188,204)</u>
TOTAL PLANT AND EQUIPMENT		<u>14,413,287</u>	<u>14,011,690</u>
OTHER ASSETS:			
Land		215,060	215,060
Water and Sewer Master Plan (Net of Amortization of \$109,569 and \$98,337)		27,771	39,003
TOTAL OTHER ASSETS		<u>242,831</u>	<u>254,063</u>
TOTAL ASSETS		<u>17,741,350</u>	<u>17,199,096</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources Related to Pension		138,313	315,764
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 17,879,663</u>	<u>\$ 17,514,860</u>

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

ARKADELPHIA WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

Page 5

LIABILITIES AND FUND EQUITY

	2021	2020
CURRENT LIABILITIES:		
Accounts Payable	\$ 58,029	\$ 109,810
Accrued Salaries	64,131	65,095
Notes Payable - Current Portion	226,313	244,676
TOTAL CURRENT LIABILITIES	348,473	419,581
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Schedule I)	518,054	491,752
LONG-TERM LIABILITIES:		
Notes Payable, Less Current Maturity \$263,884 (\$279,236 in 2020)	6,311,949	5,476,436
Net Pension Liability	347,092	1,261,333
TOTAL LONG-TERM LIABILITIES	6,659,041	6,737,769
TOTAL LIABILITIES	7,525,568	7,649,102
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	660,976	73,105
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,186,544	7,722,207
FUND EQUITY:		
Contributed Capital	5,560,803	5,486,431
Retained Earnings:		
Reserved	418,800	435,550
Unreserved	3,713,516	3,870,672
TOTAL FUND EQUITY	9,693,119	9,792,653
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$17,879,663	\$17,514,860

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

ARKADELPHIA WATER AND SEWER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

Page 6

	2021	2020
OPERATING REVENUE:		
Water Revenue	\$ 1,690,603	\$ 1,683,048
Sewer Revenue	927,343	933,118
Penalties	49,210	46,485
Tie-On Fees	8,765	10,875
Other Income	132,909	88,178
TOTAL OPERATING REVENUE	2,808,830	2,761,704
OPERATING EXPENSES:		
Personnel	1,110,822	1,295,635
Supplies	253,954	228,558
Maintenance	202,982	240,179
Miscellaneous	542,677	479,193
Depreciation and Amortization	714,099	731,329
TOTAL OPERATING EXPENSES	2,824,534	2,974,894
OPERATING INCOME (LOSS)	(15,704)	(213,190)
OTHER INCOME (EXPENSES):		
Interest Income	16,013	8,286
Interest Expense	(171,202)	(178,358)
TOTAL OTHER INCOME (EXPENSES)	(155,189)	(170,072)
NET INCOME (LOSS)	(170,893)	(383,262)
FUND EQUITY AT BEGINNING OF YEAR	9,792,653	10,090,806
CAPITAL CONTRIBUTED DURING THE YEAR	71,359	85,109
FUND EQUITY AT END OF YEAR	\$ 9,693,119	\$ 9,792,653

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

Page 7

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,683,315	\$ 2,702,967
Cash Payments for Goods and Services	(1,243,866)	(1,168,080)
Cash Payments to Employees	(929,106)	(874,929)
NET CASH PROVIDED BY OPERATING ACTIVITIES	510,343	659,958
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	24,991	29,343
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,099,390)	(207,274)
Proceeds from Long-Term Debt	1,099,390	-
Principal Paid on Long-Term Debt	(255,766)	(247,902)
Interest Paid on Long-Term Debt	(172,901)	(180,005)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(428,667)	(635,181)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Acquisition of Gum Springs Division	-	68,968
Purchase of Investments	(600,151)	(607,398)
Proceeds from Sale and Maturity of Investments	600,580	707,584
Interest Received on Investments	16,698	9,275
NET CASH FLOW FROM INVESTING ACTIVITIES	17,127	178,429
 NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	123,794	232,549
 CASH AND RESTRICTED CASH - BEGINNING OF YEAR	1,163,701	931,152
 CASH AND RESTRICTED CASH - END OF YEAR	\$ 1,287,495	\$ 1,163,701

