

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

***ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023***

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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Independent Auditor's Report

July 2, 2024

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, 2023, 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, 2023, 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.

Emphasis of Matter

As described in Note 1, the financial statements of the City of Ashdown, Arkansas Water and Sewer System Enterprise Fund, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Water and Sewer System Enterprise Fund. They do not purport to, and do not present fairly the financial position of the City of Ashdown, Arkansas as of December 31, 2023, the changes in its financial position, or where applicable, its cash flows for the year the ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises miscellaneous information required by the loan agreement with ANRC but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024, 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.
Certified Public Accountants
Texarkana, Texas

***ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023***

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, 2023. 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, 2023, net position of the System decreased by (\$83,858).

- At December 31, 2023, Unrestricted Net Position totaled \$2,534,274. 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 \$232,265.
- At year-end, the total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$3,591,311.
- The System had \$469,911 of bonds payable ANRC outstanding at December 31, 2023.
- The most significant continuing revenue sources for the System consisted of \$763,842 of water and sewer services for the year ended December 31, 2023.

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 decreased by (\$83,858) 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 decreased from \$6,441,708 to \$6,357,850, down (\$83,858) 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**

	2023	2022	Dollar Change	Percent Change
Current assets (unrestricted)	\$3,013,715	\$2,937,166	\$ 76,549	2.61%
Current assets (restricted)	349,388	344,890	4,498	1.30%
Capital assets	4,143,031	4,402,882	(259,851)	-5.90%
Total assets	<u>7,506,134</u>	<u>7,684,938</u>	<u>(178,804)</u>	<u>-2.33%</u>
Deferred outflows of resources	<u>170,560</u>	<u>189,037</u>	<u>(18,477)</u>	<u>-9.77%</u>
Current liabilities (payable from current assets)	118,126	129,901	(11,775)	-9.06%
Current liabilities (payable from restricted assets)	117,123	115,642	1,481	1.28%
Noncurrent liabilities- bonded debt	469,911	555,140	(85,229)	-15.35%
Noncurrent liabilities- lease payable	81,809	123,081	(41,272)	-33.53%
Noncurrent liabilities- net pension liability	511,216	501,734	9,482	1.89%
Total liabilities	<u>1,298,185</u>	<u>1,425,498</u>	<u>(127,313)</u>	<u>-8.93%</u>
Deferred inflows of resources	<u>20,659</u>	<u>6,769</u>	<u>13,890</u>	<u>205.20%</u>
Net investment in capital assets	3,591,311	3,724,661	(133,350)	-3.58%
Restricted for debt service	141,612	139,493	2,119	1.52%
Restricted for capital improvements	90,653	89,755	898	1.00%
Unrestricted	2,534,274	2,487,799	46,475	1.87%
Total Net Position	<u>\$6,357,850</u>	<u>\$6,441,708</u>	<u>\$ (83,858)</u>	<u>-1.30%</u>

The largest category of net position is “Net Investment in Capital Assets” and comprises 56% of net position. This category totaling \$3,591,311 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, 2023 totaled \$551,720. 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 \$141,612 for debt service and \$90,653 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 \$2,534,274.

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 that are unrestricted totaling \$3,013,715. Unrestricted cash and certificates of deposit totaling \$2,744,958 at December 31, 2023 is available to support current operations and for long-range improvement of the utility system. Accounts receivable balances of \$161,896 represent outstanding water, sewer, and sanitation billings at December 31, 2023.

Restricted assets, cash and certificates of deposit totaling \$349,388, are subject to external restrictions on how they may be used.

Capital Assets totaling \$4,143,031 (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, 2023.

There are two major components of current liabilities; garbage fees payable and other accrued expenses. Liabilities payable from current assets totaled \$118,126. Current liabilities payable from restricted assets totaled \$117,123 and consist primarily of customers deposit liabilities at December 31, 2023.

Noncurrent liabilities totaled \$1,062,936 at December 31, 2023; the System had \$469,911 in bonds payable ANRC outstanding at December 31, 2023, \$81,809 in right-to-use lease payable outstanding at December 31, 2023, and \$511,216 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 decrease of (\$83,858) in the net position. Looking down the table you will see the changes in each category. The decrease of (\$83,858) under the prior year increase of \$83,734 was primarily attributable to the transfer to the governmental side of the City for street repairs.

