

City of Calico Rock, Arkansas Water and Wastewater System

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022

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& ASSOCIATES, P.A.

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## INDEPENDENT AUDITOR'S REPORT

To the City Council and Management  
City of Calico Rock, Arkansas Water and Wastewater Department  
Calico Rock, Arkansas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the City of Calico Rock, Arkansas Water and Wastewater Department as of and for the years ended December 31, 2023 and 2022, and the related notes to the 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 City of Calico Rock, Arkansas Water and Wastewater Department, as of December 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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 City of Calico Rock, Arkansas Water and Wastewater Department 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 opinion.

#### *Adjustments to Prior Period Financial Statements*

The financial statements of the City of Calico Rock, Arkansas Water and Wastewater Department as of December 31, 2022 were audited by other auditors whose report dated November 21, 2023, expressed an qualified opinion on those statements. As discussed in Note 11 to the financial statements, the Department has adjusted its 2022 financial statements for the correction of errors. The other auditors reported on the financial statements before adjustments.

As part of our audit of the 2023 financial statements, we audited adjustments described in Note 11 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Department other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

#### *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 City of Calico Rock, Arkansas Water and Wastewater Department'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 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 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.

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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 City of Calico Rock, Arkansas Water and Wastewater Department'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 City of Calico Rock, Arkansas Water and Wastewater Department'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***

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

Accounting principles generally accepted in the United States of America require that the supplemental information for cost sharing plans on page 22 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.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Water and Wastewater System Fund of the City of Calico Rock, Arkansas and do not purport to, and do not present fairly the financial position of the City of Calico Rock, Arkansas as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2025, on our consideration of City of Calico Rock, Arkansas Water and Wastewater Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Calico Rock, Arkansas Water and Wastewater Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Calico Rock, Arkansas Water and Wastewater Department's internal control over financial reporting and compliance.

*Turner, Williams and Associates, P.A.*

Turner, Williams and Associates, P.A.

Searcy, Arkansas  
January 8, 2025



City of Calico Rock, Arkansas Water and Wastewater System  
Statement of Net Position  
December 31, 2023 and 2022

<u>Assets</u>	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 36,377	\$ 63,211
Accounts receivable, net of allowance	86,070	83,801
Inventory	57,650	57,650
Total Current Assets	<u>180,097</u>	<u>204,662</u>
Property, Plant, and Equipment:		
Property, plant, and equipment, net	2,348,335	2,303,226
Total Property, Plant, and Equipment	<u>2,348,335</u>	<u>2,303,226</u>
Restricted Assets:		
Cash and cash equivalents	152,589	149,454
Total Restricted Assets	<u>152,589</u>	<u>149,454</u>
Total Assets	<u>2,681,021</u>	<u>2,657,342</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pension	86,460	122,404
Total Assets and Deferred Outflows of Resources	<u>\$ 2,767,481</u>	<u>\$ 2,779,746</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable	\$ 23,141	\$ 26,764
Accrued interest	4,944	4,944
Other liabilities	18,214	13,037
Customer meter deposits	68,565	65,430
Current portion long-term debt	56,778	54,121
Total Current Liabilities	<u>171,642</u>	<u>164,296</u>
Long-term Liabilities:		
Net pension liability	125,536	143,844
Notes and bonds payable, net of current portion	825,408	882,189
Total Long-term Liabilities	<u>950,944</u>	<u>1,026,033</u>
Total Liabilities	<u>1,122,586</u>	<u>1,190,329</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	50,193	67,282
Total Liabilities and Deferred Inflows of Resources	<u>1,172,779</u>	<u>1,257,611</u>
Net Position:		
Net investment in capital assets	1,466,149	1,366,916
Restricted		
Restricted for debt service	84,024	84,024
Unrestricted	44,529	71,195
Total Net Position	<u>1,594,702</u>	<u>1,522,135</u>
Total Liabilities and Net Position	<u>\$ 2,767,481</u>	<u>\$ 2,779,746</u>

