

CADDO VALLEY WATER AND SEWER SYSTEM



CADDO VALLEY, ARKANSAS

DECEMBER 31, 2023

CADDO VALLEY WATER AND SEWER SYSTEM
CADDO VALLEY, ARKANSAS

TABLE OF CONTENTS
DECEMBER 31, 2023

	<u>PAGE NO.</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1 - 2
Independent Accountants' Compilation Report	3
Statements of Net Position - December 31, 2023 and 2022	4 - 5
Statements of Revenues, Expenses and Changes in Net Position - For Years Ended December 31, 2023 and 2022	6
Statements of Cash Flows - For Years Ended December 31, 2023 and 2022	7 - 8
Notes to Financial Statements	9 - 16
SCHEDULE I Schedules of Operating Expenses - For Years Ended December 31, 2023 and 2022	17
SCHEDULE II Budgetary Comparison Schedule - For Year Ended December 31, 2023	18
SCHEDULE III Required Supplemental Information for Cost-Sharing Plans	19

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Caddo Valley, Arkansas

We have performed the procedures enumerated below on the accounting records of Caddo Valley Water and Sewer System as of and for the year ended December 31, 2023. Caddo Valley Water and Sewer System's management is responsible for the entity's accounting records.

Caddo Valley Water and Sewer System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- b. Confirm with depository institutions the cash on deposit and investments.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

6. Long-Term Debt

- a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedure.

We were engaged by Caddo Valley Water and Sewer System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Caddo Valley Water and Sewer System. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Caddo Valley Water and Sewer System and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Caddo Valley Water and Sewer System and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

July 2, 2024

To the Mayor and City Council
Caddo Valley Water and Sewer System
Caddo Valley, Arkansas

INDEPENDENT ACCOUNTANTS' COMPLICATION REPORT

Management is responsible for the accompanying financial statements of Caddo Valley Water and Sewer System, which comprise the statements of net position as of December 31, 2023 and 2022, and related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 18 and Required Supplemental Information for Cost-Sharing Plans on page 19 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The supplementary information contained in Schedule I on page 17, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

As discussed in Note 1, the financial statements referred to above present only Caddo Valley Water and Sewer System, which is an enterprise fund of the City of Caddo Valley, and are not intended to present fairly the financial position of the City of Caddo Valley, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
July 2, 2024

CADDO VALLEY WATER AND SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

Page 4

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:			
Cash		\$ 803,097	\$ 816,298
Revenue Fund Savings CD		2,568,574	2,085,000
Water/Sewer Penny Tax Savings CD		171,321	165,000
Accounts Receivable		46,450	68,569
Sales Tax Receivable		92,026	57,934
Unbilled Revenue		13,511	10,162
TOTAL CURRENT ASSETS		<u>3,694,979</u>	<u>3,202,963</u>
RESTRICTED ASSETS:			
Cash - Meter Deposit Fund		<u>45,353</u>	<u>44,945</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land		89,423	89,423
Water Plant		971,780	623,761
Sewer Plant		2,783,580	2,783,580
Machinery and Equipment		121,367	74,845
Furniture and Fixtures		17,587	17,587
Water Tower		157,922	157,922
Construction in Progress		200,345	524,917
		<u>4,342,004</u>	<u>4,272,035</u>
Less Accumulated Depreciation		<u>(2,763,151)</u>	<u>(2,677,424)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT		<u>1,578,853</u>	<u>1,594,611</u>
TOTAL ASSETS		<u>5,319,185</u>	<u>4,842,519</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources Related to Pension		20,667	20,131
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u><u>\$ 5,339,852</u></u>	<u><u>\$ 4,862,650</u></u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

CADDO VALLEY WATER AND SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	2023	2022
CURRENT LIABILITIES:		
Accounts Payable	\$ 25,738	\$ 32,484
Sales Tax Payable	2,217	2,263
TOTAL CURRENT LIABILITIES	27,955	34,747
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Customers' Meter Deposits	45,353	44,945
LONG-TERM LIABILITIES:		
Net Pension Liability	52,334	49,151
TOTAL LIABILITIES	125,642	128,843
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	913	960
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	126,555	129,803
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	1,578,853	1,594,611
Restricted	-	-
Unrestricted	3,634,444	3,138,236
TOTAL NET POSITION	5,213,297	4,732,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,339,852	\$ 4,862,650

See Independent Accountants' Compilation Report and Notes to Financial Statements.