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

Page 8

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

	2021	2020
OPERATING INCOME	\$ (15,704)	\$ (213,190)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Bad Debt Expense	896	2,034
Depreciation and Amortization	714,099	731,329
Pension Related Adjustments	(148,919)	105,149
Change in Assets and Liabilities:		
Accounts Receivable	57,713	(58,737)
Inventory of Supplies	(44,997)	325
Prepaid Expenses	-	22,073
Accounts Payable	(51,781)	59,966
Salaries Payable	(964)	11,009
TOTAL ADJUSTMENTS	526,047	873,148
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 510,343	\$ 659,958

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:
 None

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1. Significant Accounting Policies:

The Arkadelphia Water and Sewer System is an Enterprise Fund of the City of Arkadelphia, Arkansas and is governed by the Board of Directors of the City of Arkadelphia, Arkansas. The accompanying financial statements and other information reflect the Arkadelphia Water and Sewer System fund only and do not include other funds of the City of Arkadelphia, Arkansas.

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

Bad debts, which are immaterial in amount after applying customer's meter deposits, are recognized based on the direct charge-off of individual accounts considered uncollectible.

Material and supplies inventories are stated at the current costing of physical inventory counts.

Plant and equipment are stated at cost or customer cost of construction on contributed assets, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water Plant and Distribution	10 - 50 Years
Sewer Plant and Collection System	25 - 40 Years
Vehicles and Equipment	4 - 10 Years

Depreciation is partially funded by transfers to the depreciation fund at the rate of 5% of gross revenues of the System.

Bond discount and expense are amortized based on the ratio of bonds outstanding at the end of the year.

The System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited because a large number of diverse customers make up the System's customer base, thus spreading the trade risk.

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

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

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 1. Significant Accounting Policies: (Continued)

Management submits to the City Board of Directors, for its approval, an executive budget for operation of the System. The Board of Directors approves the budget amounts to an appropriation of funds that are lawfully applicable to items therein.

Management has evaluated subsequent events through October 3, 2022, the date the financial statements were available for issuance.

Note 2. Current Assets:

The operation and maintenance fund and other current assets are available to meet the existing current liabilities and provide working capital for the System. Ordinance No. 457 provides that any excess accumulation in the Combined Waterworks and Sewer Revenue Fund may be used for bond redemption, financing extensions or improvements to the System, or for any other lawful purpose. The balance in the Combined Waterworks and Sewer Revenue Fund is shown as a current asset since its use is not restricted. Of this amount, \$134,783 is invested in money market checking, \$281,164 in savings, and \$608,969 in certificates of deposit. Interest rates on certificates of deposit held at December 31, 2021 ranged from 0.20% – 2.76%.

An aged analysis of accounts receivable from water and sewer customers as of December 28, 2021 is as follows:

Current	\$ 349,442
Past Due	171,059
Overpayments	<u>(17,050)</u>
Total	<u><u>\$ 503,451</u></u>

Unbilled water revenue of \$114,245 was computed for water sold from the last meter reading date until the end of December. This amount is computed by allocating water used based on the last meter reading date.

Note 3. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements.

Schedule I of this report shows an analysis of restricted assets and liabilities at December 31, 2021, compared with those balances at December 31, 2020. Restricted cash is invested in certificates of deposit and savings accounts that are earning interest at rates of 0.20% – 2.76%.

