

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

***ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021***

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Independent Auditor's Report

June 22, 2022

Honorable Mayor and Council Members
of the City of Ashdown
Ashdown Water and Sewer System Enterprise Fund
Ashdown, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Ashdown Water and Sewer System Enterprise Fund (System) of the City of Ashdown, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic 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 respective financial position of the business-type activities of the System, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, APERS Schedule of Proportionate Share of the Net Pension Liability on page 24, and APERS Schedule of Pension Contributions on page 25 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 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 that collectively comprise the Ashdown Water and Sewer System Enterprise Fund of the City of Ashdown, Arkansas's basic financial statements. The miscellaneous information required by the loan agreement with the Arkansas Natural Resources Commission (ANRC) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashdown Water and Sewer System Enterprise Fund of the City of Ashdown, Arkansas' internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

***ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021***

Our discussion and analysis of the Ashdown Water and Sewer System Enterprise Fund (System) financial performance provides an overview of the System's financial activities for the year ended December 31, 2021. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

For the year ended December 31, 2021, net position of the System increased by \$338,292.

- At December 31, 2021, Unrestricted Net Position totaled \$2,208,976. Unrestricted Net Position represents the net balance accumulated by the System above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).
- At year-end, the total of Restricted Net Position was \$228,458.
- At year-end, the total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$3,920,540.
- The System had \$637,665 of bonds payable ANRC outstanding at December 31, 2021.
- The most significant continuing revenue sources for the System consisted of \$761,463 of water and sewer services for the year ended December 31, 2021.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position (on Pages 9 through 11) provide long-term and short-term information about the System's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net Position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position is an indicator of whether the System's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all System costs through user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditor’s report, located immediately following MD&A, that the Basic Financial Statements are fairly stated.

Financial Analysis as a Whole

As stated previously, net position increased by \$338,292 as a result of this year’s operations. The balance in net position represents the accumulated results of all past years’ operations.

Statement of Net Position

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the System. As we noted earlier and as can be seen in the table below, the net position increased from \$6,019,682 to \$6,357,974 up \$338,292 from the prior year. Looking down the table you will see the changes in each category.

**Ashdown Water and Sewer System Enterprise Fund
Condensed Statement of Net Position**

	2021	2020	Dollar Change	Percent Change
Current assets (unrestricted)	\$ 2,622,546	\$ 2,297,710	\$ 324,836	14.14%
Restricted assets	345,369	340,617	4,752	1.40%
Capital assets	4,558,205	4,728,923	(170,718)	-3.61%
Total assets	<u>7,526,120</u>	<u>7,367,250</u>	158,870	2.16%
Deferred outflows of resources	<u>44,051</u>	<u>96,625</u>	(52,574)	-54.41%
Current liabilities (payable from current assets)	120,243	112,961	7,282	6.45%
Current liabilities (payable from restricted assets)	116,911	115,191	1,720	1.49%
Noncurrent liabilities- bonded debt	637,665	717,572	(79,907)	-11.14%
Noncurrent liabilities- net pension liability	117,396	476,369	(358,973)	-75.36%
Total liabilities	<u>992,215</u>	<u>1,422,093</u>	(429,878)	-30.23%
Deferred inflows of resources	<u>219,982</u>	<u>22,100</u>	197,882	895.39%
Net investment in capital assets	3,920,540	4,011,351	(90,811)	-2.26%
Restricted for debt service	138,816	129,524	9,292	7.17%
Restricted for capital improvements	89,642	89,530	112	0.13%
Unrestricted	2,208,976	1,789,277	419,699	23.46%
Total Net Position	<u>\$ 6,357,974</u>	<u>\$ 6,019,682</u>	\$ 338,292	5.62%

The largest category of net position is “Net Investment in Capital Assets” and comprises 62% of net position. This category totaling \$3,920,540 reflects the total invested in capital assets (land, buildings, equipment, water and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. The System’s investment in its capital assets is reported net of related debt. Related debt outstanding at December 31, 2021 totaled \$637,665. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position totals \$138,816 for debt service and \$89,642 for capital improvements.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position totals \$2,208,976.

At the end of the current year, the System was able to report positive balances in all three categories of net position, and for the System as a whole.

There are two major components of Current Assets. Unrestricted cash and certificates of deposit totaling \$2,384,868 at December 31, 2021 is available to support current operations and for long-range improvement of the utility system. Accounts receivable balances of \$157,255 represent outstanding water, sewer, and sanitation billings at December 31, 2021.

Restricted assets, cash and certificates of deposit totaling \$345,369, are subject to external restrictions on how they may be used.

