

**CITY OF HACKETT, ARKANSAS WATER
AND SEWER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



**CITY OF HACKETT, ARKANSAS WATER
AND SEWER DEPARTMENT
JUNE 30, 2021 AND 2020**

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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Hackett, Arkansas Water and Sewer Department
Hackett, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Hackett, Arkansas Water and Sewer Department (the Department), as of and for the years June 30, 2021 and 2020, 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 financial position of the City of Hackett, Arkansas Water and Sewer Department as of June 30, 2021 and 2020, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Hackett, Arkansas Water and Sewer 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Hackett, Arkansas, as of June 30, 2021 and 2020, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hackett, Arkansas Water and Sewer Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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.

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 Hackett, Arkansas Water and Sewer 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 Hackett, Arkansas Water and Sewer Department's ability to continue as a going concern for a reasonable period of time.

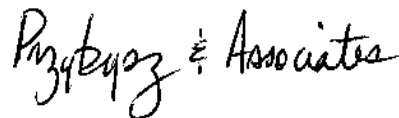
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplemental information for cost-sharing employer plans on pages 4–7 and 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022, on our consideration of the City of Hackett, Arkansas Water and Sewer 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 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 Hackett, Arkansas Water and Sewer 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 Department's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

This section of the City of Hackett, Arkansas Water and Sewer Department annual financial report presents the analysis of the Department's financial performance during the fiscal year ended June 30, 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Department ended the year June 30, 2021 with a net position balance of \$200,707.
- The change in net position or net loss of the Department was a decrease of \$12,142.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2021, cash and cash equivalents increased by \$14,151. Cash provided from the day to day operations totaled \$117,077. Cash and cash equivalents used by capital and financing activities, all for debt service, totaled \$93,649.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Financial Statements. The financial statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Department report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Department's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Department creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identifies the Department's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information on the Department's operations over the past fiscal year and can be used to determine whether the Department has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the Department's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current fiscal year.

**CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

CONDENSED FINANCIAL INFORMATION

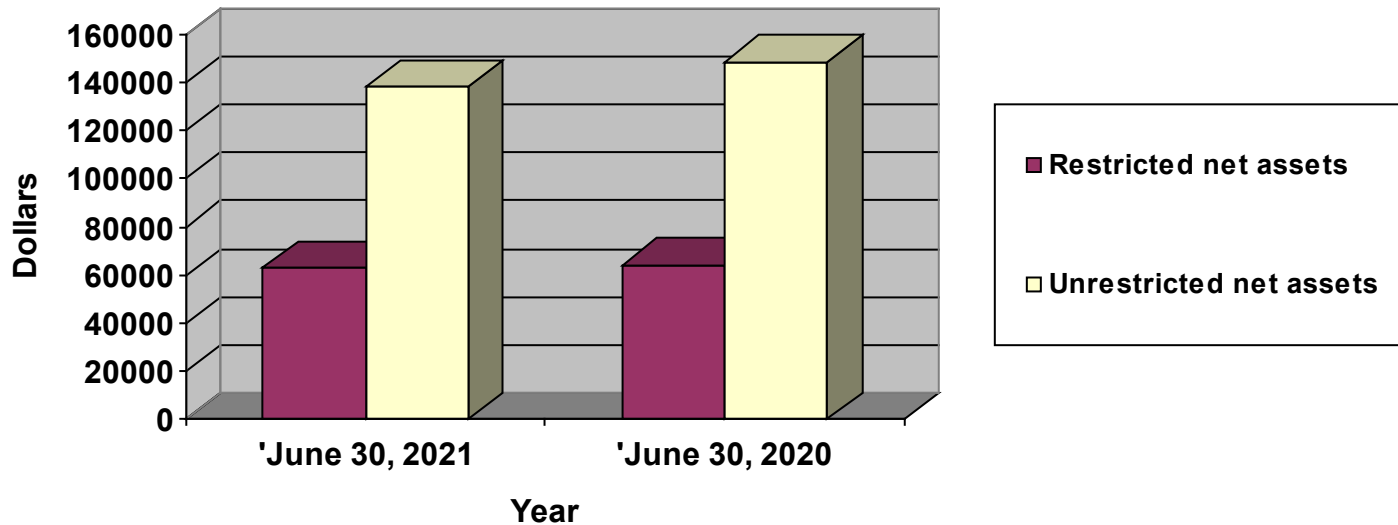
Condensed financial information from the statement of net position as of June 30, 2021 and 2020 and the statement of revenues, expenses and changes in net position for the years then ended are as follows:

	June 30,	
	2021	2020
Current assets	\$ 350,545	\$ 336,142
Capital assets, net	990,291	1,052,568
Total assets	<u>1,340,836</u>	<u>1,388,710</u>
Deferred outflows	69,852	72,016
Total assets and deferred outflows	<u>\$ 1,410,688</u>	<u>\$ 1,460,726</u>
Current liabilities	\$ 102,439	\$ 104,885
Long-term liabilities	1,103,976	1,139,354
Total liabilities	<u>1,206,415</u>	<u>1,244,239</u>
Deferred inflows	<u>3,566</u>	<u>3,638</u>
Net position:		
Restricted	62,772	64,372
Unrestricted	137,935	148,477
Total net position	<u>200,707</u>	<u>212,849</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,410,688</u>	<u>\$ 1,460,726</u>
Operating revenues	<u>\$ 303,999</u>	<u>\$ 292,272</u>
Operating expenses, excluding depreciation	190,748	185,270
Depreciation	68,777	68,452
Total operating expenses	<u>259,525</u>	<u>253,722</u>
Operating income	44,474	38,550
Nonoperating revenues and (expenses)	<u>(56,616)</u>	<u>(56,227)</u>
Change in net position	(12,142)	(17,677)
Beginning of year net position	<u>212,849</u>	<u>230,526</u>
End of year net position	<u>\$ 200,707</u>	<u>\$ 212,849</u>

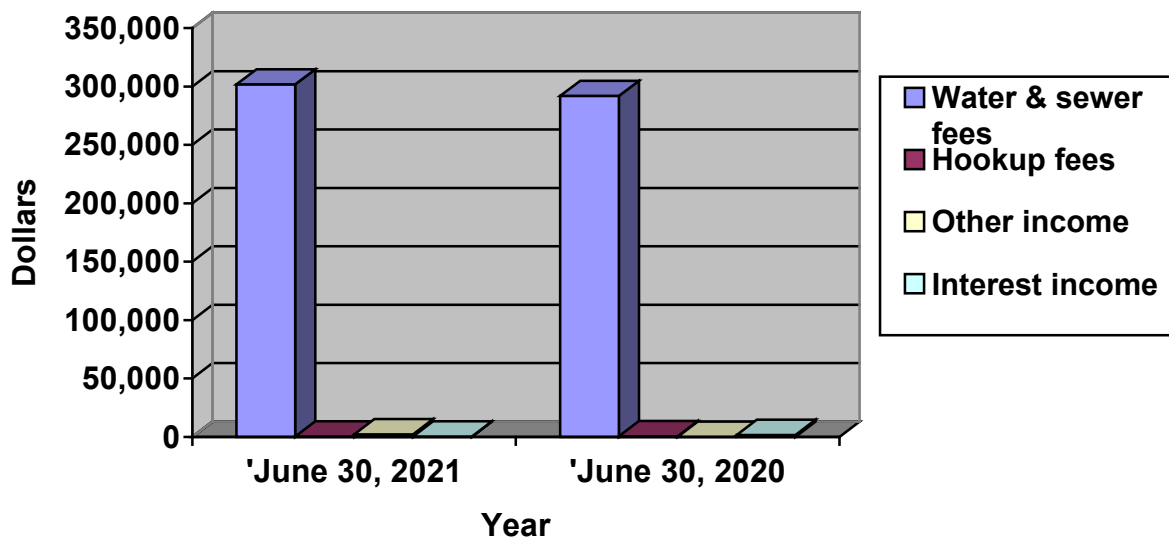
**CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

CONDENSED FINANCIAL INFORMATION (CONTINUED)