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

	2023	2022	Dollar Change	Percentage Change
Operating revenues	\$ 814,917	\$ 809,296	\$ 5,621	0.69%
Nonoperating revenues	19,008	6,207	12,801	206.23%
Total Revenues	<u>833,925</u>	<u>815,503</u>	<u>18,422</u>	<u>2.26%</u>
Depreciation expense	323,430	296,509	26,921	9.08%
Other operating expenses	1,184,063	1,141,329	42,734	3.74%
Nonoperating expenses	15,257	22,054	(6,797)	-30.82%
Total Expenses	<u>1,522,750</u>	<u>1,459,892</u>	<u>62,858</u>	<u>4.31%</u>
Income (Loss) before transfers	(688,825)	(644,389)	(44,436)	-6.90%
Transfer in from City - Sales tax revenues	754,967	728,123	26,844	3.69%
Transfer out to City - Road repairs	(150,000)	-	(150,000)	-100.00%
Total Transfers In (Out)	<u>604,967</u>	<u>728,123</u>	<u>(123,156)</u>	<u>-16.91%</u>
Increase (Decrease) Change in Net Position	(83,858)	83,734	(167,592)	-200.15%
Net Position - Beginning of Year	<u>6,441,708</u>	<u>6,357,974</u>	<u>83,734</u>	<u>1.32%</u>
Net Position - End of Year	<u>\$ 6,357,850</u>	<u>\$ 6,441,708</u>	<u>\$ (83,858)</u>	<u>-1.30%</u>

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2023 and 2022 was \$4,143,031 and \$4,402,882, respectively. More detailed information about capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At year-end, the System had \$469,911 in bonds outstanding ANRC and \$81,809 in right-to-use lease payable. More detailed information about long term liabilities is presented in Note 6 and Note 7 to the financial statements.

Economic Factors and Current and Next Year's Budgets

We anticipate that the System will experience a slight increase in net position in 2024. The System plans to increase water rates during the later part of the year, though the new rate has yet to be determined. 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, updating water lines and updating the water meter system to include electronic read water meters.

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, 2023

ASSETS

Current Assets - Unrestricted

Cash on hand	\$	1,164
Cash in revenue/operations and maintenance accounts		1,862,908
Certificates of deposit		880,886
Accounts receivable (net of allowance of \$84,751)		161,896
Sales taxes receivables		62,395
Inventories of materials and supplies		29,928
Prepaid insurance		14,538
Total Current Assets - Unrestricted Assets		3,013,715

Current Assets - Restricted Assets

Cash in customers deposit account		63,892
Certificates of deposit-customers deposit account		50,000
Cash in bond fund account		21,509
Certificates of deposit-depreciation reserve account		90,653
Certificates of deposit-debt service reserve account		97,169
Prepaid bond payment account		26,165
Total Current Assets - Restricted Assets		349,388

Property, Plant and Equipment

Land and land rights		134,958
Buildings and improvements		255,156
Water and sewer system		10,535,543
Vehicles, equipment and furniture		1,114,958
Right-to-Use leased asset		132,826
		12,173,441
Accumulated depreciation		(8,030,410)
Total Property, Plant and Equipment		4,143,031

Total Assets	\$	7,506,134
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Deferred Outflows of Resources

Deferred Outflows Related to APERS	\$	170,560
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The accompanying notes are an integral part of this statement.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

LIABILITIES

Current Liabilities (payable from current assets)

Accounts payable	14,689
Garbage fees payable	58,699
Compensated absences liability	8,119
Other accrued expenses and liabilities	36,619
Total Current Liabilities (payable from current assets)	118,126

Current Liabilities (payable from restricted assets)

Accrued bond interest and fees payable	3,231
Customers deposit liability	113,892
Total Current Liabilities (payable from restricted assets)	117,123

Noncurrent Liabilities

Due within one year:	
Bonds payable ANRC	88,021
Right-To-Use lease payable	45,069
Due in more than one year:	
Bonds payable ANRC	381,890
Right-To-Use lease payable	36,740
Net pension liability APERS	511,216
Total Noncurrent Liabilities	1,062,936

Total Liabilities	\$ 1,298,185
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Deferred Inflow of Resources

Deferred Inflows Related to APERS	\$ 20,659
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NET POSITION

Net Investment in Capital Assets	3,591,311
Restricted for Debt Service	141,612
Restricted for Capital Improvements	90,653
Unrestricted	2,534,274
Total Net Position	\$ 6,357,850

The accompanying notes are an integral part of this statement.