Capital Assets totaling \$4,558,205 (net of accumulated depreciation) represent the System’s investment in land and buildings, machinery and equipment, vehicles, and the water and sewer system improvements at December 31, 2021.

There are two major components of Current Liabilities; garbage fees payable and other accrued expenses. Liabilities payable from current assets totaled \$120,243. Current liabilities payable from restricted assets totaled \$116,911 and consist primarily of customers deposit liabilities at December 31, 2021.

Noncurrent liabilities totaled \$755,061 at December 31, 2021; the System had \$637,665 in bonds payable ANRC outstanding at December 31, 2021, and the System had \$117,396 in net pension liability APERS.

Changes in Fund Net Position

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses and Changes in Fund Net Position shows the changes in net position. As we noted earlier and as can be seen in the table below, the revenues, expenses and changes in fund net position resulted in a current year increase of \$338,292 in the net position. Looking down the table you will see the changes in each category. The increase of \$338,292 over the prior year increase of \$233,538 was primarily attributable to the increase in Transfers in from City – sales tax revenue.

A Summary of the Statement of Revenues, Expenses and Changes in Fund Net Position is presented in the table below. The format allows the reader to view the overall changes in net position.

Ashdown Water and Sewer System Enterprise Fund
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2021	2020	Dollar Change	Percentage Change
Operating revenues	\$ 880,749	\$ 818,867	\$ 61,882	7.56%
Nonoperating revenues	6,581	17,850	(11,269)	-63.13%
Total Revenues	<u>887,330</u>	<u>836,717</u>	<u>50,613</u>	<u>6.05%</u>
Depreciation expense	285,436	280,319	5,117	1.83%
Other operating expenses	909,185	939,390	(30,205)	-3.22%
Nonoperating expenses	22,127	24,522	(2,395)	-9.77%
Total Expenses	<u>1,216,748</u>	<u>1,244,231</u>	<u>(27,483)</u>	<u>-2.21%</u>
Income (Loss) before transfers	(329,418)	(407,514)	78,096	19.16%
Transfer in from City - Sales tax revenues	<u>667,710</u>	<u>641,052</u>	<u>26,658</u>	<u>4.16%</u>
Increase (Decrease) Change in Net Position	338,292	233,538	104,754	44.86%
Net Position - Beginning of Year	<u>6,019,682</u>	<u>5,786,144</u>	<u>233,538</u>	<u>4.04%</u>
Net Position - End of Year	<u>\$ 6,357,974</u>	<u>\$ 6,019,682</u>	<u>\$ 338,292</u>	<u>5.62%</u>

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2021 and 2020 was \$4,558,205 and \$4,728,923, respectively. More detailed information about capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At year-end, the System had \$637,665 in bonds outstanding ANRC. More detailed information about long term liabilities is presented in Note 4 and Note 5 to the financial statements.

Economic Factors and Current and Next Year's Budgets

We anticipate that our net position will remain about the same in 2022. The System projects very little change in revenue. Due to a proactive repairs and maintenance program, unexpected expenses for major repairs in the future should decrease. The capital asset improvement plans for the future include but are not limited to: conducting a full fire hydrant rehabilitation program; construction of new water well; construction of new structure at the wastewater treatment facility; extension of power line electricity service to the wastewater treatment facility, updating water lines and updating the water meter system to include electronic read water meters.

Approved Projects

The Hatcher Addition Water Project

Approved on April 11th 2022

Estimate \$201,115.00

Description: Improve water systems on Leona, Harold & Pearl Street.

Requests for Information

This financial report is designed to provide a general overview of the Ashdown Water and Sewer System Enterprise Fund's finances and to demonstrate the System's accountability. If you have questions regarding this report or need additional information, contact the System at 161 W. Commerce Street, Ashdown, Arkansas 71822. The phone number for the System is (870) 898-3512.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

FINANCIAL SECTION

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2021*

ASSETS

Current Assets - Unrestricted

Cash on hand	1,025
Cash in revenue/operations and maintenance accounts	1,516,134
Certificates of deposit	867,709
Accounts receivable (net of allowance of \$30,136)	157,255
Sales taxes receivables	55,673
Inventories of materials and supplies	12,898
Prepaid insurance	11,852
Total Current Assets - Unrestricted Assets	<u><u>2,622,546</u></u>

Current Assets - Restricted Assets

Cash in customers deposit account	62,528
Certificates of deposit-customers deposit account	50,000
Cash in bond fund account	21,542
Certificates of deposit-depreciation reserve account	89,642
Certificates of deposit-debt service reserve account	96,013
Prepaid bond payment account	25,644
Total Current Assets - Restricted Assets	<u><u>345,369</u></u>

Property, Plant and Equipment

Land and land rights	134,958
Buildings and improvements	258,408
Water and sewer system	10,535,543
Vehicles, equipment and furniture	1,079,955
	<u>12,008,864</u>
Accumulated depreciation	<u>(7,450,659)</u>
Total Property, Plant and Equipment	<u><u>4,558,205</u></u>

Total Assets \$ 7,526,120

Deferred Outflows of Resources

Deferred Outflows Related to APERS	<u><u>44,051</u></u>
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The accompanying notes are an integral part of this statement.