The System maintains cash equal to customers' meter deposits in a certificate of deposit and a meter deposit checking account. These accounts are reflected as restricted assets and the corresponding liability as a liability payable from restricted assets.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4. Capital Assets:

Capital Asset activity for the years ending December 31, 2021 and 2020 was as follows:

	12/31/2020				12/31/2021
	BALANCE	INCREASES	DECREASES	TRANSFERS	BALANCE
Capital Assets:					
Water Plant	\$ 23,163,013	\$ -	\$ -	\$ -	\$ 23,163,013
Sewer Plant	8,894,417	-	-	-	8,894,417
Operating Equipment	2,078,197	-	-	-	2,078,197
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	-	1,099,390	-	-	1,099,390
Total Capital Assets	<u>34,199,894</u>	<u>1,099,390</u>	<u>-</u>	<u>-</u>	<u>35,299,284</u>
Less Accumulated Depreciation:					
Water Plant	(10,349,315)	(581,163)	-	-	(10,930,478)
Sewer Plant	(7,841,130)	(102,781)	-	-	(7,943,911)
Operating Equipment	(1,936,779)	(12,860)	-	-	(1,949,639)
Office Equipment	(60,980)	(989)	-	-	(61,969)
Total Accumulated Depreciation	<u>(20,188,204)</u>	<u>(697,793)</u>	<u>-</u>	<u>-</u>	<u>(20,885,997)</u>
NET	<u>\$ 14,011,690</u>	<u>\$ 401,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,413,287</u>
	12/31/2019				12/31/2020
	BALANCE	INCREASES	DECREASES	TRANSFERS	BALANCE
Capital Assets:					
Water Plant	\$ 22,572,236	\$ 501,390	\$ -	\$ 89,387	\$ 23,163,013
Sewer Plant	8,788,840	105,577	-	-	8,894,417
Operating Equipment	1,936,969	141,228	-	-	2,078,197
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	89,387	-	-	(89,387)	-
Total Capital Assets	<u>33,451,699</u>	<u>748,195</u>	<u>-</u>	<u>-</u>	<u>34,199,894</u>
Less Accumulated Depreciation:					
Water Plant	(9,413,268)	(936,047)	-	-	(10,349,315)
Sewer Plant	(7,733,740)	(107,390)	-	-	(7,841,130)
Operating Equipment	(1,766,499)	(170,280)	-	-	(1,936,779)
Office Equipment	(59,793)	(1,187)	-	-	(60,980)
Total Accumulated Depreciation	<u>(18,973,300)</u>	<u>(1,214,904)</u>	<u>-</u>	<u>-</u>	<u>(20,188,204)</u>
NET	<u>\$ 14,478,399</u>	<u>\$ (466,709)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,011,690</u>

Note 5. Current Liabilities:

Liabilities due upon demand or within one year from the balance sheet date, with the exception of liabilities payable out of special purpose funds, have been classified as current liabilities on Page 5.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6. Compensated Absences:

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In accordance with the provisions of Accounting Standards Codification Topic 710, Compensated Absences, no liability is recorded for nonvesting, accumulating rights to receive sick pay benefits.

Vacations are earned at twelve days per year after the first year of employment plus an additional day each year after five years of employment with a maximum of twenty days. Sick leave is earned at the rate of fifteen working days per year for a maximum of sixty-six days. Expenses related to compensated absences of \$33,048 and \$38,056 have been accrued as of December 31, 2021 and 2020, respectively.

Note 7. Liabilities Payable from Restricted Assets:

Interest accrued but unpaid and a portion of the current maturity on the outstanding revenue bond is reflected as liabilities to be liquidated with the revenue bond funds. The additional current maturity is reflected as a liability to be liquidated with current assets.

Note 8. Long-Term Debt:

Long-Term Debt consists of the following:

	12/31/2021	12/31/2020
Revenue Bond, Series 2016, semi-annual payments of \$119,349 including interest at 2.0% plus a 1% service fee, maturing in April 2049.	\$ 4,448,318	\$ 4,551,244
Revenue Bond, Series 2004, semi-annual payments of \$189,988 including interest at 2.25% plus a 1% service fee, maturing in 2027.	1,028,125	1,180,957.00
Note payable to AR Natural Resource Commission; due in annual installments of \$1,017, including interest at 3.0%, secured by the Gum Springs Division's revenue. Forgiven in 2021.	-	23,471.00
Revenue Bond, Series 2020, semi-annual payments of \$46,020, including interest at 1.25% plus a 1% service fee, secured by the Gum Springs Division's revenue. Maturing in 2052.	1,099,390	-
	6,575,833	5,755,672
Less portion considered current	(263,884)	(279,236)
Total long-term debt	\$ 6,311,949	\$ 5,476,436

