

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Annual Financial Report
For the Years Ended December 31, 2023 and 2022



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Haskell Water and Sewer Department
City of Haskell, State of Arkansas

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City of Haskell

Clyde Crookham Jr.
Mayor

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Benton AR 72015
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Jennifer Hill
Clerk/Recorder/Treasurer

Management's Discussion and Analysis

This section of the annual financial report presents an analysis of Haskell's financial performance during 2023 and 2022, for the Water and Sewer Department. This information is presented in conjunction with the audited financial statements, which follow this section.

Financial Highlights for 2023:

Net capital assets increased by \$246,813 from \$6,187,914 to \$6,434,727 or 4%.

Net position increased by \$292,189 from \$4,892,925 to \$5,185,114 or 6%.

Operating revenue increased by \$159,152 from \$1,584,426 to \$1,743,578 or 10%.

Overview of the Financial Statements:

The annual report consists of management's discussion and analysis and the basic financial statements audited by an outside firm. The financial statements include notes, which explain in detail some of the information included in the basic financial statements. The financial statements present only the operations of the Water and Sewer Department of the City of Haskell and are not intended to present the financial position of the City and the results of its operations and cash flows of its governmental activities in conformity with accounting principles generally accepted in the United States.

Required Financial Statements:

The financial statements of Haskell report information utilizing the full accrual basis of accounting using economic resources measurement focus. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The statements of net position (accrual basis) includes information about the nature and amounts of investments in resources (assets) and the obligations to the Haskell creditors.

The statement of revenues, expenses and changes in net position (accrual basis) identify Haskell's revenues and expenses for the years ended December 31, 2023 and 2022. The third financial statement is the statement of cash flows (accrual basis). This statement provides information on Haskell's cash receipts, cash payments and changes in cash resulting from operation, investments and financing activities. The reader can also use the information as a comparison of each of the last two years.

Financial Analysis of Haskell:

The statements of net position and statement of revenues, expenses, and changes in net position provide an indication of the financial condition of the water and sewer system of the City, and also indicate how the financial condition has changed during the last two years. A summary of statements of net position and statement of revenues, expenses, and changes in net position are presented below.

Condensed Statements of Net Position

	2023	2022	2021
Current and Other Assets	\$ 1,791,107	\$ 1,984,848	\$ 2,254,655
Capital Assets – Net	6,434,727	6,187,914	5,058,638
Total Assets	\$ 8,225,834	\$ 8,172,762	\$ 7,313,293
Deferred Outflows of Resources	\$ 120,397	\$ 152,281	\$ 104,264
Current Liabilities	\$ 307,368	\$ 309,041	\$ 375,280
Long-Term & Other Liabilities			
Long-Term Debt	2,478,225	2,719,513	2,958,933
Net Pension Liability	278,543	303,225	93,182
Customer Meter Deposits	82,888	78,570	78,088
Total Liabilities & Long-Term Debt	\$ 3,147,024	\$ 3,101,308	\$ 3,130,203
Deferred Inflows of Resources	\$ 14,093	\$ 21,769	\$ 199,107
Total Net Position	\$ 5,185,114	\$ 4,892,925	\$ 3,712,967

As the above table indicates, capital assets have increased due to a new construction project. Current and other assets had a decrease of \$463,548 due to the decrease in the restricted construction fund cash account.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Revenue			
Operating Revenue:			
Water Revenue	\$ 689,635	\$ 722,959	\$ 709,528
Sewer Revenue	756,400	759,079	750,557
Capital Improvement Fees	48,540	32,630	8,052
Service Charges/Miscellaneous	249,003	69,758	60,781
Total Operating Revenue	1,743,578	1,584,426	1,528,918
Non-operating Revenues			
Capital Contributed from General Fund		951,973	
Interest Income	6,403	2,846	4,195
Total Revenue	1,749,981	2,539,245	1,533,113
Expenses			
Operating Expenses:			
Water Purchased	328,511	323,737	290,235
Water/Sewer System Operation	745,886	700,429	617,687
Depreciation	331,073	278,723	245,901
Total Operating Expenses	1,405,470	1,302,889	1,153,823
Non-operating Expenses			
Interest Expense	52,322	56,398	59,103
Total Expenses	1,457,792	1,359,287	1,212,926

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Change in Net Position	292,189	1,179,958	320,187
Net Position at Beginning of Year	<u>4,892,925</u>	<u>3,712,967</u>	<u>3,392,780</u>
Net Position at End of Year	<u>\$ 5,185,114</u>	<u>\$ 4,892,925</u>	<u>\$ 3,712,967</u>

Net position for the year 2023 increased 6%, or \$292,189.

