

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Independent Auditors' Report

Financial Statements and Supplementary Data

December 31, 2022 and 2021

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

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Independent Auditors' Report

The Beebe, Arkansas City Council
City of Beebe, Arkansas

Opinion

We have audited the accompanying financial statements of the City of Beebe, Arkansas Water and Sewer System which comprise the statements of net position as of December 31, 2022 and 2021 and the related statements of income and expense and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

As discussed in note 1, the financial statements present only the City of Beebe, Arkansas Water and Sewer System and are not intended to present fairly the net position of the City of Beebe, Arkansas, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the City of Beebe, Arkansas Water and Sewer System, as of December 31, 2022 and 2021, and changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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 City of Beebe, Arkansas Water and Sewer System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- * Exercise professional judgment and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Beebe, Arkansas Water and Sewer 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beebe, Arkansas Water and Sewer 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Beebe, Arkansas Water and Sewer System's basic financial statements. The supplemental information, disclosed in compliance with requirements for audits of Revolving Loan Funds for Municipalities' Accounting Records, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 the System's internal control over financial reporting and compliance.

April 4, 2023

Shoptaw, LaBrot & Company, P.A.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Net Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Unrestricted cash	\$ 836,897	592,245
Restricted cash	<u>11,072,610</u>	<u>11,462,562</u>
Total cash	11,909,507	12,054,807
Accounts receivable	264,970	241,807
Prepaid expenses	4,440	12,244
Prepaid bond insurance	53,699	56,832
Deposits	10,446	10,446
Net utility plant	<u>16,292,844</u>	<u>16,422,864</u>
Total assets	<u>28,535,906</u>	<u>28,799,000</u>
Liabilities:		
Accounts payable and other liabilities	78,743	90,438
Accrued interest	139,575	172,780
Customer deposits	293,560	283,654
Long-term liabilities:		
Due within one year	380,498	385,825
Due in more than one year	16,557,780	16,942,550
Unamortized premium on bonds	<u>622,483</u>	<u>658,799</u>
Total liabilities	<u>18,072,639</u>	<u>18,534,046</u>
Net position:		
Net investment in capital assets	9,268,814	9,451,890
Restricted for debt service and depreciation	396,304	273,582
Unrestricted	<u>798,149</u>	<u>539,482</u>
Total net position	<u>\$ 10,463,267</u>	<u>10,264,954</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses and Changes in Net Position

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Water sales	\$ 1,570,887	1,454,767
Sewer service	1,025,933	952,314
Other revenue	<u>116,301</u>	<u>87,962</u>
Total operating revenue	<u>2,713,121</u>	<u>2,495,043</u>
Operating expenses:		
Supervisory salaries	109,432	103,069
Office salaries	159,570	158,447
Other labor	198,705	177,919
Employees' group insurance	99,222	90,336
Utilities	97,514	119,066
Payroll taxes	35,599	33,447
Operating supplies and expense	132,027	135,752
Chemicals	46,744	34,581
Maintenance and repairs	10,438	4,757
Employee benefit plan	69,114	66,029
Truck and machinery expense	23,577	16,017
Office supplies and expense	99,119	87,027
Bad debts	5,810	5,733
Legal and accounting	8,425	7,450
Insurance	15,420	14,311
Licenses and permits	6,244	6,244
Depreciation	743,201	716,133
Amortization of bond insurance	3,133	979
Lonoke/White Public Water Authority fees	192,000	192,000
Water purchased	<u>90,523</u>	<u>106,988</u>
Total operating expenses	<u>2,145,817</u>	<u>2,076,285</u>
Income from operations	567,304	418,758

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses and Changes in Net Position, Continued