CADDO VALLEY WATER AND SEWER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE:		
Water Revenue	\$ 448,515	\$ 462,560
Sewer Revenue	110,780	107,278
Miscellaneous Revenue	61,144	64,345
TOTAL OPERATING REVENUE	620,439	634,183
 OPERATING EXPENSES (SCHEDULE I)	 617,290	 626,212
 OPERATING INCOME	 3,149	 7,971
OTHER REVENUE:		
Sales Tax Revenue	386,468	366,560
Interest Income	90,833	2,347
TOTAL OTHER REVENUE	477,301	368,907
 NET INCOME	 480,450	 376,878
 NET POSITION, BEGINNING OF YEAR	 4,732,847	 4,355,969
 NET POSITION, END OF YEAR	 \$ 5,213,297	 \$ 4,732,847

See Independent Accountants' Compilation Report and Notes to Financial Statements.

CADDO VALLEY WATER AND SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

Page 7

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 639,209	\$ 608,167
Cash Paid to Suppliers and Others	(465,865)	(502,141)
Cash Paid to Employees	(69,890)	(44,096)
NET CASH FLOW FROM OPERATING ACTIVITIES	103,454	61,930
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Asset Acquisitions	(69,969)	(25,000)
Purchases of Certificates of Deposit	(489,894)	(2,250,000)
Interest Received	90,833	2,347
NET CASH FLOW FROM INVESTING ACTIVITIES	(469,030)	(2,272,653)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	408	2,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Sales Tax Revenue	352,375	365,651
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	352,375	365,651
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,793)	(1,842,997)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	861,243	2,704,240
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 848,450	\$ 861,243

See Independent Accountants' Compilation Report and Notes to Financial Statements.

CADDO VALLEY WATER AND SEWER SYSTEM
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

Reconciliation of operating income to net cash flow from operating activities:

	2023	2022
OPERATING INCOME	\$ 3,149	\$ 7,971
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	85,727	78,410
Pension Related Adjustment	2,600	2,064
Change in Assets and Liabilities:		
Accounts Receivable	18,770	(26,016)
Accounts Payable and Accrued Expenses	(6,792)	(499)
TOTAL ADJUSTMENTS	100,305	53,959
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 103,454	\$ 61,930

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

CADDO VALLEY WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Significant Accounting Policies:

The Caddo Valley Water and Sewer System is an Enterprise Fund of the City of Caddo Valley. The accompanying financial statements and other information reflect the Caddo Valley Water and Sewer System fund and do not include other funds of the City of Caddo Valley.

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles under which revenues are recognized when earned, and expenses are recorded when incurred. The System applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

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

Plant infrastructure and equipment are stated on the basis of cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Water System	10 – 50
Sewer System	5 - 40
Machinery and Equipment	3 - 10

Unbilled revenue in the System is revenue earned since the last billing to customers. Meters are read at the end of each month and are billed the following month. Unbilled revenue at December 31, 2023 is for services provided in December 2023 which were billed in January 2024.

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

The System sells water and sewer services to businesses and residents of the City of Caddo Valley and requires a meter deposit from each customer. Services are discontinued for non-payment of accounts. For these reasons, the System feels its credit risk is limited. Although its service area is concentrated, the System's customers include various types of businesses as well as residential customers.

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

Management has evaluated subsequent events through July 2, 2024, the date the financial statements were available for issuance.

CADDO VALLEY WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 2. Property, Plant and Equipment:

Property, plant and equipment activity for the year ended December 31, 2023 was as follows:

	12/31/2022	Increases	Decreases	Transfers	12/31/2023
Land	\$ 89,423	\$ -	\$ -	\$ -	\$ 89,423
Water Plant	623,761	-	-	348,019	971,780
Sewer Plant	2,783,580	-	-	-	2,783,580
Machinery and Equipment	74,845	46,522	-	-	121,367
Furniture and Fixtures	17,587	-	-	-	17,587
Water Tower	157,922	-	-	-	157,922
Construction in Progress	524,917	45,945	(22,498)	(348,019)	200,345
	<u>4,272,035</u>	<u>92,467</u>	<u>(22,498)</u>	<u>-</u>	<u>4,342,004</u>
Less Accumulated Depreciation	(2,677,424)	(85,727)	-	-	(2,763,151)
NET	<u>\$ 1,594,611</u>	<u>\$ 6,740</u>	<u>\$ (22,498)</u>	<u>\$ -</u>	<u>\$ 1,578,853</u>