Operating revenue for the water/sewer system increased from \$1,528,918 to \$1,743,578, or 14% over the past two years. Operating expenses increased from \$1,153,823 to \$1,405,470, or 22% over the past two years.

Analysis of Capital Assets and Long-Term Debt

Capital Assets

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 15,945	\$ 15,945	\$ 15,945
Dist. and Collection System	11,939,281	11,361,395	9,102,394
Construction in Process			852,752
Office Equipment	<u>11,771</u>	<u>11,771</u>	<u>10,021</u>
Total Capital Assets	11,966,997	11,389,111	9,981,112
Less: Accumulated Depreciation	<u>(5,532,270)</u>	<u>(5,201,197)</u>	<u>(4,922,474)</u>
Net Capital Assets	<u>\$ 6,434,727</u>	<u>\$ 6,187,914</u>	<u>\$ 5,058,638</u>

Long-Term Debt

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue Bonds – 2008	\$ 352,087	\$ 393,812	\$ 434,413
Revenue Bonds – 2011	948,069	1,029,210	1,109,545
Revenue Bonds – 2020	<u>1,410,000</u>	<u>1,525,000</u>	<u>1,640,000</u>
Total Long-Term Debt	<u>\$ 2,710,156</u>	<u>\$ 2,948,022</u>	<u>\$ 3,183,958</u>

Note 5 to the audited financial statements provides detailed information regarding the long-term indebtedness of the City of Haskell as of December 31, 2023. In 2020, the Series 2020 Revenue Bonds were issued to finance the refunding of the Series 2011R Revenue Bonds.



 Clyde Crookham
 Mayor, City of Haskell



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and City Council
Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Haskell, Arkansas

Opinions

We have audited the accompanying financial statements of Haskell Water and Sewer Department of the City of Haskell, State of Arkansas, which comprise the statements of net position as of December 31, 2023 and 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Haskell Water and Sewer Department of the City of Haskell, State of Arkansas as of December 31, 2023 and 2022, and the changes in its net positions and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Haskell Water and Sewer Department of the City of Haskell, State of Arkansas'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.

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Haskell Water and Sewer Department of the City of Haskell, State of Arkansas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haskell Water and Sewer Department of the City of Haskell, State of Arkansas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 and pension schedules on pages 20 and 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenue and Expenses – Budget and Actual and the Supplement to the State of Arkansas but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Yoakum, Lovell & Co., P.C.

Certified Public Accountants

Benton, Arkansas
April 26, 2024

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Statements of Net Position
December 31, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and Cash Equivalents	\$ 431,930	\$ 523,935
Accounts Receivable	100,385	134,872
Prepaid Expenses	19,220	17,096
Total Current Assets	<u>551,535</u>	<u>675,903</u>
Noncurrent Assets		
Restricted Funds	1,239,572	1,308,945
Capital Assets, Net	6,434,727	6,187,914
Total Noncurrent Assets	<u>7,674,299</u>	<u>7,496,859</u>
Total Assets	<u>\$ 8,225,834</u>	<u>\$ 8,172,762</u>
Deferred Outflows of Resources		
Deferred Loss from the Early Retirement of Debt	\$ 31,679	\$ 37,511
Deferred Pension Outflows	88,718	114,770
Total Deferred Outflows of Resources	<u>\$ 120,397</u>	<u>\$ 152,281</u>
Liabilities		
Current Liabilities		
Current Maturities of Long-Term Debt	\$ 239,834	\$ 237,865
Accounts Payable	38,089	41,886
Due to City Funds	3,763	2,913
Accrued Expenses	25,682	26,377
Total Current Liabilities	<u>307,368</u>	<u>309,041</u>
Noncurrent Liabilities		
Customers' Meter Deposits	82,888	78,570
Net Pension Liability	278,543	303,225
Long-Term Debt	2,478,225	2,719,513
Total Noncurrent Liabilities	<u>2,839,656</u>	<u>3,101,308</u>
Total Liabilities	<u>\$ 3,147,024</u>	<u>\$ 3,410,349</u>
Deferred Inflows of Resources		
Deferred Pension Inflows	\$ 14,093	\$ 21,769
Net Position		
Net Investment in Capital Assets	3,755,299	3,274,694
Restricted for Debt Service	181,521	176,433
Unrestricted	1,248,294	1,441,798
Total Net Position	<u>\$ 5,185,114</u>	<u>\$ 4,892,925</u>