LIABILITIES

Current Liabilities (payable from current assets)

Accounts payable	15,853
Garbage fees payable	55,345
Compensated absences liability	7,383
Other accrued expenses and liabilities	41,662
Total Current Liabilities (payable from current assets)	120,243

Current Liabilities (payable from restricted assets)

Accrued bond interest and fees payable	4,383
Customers deposit liability	112,528
Total Current Liabilities (payable from restricted assets)	116,911

Noncurrent Liabilities

Due within one year:	
Bonds payable ANRC	82,525
Due in more than one year:	
Bonds payable ANRC	555,140
Net pension liability APERS	117,396
Total Noncurrent Liabilities	755,061

Total Liabilities \$ 992,215

Deferred Inflow of Resources

Deferred Inflows Related to APERS 219,982

NET POSITION

Net Investment in Capital Assets	3,920,540
Restricted for Debt Service	138,816
Restricted for Capital Improvements	89,642
Unrestricted	2,208,976
Total Net Position	\$ 6,357,974

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021*

Operating Revenues	
Water and sewer services	761,463
Penalties	41,002
Grant Revenue - COVID-19	48,362
Other revenue	29,922
Total Operating Revenues	<u>880,749</u>
Operating Expenses	
Chemicals and lab	28,497
System utilities	52,673
Wastewater permits	5,290
Water purchased	13,816
Management fees	80,000
Labor	382,162
Insurance - employee health	51,043
Employee retirement	56,642
Employee retirement - Change in Net Pension Liability	(108,517)
Payroll tax and worker's compensation expense	35,882
Annual service fees	8,071
Repairs and maintenance	120,626
Repairs and maintenance - water tower	54,448
Small tools	2,732
Fuel and repairs vehicle expense	20,057
Travel and training	5,029
Office supplies	6,309
Telephone and office utilities	31,026
Postage	9,203
Janitorial services	6,000
Legal and auditing fees	12,682
Insurance - other	12,218
Miscellaneous expense	10,359
Bad debt expense	12,937
Depreciation expense	285,436
Total Operating Expenses	<u>1,194,621</u>
Operating Income (Loss)	<u>(313,872)</u>
Non-operating Revenues (Expenses)	
Interest income	6,581
Bond and loan interest and fees expense	(22,127)
Total Non-operating Revenues (Expenses)	<u>(15,546)</u>
Income (Loss) before Transfers	<u>(329,418)</u>
Transfers In (Out)	
Transfer in from City - sales tax revenue	667,710
Total Transfers In (Out)	<u>667,710</u>
Increase (Decrease) Change in Net Position	338,292
Net Position - Beginning of Year	<u>6,019,682</u>
Net Position - End of Year	<u><u>\$ 6,357,974</u></u>

The accompanying notes are an integral part of this statement.

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021*

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 898,305
Cash paid to employees	(382,162)
Cash paid to suppliers	(628,348)
Cash Provided (Used) by Operating Activities	<u><u>(112,205)</u></u>
Cash Flows from Noncapital Financing Activities:	
Transfers in from City - sales tax revenue	668,603
Cash Provided (Used) by Noncapital Financing Activities	<u><u>668,603</u></u>
Cash Flows from Capital and Related Financing Activities:	
Loan and bond principal payments	(79,907)
Interest and fees paid on loan and bond obligations	(22,677)
Increase in prepaid bond payment account	(8,541)
Acquisition and construction of capital assets	(114,718)
Cash Provided (Used) by Capital and Related Financing Activities	<u><u>(225,843)</u></u>
Cash Flows from Investing Activities:	
Interest income reinvested to investments in certificates of deposit	(2,829)
Interest income	6,581
Cash Provided (Used) by Investing Activities	<u><u>3,752</u></u>
Increase (Decrease) in Cash and Cash Equivalents	334,307
Cash and Cash Equivalents at Beginning of Year	<u>1,266,922</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,601,229</u></u>
 Cash Flows from Operating Activities:	
Operating income (loss)	\$ (313,872)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	285,436
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Decrease (increase) in accounts receivable	17,556
Decrease (increase) in inventories	(1,542)
Decrease (increase) in prepaid insurance	(818)
Increase (decrease) in accounts payable	7,057
Increase (decrease) in garbage fees payable	(5,658)
Increase (decrease) in compensated absences liability	936
Increase (decrease) in other accrued expenses and liabilities	4,947
Increase (decrease) in customers deposit liability	2,270
Increase (decrease) in deferred outflows/ inflows and pension liability, net	(108,517)
Cash Provided (Used) by Operating Activities	<u><u>\$ (112,205)</u></u>