Classifications of net position presented in graph format

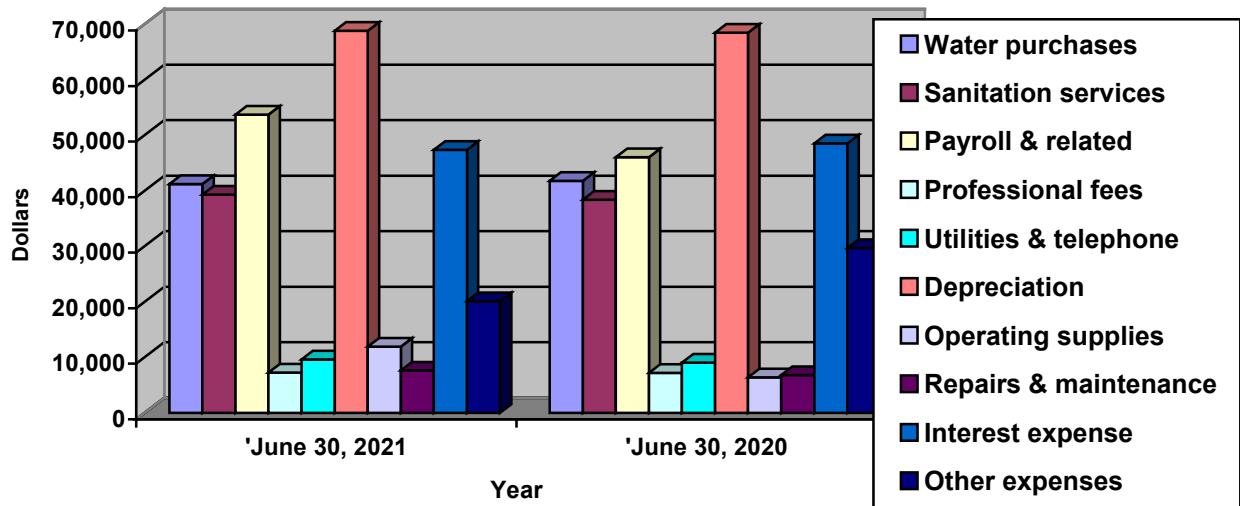


Sources of revenues presented in a graph format



**CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Expenses of the Authority presented in graph format



CAPITAL ASSETS

The Department's capital assets as of June 30, 2021 and 2020 totaled \$2,769,067 and \$2,762,567, respectively. Fixed asset additions of \$6,500 during the year ended June 30, 2021 were for new telemetry and controls at tanks one and two.

LONG-TERM DEBT

As of June 30, 2021, the Department had \$1,095,000 in outstanding debt compared to \$1,140,000 as of June 30, 2020. Scheduled debt service totaled \$93,649, which consisted of \$45,000 in principal and \$42,149 in interest.

CHANGE IN NET POSITION

For the year ended June 30, 2021, the Department's change of net position was a decrease of \$12,142. Operating revenues of \$303,399 increased by \$11,727 (4%) from prior year. Operating expenses of \$259,525 increased by \$5,803 (2%) from prior year mainly due to world-wide increasing supply costs.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Department's customers, investors and other interested parties with an overview of the Department's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact the Mayor of the City of Hackett, Arkansas at P.O. Box 209, Hackett, AR 72937.

FINANCIAL STATEMENTS

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

AS OF JUNE 30,	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 69,427	\$ 60,206
Restricted checking accounts	255,250	250,320
Accounts receivable	24,208	24,188
Prepaid insurance	1,660	1,428
Total Current Assets	350,545	336,142
Total Net Capital Assets	990,291	1,052,568
Total Assets	1,340,836	1,388,710
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	55,529	60,735
Deferred outflows related to pension	14,323	11,281
Total Deferred Outflows of Resources	69,852	72,016
Total Assets and Deferred Outflows of Resources	\$ 1,410,688	\$ 1,460,726
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 8,286	\$ 7,482
Accrued wages	2,631	2,176
Payroll taxes payable	793	768
Due to other funds	4,839	4,756
Sales tax payable	1,315	1,313
Customer meter deposits	30,998	29,340
Accrued interest	13,577	14,050
Current maturity of long-term debt	40,000	45,000
Total Current Liabilities	102,439	104,885
Noncurrent Liabilities		
Long-term debt, net of unamortized bond discounts	1,045,549	1,085,092
Net pension liability	58,427	54,262
Total Noncurrent Liabilities	1,103,976	1,139,354
Total Liabilities	1,206,415	1,244,239
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	3,566	3,638
Total Deferred Inflows of Resources	3,566	3,638
Net Position		
Restricted	62,772	64,372
Unrestricted	137,935	148,477
Total Net Position	200,707	212,849
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,410,688	\$ 1,460,726