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Nonoperating income (expense):		
Bond issue cost	-	(97,452)
Interest income	30,234	1,969
Interest expense	<u>(399,225)</u>	<u>(283,936)</u>
Total nonoperating income (expense)	<u>(368,991)</u>	<u>(379,419)</u>
Increase in net position	198,313	39,339
Net position, beginning of year	<u>10,264,954</u>	<u>10,225,615</u>
Net position, end of year	<u>\$ 10,463,267</u>	<u>10,264,954</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,573,657	2,383,350
Cash paid to suppliers for goods and services	(900,068)	(860,290)
Cash paid to employees for services	(503,306)	(472,882)
Other revenue collected	<u>116,301</u>	<u>87,962</u>
Net cash provided by operating activities	<u>1,286,584</u>	<u>1,138,140</u>
Cash flows from non-capital financing activities:		
Customer deposits received	<u>9,907</u>	<u>4,800</u>
Net cash provided by non-capital financing activities	<u>9,907</u>	<u>4,800</u>
Cash flows from capital and related financing activities:		
Principal payments of long term debt	(390,097)	(3,782,484)
Interest paid	(468,747)	(160,332)
Proceeds from issue of bonds	-	14,748,532
Purchase of property and equipment	<u>(613,181)</u>	<u>(583,523)</u>
Net cash (used) provided in capital and related financing activities	<u>(1,472,025)</u>	<u>10,222,193</u>
Cash flows from investing activities:		
Interest received	<u>30,234</u>	<u>1,969</u>
Net cash provided by investing activities	<u>30,234</u>	<u>1,969</u>
Net increase (decrease) in cash	(145,300)	11,367,102
Cash at beginning of year	<u>12,054,807</u>	<u>687,705</u>
Cash at end of year	<u>\$ 11,909,507</u>	<u>12,054,807</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Cash Flows, Continued

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Income from operations	\$ 567,304	418,758
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	746,334	717,112
Increase in accounts receivable	(23,163)	(23,731)
Decrease (increase) in prepaid expenses	7,804	(7,635)
(Decrease) increase in accrued expenses and other liabilities	<u>(11,695)</u>	<u>33,636</u>
Total adjustments	<u>719,280</u>	<u>719,382</u>
Net cash provided by operating activities	<u>\$ 1,286,584</u>	<u>1,138,140</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements

December 31, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Beebe accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. The City of Beebe, Arkansas Water and Sewer System is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The System applies all Government Accounting Standard Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

(a) Nature of Operations

City of Beebe, Arkansas Water and Sewer System is engaged in providing water and sewer services to the general public located in Beebe, Arkansas.

(b) Use of 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.

(c) Depreciation

The cost of the utility plant is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Sewer treatment plant	40 years
Sewer collection	15 - 40 years
Water wells	40 years
Water treatment plant	40 years
Water distribution	40 years
Office furniture and equipment	3 - 10 years
Vehicles	5 years

The cost of improvements are capitalized and expenditures for maintenance and repairs are expensed as incurred.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(d) Organization

City of Beebe, Arkansas Water and Sewer System was governed by the Beebe City Council. Rates for services are established by ordinances approved by the City Council.

(e) Cash

For the purpose of the statement of cash flows, the System considers cash to be all cash on hand and in banks.

(f) Debt Issuance Cost

The costs of issuing bonds is expensed in the year incurred pursuant to Government Accounting Standards Board (GASB).

(g) Regulatory Environment

The quality of water emitted from the sewer treatment plant is regulated by the Environmental Protection Agency, the Arkansas Health Department and the Arkansas Department of Pollution Control and Ecology. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

(h) Income Tax

City of Beebe, Arkansas Water and Sewer System is municipally owned and is exempt from federal and state income tax.

(i) Accounts Receivable

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated amount that is expected to be uncollectible.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(2) UTILITY PLANT

The components of utility plant included in the accompanying statements of net position are presented below:

	<u>2022</u>	<u>2021</u>
Land	\$ 293,757	293,757
Water system	14,425,531	13,756,914
Sewer system	13,434,859	13,431,327
Vehicles and equipment	658,932	640,755
Construction in progress	<u>488,427</u>	<u>565,571</u>
	29,301,506	28,688,324
Less accumulated depreciation	<u>13,008,662</u>	<u>12,265,460</u>
Net utility plant	<u>\$ 16,292,844</u>	<u>16,422,864</u>

(3) RESTRICTED ASSETS

At December 31, 2022 and 2021, the System had restricted assets shown as follows:

	<u>2022</u>	<u>2021</u>
Cash:		
Water Works and Sewer Depreciation Fund	\$ 125,268	66,236
City of Beebe Water and Sewer Revenue Bonds, Series 2003, held in ADFA escrow	18,508	18,249
City of Beebe Water and Sewer 2021 Bond Construction Account, held at First Security Bank	10,676,356	11,188,980
City of Beebe Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021, Bond Fund	220,831	157,907
City of Beebe Water and Sewer Revenue Bonds, Series 2013, held in ADFA escrow	<u>31,647</u>	<u>31,190</u>
Total restricted assets	<u>\$ 11,072,610</u>	<u>11,462,562</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(4) LONG-TERM NOTES AND BONDS PAYABLE

