

MALVERN WATER WORKS

=====

MALVERN, ARKANSAS

DECEMBER 31, 2023

MALVERN WATER WORKS
MALVERN, ARKANSAS

AUDIT REPORT - TABLE OF CONTENTS
DECEMBER 31, 2023

	<u>PAGE NO.</u>
Management's Discussion and Analysis	1 - 2
Independent Auditors' Report	3 - 5
Statements of Net Position - December 31, 2023 and 2022	6 - 7
Statements of Revenues, Expenses and Changes in Net Position - For Years Ended December 31, 2023 and 2022	8
Statements of Cash Flows - All Proprietary Fund Types For Years Ended December 31, 2023 and 2022	9 - 10
Notes to Financial Statements	11 - 21
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 <i>Government Auditing Standards</i>	22 - 23
Schedule of Findings and Questioned Costs	24
SUPPLEMENTARY INFORMATION	
SCHEDULE I Schedules of Restricted Assets and Liabilities - December 31, 2023 and 2022	25
SCHEDULE II Schedule of Operating Expenses - For Year Ended December 31, 2023	26
SCHEDULE III Budgetary Comparison Schedule - For Year Ended December 31, 2023	27
SCHEDULE IV Required Supplemental Information for Cost-Sharing Plans	28

Malvern Water Works

Page 1

*506 Overman
Malvern, AR 72104
(501) 332-3634*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the utility's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Overview

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the utility's financial condition and performance.

The financial statements report information about the utility using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, notes to the financial statements and other supporting schedules.

The statement of net position presents the financial position of the utility on a full accrual historical cost basis. This statement presents information on all of the assets and liabilities with the difference reported as net assets. Over time, increases and decreases in net assets are an indicator of whether the financial position of the utility is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information on how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, financing and investing activities. This statement presents cash receipts and disbursement information only.

The notes to the financial statements and supplementary information are provided to disclose information that is essential to a full understanding of the material data provided in the statements.

The financial statements were prepared by Malvern Water Works staff from its detailed transactions for the years ending December 31, 2023 and 2022. The financial statements were audited and adjusted, if material, during the independent external audit process.

Financial Analysis

The financial statements on pages 6 through 10 provide information about the financial activities of Malvern Water Works. The following information is an analysis of the year presented.

Balance Sheet

Total assets and deferred outflows of resources as of December 31, 2023 were \$45,483,254 and exceeded liabilities and deferred inflows of resources, which were \$24,009,665.

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 4,647,439	\$ 5,526,168
Restricted Assets	6,053,357	5,970,413
Net Capital Assets	34,269,078	33,613,790
Deferred Outflows of Resources	513,380	448,155
Current Liabilities	1,558,920	1,473,896
Liabilities Payable from Restricted Assets	502,453	535,062
Long-Term Liabilities	21,919,129	23,012,624
Deferred Inflows of Resources	29,163	49,027
Net Position:		
Invested in Capital, Net of Related Debt	12,708,027	10,812,243
Restricted	5,751,229	5,651,759
Unrestricted Net Assets	3,014,333	4,023,915

The current ratio is an indication of short-term liquidity and is calculated by dividing current assets by current liabilities. A resulting number greater than one indicates current assets in excess of current needs that can be applied in future periods. The current ratio of Malvern Water Works was 2.98 for 2023, compared to 3.75 for 2022. Another ratio that is computed from this statement is the debt utilization ratio, which indicates what percentage the total debt is to total assets. This ratio is calculated by dividing total debt by total assets. The debt utilization ratio for the year ending December 31, 2023 was 53%.

Statement of Revenues, Expenses and Changes in Net Assets

For the years ending December 31, 2023 and 2022, operating revenues were \$5,305,152 and \$5,180,160, respectively and operating expenses were \$5,048,466 and \$4,400,347, respectively. Non-operating income was \$1,441,741 and \$1,388,151, respectively and non-operating expenses were \$712,755 and \$757,422, respectively. The results were a net income of \$985,672 and \$1,410,542, respectively.

Contacting Management

The financial report is designed to provide our customers, citizens, and creditors with a general overview of the finances of Malvern Water Works and to show the accountability for the money it receives. If you have any questions about this report or need further financial information, contact our office at 506 Overman Street; Malvern, Arkansas 72104 or call (501) 332-3634.