The accompanying notes are an integral part of these statements.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Ashdown (City) is a municipality duly incorporated under the laws of the State of Arkansas and located in Little River County, Arkansas. The City operates under a council-mayor form of government and provides the following services: public safety (police and fire), highways and streets, water utility service, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements included in this report present only the Ashdown Water and Sewer System Enterprise Fund (System). They are not intended to present fairly the financial position and results of operations of the City of Ashdown, Arkansas as a whole entity.

The accounting and reporting policies of the City relating to the Ashdown Water and Sewer System Enterprise Fund conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable).

The more significant accounting policies of the System are described below.

Basis of Presentation

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position display information about only the Ashdown Water and Sewer System Enterprise Fund.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds are used to account for the City's ongoing organizations and activities, which are similar to those often, found in the private sector. The measurement focus is based upon determination of net income. The City's proprietary fund is an Enterprise Fund. Enterprise Funds are used for activities (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer System Enterprise Fund is operated as a self-sustaining utility of the City of Ashdown, Arkansas.

Basis of Accounting

The financial statements of the System are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and sewer services and sanitation. The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Investments

Investments are stated at cost or amortized cost, which approximates market.

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021*

Accounts Receivable

Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Inventories

Inventories held by the System consist of materials and supplies and is recorded at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment. Public domain ("infrastructure") assets have been capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings and improvements	15-40 years
Water and sewer system	10-50 years
Vehicles, equipment, and furniture	5-20 years

Bond Issuance Costs

Bond issuance costs on the revenue bonds are expensed in the year the bonds are issued.

Restricted Assets

Restricted assets consist of cash in bank and certificates of deposit restricted by bond ordinance or authorization of the board for the purpose indicated. When both restricted and unrestricted resources are available for use, it is the System's policy to use unrestricted resources first and then restricted resources as they are needed.

Compensated Absences

Regular full-time employees earn 5 to 20 days of vacation time and 20 days of sick leave per year. The City's policy allows employees to accumulate 10 days of vacation leave and 90 days of unused sick leave. The employee will be paid a rate of one-half pay for all unused sick leave hours accrued over 720 hours at the end of the calendar year. Upon termination of employment, any accumulated vacation time will be paid to the employee. Unused sick leave benefits will not be paid upon termination of employment whether voluntary or involuntary; except, however accrued sick leave benefits shall be paid upon retirement or death. Upon retirement or death, the employee or the estate will be paid at the full rate of pay for any unused sick leave. The System accrued a liability for vacation pay compensated absences, which has been earned but not taken by employees of \$7,383 at December 31, 2021.

Pensions

In the proprietary fund types in the fund financial statement, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Arkansas Public Employees Retirement System (APERS) and additions to/deductions from APERS's Fiduciary Net Position have been determined on the same basis as they are reported by APERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
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GASB Statement 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 was adopted for the year ending December 31, 2015. The City participates in the Arkansas Public Employees Retirement System (APERS). GASB Statement 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

GASB Statement 68 requires the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. This statement required governmental entities to record the net pension asset or liability and the related outflows and inflows retroactively.

Other Postemployment Benefits

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 was adopted for the year ending December 31, 2018. The System participates in the APERS Other Postemployment Benefits plan. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Because the OPEB calculated amounts are immaterial for the Ashdown Water and Sewer System, these amounts are not recorded in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the System considers cash on hand; cash in non-interest-bearing demand deposit accounts, and cash in money market funds (including restricted assets) to be cash or cash equivalents. Certificates of deposit and the prepaid bond payment account are not considered to be cash equivalents.

Equity Classifications

Net position represents the difference between assets and liabilities. The System reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the System's bonds. Restricted net position is reduced by liabilities related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the System.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
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When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The System's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

Estimates

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.

Certain Disclosures Related to Debt

GASB Statement 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Placements

The primary objective of this statement is to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses.