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

City of Calico Rock, Arkansas Water and Wastewater Department  
Statement of Revenues, Expenses and Change in Net Position  
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Water revenue	\$ 278,622	\$ 300,885
Sanitation charges	119,400	101,288
Sewer revenue	180,087	170,113
Fees, late charges and other	13,492	11,533
Other income	<u>8,245</u>	<u>6,364</u>
Total Operating Revenues	<u>599,846</u>	<u>590,183</u>
Operating Expenses		
Salaries and wages	126,149	116,849
Payroll taxes and employee benefits	16,550	12,832
Contract labor	-	5,600
Pension	18,791	15,674
Sanitation	103,732	98,254
Lab Tests	7,320	6,193
Repairs and maintenance	75,063	90,170
Auto and Fuel	17,618	18,355
Insurance	3,867	5,252
Utilities	113,675	124,140
Membership dues and fees	10,384	8,502
Office expense	4,908	4,065
Professional fees	8,500	4,250
Sludge Removal	-	18,100
Miscellaneous expense	-	7,298
Depreciation	<u>153,040</u>	<u>155,435</u>
Total Operating Expenses	<u>659,597</u>	<u>690,969</u>
Net Operating Income (Loss)	<u>(59,751)</u>	<u>(100,786)</u>
Non-Operating Revenue/(Expense)		
Sales tax revenue, net	57,931	55,865
Interest income	1,851	641
Interest expense	<u>(42,297)</u>	<u>(44,937)</u>
Total Non-Operating Revenue/(Expense)	<u>17,485</u>	<u>11,569</u>
Increase (decrease) in net position	(42,266)	(89,217)
Net position at beginning of year	1,522,135	1,682,911
Prior period adjustments (Note 11)	-	(88,722)
Contributed Capital (Note 12)	114,833	17,163
Net position at end of year	<u>\$ 1,594,702</u>	<u>\$ 1,522,135</u>

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



City of Calico Rock, Arkansas Water and Wastewater Department  
Statement of Cash Flows  
December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 604,430	\$ 590,056
Receipts from other	57,931	55,865
Payment to suppliers	(366,022)	(428,080)
Payment to employees	(142,152)	(16,809)
Net cash provided (used) by operating activities	<u>154,187</u>	<u>201,032</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(198,149)	(17,163)
Principal paid on capital debt	(54,124)	(61,143)
Proceeds from contributed capital	114,833	17,163
Interest paid on capital debt	(42,297)	(44,937)
Net cash provided (used) by capital and related financing activities	<u>(179,737)</u>	<u>(106,080)</u>
Cash flows from investing activities:		
Interest income	1,851	641
Net cash provided (used) by investing activities	<u>1,851</u>	<u>641</u>
Net increase (decrease) in cash and cash equivalents	(23,699)	95,593
Cash and cash equivalents at beginning of year	<u>212,665</u>	<u>117,072</u>
Cash and cash equivalents at end of year	<u>\$ 188,966</u>	<u>\$ 212,665</u>
Reconciliation of operating income/(loss) to net cash provided /(used) by operating activities		
Operating income/(loss)	\$ (59,751)	\$ (100,786)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	153,040	155,435
Sales tax revenue	57,931	55,865
Change in assets and liabilities:		
Accounts receivables	(2,269)	(1,958)
Deferred outflows of resources	35,944	(122,404)
Accounts payable and accrued expenses	1,554	(22,227)
Customer meter deposits	3,135	1,831
Pension liability	(18,308)	67,282
Deferred inflows of resources	(17,089)	167,994
Net cash provided (used) by operating activities	<u>\$ 154,187</u>	<u>\$ 201,032</u>
Reconciliation:		
Unrestricted cash and cash equivalents	\$ 36,377	\$ 63,211
Restricted cash and cash equivalents	<u>152,589</u>	<u>149,454</u>
Cash and cash equivalents at end of year	<u>\$ 188,966</u>	<u>\$ 212,665</u>

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

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

City of Calico Rock Water and Wastewater Department (the Department) is a component unit of the City of Calico Rock, Arkansas (the City). The purpose of the Department is to provide and maintain water and sewer services to residents and commercial and industrial customers of the City of Calico Rock, Arkansas. Activities of the Department include administration, operation and maintenance of the water, sewer and sanitation Departments, and billing and collection activities. The City Council sets user charges, established budgets, selects management, and controls all aspects of the Water and Wastewater Department's daily operations.