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

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Statements of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenue		
Water Revenue	\$ 689,635	\$ 722,959
Sewer Revenue	756,400	759,079
Capital Improvement Fees	48,540	32,630
Service Charges & Miscellaneous Income	249,003	69,758
Total Operating Revenue	<u>1,743,578</u>	<u>1,584,426</u>
Operating Expenses		
Water Purchased	328,511	323,737
Salaries	223,728	237,387
Employee Benefits	86,312	71,598
Depreciation	331,073	278,723
Line and Service Maintenance	60,781	86,171
Supplies	134,831	91,671
Professional Fees	64,184	37,272
Utilities	93,167	94,420
Office Expenses	12,982	15,532
Insurance and Bonding	37,804	35,293
Laboratory Service	14,954	12,899
Rent	813	
Licenses, Permits and Dues	14,413	14,961
Miscellaneous Expenses	1,917	3,225
Total Operating Expenses	<u>1,405,470</u>	<u>1,302,889</u>
Operating Income	<u>338,108</u>	<u>281,537</u>
Non-Operating Revenues (Expenses)		
Interest Income	6,403	2,846
Interest Expense	<u>(52,322)</u>	<u>(56,398)</u>
Total Non-Operating Revenues (Expenses)	<u>(45,919)</u>	<u>(53,552)</u>
Net Income Before Capital Contributions	292,189	227,985
Capital Contributed from General Fund		<u>951,973</u>
Change in Net Position	292,189	1,179,958
Net Position at Beginning of Year	<u>4,892,925</u>	<u>3,712,967</u>
Net Position at End of Year	<u>\$ 5,185,114</u>	<u>\$ 4,892,925</u>

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

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash Receipts from Customers	\$ 1,778,065	\$ 1,586,482
Cash Payments for Goods and Services	(770,413)	(783,234)
Cash Payments for Employees	(315,661)	(330,634)
Net Cash Provided by Operating Activities	<u>691,991</u>	<u>472,614</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Property and Equipment	(577,886)	(456,026)
Transfers from (to) City Funds	850	(400)
Payments on Long-Term Debt	(237,866)	(235,936)
Interest Paid	(49,188)	(52,759)
Net Cash Used by Capital and Related Financing Activities	<u>(864,090)</u>	<u>(745,121)</u>
Cash Flows from Investing Activities		
Changes in Restricted Funds	73,691	300,394
Interest Receipts	6,403	2,846
Net Cash Provided by Investing Activities	<u>80,094</u>	<u>303,240</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(92,005)	30,733
Cash and Cash Equivalents - Beginning of Year	<u>523,935</u>	<u>493,202</u>
Cash and Cash Equivalents - End of Year	<u>\$ 431,930</u>	<u>\$ 523,935</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 338,108	\$ 281,537
Items Not Requiring Cash:		
Deprecation Expense	331,073	278,723
Net Change in Pension Liability	(6,306)	(21,547)
(Increase) Decrease In:		
Accounts Receivable	34,487	2,056
Prepaid Expenses	(2,124)	(1,428)
Increase (Decrease) In:		
Accounts Payable	(3,797)	(67,251)
Accrued Expenses	550	524
Net Cash Provided by Operating Activities	<u>\$ 691,991</u>	<u>\$ 472,614</u>

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

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

The Haskell Water and Sewer Department is a part of the City of Haskell, State of Arkansas. The statements reflect the results of operations of one Department: water and wastewater. The primary sources of operating revenues are charges from the sale of water, collections of sewage and related services. The primary operating expenses are the wholesale purchases of water, treatment of sewage, and costs of providing services including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. Material transactions between the departments have been eliminated.