The Water and Sewer Revenue Bonds are secured by a pledge of the funds in the combined waterworks and sewer revenue bond fund and revenues derived from the Water and Sewer System. Schedules of debt service requirements are shown on Schedules VII and VIII.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 13

Note 9. Contributed Capital:

The balance in this account represents the value of System additions paid for by customers, other outside sources, and grants received to assist in financing construction of new additions to the System.

Note 10. Retained Earnings:

Retained earnings consist of the accumulated earnings of the water and sewer system in prior years and the net income as shown by Page 6 of this report.

Reserved retained earnings are stated based on the excess of restricted assets over the related liabilities payable from the restricted assets. An analysis of restricted assets and liabilities is presented in Schedule I.

Note 11. Other:

Transfers to the Depreciation Fund exceeded the amounts required by Ordinances No. 331 and No. 457. The Ordinances state that 2% of gross revenues are to be transferred to the depreciation fund on the first business day of each month the bonds are maintained. The System is making monthly transfers equal to 5% of gross revenues.

Note 12. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Arkadelphia Water and Sewer System in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Arkadelphia Water and Sewer System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2021 was \$2,325,105. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$2,476,444 before reduction of outstanding items. Securities with a total market value of \$3,105,948 were pledged as collateral by the depository institution and held by the pledging institution's agent in the System's name.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Arkadelphia Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Arkadelphia accounts and investments at a financial institution.

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 12. Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: Arkadelphia Water and Sewer System does not have an investment interest rate risk. All investments are twelve to thirty-six-month certificates of deposit and the System is under no obligation to renew upon maturity.

Investment Credit Risk: Arkadelphia Water and Sewer System does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

Foreign Currency Risk: Arkadelphia Water and Sewer System has no exposure to foreign currency risk.

Note 13. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 14. Risk Management:

The Arkadelphia Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the System. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 15. Major Customers:

The System sells water to four wholesale customers which accounts for approximately 24.07% of total water revenue.

	<u>Sales</u>	<u>Percent</u>
Caddo Valley	\$ 192,136	10.09%
Country Water	158,418	8.32%
River Valley	107,880	5.66%
	<u>\$ 458,434</u>	

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 16. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2015. The Statement establishes standards for public pension plan obligations for participating employers.

Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

Plan Description

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (The Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/2021. The rate remained unchanged for the fiscal year beginning 7/1/2021. Contributions made by the Utility were \$126,718 and \$122,001 for the years ended December 31, 2021 and 2020, respectively.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 07/01/2005	2.07%
Contributory, on or after 07/01/2005, but prior to 07/01/2007	2.03%
Contributory, on or after 07/01/2007	2.00%
Non-Contributory	1.72%

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Page 16

Note 16. Arkansas Public Employees Retirement System: (Continued)

Benefits Provided (Continued)

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service.
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjusting of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-703(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2021. The contribution rate was unchanged for the fiscal year beginning July 1, 2021.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 16. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Continued)

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Mortality Table	RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 16. Arkansas Public Employees Retirement System: (Continued)

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

At December 31, the Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 7,944	\$ 16,745	\$ 26,345	\$ 15,685	\$ 21,136
Changes in proportion and differences between employer contributions and proportionate share of contribution	68,479	83,688	32,500	56,768	40,393
Changes in assumptions	-	15,803	52,540	112,218	175,425
Utility contributions subsequent to measurement date	61,890	66,063	64,619	62,115	57,482
Net difference between projected and actual earnings on pension plan investments	-	133,465	-	-	45,686
Deferred Inflows of Resources:					
Differences between expected and actual experience	(22,260)	(835)	(1,438)	(10,354)	(21,444)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(27,021)	(50,659)	(75,535)	(4,001)	(6,708)
Changes in assumptions	(2,431)	(21,611)	(37,211)	(60,993)	-
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	(609,264)	-	(7,353)	(24,957)	-
Totals	<u>\$ (522,663)</u>	<u>\$ 242,659</u>	<u>\$ 54,467</u>	<u>\$ 146,481</u>	<u>\$ 311,970</u>