The accounting system is organized and operated on a fund basis. A fund is defined set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Accounting

The financial statements of the Department are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing US GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The Department's revenue is derived primarily from water and sewer services. Revenue is recognized on the accrual basis and is recorded as services are provided. Revenue from services provided is considered operating revenue. Non-operating revenues consist of interest income, grant funds and miscellaneous income.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Department's policy is to first apply the expense toward restricted resources, if restrictions have been met, and then toward unrestricted resources.



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The estimated fair values of the Department's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Accounts Receivable

Accounts receivables include amounts due from residents for water and sewer services. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. As of December 31, 2023 and 2022, the allowance for doubtful accounts was \$11,273 and \$10,824, respectively.

Customers are billed on a monthly billing cycle by the Department based on actual or estimated meter readings. The Department recognizes unbilled accounts receivable for services provided prior to year-end that are billed during the following year.

Sales of water and sewer services are made on an open account to customers located in Calico Rock, Arkansas, and are collateralized to the extent of each customer's meter deposit.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Interest expenditures incurred on construction projects are capitalized as a cost of construction. Major improvements or betterments to property accounts are capitalized. Maintenance and repairs which do not extend the lives of the applicable assets are charged to the expense as incurred. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the property accounts and any resulting gain or loss is regarded in income. Depreciation is computed using primarily the straight-line method over the following estimated useful lives:

Inventories

A portion of the materials and supplies inventories are reported at the lower of cost or market, determined by using the first-in, first-out method. The remaining inventory is carried at market value as of December 31, 2023 as management believes this valuation is closer to lower of cost or market as original cost of some items could not be determined.

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Asset	Useful Life
Buildings and improvements	7-40 years
Water distribution system	7-40 years
Sewer distribution system	5-40 years
Equipment and vehicles	5-20 years

Depreciation expense was \$153,040 and \$155,435 for the years ended December 31, 2023 and 2022, respectively.

Long Term Debt

All long term debt to be repaid from business-type resources are reported as liabilities in the financial statements. The long-term debt consists primarily of bonds and notes payable.

Sales Taxes

Sales taxes charged to the Department's customers are recorded as accounts receivable and sales tax payable when charged to customer. When these amounts are remitted to the appropriate taxing authority, the sales tax payable is reduced. When the customer pays the bill the accounts receivable is reduced.

Net Position Classifications

GASB requires the classification of net position into three classifications defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consist of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component consists of net position that do not meet the definition of "net investment in capital assets," or "restricted".



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Revenue Recognition

Revenues for water and sewer services are recognized in the period during which the related services are provided. Accounts receivable and revenues reported on the Department's financial statements include an estimate of charges for services provided but unbilled at year end.

Grant Revenue

Resources from capital grants are reported as temporarily restricted net position. When a grant restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of revenues, expenses and changes in net position as net assets released from restrictions.

Income Taxes

The Department is not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements. Management has evaluated all tax positions and determined that the Department does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Department does not file federal income tax returns.

Compensated Absences

It is the Department's policy to recognize compensated absences when paid. The Department allows up to 240 compensatory hours and 80 vacation hours to be accrued annually. Accordingly, an accrual is recognized in the amounts of \$18,214 and \$13,037 for years ended December 31, 2023 and 2022, respectively.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through January 8, 2025, the date which the financial statements were available to be issued.

## 2) CONCENTRATIONS OF CREDIT

The City of Calico Rock, Arkansas Water and Wastewater Department maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. At December 31, 2023 and 2022, cash balances did not exceed FDIC coverage.

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

### 3) CASH AND INVESTMENTS

At December 31, 2023 and 2022, cash balances did not exceed the FDIC coverage. The table presented below is designed to disclose the level of custody credit risk assumed by the Department based upon how its deposits were insured or secured with collateral at December 31, 2023 and 2022. The categories of credit risk are defined as follows:

Category 1- Insured by FDIC or collateralized with securities held by the Department (or public trust) or by its agents in its name.