Property, plant and equipment activity for the year ended December 31, 2022 was as follows:

	12/31/2021	Increases	Decreases	Transfers	12/31/2022
Land	\$ 89,423	\$ -	\$ -	\$ -	\$ 89,423
Water Plant	623,761	-	-	-	623,761
Sewer Plant	2,758,580	25,000	-	-	2,783,580
Machinery and Equipment	74,845	-	-	-	74,845
Furniture and Fixtures	17,587	-	-	-	17,587
Water Tower	157,922	-	-	-	157,922
Construction in Progress	524,917	-	-	-	524,917
	<u>4,247,035</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>4,272,035</u>
Less Accumulated Depreciation	(2,599,014)	(78,410)	-	-	(2,677,424)
NET	<u>\$ 1,648,021</u>	<u>\$ (53,410)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,594,611</u>

Note 3. Contributed Capital:

Contributed capital represents grants received to assist in financing acquisition and construction of the System. During 1989, capital in the amount of \$67,869 was contributed by individuals for the extension of a sewer line.

Note 4. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations where principal and interest are fully guaranteed by the United States of America. All cash funds of the System are deposited in accounts in the name of the Caddo Valley Water and Sewer System in financial institutions permitted by law.

CADDO VALLEY WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 4. Public Fund Deposits and Investments: (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2023 was \$848,450. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$864,008 before adjustment for outstanding items.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Caddo Valley Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Caddo Valley accounts and investments at a financial institution. However, securities with a market value of \$5,254,529 were pledged as collateral at December 31, 2023.

Investment Credit Risk: The Caddo Valley Water and Sewer System does not have a formal investment policy. Investments consist of U.S. treasury notes and certificates of deposit with banks authorized by state law to receive deposits of public funds.

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

Note 5. Major Customer:

The System provides water to the Arkadelphia Human Development Center ("AHDC"). Revenue received and accounts receivable from AHDC for 2023 and 2022 are as follows:

	2023	2022
Total Revenue from AHDC	\$ 157,568	\$ 142,568
Due from AHDC at December 31	12,256	11,862

Note 6. Major Supplier:

The System purchases 100% of its water from the Arkadelphia Water and Sewer Systems. Water purchases for the years ending December 31, 2023 and 2022 totaled \$168,140 and \$186,838, respectively. Accounts payable to Arkadelphia Water and Sewer Systems at December 31, 2023 and 2022 were \$18,363 and \$16,530, respectively.

CADDO VALLEY WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Page 12

Note 7. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 8. Risk Management:

The System is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The System maintains insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the System. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Note 9. Arkansas Public Employees Retirement System:

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

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

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

Plan Description

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

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

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the entire 2022 calendar year. Contributions made by the Utility were \$10,118 and \$6,579 for the years ended December 31, 2023 and 2022, respectively.

CADDO VALLEY WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 9. Arkansas Public Employees Retirement System: (Continued)

Benefits Provided

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

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-703(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. The contribution rate was unchanged for the fiscal year beginning July 1, 2023.

CADDO VALLEY WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Page 14

Note 9. Arkansas Public Employees Retirement System: (Continued)

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.00%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Mortality Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

CADDO VALLEY WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 9. Arkansas Public Employees Retirement System: (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 are summarized in the table below:

Asset Class	Target 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	100%	

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

CADDO VALLEY WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 9. Arkansas Public Employees Retirement System: (Continued)

The Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 2,954	\$ 1,180	\$ 324	\$ 559	\$ 860
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,349	5,660	9,106	4,455	3,758
Changes in assumptions	2,461	-	-	528	1,715
Utility contributions subsequent to measurement date	6,390	2,923	3,018	3,119	2,631
Net difference between projected and actual earnings on pension plan investments	6,514	10,368	-	4,459	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(287)	(593)	(909)	(28)	(47)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(625)	(367)	(301)	(565)	(1,306)
Changes in assumptions	-	-	(99)	(722)	(1,215)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	(24,880)	-	(240)
Totals	<u><u>\$ 19,754</u></u>	<u><u>\$ 19,171</u></u>	<u><u>\$(13,741)</u></u>	<u><u>\$ 11,805</u></u>	<u><u>\$ 6,156</u></u>