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 16. Arkansas Public Employees Retirement System: (Continued)

\$61,890 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2022	\$ (3,113)	\$ (529)	\$ (121,853)	\$ 9,017	\$ (116,478)
2023	(3,113)	(529)	(121,853)	9,017	(116,478)
2024	(3,113)	(529)	(121,853)	9,017	(116,478)
2025	(3,113)	(529)	(121,853)	9,017	(116,478)
2026	(1,864)	(315)	(121,852)	5,390	(118,641)
	<u>\$ (14,316)</u>	<u>\$ (2,431)</u>	<u>\$ (609,264)</u>	<u>\$ 41,458</u>	<u>\$ (584,553)</u>

Note 17. Gum Springs Water Acquisition:

Effective June 1, 2020, Arkadelphia Water and Sewer System acquired Gum Springs Water System. All assets of Gum Springs Water System were transferred to Arkadelphia Water and Sewer System. All liabilities were assumed by Arkadelphia Water and Sewer System. The net result of the acquisition was the recording of contributed capital in the amount of \$85,109. Arkadelphia Water and Sewer System also obtained approval from Arkansas Natural Resource Commission for a loan in the amount of \$2,766,900 which will be used for improvements/repairs to the Gum Springs system. Of this amount, \$766,900 will be forgiven by ANRC upon completion. In addition, ANRC agreed to forgive the outstanding loan owed by Gum Springs that was assumed by Arkadelphia Water and Sewer System. The loan in the amount of \$23,471 was forgiven in 2021.

All inter-division transactions from June 1, 2020 forward have been eliminated from the financial statements. Sales from Arkadelphia to the Gum Springs division are not included in revenue and water purchases by Gum Springs from Arkadelphia are not included in operating expenses.

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

Page 20

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 Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

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 Arkadelphia Water and Sewer System as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2022.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arkadelphia Water 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

October 3, 2022

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Page 22

Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the financial statements of Arkadelphia Water and Sewer System ("the System").

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the System were disclosed by during the audit.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

N/A

SUPPLEMENTARY INFORMATION

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULES OF RESTRICTED ASSETS AND LIABILITIES
DECEMBER 31, 2021 AND 2020

SCHEDULE I
Page 23

	2021	2020
REVENUE BOND FUND:		
Cash and Cash Equivalents	\$ 71,460	\$ 71,461
DEPRECIATION FUND:		
Cash and Cash Equivalents	63,384	67,370
Accrued Interest	253	471
Certificate of Deposit	400,000	407,398
TOTAL DEPRECIATION FUND	463,637	475,239
CUSTOMERS' METER DEPOSITS:		
Cash and Cash Equivalents	301,609	280,579
Accrued Interest	47	23
Certificate of Deposit	100,101	100,000
TOTAL CUSTOMERS' METER DEPOSITS	401,757	380,602
TOTAL RESTRICTED ASSETS	936,854	927,302
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued Interest on Bonds - Combined Water and Sewer	35,201	36,901
Notes Payable - Current Maturity	37,571	34,560
Customers' Meter Deposits	445,282	420,291
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	518,054	491,752
NET RESTRICTED ASSETS	\$ 418,800	\$ 435,550

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY DIVISION
FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE II
Page 24