Long-term notes and bonds payable collateralized by pledge of water and sewer revenue consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Beebe Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021. Interest ranges from 2.375% to 4.00% and is payable semiannually on February 1 and August 1. The bonds are subject to optional redemption on or after August 1, 2028. Bonds maturing on August 1 of 2041, 2046, 2051 are subject to mandatory sinking fund redemption.	14,130,000	14,245,000
City of Beebe 1.25% Water and Sewer Revenue Bonds, Series 2013. The bonds are payable in semi-annual installments of \$187,000 including interest and 1% service fee beginning in 2015 with the final installment due April 15, 2035.	2,028,799	2,167,902
City of Beebe 2.25% Water and Sewer Revenue Bonds, Series 2003. The bonds are payable in semi-annual installments of \$54,712 including interest and 1% service fee with the final installment due April 15, 2024.	<u>158,919</u>	<u>260,691</u>
Total long term bonds payable collateralized by pledge of water and sewer revenue	<u>16,317,718</u>	<u>16,673,593</u>
Mid Arkansas Water Alliance payable. This debt is payable in annual installments of \$33,589 which includes interest of 2.875%. The final installment is due April 7, 2049.	<u>620,560</u>	<u>654,782</u>
	16,938,278	17,328,375
Less current installments	<u>380,498</u>	<u>385,825</u>
	<u>\$ 16,557,780</u>	<u>16,942,550</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

At December 31, 2022, the City of Beebe, Arkansas was obligated on the Water and Sewer Refunding and Improvement Bond, Series 2021. The bond was issued in the amount of \$14,245,000 with the proceeds to refund approximately \$3,350,000 of previously issued water and sewer revenue bonds and to finance improvements to the water and sewer system of approximately \$11,600,000. The bond was issued at a premium of \$670,149 which will be amortized over the life of the bond using the interest method. In the issuance of the bond, costs of issue of \$97,452 were incurred and have been charged to expense in 2021. Costs of insurance related to the bond in the amount of \$57,811 has been capitalized and will be amortized over the life of the bond.

A summary of the notes, bond principal maturities and interest requirements for the years succeeding December 31, 2022 is shown below:

<u>Year ending</u> <u>December 31</u>	<u>Principal</u> <u>Maturity</u>	<u>Interest</u> <u>Requirement</u>	<u>Total</u>
2023	\$ 380,498	477,104	857,602
2024	390,549	467,715	858,264
2025	400,495	456,082	856,577
2026	414,343	442,835	857,178
2027	428,280	429,097	857,377

(5) CONCENTRATION OF RISK

The City of Beebe, Arkansas Water and Sewer System services water and sewer customers in or adjacent to Beebe, Arkansas. All of the accounts receivable reported herein are from these customers.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(6) RETIREMENT PLAN

The System contributes to the Arkansas Public Employees Retirement System (APERS) on behalf of all full time employees of the System. During 2022 and 2021, the System contributed \$69,114 and \$66,029, respectively, to APERS.

(7) SUBSEQUENT EVENTS

Management has considered subsequent events through April 4, 2023, which is the date the financial statements were available to be issued.

During 2020 and continuing in 2022, a pandemic has broken out which has had major health and economic implications to all entities. Management is considering the options available to it in its relations with the customers of the System.

(8) WATER PURCHASE CONTRACTS

In 2010, the City of Beebe joined with several other communities in a water purchase contract which would allow the construction of water impoundment and treatment facility to be known as the Lonoke/White Public Water Authority (LWPWA). The System is obligated to purchase a minimum of 4,380,000 gallons per month from the Authority.