Category 2- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution's trust Department or agent in the Department's name.

Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust Department or agent but not in the Department's name; or collateralized with no written or approved collateralized agreement.

	<u>2023</u>	<u>2022</u>
Category 1	\$ 201,882	\$ 230,971
Category 2	-	-
Category 3	-	-
	<u>\$ 201,882</u>	<u>\$ 230,971</u>

Cash and investments consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash		
Unrestricted	\$ 36,377	\$ 63,211
Restricted	<u>152,589</u>	<u>149,454</u>
	<u>\$ 188,966</u>	<u>\$ 212,665</u>

### 4) RESTRICTED ASSETS

#### (a) Restricted Balances

Restricted assets consists of debt service and meter deposits.

Restricted assets at December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Restricted for debt service	\$ 84,024	\$ 84,024
Meter deposits	<u>68,565</u>	<u>65,430</u>
Total restricted assets	<u>\$ 152,589</u>	<u>\$ 149,454</u>



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

(b) Reserve Accounts

	Reserve Acct Balance 1/1/2023	Additional Reserve Amount	Retired Reserve Amount	Required Reserve Acct Balance 12/31/2023	Actual Reserve Acct Balance 12/31/2023
USDA (Loan 92-06)	\$ 43,596	\$ -	\$ -	\$ 43,596	\$ 43,596
USDA (Loan 91-09)	17,568	-	-	17,568	17,568
USDA (Loan 91-13)	22,860	-	-	22,860	22,860
	<u>\$ 84,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,024</u>	<u>\$ 84,024</u>

USDA (Loan 92-06) requires the Fund to establish debt service reserves in an amount equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. The monthly debt service reserve is to be \$363 a month, until \$43,596 is accumulated. The total required reserve has been met. Disbursements from the reserve account may only be made with proper consent of the USDA-Rural Development.

USDA (Loan 91-09) requires the Fund to establish debt service reserves in an amount equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. The monthly debt service reserve is to be \$146 a month, until \$17,568 is accumulated. The total required reserve has been met. Disbursements from the reserve account may only be made with proper consent of the USDA-Rural Development.

USDA (Loan 91-13) requires the Fund to establish debt service reserves in an amount equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. The monthly debt service reserve is to be \$191 a month, until \$22,860 is accumulated. The total required reserve has been met. Disbursements from the reserve account may only be made with proper consent of the USDA-Rural Development.

There were no violations during the years ended December 31, 2023 and 2022 of legal or contractual provision for deposits. Bank balances of the deposits listed above are insured up to the limits allowed by the Federal Deposit Insurance Corporation and are collateralized with securities pledged by First Financial Bank.

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	2022	Additions	Disposals	Transfers	2023
Land	\$ 16,239	\$ -	\$ -	\$ -	\$ 16,239
Construction in Progress	36,596	-	(36,596)	-	-
Vehicles	42,120	3,988	-	-	46,108
Water and sewer system	6,351,244	202,028	-	-	6,553,272
Equipment	241,785	28,729	-	-	270,514
	6,687,984	234,745	(36,596)	-	6,886,133
Accumulated depreciation	(4,384,758)	(153,040)	-	-	(4,537,798)
Net property and equipment	<u>\$ 2,303,226</u>	<u>\$ 81,705</u>	<u>\$ (36,596)</u>	<u>\$ -</u>	<u>\$ 2,348,335</u>

	2021	Additions	Disposals	Transfers	2022
Land	\$ 16,239	\$ -	\$ -	\$ -	\$ 16,239
Construction in Progress	19,433	17,163	-	-	36,596
Vehicles	42,120	-	-	-	42,120
Water and sewer system	6,351,244	-	-	-	6,351,244
Equipment	241,785	-	-	-	241,785
	6,670,821	17,163	-	-	6,687,984
Accumulated depreciation	(4,229,323)	(155,435)	-	-	(4,384,758)
Net property and equipment	<u>\$ 2,441,498</u>	<u>\$ (138,272)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,303,226</u>