- A. **Basis of Presentation** – The financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its Pronouncements (Statements and Interpretations).
- B. **Basis of Accounting** – Haskell Water and Sewer Department, City of Haskell, State of Arkansas, is a proprietary enterprise type fund. The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when they are earned and expenses are recognized when they are incurred.
- C. **Cash and Cash Equivalents** – Cash and cash equivalents are comprised of unrestricted highly liquid investments with a maturity of less than three months.
- D. **Cash Deposits** – All cash deposits were insured or collateralized with securities held by the City, by the pledging financial institution's trust department or by its agent in the City's name as of December 31, 2023 and 2022.
- E. **Capital Assets** – The Haskell Water and Sewer Department did not maintain cost records of land, building and equipment prior to December 31, 1993. The property and equipment are recorded at management's estimated original costs. Accumulated depreciation was recorded as of December 31, 1993, on property and equipment on its recorded valuation over the straight-line method based on management's estimate of original purchase date. All assets acquired subsequent to December 31, 1993, are recorded on historical costs. Donated capital assets are recorded at their estimated fair value at the time of the donation. Interest costs incurred for specific projects are capitalized during the construction period; depreciation is calculated over the estimated useful lives of the asset and the straight-line method. Property and equipment and the related useful lives are as follows:

Distribution Property	5-40 years
Office Equipment	3-10 years

Maintenance and repairs are charged to expense as incurred. The costs of additions, renewals and betterments are capitalized.

During the year ended December 31, 2022, the City of Haskell's general fund received money from the American Rescue Plan Act (ARPA). These funds were used to complete a project for the water department. The project was recognized as capital assets on the water department's Statement of Net Position and as non-operating revenue on the Statement of Revenues, Expenses and Changes in Net Position for \$951,973 for the year ended December 31, 2022.

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Cont'd)

F. **Loss from Early Extinguishment of Debt** – The recognized economic loss created by the refunding of outstanding bonds with advance refunding bonds is deferred and expensed over the life of the new bonds on the interest method.

G. **Net Position** – The Water and Sewer Department must report its net position as either net investment in capital assets, restricted for debt service, or unrestricted. These components of net position are defined below:

Net Investment in Capital Assets – This component of net position consists of 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, net of any funds that have been restricted for the purchase of capital assets, or any unamortized assets originating from the issuance of debt.

Restricted for Debt Service – This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation for the retirement of debt.

Unrestricted – This component of net position consists of the remaining balance in net position that does not meet the definition of restricted or net investment in capital assets.

H. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

I. **Capital Contributions** – Capital contributions consist of the cost of property donated by developers or customers from meter connections and line extensions required for new housing additions. Ownership and control of this property is transferred to the City after being connected to Haskell Water and Sewer Department's distribution and collections system.

Note 2: Restricted Funds

These funds consist of cash and money market balances or certificates of deposit. The following is a summary of restricted funds at December 31:

	<u>2023</u>	<u>2022</u>
Customer Meter Deposits	\$ 82,888	\$ 78,570
Capital Improvement Funds	649,873	740,166
Debt Service Reserve Fund	73,231	72,815
Bond Debt Service Escrow	9,025	8,841
Bond Sinking Fund	111,813	108,570
Construction Fund	6,952	6,647
Depreciation Fund	305,790	293,336
Total Restricted Funds	<u>\$ 1,239,572</u>	<u>\$ 1,308,945</u>

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 2: Restricted Funds (Cont'd)

Customer Meter Deposits – These funds are restricted for payment of customer deposits.

Capital Improvement Funds – These funds are restricted by Ordinance 5 of 2000 to provide funds for expansion and maintenance of the Haskell water and sewer system.

Bond Debt Service Escrow – These funds are restricted and being held in escrow by the Arkansas Development Finance Authority for the payment of principal and interest of the 2008 and 2011 bonds. Haskell Water and Sewer is required on the first business day of each month to deposit one-sixth of the next installment of principal, interest, and service charge on this bond in this account.

Bond Sinking Fund – These funds are restricted for the payment of the principal and interest of the bonds. Haskell Water and Sewer is required on the first business day of each month to deposit one-sixth of the next installment of interest and one-twelfth of the next installment of principal on the outstanding bonds into these funds.