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, 2023

Operating Revenues	
Water and sewer services	\$ 763,842
Penalties	34,628
Other revenue	16,447
Total Operating Revenues	<u>814,917</u>
Operating Expenses	
Chemicals and lab	21,688
System utilities	76,491
Wastewater permits	5,290
Water purchased	13,816
Management fees	80,000
Labor	417,754
Insurance - employee health	44,390
Employee retirement	59,205
Employee retirement - Change in Net Pension Liability	41,849
Payroll tax and worker's compensation expense	36,682
Annual service fees	4,788
Repairs and maintenance	168,735
Repairs and maintenance - water tower	56,774
Small tools	4,005
Fuel and repairs vehicle expense	24,907
Travel and training	4,468
Office supplies	14,451
Telephone and office utilities	29,828
Postage	11,780
Janitorial services	6,000
Legal and auditing fees	13,500
Insurance - other	14,964
Miscellaneous expense	27,668
Bad debt expense	5,030
Depreciation expense	323,430
Total Operating Expenses	<u>1,507,493</u>
Operating Income (Loss)	<u>(692,576)</u>
Non-operating Revenues (Expenses)	
Interest income	19,008
Bond and loan interest and fees expense	(15,257)
Total Non-operating Revenues (Expenses)	<u>3,751</u>
Income (Loss) before Transfers	<u>(688,825)</u>
Transfers In (Out)	
Transfer in from City - sales tax revenue	754,967
Transfer out to City - road repairs	(150,000)
Total Transfers In (Out)	<u>604,967</u>
Increase (Decrease) Change in Net Position	(83,858)
Net Position - Beginning of Year	<u>6,441,708</u>
Net Position - End of Year	<u><u>\$ 6,357,850</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, 2023

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 807,413
Cash paid to employees	(417,754)
Cash paid to suppliers	(761,722)
Cash (Used) by Operating Activities	<u>(372,063)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers in from City - sales tax revenue	752,161
Transfers out to City - road repairs	(150,000)
Cash Provided by Noncapital Financing Activities	<u>602,161</u>
Cash Flows from Capital and Related Financing Activities:	
Loan, bond, and lease principal payments	(126,501)
Interest and fees paid on loan and bond obligations	(15,843)
Increase in prepaid bond payment account	(614)
Gain on disposal of capital assets	1,301
Acquisition and construction of capital assets	(64,880)
Cash (Used) by Capital and Related Financing Activities	<u>(206,537)</u>
Cash Flows from Investing Activities:	
Interest income reinvested to investments in certificates of deposit	(13,760)
Interest income	19,008
Cash Provided by Investing Activities	<u>5,248</u>
Increase (Decrease) in Cash and Cash Equivalents	28,809
Cash and Cash Equivalents at Beginning of Year	<u>1,920,664</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,949,473</u></u>
Cash Flows from Operating Activities:	
Operating income (loss)	\$ (692,576)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	323,430
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Decrease (increase) in accounts receivable	(7,504)
Decrease (increase) in inventories	(19,645)
Decrease (increase) in prepaid insurance	(7,909)
Increase (decrease) in accounts payable	(6,100)
Increase (decrease) in garbage fees payable	5,861
Increase (decrease) in compensated absences liability	(3,107)
Increase (decrease) in other accrued expenses and liabilities	(8,429)
Increase (decrease) in customers deposit liability	2,067
Increase (decrease) in deferred outflows/ inflows and pension liability, net	41,849
Cash (Used) by Operating Activities	<u><u>\$ (372,063)</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, 2023

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.

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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 \$8,119 at December 31, 2023.

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.

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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 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. Ashdown Water and Sewer System does not offer Other Postemployment Benefits; 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.

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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.

Leases

The City implemented Governmental Accounting Standards Board (GASB) Number 87 *Leases* to improve accounting and financial reporting for leases by governments. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Council. The right-to-use lease liability is reported on the Statement of Net Position. The lease liability is calculated as present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

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 – New Accounting Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Number 96 "*Subscription-Based Information Technology Arrangements (SBITAs)*". GASB Statement No. 96 requires recognition of certain right-to-use subscription assets and liabilities for SBITAs in the financial statements. The City did not have any material SBITAs individually or in the aggregate for the fiscal year.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
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Note 3 - Deposits and Investments

System Policies and Legal and Contractual Provisions Governing Deposits

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

The System had cash in checking, savings, and time deposits as of December 31, 2023.

Custodial Credit Risk for Deposits - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the System requires counterparties to register the securities in the name of the System and hand them over to the System or its designated agent. This includes securities in securities lending transactions. All of the securities are in the System's name and held by the System or its agent.