6) BONDS PAYABLE

Bonds payable at December 31, consist of the following

	2022	Additions	Principal Payments	2023	Due Within One Year
Arkansas Natural Resources Commission- 1992 bond issuance, payable in annual installments of \$10,030 including principal and interest. The bonds bear an annual interest rate of 5.00% and is scheduled to mature in 2022.	\$ 17,892	\$ -	\$ (3,238)	\$ 14,654	\$ 3,400
Arkansas Natural Resources Commission- 2007 bond issuance, payable in annual installments of \$8,265 including principal and interest. The bonds bear an annual interest rate of 5.00% and is scheduled to mature in 2037.	85,789	-	(3,976)	81,813	4,174

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

USDA-Rural Development- 91-09  
bond issuance, payable in monthly  
installments of \$1,464 including  
principal and interest. The bonds bear  
an annual interest rate of 4.75% and  
is scheduled to mature in 2038.

180,946	-	(9,172)	171,774	9,616
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USDA-Rural Development- 91-13  
bond issuance, payable in monthly  
installments of \$1,905 including  
principal and interest. The bonds bear  
an annual interest rate of 4.125% and  
is scheduled to mature in 2047.

347,681	-	(8,682)	338,999	9,046
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USDA-Rural Development- 92-06  
bond issuance, payable in monthly  
installments of \$3,633 including  
principal and interest. The bonds bear  
an annual interest rate of 5.00% and  
is scheduled to mature in 2033.

304,003	-	(29,057)	274,946	30,542
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Total Debt	936,311	-	(54,125)	882,186	56,778
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Less: Current Maturities	(54,121)			(56,778)	
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Total Long-Term Debt	<u>\$ 882,190</u>			<u>\$ 825,408</u>	
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Scheduled retirements of long-term debt are as follows:

	Principal	Interest	Total
2024	56,778	39,644	96,422
2025	59,567	36,855	96,422
2026	62,493	33,928	96,421
2027	65,564	30,858	96,422
2028	64,653	27,636	92,289
2029-2033	262,826	93,652	356,478
2034-2038	155,211	47,879	203,090
2039-2043	91,241	23,059	114,300
2044-2048	63,853	4,106	67,959
	<u>\$ 882,186</u>	<u>\$ 337,617</u>	<u>\$1,219,803</u>



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

8) RETIREMENT PLAN

Plan Description

The Department participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the Department 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 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 Department contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ending December 31, 2023 and 2022. Contributions made by the Fund were \$18,791 and \$15,674 for the years ended December 31, 2023 and 2022, respectively. There were 4 employees covered by the plan at December 31, 2023.

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 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non- Contributory	1.72%

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
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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),
- At age 55 with 35 years of credited service for elected or public safety officials

The normal retirement benefit amount, paid on a monthly basis is determined by the member's final average salary and years of service. Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 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. Beginning July 1, 2022, the member contribution rate will increase in increments of 0.25% per year until it reaches the maximum 7%. 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. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional

#### APERS Fiduciary Net Position

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



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Pension Liabilities, Pension Expenses, 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. The Department's proportion of the Net Pension Liability was .00430775% at June 30, 2023, which is a decrease of .000102694% since the prior measurement date.

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
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 Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)

Actuarial Assumptions:

Investment Rate of Return	7.15%
Inflation	3.25% wage inflation and 2.5% price inflation
Salary Increases	3.25%-9.85% including inflation (3.25%-6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Mortality Table	Based on 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
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Average Service Life of All Members	3.7241
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Notes	None
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Long-Term Expected Return on Plan Assets

The APERS's policy in regard to allocation of its invested assets was established by the Board and is reviewed at least annually to determine if the asset allocation is consistent with an acceptable level of risk and volatility.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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 current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2023 to 2032 were based upon capital market assumptions provided by the System's investment consultants. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2023, these best estimates are 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	100%	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.00%
Net Expected Return		7.44%



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

Sensitivity of the Net Pension Liability to Changes to the Single Discount Rate Assumption