See accompanying notes to financial statements.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,	2021	2020
Water and Sewer Revenue	\$ 303,999	\$ 292,272
Operating Expenses		
Water purchases	41,195	41,768
Sanitation services	39,312	38,355
Salaries and wages	42,970	42,832
Employee benefits	7,482	13,168
Payroll taxes	3,246	3,184
Office supplies	4,186	4,753
Professional fees	8,265	7,212
Operating supplies	11,932	6,377
Repairs	7,633	6,817
Auto expense	3,121	1,941
Utilities	7,396	7,758
Telephone	2,218	1,302
Water sample tests	1,150	971
Insurance	2,409	2,255
Memberships, dues, and licenses	3,661	3,505
Miscellaneous expenses	4,572	3,072
Depreciation	68,777	68,452
Total Operating Expenses	259,525	253,722
Net Income From Operations	44,474	38,550
Other Income (Expenses)		
Interest income	229	1,499
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(47,339)	(48,502)
Transfer to other funds	(9,506)	(9,224)
Total Net Other Income (Expenses)	(56,616)	(56,227)
Change in Net Position	(12,142)	(17,677)
Net Position at Beginning of Year	212,849	230,526
Net Position at End of Year	\$ 200,707	\$ 212,849

See accompanying notes to financial statements.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2021	2020
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 305,639	\$ 294,834
Cash payments to suppliers for goods and services	(146,047)	(136,810)
Cash payments to employees for services	(42,515)	(41,683)
Net Cash Provided By Operating Activities	117,077	116,341
Cash Flows From Noncapital Financing Activities		
Transfers out	(9,506)	(9,224)
Net Cash Used For Noncapital Financing Activities	(9,506)	(9,224)
Cash Flows From Capital and Related Financing Activities		
Principal paid on debt	(45,000)	(45,000)
Interest paid on debt	(42,149)	(43,183)
Net Cash Used By Capital and Related Financing Activities	(93,649)	(88,183)
Cash Flows From Investing Activities		
Net reinvestment of investment earnings	-	(1,353)
Proceeds from sale of investments	-	78,892
Interest income	229	1,499
Net Cash Provided By Investing Activities	229	79,038
Net Increase In Cash, Cash Equivalents and Restricted Cash	14,151	97,972
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	310,526	212,554
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 324,677	\$ 310,526
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 69,427	\$ 60,206
Restricted checking accounts	255,250	250,320
Total Cash, Cash Equivalents and Restricted Cash	\$ 324,677	\$ 310,526
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 44,474	\$ 38,550
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	68,777	68,452
(Increase) decrease in:		
Accounts receivable	(20)	85
Prepaid expenses	(232)	(37)
Deferred outflows related to pension	(3,042)	2,239
Increase (decrease) in:		
Trade accounts payable	804	(1,342)
Accrued wages	455	1,149
Payroll taxes payable	25	(6)
Sales tax payable	2	58
Due to other funds	83	119
Pension liability	4,165	7,288
Deferred inflows of resources related to pension	(72)	(2,633)
Customer meter deposits	1,658	2,419
Net Cash Provided By Operating Activities	\$ 117,077	\$ 116,341

See accompanying notes to financial statements.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Nature of Operations

The City of Hackett, Arkansas Water and Sewer Department (the Department) is a component unit of the City of Hackett, Arkansas (the City). The purpose of the Department is to provide and maintain the water and sewer system to residents in and around Hackett, Arkansas. Activities of the Department include administration, operation and maintenance of the water and sewer systems, and billing and collection activities. The Mayor and the City Council governs the Water and Sewer Department.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Department is considered to be a component unit of the City of Hackett. These financial statements reflect only the Water Department Enterprise Fund of the City of Hackett, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

b. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Department. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

c. Income Taxes

The Department is exempt from income taxes as a governmental agency.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

d. Cash Equivalents

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

e. Accounts Receivable

Accounts receivable consists of sewer and water fees and surcharges billed to residential and commercial/industrial customers based on consumption. Uncollectible accounts receivable are charged directly against earnings when they are determined to be collectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

f. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

g. Capital Outlays And Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

Water system	10-50 years
Machinery and equipment	5-7 years
Buildings	10-30 years
Office equipment	3-7 years