Debt Service Reserve Fund – These funds are restricted for the payment of the principal and interest to prevent the default of the annual debt service of the bonds.

Depreciation Fund – These funds are restricted solely for the purpose of paying the costs of replacements made necessary by the depreciation of system facilities. Haskell Water and Sewer is required on the first business day of each month to deposit \$1,000 into these funds.

Construction Fund – These funds are restricted for the costs of acquisition, costs of construction, architect's and engineer's fees and other allowable costs of the Series 2020 Project.

Note 3: Economic Dependency

The Water and Sewer Department is economically dependent on two customers of its system. The customers are the Arkansas Health Center and Rineco Chemical Industries Inc. The minimum monthly billing to Arkansas Health Center is \$17,241; the minimum monthly billing to Rineco Chemical Industries Inc. is \$13,648. Billings could exceed the preceding amounts if usage warrants; however, the minimum is what is always billed on a monthly basis.

Note 4: Capital Assets

The following is a summary of capital assets for 2023 and 2022:

	Balance 12/31/2022	Additions	Retirements	Transfers	Balance 12/31/2023
Land	\$ 15,945	\$	\$	\$	\$ 15,945
Distribution and Collection System	11,361,395	577,886			11,939,281
Office Equipment	11,771				11,771
Total Capital Assets	11,389,111	\$ 577,886	\$	\$	11,966,997
Less: Accumulation					
Depreciation	5,201,197	\$ 331,073	\$	\$	5,532,270
Net Capital Assets	\$ 6,187,914				\$ 6,434,727

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 4: Capital Assets (Cont'd)

	Balance 12/31/2021	Additions	Retirements	Transfers	Balance 12/31/2022
Land	\$ 15,945	\$	\$	\$	\$ 15,945
Distribution and Collection System	9,102,394	1,406,249		852,752	11,361,395
Construction in Process	852,752			(852,752)	
Office Equipment	10,021	1,750			11,771
Total Capital Assets	9,981,112	\$ 1,407,999	\$	\$	11,389,111
Less: Accumulation					
Depreciation	4,922,474	\$ 278,723	\$	\$	5,201,197
Net Capital Assets	<u>\$ 5,058,638</u>				<u>\$ 6,187,914</u>

Note 5: Long-Term Debt

Long-term debt consisted of the following at December 31:

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23
Revenue Bonds-2008	\$ 393,812	\$	\$ 41,725	\$ 352,087
Revenue Bonds-2011	1,029,210		81,141	948,069
Revenue Bonds-2020	1,525,000		115,000	1,410,000
	<u>\$ 2,948,022</u>	<u>\$</u>	<u>\$ 237,866</u>	<u>\$ 2,710,156</u>

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
Revenue Bonds-2008	\$ 434,413	\$	\$ 40,601	\$ 393,812
Revenue Bonds-2011	1,109,545		80,335	1,029,210
Revenue Bonds-2020	1,640,000		115,000	1,525,000
	<u>\$ 3,138,958</u>	<u>\$</u>	<u>\$ 235,936</u>	<u>\$ 2,948,022</u>

Series 2008 Revenue Bonds: Issued to the Arkansas Development Finance Authority for an original amount of \$800,000. Haskell Water and Sewer has borrowed \$714,437 as of December 31, 2010, for prior construction projects. The remaining balance of \$85,563 was borrowed during 2011 for the current construction project. The payments began October 15, 2008, of interest only. Interest was due the fifteenth day of April and October until October 15, 2011. At that date, principal and interest payments began and are due the fifteenth day of April and October at a combined interest and service fee rate of 2.75%. The bonds mature April 15, 2031.

	2023		2022
\$	352,087	\$	393,812

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 5: Long-Term Debt (Cont'd)

Series 2011 Revenue Bonds; Issued to the Arkansas Development Finance Authority for an amount of \$1,650,000. The payments began April 15, 2011, of interest only. Interest is due the fifteenth day of April and October until April 15, 2015. At that date, principal and interest payment begin on the fifteenth day of April and October at a combined interest and service fee rate of 1%. The bonds mature October 15, 2034.

948,069 1,029,210

Series 2020 Refunding Revenue Bonds; maturing annually on the first day of April through April 2034; interest due semi-annually on the first day of April and October at rates ranging from 0.85% to 2%, secured by capital assets and all revenue and income of the systems. These bonds were issued at a premium of \$12,791.