	Division		Total
	Arkadelphia	Gum Springs	
OPERATING REVENUES:			
Sales and Services	\$ 2,421,246	\$ 196,700	\$ 2,617,946
Penalties	44,344	4,866	49,210
Tie-on Fees	8,765	-	8,765
Other Income	82,591	50,318	132,909
TOTAL OPERATING REVENUES	2,556,946	251,884	2,808,830
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,017,850	92,972	1,110,822
Chemicals and Supplies	178,732	1,552	180,284
Vehicle Operating	30,084	5,697	35,781
Office Expense	10,354	10,291	20,645
Postage	19,973	3,719	23,692
Uniforms	13,259	-	13,259
Insurance	60,568	-	60,568
Maintenance	182,515	20,467	202,982
Special Services	62,871	-	62,871
Utilities and Telephone	313,013	8,717	321,730
Miscellaneous	38,559	19,555	58,114
Depreciation	711,484	2,615	714,099
FSDW - Fee	19,687	-	19,687
TOTAL OPERATING EXPENSES	2,658,949	165,585	2,824,534
OPERATING INCOME (LOSS)	\$ (102,003)	\$ 86,299	\$ (15,704)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY DEPARTMENT
(ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE III
Page 25

	Department		Total
	Water	Sewer	
OPERATING REVENUES:			
Sales and Services	\$ 1,493,903	\$ 927,343	\$ 2,421,246
Penalties	22,172	22,172	44,344
Tie-on Fees	5,165	3,600	8,765
Other Income	66,481	16,110	82,591
TOTAL OPERATING REVENUES	<u>1,587,721</u>	<u>969,225</u>	<u>2,556,946</u>
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	646,408	371,442	1,017,850
Chemicals and Supplies	154,366	24,366	178,732
Fuel	15,042	15,042	30,084
Office Expense	5,177	5,177	10,354
Postage	9,987	9,986	19,973
Uniforms	6,630	6,629	13,259
Insurance	30,284	30,284	60,568
Maintenance	112,883	69,632	182,515
Special Services	27,167	35,704	62,871
Utilities and Telephone	254,573	58,440	313,013
Miscellaneous	16,393	22,166	38,559
Depreciation	594,288	117,196	711,484
FSDW - Fee	19,687	-	19,687
TOTAL OPERATING EXPENSES	<u>1,892,885</u>	<u>766,064</u>	<u>2,658,949</u>
OPERATING INCOME (LOSS)	<u>\$ (305,164)</u>	<u>\$ 203,161</u>	<u>\$ (102,003)</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF OPERATING REVENUES AND
 OPERATING EXPENSES - BY OPERATING AREA (WATER)
 (ARKADELPHIA DIVISION)
 FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE IV
 Page 26

	Water Treatment	Water Distribution	Total Water
OPERATING REVENUES:			
Sales and Services			\$ 1,493,903
Penalties			22,172
Tie-on Fees			5,165
Other Income			66,481
TOTAL OPERATING REVENUES			1,587,721
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	\$ 175,501	\$ 223,797	399,298
Chemicals and Supplies	154,366	-	154,366
Maintenance	26,571	73,338	99,909
Special Services	339	4,818	5,157
Utilities and Telephone	212,499	38,460	250,959
Miscellaneous	1,356	356	1,712
Depreciation	403,970	182,291	586,261
FSDW - Fee	19,687	-	19,687
TOTAL OPERATING EXPENSES	\$ 994,289	\$ 523,060	1,517,349
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			247,110
Fuel			15,042
Office Expense			5,177
Postage			9,987
Uniforms			6,630
Insurance			30,284
Maintenance			12,974
Special Services			22,010
Utilities and Telephone			3,614
Miscellaneous			14,681
Depreciation			8,027
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			375,536
TOTAL EXPENSES			1,892,885
OPERATING INCOME (LOSS)			\$ (305,164)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF OPERATING REVENUES AND
 OPERATING EXPENSES - BY OPERATING AREA (SEWER)
 (ARKADELPHIA DIVISION)
 FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE V
 Page 27