It is the Department's policy to capitalize asset purchases greater than \$500 and expense asset purchases less than \$500.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

h. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The Department also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department recognizes deferred inflows of resources related to pensions.

i. Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Department. No more than five days of unused vacation can be carried forward six months past the employee's anniversary date without written approval. Employees can carryforward a maximum of 60 unused sick days. Upon termination from the Department, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. As of June 30, 2021 and 2020, the Department had \$2,631 and \$2,176, respectively, accrued for compensated absences.

j. Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water department. These deposits are refundable to customers when the Department no longer services the customer. The Department uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

k. Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and 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 related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints 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 of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

The Department does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Department personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted.

l. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department consist of water sales, sewage fees and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

m. Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

n. New Accounting Pronouncements

The Department adopted the following pronouncement during the year:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement. See footnote 5 for additional information on the implementation of this standard.

2. Cash Deposits

The Department follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be recovered. At June 30, 2021 and 2020, all of the Department's deposits were insured. At June 30, 2021, the Department's deposits with financial institutions had a bank balance of \$325,263 and a book balance of \$324,677. At June 30, 2020, the Department's deposits with financial institutions had a bank balance of \$311,699 and a book balance of \$310,526.

3. Restricted Accounts

The Department has restricted accounts for the following:

Meter Deposit Account - restricted for repayment of customer meter deposits.

Depreciation Fund - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water and sewer system.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

3. Restricted Accounts (continued)

Bond Fund - restricted for payment of principal and interest on bonds.

Debt Service Reserve - a reserve to pay principal and interest on the bonds if bond fund monies are not available.

Restricted investments are reported at fair market value and consist of the following:

Balances of the restricted accounts were as follows:

As Of June 30,	2021	2020
Checking/savings accounts		
Meter deposit fund	\$ 30,265	\$ 28,885
Depreciation fund	148,636	143,013
Bond Fund	31,540	33,613
Debt service reserve fund	44,809	44,809
Total Restricted Cash	\$ 255,250	\$ 250,320

4. Capital Assets

Activity of capital assets consists of the following:

As Of	July 1, 2020	Additions	Retirements	June 30, 2021
Land and mineral rights	\$ 80,350	\$ -	\$ -	\$ 80,350
Water and sewer systems	2,620,514	6,500	-	2,627,014
Machinery and equipment	30,582	-	-	30,582
Buildings	23,305	-	-	23,305
Office equipment	7,816	-	-	7,816
Total Capital Assets	2,762,567	6,500	-	2,769,067
Less: Accumulated Depreciation	1,709,999	68,777	-	1,778,776
Capital Assets, net	\$ 1,052,568	\$ (62,277)	\$ -	\$ 990,291

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

4. Capital Assets (continued)

As Of	July 1, 2019	Additions	Retirements	June 30, 2020
Land and mineral rights	\$ 80,350	\$ -	\$ -	\$ 80,350
Water and sewer systems	2,620,514	-	-	2,620,514
Machinery and equipment	30,582	-	-	30,582
Buildings	23,305	-	-	23,305
Office equipment	7,816	-	-	7,816
Total Capital Assets	2,762,567	-	-	2,762,567
Less: Accumulated Depreciation	1,641,547	68,452	-	1,709,999
Capital Assets, net	\$ 1,121,020	\$ (68,452)	\$ -	\$ 1,052,568

5. Asset Retirement Obligation

The System adopted GASB Statement No. 83, Certain Asset Retirement Obligations, during the year. As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under the new accounting standard, the System must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the System to perform asset retirement activities. The System owns and operates a wastewater treatment plant, and the existence of laws and regulations to decommission the plant falls within the scope of GASB 83.