1,410,000 1,525,000

Long-Term Debt	2,710,156	2,948,022
Plus: Original Issue Premium	<u>7,903</u>	<u>9,356</u>
Long-Term Debt, Net of Loss and Discount	2,718,059	2,957,378
Less: Current Maturities	<u>239,834</u>	<u>237,865</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 2,478,225</u>	<u>\$ 2,719,513</u>

Original Issue Premium – The 2020 bond refunding issue was issued at a premium of \$12,791. This premium is being amortized as interest expense over the life of the bonds utilizing the interest method based on the effective interest rate. The amortization was \$1,455 and \$1,555 in 2023 and 2022, respectively.

The maturities of the long-term debt as of December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 239,834	43,022	282,856
2025	246,843	38,664	285,507
2026	248,893	34,213	283,106
2027	255,985	30,140	286,125
2028	258,120	26,364	284,484
2029-2033	1,229,928	68,709	1,298,637
2034	<u>230,553</u>	<u>2,080</u>	<u>232,633</u>
	<u>\$ 2,710,156</u>	<u>\$ 243,192</u>	<u>\$ 2,953,348</u>

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 6: Deferred Loss from the Early Retirement of Debt

Haskell Water and Sewer issued the Series 2020 bonds to finance the refunding of the Series 2011R refunding revenue bonds. The difference between the bond value of the 2020 refunding debt and the amount required to retire the 2011R debt created an economic loss of \$51,278. The loss was deferred over the life of the 2020 refunding debt using the interest method of amortization, based on the effective interest rate. The Department amortized \$5,832 and \$6,235 in 2023 and 2022, respectively. This amortization is included in interest expense.

Note 7: Retirement Plan

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

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 the 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.

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%

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.

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 7: Retirement Plan (Cont'd)

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 10 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 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.

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>.

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

The collective Net Pension Liability of \$2,914,186,544 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.

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 7: Retirement Plan (Cont'd)

At December 31, 2023, the Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2023, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,723	\$ (1,530)
Net difference between projected and actual earnings on pension plan investments	34,669	
Changes of Assumptions	13,095	
Changes in proportion and differences between employer contributions and share of contributions	11,528	(12,563)
Contributions subsequent to measurement date	13,703	
	\$ 88,718	\$ (14,093)

Contributions made subsequent to the measurement date will be reversed in fiscal year ending December 31, 2024, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water Department's financial statements as follows:

Years ended December 31:	
2024	\$ 20,784
2025	2,646
2026	39,831
2027	(2,339)
2028	-
Thereafter	\$ -

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 7: Retirement Plan (Cont'd)

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 of Percent 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)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% to 9.85% including inflation
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
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

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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in APERS' target asset allocation as of June 30, 2023 are summarized in the table below:

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Notes to the Financial Statements

Note 7: Retirement Plan (Cont'd)

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%

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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
\$ 434,877	\$ 278,543	\$ 140,340

Note 8: Subsequent Events

Subsequent events were evaluated through April 26, 2024, which is the date the financial statements were available to be issued.

Haskell Water and Sewer Department
Schedule of the Water and Sewer Department's Proportionate
Share of the Net Pension Liability
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water and Sewer Department's Proportion of the Net Pension Liability	0.01%	0.02%	0.01%	0.01%	0.01%
Water and Sewer Department's Proportionate Share of the Net Pension Liability	\$ 278,543	\$ 303,225	\$ 93,182	\$ 312,993	\$ 274,946
Water and Sewer Department's Covered - Employee Payroll	\$ 223,728	\$ 237,387	\$ 244,382	\$ 215,752	\$ 225,867
Water and Sewer Department's Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	124.50%	127.73%	38.13%	145.07%	121.73%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.94%	78.31%	93.57%	75.38%	78.55%
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Water and Sewer Department's Proportion of the Net Pension Liability		0.01%	0.02%	0.02%	0.02%
Water and Sewer Department's Proportionate Share of the Net Pension Liability		\$ 255,281	\$ 302,356	\$ 278,107	\$ 216,630
Water and Sewer Department's Covered - Employee Payroll		\$ 225,708	\$ 220,714	\$ 211,662	\$ 231,957
Water and Sewer Department's Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll		113.10%	136.99%	131.39%	93.39%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability		79.59%	75.65%	75.50%	80.39%

* Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2015, therefore only nine years are shown.