For notes to the financial statements related to debt, this Statement also requires existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Note 2 - Deposits and Investments

System Policies and Legal and Contractual Provisions Governing Deposits

The Water and Sewer System is authorized by the City Council to invest funds in certificates of deposit at local financial institutions. The Water and Sewer System's deposits at the financial institution were fully secured at December 31, 2021 by federal depository insurance and investment securities pledged to the Ashdown Water Department as collateral.

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the System limits investments to Obligations of the United States or its agencies and instrumentalities and certificates of deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agents. The System had no custodial credit risk for deposits because the system complied with the law.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the System diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
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Interest Rate Risk - To limit the risk of changes in interest rates will adversely affect the fair value of investments; the System requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Foreign Currency Risk - The System limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

Note 3 - Property, Plant and Equipment

The Water and Sewer System has inventoried property, plant and equipment at December 31, 2021 and established a detailed record for fixed assets.

In fiscal year 2021, the System purchased two portable buildings for \$5,330. Additionally, the System purchased a new sewer system camera, lawn mower, and other water system equipment for a total of \$109,388. There were no deletions to the System's capital assets in fiscal year 2021.

A summary of property, plant and equipment follows:

	January 1, 2021	Additions	Deletions	December 31, 2021
Land and land rights	\$ 134,958	\$ -	\$ -	\$ 134,958
Buildings and improvements	253,078	5,330	-	258,408
Water and sewer system	10,535,543	-	-	10,535,543
Vehicles, equipment and furniture	970,567	109,388	-	1,079,955
	<u>11,894,146</u>	<u>114,718</u>	<u>-</u>	<u>12,008,864</u>
Less accumulated depreciation	<u>(7,165,223)</u>	<u>(285,436)</u>	<u>-</u>	<u>(7,450,659)</u>
Total	<u>\$ 4,728,923</u>	<u>\$ (170,718)</u>	<u>\$ -</u>	<u>\$ 4,558,205</u>

Note 4 - Restricted Assets and Bond Ordinance Compliance

ANRC Loan: The City issued bonds for the purpose of acquiring, constructing, and equipping the City's sewer system, in the aggregate amount of \$1,500,000. The bond ordinance provided for cash transfers from the Revenue Fund into a special fund with the Arkansas Development Finance Corporation designated as the "Prepaid Bond Payment Account", on the first business day of each month, until all outstanding bonds have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment of interest due on the Bonds and 1/12 of the next installment of principal due on the Bonds, and an amount sufficient to provide for trustees fees on all outstanding bonds. The prepaid bond payment account had a balance of \$25,644 at December 31, 2021. The System followed the covenants for year 2021.

Note 5 - State Loan Assistance - ANRC Loan

On November 10, 2003, the Board passed resolutions for the purposes of acquiring, constructing, and equipping the City's sewer system. The original estimated cost of the project and expenses of issuing the Bonds was \$1,200,000. On April 24, 2006, the Board passed a resolution increasing the amount to \$1,500,000. The City deemed it necessary and proper to apply for State loan assistance under Title VI of the Water Quality Act of 1987, Public Law 100-4. During the years ended December 31, 2006, 2007 and 2008, the System drew \$1,080,329, \$412,171, and \$7,500, respectively, of the ANRC Loan amount for a total of \$1,500,000.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
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The ANRC loan is not a general obligation of the City but is a special obligation payable solely from the revenues derived from the operation of the Water and Sewer System. The loan is due servicing fee and interest only until April 15, 2009. Payments of principal, servicing fee and interest are due in semi-annual payments of \$51,292 beginning April 15, 2009 through October 15, 2028: servicing fee at 1.00% and interest at 2.25%. Total interest and fees expense incurred on ANRC loan amounted to \$22,127 in 2021.

The following is a summary of the state loan assistance – ANRC loan payable transactions:

	2021
Beginning balance, January 1	\$ 717,572
Bond principal paid	(79,907)
Ending balance, December 31	\$ 637,665

The annual debt service requirements are as follows:

Year Ending	Notes from Direct Borrowing			Total
December 31	Principal	Fees	Interest	
2022	82,525	6,172	13,887	102,584
2023	85,229	5,340	12,015	102,584
2024	88,021	4,481	10,082	102,584
2025	90,905	3,593	8,085	102,583
2026	93,883	2,677	6,023	102,583
2027-2028	197,102	2,484	5,589	205,175
Total	\$ 637,665	\$ 24,747	\$ 55,681	\$ 718,093

Note 6 – Operating Lease

The City executed an operating lease agreement to lease a Caterpillar Backhoe Loader in April 2019. Payments are \$1,621 for thirty-six months beginning May 2019. Payments for the year ended December 31, 2021 totaled \$19,452.