	Sewer Treatment	Sewer Collection	Total Sewer
OPERATING REVENUES:			
Sales and Services			\$ 927,343
Penalties			22,172
Tie-on Fees			3,600
Other Income			16,110
TOTAL OPERATING REVENUES			969,225
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	\$ 45,891	\$ 78,441	124,332
Chemicals and Supplies	24,366	-	24,366
Maintenance	26,107	30,551	56,658
Special Services	4,794	8,900	13,694
Utilities and Telephone	3,962	50,864	54,826
Miscellaneous	7,153	331	7,484
Depreciation	16,071	93,098	109,169
FSDW - Fee	-	-	-
TOTAL OPERATING EXPENSES	\$ 128,344	\$ 262,185	390,529
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			247,110
Fuel			15,042
Office Expense			5,177
Postage			9,986
Uniforms			6,629
Insurance			30,284
Maintenance			12,974
Special Services			22,010
Utilities and Telephone			3,614
Miscellaneous			14,682
Depreciation			8,027
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			375,535
TOTAL EXPENSES			766,064
OPERATING INCOME			\$ 203,161

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE VI
 Page 28

	Budget	Actual	Variance
OPERATING REVENUES:			
Sales and Services	\$ 2,730,000	\$ 2,617,946	\$ (112,054)
Penalties	43,600	49,210	5,610
Tie-on Fees	13,500	8,765	(4,735)
Other Income	96,646	132,909	36,263
TOTAL OPERATING REVENUES	2,883,746	2,808,830	(74,916)
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,384,024	1,110,822	273,202
Chemicals and Supplies	150,000	180,284	(30,284)
Fuel	29,000	35,781	(6,781)
Office Expense	13,700	20,645	(6,945)
Postage	19,400	23,692	(4,292)
Uniforms	10,000	13,259	(3,259)
Insurance	80,003	60,568	19,435
Maintenance	328,490	202,982	125,508
Special Services	108,000	62,871	45,129
Utilities and Telephone	330,730	321,730	9,000
Miscellaneous	46,000	58,114	(12,114)
Depreciation	727,042	714,099	12,943
FSDW - Fee	19,000	19,687	(687)
TOTAL OPERATING EXPENSES	3,245,389	2,824,534	420,855
OPERATING INCOME (LOSS)	(361,643)	(15,704)	345,939
OTHER INCOME (EXPENSES):			
Interest Income	28,175	16,013	(12,162)
Interest Expense	(428,686) *	(171,202)	257,484
TOTAL OTHER INCOME (EXPENSES)	(400,511)	(155,189)	245,322
NET INCOME (LOSS)	\$ (762,154)	\$ (170,893)	\$ 591,261

* Budgeted amount includes principal and interest payments on bonds outstanding.

Note: Not included above, is \$3,530,000 budgeted for capital expenditures in the current year.

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 2.25% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2004
 DECEMBER 31, 2021

SCHEDULE VII
 Page 29

For The Year Ended December 31	April 15		October 15		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2022	\$ 78,287	\$ 16,707	\$ 79,559	\$ 15,435	\$ 189,988
2023	80,852	14,142	82,166	12,828	189,988
2024	83,501	11,493	84,858	10,136	189,988
2025	86,236	8,758	87,639	7,355	189,988
2026	89,062	5,932	90,509	4,485	189,988
2027	91,982	3,012	93,474	1,520	189,988
TOTALS	<u>\$ 509,920</u>	<u>\$ 60,044</u>	<u>\$ 518,205</u>	<u>\$ 51,759</u>	<u>\$ 1,139,928</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 2.00% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2016
 DECEMBER 31, 2021