Haskell Water and Sewer Department
Schedule of Contributions
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 36,012	\$ 36,012	\$ 39,094	\$ 32,672	\$ 33,411
Contributions in Relation to the Contractually Required Contribution	<u>(36,012)</u>	<u>(36,012)</u>	<u>(39,094)</u>	<u>(32,672)</u>	<u>(33,411)</u>
Contribution Deficiency (Excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Association's Covered-Employee Payroll	\$ 223,728	\$ 237,387	\$ 244,382	\$ 215,752	\$ 225,867
Contributions as a Percentage of Covered-Employee Payroll	16.10%	15.17%	16.00%	15.14%	14.79%
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Contractually Required Contribution		\$ 31,973	\$ 30,577	\$ 30,553	\$ 30,803
Contributions in Relation to the Contractually Required Contribution		<u>(31,973)</u>	<u>(30,577)</u>	<u>(30,553)</u>	<u>(30,803)</u>
Contribution Deficiency (Excess)		<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Association's Covered-Employee Payroll		\$ 225,708	\$ 220,714	\$ 211,662	\$ 231,957
Contributions as a Percentage of Covered-Employee Payroll		14.17%	13.85%	14.43%	13.28%

* Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2015, therefore only nine years are shown.

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Statement of Revenue and Expenses
Budget and Actual
For the Year Ended December 31, 2023

	Actual	Budget	Variance Favorable (Unfavorable)
Operating Revenue			
Water Revenue	\$ 689,635	\$ 700,000	\$ (10,365)
Sewer Revenue	756,400	750,000	6,400
Capital Improvement Fees	48,540	21,000	27,540
Service Charges	249,003	41,320	207,683
Total Operating Revenue	<u>1,743,578</u>	<u>1,512,320</u>	<u>231,258</u>
Operating Expenses			
Water Purchased	328,511	320,000	(8,511)
Salaries	223,728	300,000	76,272
Employee Benefits	86,312	124,500	38,188
Depreciation	331,073	156,000	(175,073)
Line and Service Maintenance	60,781	146,500	85,719
Supplies	134,831	104,000	(30,831)
Professional Fees	64,184	50,000	(14,184)
Utilities	93,167	110,000	16,833
Office Expenses	12,982	10,500	(2,482)
Insurance and Bonding	37,804	38,500	696
Laboratory Service	14,954	13,000	(1,954)
Rent	813	1,500	687
Licenses, Permits and Dues	14,413	26,000	11,587
Equipment Purchases		50,000	50,000
Miscellaneous Expenses	1,917	2,500	583
Total Operating Expenses	<u>1,405,470</u>	<u>1,453,000</u>	<u>47,530</u>
Operating Income	<u>338,108</u>	<u>59,320</u>	<u>278,788</u>
Non-Operating Revenues (Expenses)			
Interest Income	6,403	20,000	(13,597)
Interest Expense	(52,322)		(52,322)
Total Non-Operating Revenues (Expenses)	<u>(45,919)</u>	<u>20,000</u>	<u>(65,919)</u>
Net Income (Loss) Before Capital Contributions	<u>\$ 292,189</u>	<u>\$ 79,320</u>	<u>\$ 212,869</u>

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

Haskell Water and Sewer Department
City of Haskell, State of Arkansas
Supplemental Water and Sewer Disclosures
December 31, 2023

The following is a summary of water and sewer rates and usage information for the system at December 31, 2023.

Water Rates

There was a 2% rate increase for residential customers and a 4% rate increase for commercial customers during the year ended December 31, 2023.

Sewer Rates

There was a 2% rate increase during the year ended December 31, 2023.

Percentage Water Use by Greater 5% Users

There was one water consumer using 5% or more of the water output. Rineco Chemical used 11% of the water output during the year ended December 31, 2023.

Average Daily Water Use

340,035 gallons per day

Maximum Day's Water Use

579,800 gallons

Average Daily Sewage Flow

412,238 gallons per day (This amount is estimated due to one of the meters being struck by lightning and out of service for two months.)