The following presents the Department's net pension liability, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	1% Lower than Discount Rate (6.00%)	Current Rate (7.00%)	1% Higher than Current Rate (8.00%)
Net Pension Liability	\$ 200,093	\$ 125,536	\$ 64,108

Pension Expense, and Deferred Inflow/Outflows of Resources related to Pensions

The Department's proportionate share of pension expense was \$26,320 as of the measurement date of June 30, 2023. At December 31, 2023, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

	2023	
	Deferred Outflows of Resources Resources	Deferred Inflows of Resources Resources
Differences between expected and actual experience	\$ 7,086	\$ 690
Changes due to proportion	8,398	10,001
Changes in assumptions	5,904	-
Net difference between projected and actual earnings on pension plan investments	55,128	39,502
System contributions subsequent to measurement date	9,944	-
Total	<u>\$ 86,460</u>	<u>\$ 50,193</u>

  

	2022	
	Deferred Outflows of Resources Resources	Deferred Inflows of Resources Resources
Differences between expected and actual experience	\$ 3,453	\$ 1,737
Changes due to proportion	15,996	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	95,889	65,545
System contributions	7,066	-
Total	<u>\$ 122,404</u>	<u>\$ 67,282</u>

City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

Year Ended December 31,	Net Increase (Decrease) in Pension
2024	\$ 6,276
2025	3,102
2026	17,936
2027	(994)
2028	-
Total	<u>\$ 26,320</u>

9) RISK MANAGEMENT

The City of Calico Rock, Arkansas Water and Wastewater Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries commercial insurance for risks of loss, including property and casualty insurance, worker's compensation, employee and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years and there has been no significant reduction in the amount of coverage provided.

10) CHANGES IN NET POSITION

The changes in net position are as follows:	Invested in Capital assets	Unrestricted	Restricted	Total
Net position at December 31, 2022	\$ 1,366,916	\$ 159,917	\$ 84,024	\$ 1,610,857
Profit	-	(42,266)	-	(42,266)
Prior period adjustments (Note 11)	-	(88,722)	-	(88,722)
Contributed Capital (Note 12)		114,833		114,833
Transfers	99,233	(99,233)	-	-
Net position at December 31, 2023	<u>\$ 1,466,149</u>	<u>\$ 44,529</u>	<u>\$ 84,024</u>	<u>\$ 1,594,702</u>

11) PRIOR PERIOD ADJUSTMENT

The Department's unrestricted net assets were overstated by \$88,722 in the prior year and as a result the following were posted. An adjustment was posted as a decrease to unrestricted net assets of \$88,722 as of December 31, 2023 for adjustment to net pension liability.



City of Calico Rock, Arkansas Water and Wastewater Department  
Notes to the Financial Statements  
December 31, 2023 and 2022

12) CONTRIBUTED CAPITAL FROM CITY

The City of Calico Rock, Arkansas Water and Wastewater Department received funding relating to the 44 Bridge Project which was completed by December 31, 2023. The department received \$114,833 as of December 31, 2023 for reimbursement of expenses incurred related to the project.

13) ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2022, the System adopted GASB Accounting Standards Statement 87, Leases, which improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizing as inflows or outflows of resources based on payment provisions. The System did not have any leases subject to the new standards and therefore, there was no impact to net position, revenues, or expenses as a result of applying GASB 87 for the year ended December 31, 2023, and there have been no significant changes to the System's business processes, systems, or internal controls as a result of implementing the standard.

14) FUTURE ACCOUNTING

GASB Statement No. 100 - An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023, with earlier application encouraged.