The annual future requirements for are as follows:

Year Ending	Amount
December 31	
2022	4,863

Additionally, the City executed an operating lease agreement to lease a Caterpillar Excavator in April 2019. Payments are \$1,109 for thirty-six months beginning May 2019. Payments for the year ended December 31, 2021 totaled \$13,308.

The annual future requirements for are as follows:

Year Ending	Amount
December 31	
2022	3,329

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
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Note 7 - Water Supply Contract

The City has a water supply contract with the Southwest Arkansas Water District (SAWD) that reserved to the City the right to storage space in the Millwood Reservoir for 5,000,000 gallons of water per day. The City cancelled the contract September 15, 2013. On December 14, 2015, the Board voted to activate for use from the SAWD 5 MGD water rights from Lake Millwood. The contract was not executed until May 23, 2016. The City will be responsible for reimbursing SAWD for the interest charges of said water space for the three-year time period beginning September 15, 2013 and ending September 15, 2016. The estimated payment is 30 annual payments of \$1,036. The City will also be responsible for the annual charges for the use of the water supply storage space estimated payment is 30 annual payments of \$12,780. Said sums shall be paid by the City to SAWD in annual payments beginning January 15, 2017 and ending January 15, 2046. The water supply contract charges totaled \$13,816 for the year ended December 31, 2021.

Note 8 - Retirement Pension Plan

Plan Description: On February 10, 1998, the City of Ashdown passed Resolution 1-97 electing to participate in Arkansas Public Employees Retirement System (APERS). APERS is a cost sharing, multiple employers defined benefit pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement benefits for eligible employees and elected officials of state and local government entities in Arkansas. The City participated in the non-contributory retirement plan where only employers contribute. Act 2084, enacted by the 2005 General Assembly, directed APERS to establish a new contributory retirement provision that became effective July 1, 2005. All covered employees first hired on or after July 1, 2005, contribute 5% of their salary to the plan. Employees hired before June 30, 2005, who were in the non-contributory system, were given the option to join the new contributory system by December 31, 2005. Non-contributory members who did not join the new contributory program remain non-contributory members.

Pension Plan Fiduciary Net Position: The actuarial accrued liability at June 30, 2021, for the APERS, as a whole was \$11,954 million. The APERS actuarial value of assets was \$11,185 million leaving unfunded actuarial accrued liability of \$768 million. The actuarial accrued liability at June 30, 2020, for the APERS, as a whole was \$11,633 million. The APERS actuarial value of assets was \$8,769 million leaving unfunded actuarial accrued liability of \$2,864 million. APERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the APERS, One Union National Plaza, Suite 400, 124 West Capitol, Little Rock, Arkansas 72201-1070.

Benefits Provided: Generally, municipal employees who are hired to work more than 90 consecutive calendar days in a fiscal year and who work at least 80 hours per month must be enrolled and reported to APERS. Members are eligible for full benefits (a) after either 65 with 5 years of service or (b) 28 years of actual service, regardless of age. The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit after age 55 with 5 years of service; or any age with 25 years of actual service, but less than 28 years of actual service. APERS also provide disability and survivor benefits.

Contributions: Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and shall be based on the actuary's determination of the rate required to fund the Plan. The employees were enrolled as non-contributory members prior to June 30, 2005. For the valuation date June 30, 2021, the actuary used the entry age normal actuarial cost method and the level percentage of payroll, closed amortization method with a 26-year remaining amortization period. The asset valuation method used was the 4-year smooth market with 25% corridor. These were the actuarial assumptions: investment rate of return 7.15%; projected salary increases 3.25% to 9.85%; wage inflation rate 3.25%; price inflation 2.5.

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
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The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2021 through June 30, 2021. The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2020 through June 30, 2021. The contribution rate is set by the Legislature and is subject to change. All covered employees first hired on or after July 1, 2005, contributed 5% of their salary to the plan. Employees hired before June 30, 2005 remained non-contributory members.

During the year ended December 31, 2021, the System contributed \$56,642, which represents 15.32% of covered employees' earnings totaling \$370,517. Covered employees first hired on or after July 1, 2005 contributed \$15,343, which represented 5% of their salary to the plan. During the year ended December 31, 2020, the System contributed \$48,748, which represents 15.32% of covered employees' earnings totaling \$318,198. Covered employees first hired on or after July 1, 2005 contributed \$10,131, which represented 5% of their salary to the plan.

Single 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 projected of cash flows used to determine this single discount rate assumed the plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actually determined contribution rates and the member rate. Based on these assumptions, the pension's 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.