The Department utilizes a lagoon system for wastewater treatment. The system was placed into service back in the 1980's. The Department also did system upgrades back in 2013. All lagoons are operating effectively and there are no existing plans to change the system. The Department is not reporting an ARO on the Statement of Net Position because the Department does not have an estimate of the cost to discontinue usage of the lagoons and the life expectancy of the lagoons are indeterminate. An ARO will be recorded if future events warrant a change.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. Long-Term Debt

As Of June 30,	2021	2020
Water and Sewer Refunding Bonds and Construction Revenue Bonds, Series 2013 with coupon rates ranging from 1.35% to 4.125%. Payments are made semi-annually for interest and principal through March 1, 2042. The bonds are secured by revenues of the water and sewer system.	\$ 1,095,000	\$ 1,140,000
Total	1,095,000	1,140,000
Less current maturities	40,000	45,000
Long-term debt	1,055,000	1,095,000
Less unamortized bond discounts	9,451	9,908
Long-Term Debt	\$ 1,045,549	\$ 1,085,092

Debt is scheduled to mature as follows:

June 30,	Principal	Interest	Total
2022	\$ 40,000	\$ 40,731	\$ 80,731
2023	45,000	39,471	84,471
2024	45,000	38,054	83,054
2025	45,000	36,636	81,636
2026	50,000	35,219	85,219
2027-2031	280,000	147,744	427,744
2032-2036	245,000	99,144	344,144
2037-2041	280,000	49,025	329,025
2042	65,000	2,681	67,681
Total	\$ 1,095,000	\$ 488,705	\$ 1,583,705

The Department's outstanding Water and Sewer Refunding and Construction Bonds Series 2013, contain a provision that in an event of default, outstanding principal and interest become immediately due and payable.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

7. Changes in Long-Term Liabilities

Changes in long-term liabilities are as follows:

As Of	July 1, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
Series 2013 Bonds	\$ 1,140,000	\$ -	\$ 45,000	\$ 1,095,000	\$ 40,000
Net pension liability	54,262	4,165	-	58,427	-
Total	\$ 1,194,262	\$ 4,165	\$ 45,000	\$ 1,153,427	\$ 40,000

As Of	July 1, 2019	Additions	Retirements	June 30, 2020	Due Within One Year
Series 2013 Bonds	\$ 1,185,000	\$ -	\$ 45,000	\$ 1,140,000	\$ 45,000
Net pension liability	46,974	7,288	-	54,262	-
Total	\$ 1,231,974	\$ 7,288	\$ 45,000	\$ 1,194,262	\$ 45,000

8. Bond Covenants

The Trust Indenture of the 2013 Series Bonds contains a provision (the Rate Covenant) which requires the Department to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity obligations. The Trust Indenture also requires that the Department maintain specific restricted cash accounts and to meet various other general requirements. For the years ended June 30, 2021 and 2020, the Department had sufficient revenues to meet the rate covenant.

9. Unamortized Bond Discount/Deferred Loss on Refunding

Bond discounts are deferred and amortized over the term of the bonds. Amortization of the bond discount totaled \$457 for both years ended June 30, 2021 and 2020, and is included in interest and fees on long-term debt in the statement of revenues, expenses and changes in net position. The unamortized portion is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$55,529 and \$60,735 at June 30, 2021 and 2020, respectively, is shown as deferred outflows on the statement of net position and is amortized over the life of the old debt or new debt, whichever is shorter. Amortization of the deferred loss totaled \$5,206 for both years ended June 30, 2021 and 2020, and is included in interest and fees on long-term debt in the statement of revenues, expenses and changes in net position.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan

Plan Description

The Department participates in the Arkansas Public Employees Retirement Departments (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 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 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.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan (continued)

Benefits Provided (continued)

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 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. 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% for both fiscal years ended June 30, 2021 and 2020. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Department were \$6,486 and \$6,359 for the years ended June 30, 2021 and 2020, respectively. Employees are not required to contribute to the Plan.

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 HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan (continued)

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2020, 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. Based on this information, the City's proportionate share was 0.00759346%. Approximately 30% of this amount was allocated to the Department.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2020 and the Department's report ending date of June 30, 2021, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2020 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	7.15%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate 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

All other actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-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 price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
	<u>100%</u>	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		<u>7.43%</u>

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2020 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 2.45% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan (continued)

Single Discount Rate (continued)

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The 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.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Department's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
\$ 88,988	\$ 58,427	\$ 33,207

Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions

The City of Hackett's proportionate share of pension expense was \$37,337 and \$33,235 for the years ended June 30, 2021 and 2020, respectively. The Department's allocated share of pension expense was \$7,482 and \$13,168 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021, the Department reported allocated deferred outflows of resources and deferred inflows of resources related to pensions from the Department from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 776	\$ 39
Changes in assumptions	732	1,001
Net difference between projected and actual earnings on pension plan investments	6,182	-
Changes in proportion and differences between employer contributions and share contributions	147	2,526
Department contributions subsequent to the measurement date	6,486	-
Total	\$ 14,323	\$ 3,566

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

10. Pension Plan (continued)

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

\$6,486 reported as deferred outflows of resources related to pensions resulting from the Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022, 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:

Year Ended June 30,	Net Increase (Decrease) in Pension Expense
2022	\$ (447)
2023	1,069
2024	1,851
2025	1,798
	\$ 4,271

11. Transfers / Due to Other Funds

The Department transferred \$9,506 and \$9,224 during the years ended June 30, 2021 and 2020, respectively, to the fire department for resident fire protection services collected by the Department on the fire departments behalf.

The Departments due to other funds was comprised of the following:

As of June 30,	2021	2020
Due to general fund - for payroll and related benefits paid by the general fund on the Departments behalf	\$ 4,044	\$ 3,965
Due to fire department - resident fire protections services	795	791
Total Due to Other Funds	\$ 4,839	\$ 4,756

12. Concentrations of Credit Risks

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

The Department has a contractual agreement to purchase its water from a single vendor. Discontinuance or alterations to this agreement could cause significant changes in operations of the Department or even lead to cessation of operations altogether.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

13. Risk Management

The Department is exposed to various levels 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 property and liability insurance as well as workers' compensation insurance through Arkansas Municipal League.

There has been no significant reduction in the Department's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

14. COVID-19

The Coronavirus Disease 2019 (COVID-19), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. In connection with the outbreak, governments and organizations have imposed containment and mitigation efforts involving quarantines, social distancing and limits on public gatherings. Department offices remained open throughout the pandemic to continue servicing customers, but for safety precautions, were closed to the public for several months. Customers were able to conduct business over the phone or online, and a secure drop box was available on-site for customers to make payments. When offices re-opened, a solid glass window was installed at the customer paying window for employee and customer safety. In addition, to provide relief to customers, the Department delayed shut-off's and communicated about special payment arrangements. Fortunately, the pandemic has not had a significant financial impact on the Department. The Department will continue to monitor its operations, liquidity and capital resources to minimize the impact of this unprecedented situation.

15. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through March 23, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City of Hackett's proportion of the net pension liability	0.00718176%	0.00759346%	0.00758615%	0.00788320%	0.00761904%	0.00784753%	0.00720920%
Percent allocated to the Water and Sewer Department	28.41%	29.62%	28.07%	28.15%	28.15%	28.10%	24.50%
City of Hackett's proportionate share of the net pension liability	\$ 205,656	\$ 183,194	\$ 167,346	\$ 203,713	\$ 182,198	\$ 144,531	\$ 102,292
Amount allocated to the Water and Sewer Department	\$ 58,427	\$ 54,262	\$ 46,974	\$ 57,345	\$ 51,289	\$ 40,613	\$ 25,062
Department's covered-employee payroll	\$ 41,506	\$ 40,791	\$ 39,994	\$ 40,000	\$ 38,252	\$ 33,891	\$ 28,130
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.77%	133.02%	117.45%	143.36%	134.08%	119.83%	89.09%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 6,358	\$ 6,249	\$ 5,899	\$ 5,800	\$ 5,546	\$ 5,002	\$ 4,186
Contributions in relation to the contractually required contribution	(6,358)	(6,249)	(5,899)	(5,800)	(5,546)	(5,002)	(4,186)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered-employee payroll	41,506	40,791	39,994	40,000	38,252	33,891	28,130
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%	14.88%

See independent auditors' report.

CITY OF HACKETT, ARKANSAS WATER AND SEWER DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	2.45%	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index							
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on 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	Based on RP-2014 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	Based on RP-2014 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	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditors' report.

ADDITIONAL REQUIRED REPORT



**Independent Auditors' 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 Honorable Mayor and City Council
City of Hackett, Arkansas Water and Sewer Department
Hackett, 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 Hackett, Arkansas Water and Sewer Department (the Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated March 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 23, 2022