The City's cash deposits at December 31, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the System's agent bank in the System's name. The System's cash deposits were collateralized during the year ended December 31, 2023.

Note 4 - Property, Plant and Equipment

The Water and Sewer System has inventoried property, plant and equipment at December 31, 2023 and established a detailed record for fixed assets.

In fiscal year 2023, the System purchased two lift station pumps for \$32,440 each. Additionally, the System disposed of several assets, including portable building, office equipment, and tools and equipment totaling \$33,079.

A summary of property, plant and equipment follows:

	January 1, 2023	Additions	Deletions	December 31, 2023
Land and land rights	\$ 134,958	\$ -	\$ -	\$ 134,958
Buildings and improvements	258,408	-	(3,252)	255,156
Water and sewer system	10,535,543	-	-	10,535,543
Vehicles, equipment and furniture	1,079,905	64,880	(29,827)	1,114,958
Right-to-use leased asset	132,826	-	-	132,826
	<u>12,141,640</u>	<u>64,880</u>	<u>(33,079)</u>	<u>12,173,441</u>
Less: accumulated depreciation	<u>(7,738,758)</u>	<u>(323,430)</u>	<u>31,778</u>	<u>(8,030,410)</u>
Total	<u>\$ 4,402,882</u>	<u>\$ (258,550)</u>	<u>\$ (1,301)</u>	<u>\$ 4,143,031</u>

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Note 5 - 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 \$26,165 at December 31, 2023. The System followed the covenants for year 2023.

Note 6 – 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.

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 \$15,257 in 2023.

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

	2023
Beginning balance, January 1	\$ 555,140
Bond principal paid	(85,229)
Ending balance, December 31	\$ 469,911

The annual debt service requirements are as follows:

Year Ending	Notes from Direct Borrowing			
December 31	Principal	Fees	Interest	Total
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	96,960	1,731	3,894	102,585
2028	100,142	753	1,694	102,589
Total	\$ 469,911	\$ 13,235	\$ 29,778	\$ 512,924

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Note 7 – Right-To-Use Leased Asset

In fiscal year 2022, the City signed a three-year lease for a backhoe loader with Caterpillar. Payments are \$2,595 for thirty-six months beginning December 2022. Additionally, in fiscal year 2022, the City signed a three-year lease for an excavator with Caterpillar. Payments are \$1,620 for thirty-six months beginning July 2022.

Debt Service requirements are as follows:

	Interest Rate	Original Issue	Amounts			Amounts
			Outstanding 1/1/2023	Additions	Reductions	Outstanding 12/31/2023
Backhoe Loader	9.403%	81,113	79,154	-	24,741	54,413
Excavator	7.977%	51,713	43,927	-	16,531	27,396
			<u>123,081</u>	<u>-</u>	<u>41,272</u>	<u>81,809</u>

Year Ended December 31	Right-To-Use Leases		
	Principal	Interest	Total Requirements
2024	45,069	5,505	50,574
2025	36,740	1,520	38,260
	<u>81,809</u>	<u>7,025</u>	<u>88,834</u>

Note 8 - 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, 2023.

Note 9 - 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. Beginning July 1, 2022, the member contribution rate increases in increments of 0.25% per year until it reaches a maximum 7%. 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.

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Pension Plan Fiduciary Net Position: The actuarial accrued liability at June 30, 2023, for the APERS, as a whole was \$13,209 million. The APERS actuarial value of assets was \$10,295 million leaving unfunded actuarial accrued liability of \$2,914 million. The actuarial accrued liability at June 30, 2022, for the APERS, as a whole was \$12,430 million. The APERS actuarial value of assets was \$9,734 million leaving unfunded actuarial accrued liability of \$2,696 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, 2023, the actuary used the entry age normal actuarial cost method and the level percentage of payroll, closed amortization method with a 23-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% and price inflation of 2.5%.

The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2022 through June 30, 2023. The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2021 through June 30, 2022. 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 5.25% of their salary to the plan through June 30, 2023 then 5.50% of their salary to the plan through December 31, 2023. Employees hired before June 30, 2005 remained non-contributory members.

During the year ended December 31, 2023, the System contributed \$59,205, which represents 15.32% of covered employees' earnings totaling \$386,457. Covered employees first hired on or after July 1, 2005 contributed \$17,741, which represented 5.25% of their salary from January 1, 2023 through June 30, 2023 and 5.50% of their salary from July 1, 2023 through December 31, 2023, to the plan. During the year ended December 31, 2022, the System contributed \$56,928, which represents 15.32% of covered employees' earnings totaling \$371,596. Covered employees first hired on or after July 1, 2005 contributed \$15,846 to the plan. This represented 5% of their salary through June 30, 2022 and 5.25% of their salary from July 1, 2022 through December 31, 2022.