For The Year Ended December 31	April 15		October 15		Total Principal and Interest
	Principal	Interest / Servicing Fee	Principal	Interest / Servicing Fee	
2022	\$ 52,624	\$ 66,725	\$ 53,414	\$ 65,935	\$ 238,698
2023	54,215	65,134	55,028	64,321	238,698
2024	55,854	63,495	56,691	62,658	238,698
2025	57,542	61,807	58,404	60,945	238,698
2026	59,281	60,068	60,170	59,179	238,698
2027	61,073	58,276	61,989	57,360	238,698
2028	62,919	56,430	63,862	55,487	238,698
2029	64,820	54,529	65,793	53,556	238,698
2030	66,780	52,569	67,781	51,568	238,698
2031	68,798	50,551	69,830	49,519	238,698
2032	70,877	48,472	71,940	47,409	238,698
2033	73,020	46,329	74,115	45,234	238,698
2034	75,227	44,122	76,355	42,994	238,698
2035	77,500	41,849	78,663	40,686	238,698
2036	79,842	39,507	81,040	38,309	238,698
2037	82,256	37,093	83,490	35,859	238,698
2038	84,742	34,607	86,013	33,336	238,698
2039	87,303	32,046	88,613	30,736	238,698
2040	89,942	29,407	91,291	28,058	238,698
2041	92,661	26,688	94,050	25,299	238,698
2042	95,461	23,888	96,894	22,455	238,698
2043	98,346	21,003	99,822	19,527	238,698
2044	101,319	18,030	102,839	16,510	238,698
2045	104,382	14,967	105,948	13,401	238,698
2046	107,537	11,812	109,149	10,200	238,698
2047	110,787	8,562	112,449	6,900	238,698
2048	114,135	5,214	115,848	3,501	238,698
2049	117,594	1,764			119,358
TOTALS	<u>\$ 2,266,837</u>	<u>\$ 1,074,944</u>	<u>\$ 2,181,481</u>	<u>\$ 1,040,942</u>	<u>\$ 6,564,204</u>

See Independent Auditors' Report.

ARKADELPHIA (GUM SPRINGS) WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 1.25% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2020
 DECEMBER 31, 2021

For The Year Ended December 31	April 15		October 15		Total Principal and Interest
	Principal	Interest / Servicing Fee	Principal	Interest / Servicing Fee	
2023	\$ 23,520	\$ 22,500	\$ 23,785	\$ 22,235	\$ 92,040
2024	24,053	21,967	24,323	21,697	92,040
2025	24,596	21,424	24,873	21,147	92,040
2026	25,153	20,867	25,436	20,584	92,040
2027	25,722	20,298	26,011	20,009	92,040
2028	26,304	19,716	26,600	19,420	92,040
2029	26,899	19,121	27,201	18,819	92,040
2030	27,507	18,513	27,817	18,203	92,040
2031	28,130	17,890	28,447	17,573	92,040
2032	28,767	17,253	29,091	16,929	92,040
2033	29,417	16,603	29,748	16,272	92,040
2034	30,083	15,937	30,421	15,599	92,040
2035	30,764	15,256	31,110	14,910	92,040
2036	31,460	14,560	31,814	14,206	92,040
2037	32,172	13,848	32,534	13,486	92,040
2038	32,900	13,120	33,270	12,750	92,040
2039	33,645	12,375	34,023	11,997	92,040
2040	34,405	11,615	34,793	11,227	92,040
2041	35,184	10,836	27,412	10,440	83,872
TOTALS	\$ 550,681	\$ 323,699	\$ 548,709	\$ 317,503	\$ 1,740,592

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	2021	2020	2019	2018	2017
System's proportion of the net pension liability (asset) per APERS	0.0451453%	0.0440473%	0.0401235%	0.0447101%	0.0425317%
System's proportionate share of the net pension liability - per APERS	\$ 347,092	\$ 1,261,333	\$ 967,992	\$ 986,275	\$ 1,090,287
System's covered-employee payroll	\$ 827,141	\$ 796,351	\$ 827,644	\$ 808,117	\$ 780,782
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.96%	158.39%	116.96%	122.05%	139.64%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 126,718	\$ 122,001	\$ 126,795	\$ 121,328	\$ 114,188
Contributions in relation to the contractually required contribution	<u>(126,718)</u>	<u>(122,001)</u>	<u>(126,795)</u>	<u>(121,328)</u>	<u>(114,188)</u>
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 827,141	\$ 796,351	\$ 827,644	\$ 808,117	\$ 780,782
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.01%	14.62%

See Independent Auditors' Report.