The contract is for a 40 year period beginning from the completion of the facility in August, 2014. To assist the Authority in the construction of the facility, the System was required to pay an amount monthly to pay the interest on the indebtedness incurred to construct the facility. The System also incurred costs to construct the water line from the metering point to the city. The debt service payments to the Authority subsequent to the completion of the facility and commencement of water purchases is expensed as fees to the LWPWA and totaled \$192,000 in 2022 and 2021, respectively. In 2022 and 2021, the System purchased water from the Authority at a cost of \$90,523 and \$106,988, respectively.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Departmental Schedule of Operations

Year ended December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenue:			
Water sales	\$ 1,570,887	-	1,570,887
Sewer service	-	1,025,933	1,025,933
Other revenue	<u>75,198</u>	<u>41,103</u>	<u>116,301</u>
Total operating revenue	<u>1,646,085</u>	<u>1,067,036</u>	<u>2,713,121</u>
Operating expenses:			
Supervisory salaries	65,659	43,773	109,432
Office salaries	95,742	63,828	159,570
Other labor	119,223	79,482	198,705
Employees' group insurance	59,533	39,689	99,222
Utilities	38,443	59,071	97,514
Payroll taxes	21,359	14,240	35,599
Operating supplies and expense	125,691	6,336	132,027
Chemicals	46,744	-	46,744
Maintenance and repairs	6,263	4,175	10,438
Employee benefit plan	41,468	27,646	69,114
Truck and machinery expense	14,146	9,431	23,577
Office supplies and expense	59,471	39,648	99,119
Bad debts	3,486	2,324	5,810
Legal and audit	5,055	3,370	8,425
Insurance	9,252	6,168	15,420
Licenses and permits	-	6,244	6,244
Depreciation and amortization	385,402	357,799	743,201
Amortization of bond insurance	1,566	1,567	3,133
Lonoke/White Public Water Authority fees	192,000	-	192,000
Water purchased	<u>90,523</u>	<u>-</u>	<u>90,523</u>
Total operating expenses	<u>1,381,027</u>	<u>764,790</u>	<u>2,145,817</u>
Income from operations	<u>\$ 265,058</u>	<u>302,246</u>	<u>567,304</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Departmental Schedule of Operations

Year ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenue:			
Water sales	\$ 1,454,767	-	1,454,767
Sewer service	-	952,314	952,314
Other revenue	<u>58,244</u>	<u>29,718</u>	<u>87,962</u>
Total operating revenue	<u>1,513,011</u>	<u>982,032</u>	<u>2,495,043</u>
Operating expenses:			
Supervisory salaries	61,841	41,228	103,069
Office salaries	95,068	63,379	158,447
Other labor	106,751	71,168	177,919
Employees' group insurance	54,202	36,134	90,336
Utilities	49,537	69,529	119,066
Payroll taxes	20,068	13,379	33,447
Operating supplies and expense	94,482	41,270	135,752
Chemicals	34,581	-	34,581
Maintenance and repairs	2,854	1,903	4,757
Employee benefit plan	39,617	26,412	66,029
Truck and machinery expense	9,610	6,407	16,017
Office supplies	52,216	34,811	87,027
Bad debts	3,440	2,293	5,733
Legal and audit	4,470	2,980	7,450
Insurance	8,587	5,724	14,311
Licenses and permits	-	6,244	6,244
Depreciation and amortization	323,040	394,072	717,112
Lonoke/White Public Water Authority fees	192,000	-	192,000
Water purchased	<u>106,988</u>	<u>-</u>	<u>106,988</u>
Total operating expenses	<u>1,259,352</u>	<u>816,933</u>	<u>2,076,285</u>
Income from operations	<u>\$ 253,659</u>	<u>165,099</u>	<u>418,758</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Departmental Schedule of Operations

Year ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenue:			
Water sales	\$ 1,454,767	-	1,454,767
Sewer service	-	952,314	952,314
Other revenue	<u>58,244</u>	<u>29,718</u>	<u>87,962</u>
Total operating revenue	<u>1,513,011</u>	<u>982,032</u>	<u>2,495,043</u>
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Supervisory salaries	61,841	41,228	103,069
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Office supplies	52,216	34,811	87,027
Bad debts	3,440	2,293	5,733
Legal and audit	4,470	2,980	7,450
Insurance	8,587	5,724	14,311
Licenses and permits	-	6,244	6,244
Depreciation and amortization	322,550	393,583	716,133
Amortization of bond insurance	490	489	979
Lonoke/White Public Water Authority fees	192,000	-	192,000
Water purchased	<u>106,988</u>	<u>-</u>	<u>106,988</u>
Total operating expenses	<u>1,259,352</u>	<u>816,933</u>	<u>2,076,285</u>
Income from operations	<u>\$ 253,659</u>	<u>165,099</u>	<u>418,758</u>

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information Disclosed in Compliance

with Requirements for Audits of Revolving Loan

Funds for Municipalities' Accounting Records

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CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information

Year ended December 31, 2022

Insurance on Deposit Funds

All funds are deposited in financial institutions insured by the FDIC. Deposits in excess of the insured amount are collateralized by pledge of securities by the financial institution.