Single Discount Rate. A single discount rate of 7.00% 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 7.00%. 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.

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 7.0015%, 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 (7.00%) in measuring the Net Pension Liability as of June 30, 2023.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
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	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
System's proportionate share of the net pension liability	814,833	511,216	261,065

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 2023-2032 were based upon capital market assumptions provided by plan's investment consultant(s). The current asset allocation for each major class that is included in the pensions plan as of June 30, 2023 is summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	<u>100%</u>	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		<u>0.00%</u>
Net Expected Return		<u>7.44%</u>

Long-Term Municipal Bond Rate. The long-term municipal bond rate used was 3.86%. 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, 2023. 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, 2023, the System reported a pension liability of \$511,216 for its proportionate share of the APERS's net pension liability. The net pension liability was measured as of June 30, 2023 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, 2022 thru June 30, 2023. Actual employer contributions totaled \$59,566 for the measurement period ended June 30, 2023.

At June 30, 2023, the System's employer's proportion of the collective net pension liability was 0.01754233%.

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

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
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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, 2023 through June 30, 2024.

For the year ended December 31, 2023, the System recognized pension expense of \$101,054. The pension contributions paid to APERS subsequent to the measurement date of June 30, 2023 are reported as deferred charges of \$29,292.

At December 31, 2023, 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	\$ 28,857	\$ (2,809)
Difference between projected and actual investment earnings	63,628	-
Changes in actuarial assumptions	24,033	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	24,750	(17,850)
Net amount at measurement date June 30, 2021	141,268	(20,659)
Contributions paid to APERS subsequent to the measurement date (to be calculated by employer)	29,292	-
Total	\$ 170,560	\$ (20,659)

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 2019, this was 4.1431 years; for fiscal year 2020, it was 4.0486 years; for fiscal year 2021, it was 3.9676 years; for fiscal year 2022, it was 3.7989; and for fiscal year 2023, it was 3.7241.

Note 10 - 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 11 - 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.

*ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
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Note 12 – 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 13 – 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 14 – 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 \$754,967 in sales and use tax funds that could be used for water and sewer services for the year ended December 31, 2023. These taxes and use tax fund are reflected as a transfer from the City.

In fiscal year 2023, the Water Sewer System transferred \$150,000 to the street fund for improvements to streets.

Note 15 – Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through July 2, 2024, 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, 2023

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	June 30, 2022	June 30, 2023
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%	0.018608%	0.017542%
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	\$ 501,734	\$ 511,216
System's Covered Employee Payroll	\$286,956	\$306,999	\$306,634	\$299,862	\$298,286	\$314,962	\$324,586	\$ 316,694	\$ 388,953	\$ 388,811
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%	129.00%	131.48%

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

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, 2023

Fiscal Year Ended	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$42,699	\$45,313	\$44,462	\$43,850	\$46,125	\$49,496	\$48,748	\$46,712	\$56,928	\$59,205
Contributions in relation to the actuarially determined contribution	\$42,699	\$45,313	\$44,462	\$43,850	\$46,125	\$49,496	\$48,748	\$46,712	\$56,928	\$59,205
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's Covered employee payroll	\$286,956	\$306,999	\$306,634	\$299,862	\$306,667	\$323,081	\$318,198	\$304,909	\$371,596	\$386,457
Contributions as a percentage of covered employee payroll	14.88%	14.76%	14.50%	14.62%	15.04%	15.32%	15.32%	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.

*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, 2023*

Valuation Date: June 30, 2020 (excluding District Judges)
June 30, 2020 (District Judges)

Methods and assumptions Used to Determine Fiscal Year 2023 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	23 years (6.6 years for District Judges New Plan / Paid Off Old Plan and 15 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 2.50% 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	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of 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, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated July 2, 2024.

Report on 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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

July 2, 2024

**ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND
CITY OF ASHDOWN, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023**

No prior year audit findings.

ASHDOWN WATER AND SEWER SYSTEM ENTERPRISE FUND

OTHER 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, 2023

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, 2023 1,782

Number of Sewer Users at December 31, 2023 1,715

Annual billable gallons of water for 2023 123,141,500

Annual billable gallons of sewer for 2023 137,439,700

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