Required Supplemental Information for Cost-Sharing Employer Plans

City of Calico Rock, Arkansas Water and Wastewater Department  
Required Supplemental Information for Cost-Sharing Employer Plans  
Arkansas Public Employee Retirement System

For the Year Ended December 31, 2023:

Schedule of Department's Proportionate Share of the Net Pension Liability

	<u>6/30/2023</u>	<u>6/30/2022</u>
Department's proportion of the net pension liability	0.00430775%	0.00533469%
Department's proportionate share of the net pension liability	\$ 125,536	\$ 143,844
Department's covered-employee payroll	\$ 121,072	\$ 103,812
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.69%	138.56%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%
APERS discount rate	7.00%	7.15%

Schedule of Required Contributions

	<u>6/30/2023</u>	<u>6/30/2022</u>
Contractually required contribution	\$ 18,791	\$ 15,674
Contributions in relation to the contractually required contribution	(18,791)	(15,674)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 121,072	\$ 103,812
Contributions as a percentage of covered-employee payroll	15.52%	15.10%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10 -year trend is compiled, the Department will present information for only years in which information is available. Information has been determined as of the Department's most recent fiscal year-end (June 30).

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



## Supplemental Information

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

To the City Council and Management  
City of Calico Rock Water and Wastewater Department  
Calico Rock, Arkansas

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 City of Calico Rock, Arkansas Water and Wastewater Department, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City of Calico Rock, Arkansas Water and Wastewater Department's basic financial statements and have issued our report thereon dated January 8, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Calico Rock, Arkansas Water and Wastewater Department'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 City of Calico Rock, Arkansas Water and Wastewater Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Calico Rock, Arkansas Water and Wastewater Department'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, describe in the accompanying schedule of findings and responses as items 2023-1 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Calico Rock, Arkansas Water and Wastewater Department'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*.

## **City of Calico Rock, Arkansas Water and Wastewater Department's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Calico Rock, Arkansas Water and Wastewater Department's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Calico Rock, Arkansas Water and Wastewater Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Turner, Williams and Associates, P.A.*

Turner, Williams & Associates, P.A.

Searcy, Arkansas

January 8, 2025



City of Calico Rock, Arkansas Water and Wastewater Department  
Schedule of Water and Wastewater Usage Rates  
For the Years Ended December 31, 2023 and 2022

**Water Rates**

Effective January 2023, monthly water and usage rates were as follows:

**Inside City Limits**

First 1,000 gallons or less	\$18.00
Over 1,000 gallons	\$4.50 per 1,000 gallons

**Outside City Limits**

First 1,000 gallons or less	\$22.00
Over 1,000 gallons	\$4.50 per 1,000 gallons

Effective January 2022, monthly water and usage rates were as follows:

**Inside City Limits**

First 1,000 gallons or less	\$17.75
Over 1,000 gallons	\$4.25 per 1,000 gallons

**Outside City Limits**

First 1,000 gallons or less	\$21.75
Over 1,000 gallons	\$4.25 per 1,000 gallons

**Wastewater Rates**

Effective January 2023, monthly water and usage rates were as follows:

First 1,000 gallons or less	\$17.50
Over 1,000 gallons	\$3.25 per 1,000 gallons

Effective January 2022, monthly water and usage rates were as follows:

First 1,000 gallons or less	\$17.25
Over 1,000 gallons	\$3.00 per 1,000 gallons

City of Calico Rock, Arkansas Water and Wastewater Department  
Schedule of City Officials  
For the Years Ended December 31, 2023 and 2022

<b><u>Position</u></b>	<b><u>Member</u></b>
Mayor	Greg Hamby
Council Member	Jackie Goggans
Council Member	Charles Wilson
Council Member	Steven Lively
Council Member	Howard Jeffery
Council Member	Mitchell Arnold
Council Member	My Kim Nguyen
Council Member	John Duffie
Council Member	Jim King

City of Calico Rock, Arkansas Water and Wastewater Department  
Schedule of Audit Findings and Responses  
December 31, 2023

2023-1

Finding: In performing our test work, numerous adjusting entries were required during the 2023 audit in order to present the Department's financial statements in accordance with generally accepted accounting principles (GAAP). The Department does not have a process in place to ensure accounting records are in accordance with GAAP. This caused many accounts within the Department's financial statements to be misstated. We recommend the Department establish a formal closing checklist (monthly and annually) to document entries, reversing entries, and reconciliations that should be performed. In addition, at the completion of the audit, all required entries should be posted to the accounting software to ensure the Department's final trial balance agrees to the audited trial balance.

Response: Management will establish and implement a closing checklist for the monthly and annual closing processes to ensure the books are closed properly.