\$6,390 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Differences in Experience</u>	<u>Changes in Assumptions</u>	<u>Differences in Earnings</u>	<u>Changes in Contribution Proportion</u>	<u>Net Reduction in Pension Expense</u>
2023	\$ 580	\$ 535	\$ 1,303	\$ 375	\$ 2,793
2024	580	535	1,303	375	2,793
2025	580	535	1,303	375	2,793
2026	580	535	1,303	375	2,793
2027	347	321	1,302	223	2,193
	<u><u>\$ 2,667</u></u>	<u><u>\$ 2,461</u></u>	<u><u>\$ 6,514</u></u>	<u><u>\$ 1,723</u></u>	<u><u>\$ 13,365</u></u>

SUPPLEMENTARY INFORMATION

CADDO VALLEY WATER AND SEWER SYSTEM
 SCHEDULES OF OPERATING EXPENSES
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

SCHEDULE I
 PAGE 17

	2023	2022
OPERATING EXPENSES:		
Salaries, Labor and Employee Benefits	\$ 118,365	\$ 113,586
GASB 68 Adjustment	2,600	2,064
Water Purchased	186,503	203,369
Chemicals and Supplies	32,410	10,903
Legal and Professional Fees	7,227	7,154
Repairs and Maintenance	64,379	81,433
Utilities	41,162	52,201
Office Supplies and Expense	4,477	4,748
Depreciation Expense	85,727	78,410
Taxes and Licenses	35,925	33,616
Sanitation	28,397	27,880
Miscellaneous	10,118	10,848
TOTAL OPERATING EXPENSES	\$ 617,290	\$ 626,212

See Independent Accountants' Compilation Report.

CADDO VALLEY WATER AND SEWER SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE II
 Page 18

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES:			
Water Revenue	\$ 427,200	\$ 448,515	\$ 21,315
Sewer Revenue	100,000	110,780	10,780
Miscellaneous	240,160	61,144	(179,016)
TOTAL OPERATING REVENUES	<u>767,360</u>	<u>620,439</u>	<u>(146,921)</u>
OPERATING EXPENSES:			
Salaries, Labor and Employee Benefits	119,240	118,365	875
GASB 68 Adjustment	-	2,600	(2,600)
Water Purchased	215,000	186,503	28,497
Chemicals and Supplies	28,000	32,410	(4,410)
Legal and Professional Fees	11,000	7,227	3,773
Repairs and Maintenance	380,000	64,379	315,621
Utilities	61,000	41,162	19,838
Office Supplies and Expense	5,750	4,477	1,273
Depreciation Expense	-	85,727	(85,727)
Taxes and Licenses	31,100	35,925	(4,825)
Sanitation	28,000	28,397	(397)
Miscellaneous	13,060	10,118	2,942
TOTAL OPERATING EXPENSES	<u>892,150</u>	<u>617,290</u>	<u>274,860</u>
OPERATING INCOME (LOSS)	<u>(124,790)</u>	<u>3,149</u>	<u>127,939</u>
OTHER INCOME:			
Sales Tax Revenue	365,000	386,468	21,468
Interest Income	70,000	90,833	20,833
TOTAL OTHER INCOME	<u>435,000</u>	<u>477,301</u>	<u>42,301</u>
NET INCOME	<u>\$ 310,210</u>	<u>\$ 480,450</u>	<u>\$ 170,240</u>

See Independent Accountants' Compilation Report.

CADDO VALLEY WATER AND SEWER SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2023

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

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
System's proportion of the net pension liability (asset) per APERS	0.0051310%	0.0052081%	0.0052674%	0.0042043%	0.0037417%
System's proportionate share of the net pension liability - per APERS	\$ 52,334	\$ 49,151	\$ 14,174	\$ 42,138	\$ 31,594
System's covered-employee payroll	\$ 66,044	\$ 42,944	\$ 39,230	\$ 38,342	\$ 33,805
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	79.24%	114.45%	36.13%	109.90%	93.46%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 10,118	\$ 6,579	\$ 6,010	\$ 5,874	\$ 5,179
Contributions in relation to the contractually required contribution	<u>(10,118)</u>	<u>(6,579)</u>	<u>(6,010)</u>	<u>(5,874)</u>	<u>(5,179)</u>
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 66,044	\$ 42,944	\$ 39,230	\$ 38,342	\$ 33,805
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%

See Independent Accountants' Compilation Report.