	1% Decrease in Discount Rate (6.15%)	Current Discount Rate (7.15%)	1% Increase in Discount Rate (8.15%)
System's proportionate share of the net pension liability	351,176	117,396	(75,374)

Discount Rate Sensitivity Analysis. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following represents the plan's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.15%) in measuring the Net Pension Liability as of June 30, 2021.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges 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 for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by plan's investment consultant(s).

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

For each major class that is included in the pensions plan's current asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Current 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%	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.00%
Net Expected Return		7.43%

Long-Term Municipal Bond Rate. The long-term municipal bond rate used was 1.92%. Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity's Index "20 Year Municipal GO AA Index" as of June 30, 2021. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2021, the System reported a pension liability of \$117,396 for its proportionate share of the APERS's net pension liability. The 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. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period July 1, 2020 thru June 30, 2021. Actual employer contributions totaled \$46,712 for the measurement period ended June 30, 2021.

At June 30, 2021, the System's employer's proportion of the collective net pension liability was 0.0152694%.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was no change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. The contribution rate for employers continued at 15.32% for the annual period beginning July 1, 2020 through June 30, 2021.

For the year ended December 31, 2021, the System recognized pension expense of (\$51,875). The pension contributions paid to APERS subsequent to the measurement date of June 30, 2021 are reported as deferred charges of \$32,311.

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

At December 31, 2021, the System reported its proportionate share of the APERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,687	\$ (7,529)
Changes in actuarial assumptions	-	(822)
Difference between projected and actual investment earnings	9,053	(206,069)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	(5,562)
Contributions paid to APERS subsequent to the measurement date (to be calculated by employer)	32,311	-
Total	\$ 44,051	\$ (219,982)

In accordance with GASB Statement No. 68, the recognition period for outflows (inflows) of resources from the net difference between projected and actual earnings on the pension plan investments was 5 years. All other deferred outflows (inflows) of resources related to pensions were amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. For fiscal year 2015, this was 4.5972 years; for fiscal year 2016, it was 4.4487 years; for fiscal year 2017, it was 4.3774 years; for fiscal year 2018, it was 4.1233 years; for fiscal year 2019, it was 4.1431 years; for fiscal year 2020, it was 4.0486 years; and for fiscal year 2021, it was 3.9676 years.

Note 9 - Risk Financing and Related Insurance Issues

In the normal course of operations, the System is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The System attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 10 - Contingent Liabilities

The System periodically is subject to claims and lawsuits arising in the ordinary course of business. It is the opinion of management that there is currently no litigation pending or threatened against the System which could have a material adverse impact on the System's financial position.

On April 6, 2020, the Governor of the state of Arkansas declared Arkansas in a state of disaster as a result of the COVID-19 pandemic. The Governors of the surrounding states of Texas, Oklahoma and Louisiana have also declared their respective states in a state of disaster as a result of COVID -19 pandemic. In each subsequent month effective through May 30, 2021, declarations have been issued renewing the disaster declaration for the State of Arkansas. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021*

Note 11 – Credit Risk

The System provides water and sewer services to the residents and commercial entities of the City of Ashdown, Arkansas, and is funded by user charges for these services. The System’s ability to meet its obligations is dependent upon economic conditions in the surrounding area.

Note 12 – Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and adding back unspent proceeds or reserve funds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 13 – Transfers In (Out)

The City of Ashdown, Arkansas issued Sales and Use Tax Refunding and Improvement Bonds, Series 2000 (the “2000 Bonds”) for the purchase of advance refunding the 1994 Bonds and financing the costs of police and firefighting improvements. The issuance of the bonds was approved by a majority of the voters of the City at a special election held November 9, 1999. In January 2000, the City issued \$2,005,000 of 2000 Bonds. The City of Ashdown, Arkansas issued Sales and Use Tax Refunding and Improvement Bonds, Series 2012 (the “2012 Bonds”) for the purpose of advance refunding the 2000 Bonds. The City issued \$1,020,000 of the 2012 Bonds. The 2012 Bonds were paid off during the year ended December 31, 2020.

Pursuant to the Act, the Commissioner of Revenues of the State performs all functions incidental to the administration, collection, enforcement, and operation of the tax. Tax receipts not needed to pay the principal, interest and trustee’s fees in connection with the 2012 Bonds and to maintain the debt service reserve in the required amount are released from the pledge in favor of the 2012 Bonds, and 2/3 of the balance is used to operate and maintain water and sewer facilities and 1/3 of the balance is used to operate and maintain police and firefighting facilities and apparatus.

All tax receipts collected, less certain charges payable and retainage due to the Commissioner for administrative services are remitted by the State Treasurer of the City Treasurer for deposit in a special fund of the City. The Water and Sewer System received \$667,710 in sales and use tax funds that could be used for water and sewer services for the year ended December 31, 2021. These taxes and use tax fund are reflected as a transfer from the City.