Insurance Coverage

<u>Provider</u>	<u>Coverage</u>	<u>Amount</u>
Self Insured Bond Program administered by Arkansas Insurance Department	Surety Bond	\$ 250,000
Arkansas Municipal League	Worker's Compensation	100,000
Arkansas Municipal League	Vehicles - Liability - Physical damage	\$25,000/50,000 Actual cash value less \$1,000 deductible
Arkansas Municipal League	Water and Sewer buildings, storage tanks, lift stations, and other property	\$ 4,302,766

Federal Income Tax

As the City of Beebe, Arkansas Water and Sewer System is a municipally owned system, it is exempt from federal and state income tax.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Accounts receivable

An age analysis of accounts receivable at December 31, 2022 is presented below:

<u>Age</u>	<u>Amount</u>
Current	\$ 327,031
Past due:	
0-30 days	23,548
31-60 days	3,158
61-90 days	<u>6,905</u>
	360,642
Less amount included as billing for sanitation for the City of Beebe	88,690
Less overpayments/prepayments	<u>6,982</u>
Net accounts receivable	<u>\$ 264,970</u>

Accrual Basis of Accounting

The accounting records are maintained on the accrual basis.

Sewer Rates

The rate charged for sewer service for the users of the System is as follows at December 31, 2022:

First 1,000 gallons	\$ 10.00
Each 1,000 gallons above 1,000 used	4.30 per 1,000 gallons

The rates are applied to winterized usage determined annually using November through April water usage.

Water Rates

The rate charged customers for water usage is as follows at December 31, 2022:

First 1,000 gallons	\$19.85 for 5/8" meter
Each 1,000 gallons above 1,000 used	4.13 per 1,000 gallons

Meter charges vary for the size of meter, but the usage charge remains at \$4.13 per 1,000 gallons.

Annual billable water in gallons - 227,107,340 gallons

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Five year amortization schedule of long-term notes and bonds payable:

Water and Sewer Revenue Bonds, Series 2003:

<u>Year</u>	<u>Total Payment</u>	<u>Principal Retirement</u>	<u>Interest Requirement (1)</u>	<u>Remaining Principal</u>
2023	\$ 109,424	105,106	4,318	53,813
2024	54,687	53,813	874	-

(1) Includes 1% service fee.

Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021:

<u>Year</u>	<u>Total Payment</u>	<u>Principal Retirement</u>	<u>Interest Requirement</u>	<u>Remaining Principal</u>
2023	\$ 527,488	115,000	412,488	14,015,000
2024	582,888	175,000	407,888	13,840,000
2025	635,888	235,000	400,888	13,605,000
2026	636,488	245,000	391,488	13,360,000
2027	636,688	255,000	381,688	13,105,000
Past 2027	18,398,825	13,105,000	5,293,825	-

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Water and Sewer Revenue Bonds, Series 2013:

<u>Year</u>	<u>Total Payment</u>	<u>Principal Retirement</u>	<u>Interest Requirement (1)</u>	<u>Remaining Principal</u>
2023	\$ 187,100	142,248	44,852	1,886,551
2024	187,100	145,466	41,634	1,741,085
2025	187,099	148,757	38,342	1,592,328
2026	187,100	152,124	34,976	1,440,204
2027	187,100	155,566	31,534	1,284,638
Past 2027	1,403,274	1,284,638	118,636	-

(1) Includes 1% service fee.

Mid Arkansas Water Alliance:

<u>Year</u>	<u>Total Payment</u>	<u>Principal Retirement</u>	<u>Interest Requirement</u>	<u>Remaining Principal</u>
2023	\$ 33,590	18,144	15,446	602,416
2024	33,590	16,270	17,319	586,146
2025	33,589	16,738	16,851	569,408
2026	33,590	17,219	16,371	552,189
2027	33,589	17,714	15,875	534,475
Past 2027	724,784	534,475	190,309	-

SHOPTAW, LABAHN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Commissioners
City of Beebe Water and Sewer System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Beebe, Arkansas Water and Sewer System, component unit of the City of Beebe, Arkansas, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenditures and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2023.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 System'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the System'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.

April 4, 2023

Stephen, Lubster & Company, P.A.