Note 14– Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through June 22, 2022, which is the financial statements issuance date.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

REQUIRED SUPPLEMENTAL INFORMATION

ASHDOWN WATER AND SEWER ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)
SCHEDULE OF SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2021

Plan Year End	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
System's Portion of the Net Pension Liability (Asset)	0.016315%	0.017074%	0.017610%	0.016782%	0.015925%	0.016459%	0.016635%	0.015053%
System's Proportionate Share of the Net Pension Liability (Asset)	\$231,496	\$314,463	\$421,110	\$433,682	\$351,289	\$397,071	\$476,369	\$ 117,396
System's Covered Employee Payroll	\$286,956	\$306,999	\$306,634	\$299,862	\$298,286	\$314,962	\$324,586	\$ 316,694
System's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its System's Covered Employee Payroll	80.67%	102.43%	137.33%	144.63%	117.77%	126.07%	146.76%	37.07%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of June 30 period covered as of the measurement date of June 30

Eight years of data is presented in accordance with GASB 68, Paragraph 138 " The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement. "

ASHDOWN WATER AND SEWER ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)
SCHEDULE OF SYSTEM'S CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Fiscal Year Ended	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$42,699	\$45,313	\$44,462	\$43,850	\$46,125	\$49,496	\$48,748	\$ 46,712
Contributions in relation to the actuarially determined contribution	\$42,699	\$45,313	\$44,462	\$43,850	\$46,125	\$49,496	\$48,748	\$ 46,712
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
System's Covered employee payroll	\$286,956	\$306,999	\$306,634	\$299,862	\$306,667	\$323,081	\$318,198	\$ 304,909
Contributions as a percentage of covered employee payroll	14.88%	14.76%	14.50%	14.62%	15.04%	15.32%	15.32%	15.32%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of June 30.

Eight years of data is presented in accordance with GASB 68, Paragraph 138 " The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

*ASHDOWN WATER AND SEWER ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)
FOR THE YEAR ENDED DECEMBER 31, 2021*

Valuation Date: June 30, 2018 (excluding District Judges)
June 30, 2019 (District Judges)

Methods and assumptions Used to Determine Fiscal Year 2021 Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 years (7.6 years for District Judges New Plan / Paid Off Old Plan and 16 years for District Judge Still Paying Old Plan)
Asset Valuation Method	4 year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation and 2.5% price inflation
Salary Increases	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experienced-based table of rates that are specific to the eligibility condition
Mortality	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

Other Information:

Notes None

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Ashdown, Arkansas
Water and Sewer System Enterprise Fund
Ashdown, Arkansas

Members of the Council:

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 business-type activities of the City of Ashdown, Arkansas Water and Sewer System Enterprise Fund (the System) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 or significant deficiency. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from 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

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

WILF & HENDERSON, P.C.
WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

June 22, 2022

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. Summary of the Auditor's Results:

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Ashdown Water Sewer System Enterprise Fund were prepared in accordance with GAAP.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Ashdown Water Sewer System Enterprise Fund were disclosed during the audit.

II. Findings – Financial Statement Audit.

No findings reported.

**ASHDOWN WATER AND SEWER ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

No prior year audit findings.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

MISCELLANEOUS INFORMATION

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

CITY OF ASHDOWN, ARKANSAS

Miscellaneous Information Required by Loan Agreement with ANRC

For the Year Ended December 31, 2021

UNAUDITED

Current System Water Rates:

	2,000 Gallons	\$10.25	(minimum)
Next	2,001 - 4,000 Gallons	\$1.85	per 1,000 gallons
Next	4,001 - 9,000 Gallons	\$1.75	per 1,000 gallons
Next	9,001 - 20,000 Gallons	\$1.65	per 1,000 gallons
All over	20,001 Gallons	\$1.50	per 1,000 gallons

Current System Sewer Rates:

First	2,000 Gallons	\$12.75	(minimum)
Each additional	1,000 Gallons	\$1.80	per 1,000 gallons

Number of Water Users at December 31, 2021 1,818

Number of Sewer Users at December 31, 2021 1,752

Annual billable gallons of water for 2021 127,744,500

Annual billable gallons of sewer for 2021 134,289,100

Ashdown Water and Sewer System maintains insurance coverage as follows:

System has property coverage through Arkansas Municipal League Municipal Property Program

System has vehicle coverage through Arkansas Municipal League Municipal Vehicle Program

System has workmen's compensation through Arkansas Municipal League Workmen's Compensation Program