INDEPENDENT AUDITORS' REPORT

City Council
Malvern, Arkansas
Malvern Water Works

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Malvern Water Works, a component unit of the City of Malvern, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Malvern Water Works' basic 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 Malvern Water Works as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Malvern Water Works 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 clear 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Malvern Water Works' 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 misstatement, whether due to fraud or error, and to issue an auditor's 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 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 controls. 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 Malvern Water Works' 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 Malvern Water Works' 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.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only Malvern Water Works and do not purport to, and do not present fairly the financial position of the City of Malvern, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 1 and 2), budgetary comparison information (page 27), and information for cost-sharing plans (page 28) 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

INDEPENDENT AUDITORS' REPORT (Continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Restricted Assets and Liabilities and Schedule of Operating Expenses on pages 25-26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2024, on our consideration of Malvern Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Malvern Water Works' 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 Malvern Water Works' internal control over financial reporting and compliance.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

July 23, 2024

MALVERN WATER WORKS
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

Page 6

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,839,288	\$ 3,729,583
Accounts Receivable	917,905	746,396
Sales Tax Receivable	230,681	214,970
Inventory	382,589	330,191
Unbilled Revenue	224,113	330,080
Prepaid Expenses	52,863	174,948
TOTAL CURRENT ASSETS	4,647,439	5,526,168
RESTRICTED ASSETS (Schedule I)	6,053,357	5,970,413
CAPITAL ASSETS:		
Land	1,197,371	1,197,371
Property, Plant and Equipment	56,798,327	46,755,877
Construction in Progress	63,355	8,189,716
	58,059,053	56,142,964
Less: Accumulated Depreciation	(23,789,975)	(22,529,174)
TOTAL CAPITAL ASSETS	34,269,078	33,613,790
TOTAL ASSETS	44,969,874	45,110,371
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	513,380	448,155
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$45,483,254	\$45,558,526

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

MALVERN WATER WORKS
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

Page 7

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
CURRENT LIABILITIES:		
Accounts Payable	\$ 124,140	\$ 84,334
Accrued Salaries and Payroll Taxes	20,543	19,778
Accrued Absences	93,495	90,325
Other Current Liabilities	29,604	20,423
Current Portion of Long-Term Debt	1,291,138	1,259,036
TOTAL CURRENT LIABILITIES	1,558,920	1,473,896
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Schedule I)	502,453	535,062
LONG-TERM LIABILITIES:		
Long-Term Debt (Net of Unamortized Bond Issue Costs of \$353,826 and \$372,367)	20,269,913	21,542,511
Net Pension Liability	1,649,216	1,470,113
TOTAL LONG-TERM LIABILITIES	21,919,129	23,012,624
TOTAL LIABILITIES	23,980,502	25,021,582
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	29,163	49,027
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	24,009,665	25,070,609
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	12,708,027	10,812,243
Restricted	5,751,229	5,651,759
Unrestricted	3,014,333	4,023,915
TOTAL NET POSITION	21,473,589	20,487,917
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$45,483,254	\$45,558,526

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

MALVERN WATER WORKS
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE:		
Water Sales	\$ 3,423,364	\$ 3,235,464
Sewer Sales	1,726,317	1,788,953
Fees and Charges	89,130	91,316
Penalties	60,092	49,551
Miscellaneous Revenue	6,249	14,876
TOTAL OPERATING REVENUE	5,305,152	5,180,160
OPERATING EXPENSES (Schedule II)	5,048,466	4,400,347
OPERATING INCOME	256,686	779,813
OTHER INCOME (EXPENSES):		
Sales Tax Revenue	1,378,085	1,333,459
Interest Income	63,656	54,692
Interest Expense	(712,755)	(757,422)
TOTAL OTHER INCOME (EXPENSES)	728,986	630,729
NET INCOME	985,672	1,410,542
NET POSITION AT BEGINNING OF YEAR	20,487,917	19,077,375
NET POSITION AT END OF YEAR	\$21,473,589	\$ 20,487,917

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

MALVERN WATER WORKS
 COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 5,231,217	\$ 5,131,964
Cash Payments for Goods and Services	(2,236,294)	(2,327,229)
Cash Payments to Employees	(1,326,355)	(1,201,775)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,668,568	1,602,960
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	(16,526)	7,198
Sales Tax Revenue Received	1,362,374	1,318,000
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	1,345,848	1,325,198
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,916,089)	(1,110,353)
Proceeds Received from Disposal of Capital Assets	-	1,800
Principal Paid on Long-Term Debt	(1,240,496)	(1,203,783)
Interest Paid on Long-Term Debt	(728,838)	(767,764)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,885,423)	(3,080,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	63,656	54,692
NET INCREASE IN CASH AND RESTRICTED CASH	(807,351)	(97,250)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	9,699,996	9,797,246
CASH AND RESTRICTED CASH - END OF YEAR	\$ 8,892,645	\$ 9,699,996

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

MALVERN WATER WORKS
 COMBINED STATEMENTS OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

Reconciliation of operating income to net cash provided by operating activities:

	<u>2023</u>	<u>2022</u>
OPERATING INCOME	<u>\$ 256,686</u>	<u>\$ 779,813</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Bad Debts	8,393	14,508
Depreciation	1,260,801	1,097,284
(Gain) Loss on Disposal of Assets	-	(1,800)
Pension Related Adjustment	94,014	(40,042)
Change in Assets and Liabilities:		
Accounts Receivable	(73,935)	(46,396)
Inventory	(52,398)	(24,441)
Prepaid Expenses	122,085	(136,841)
Accounts Payable	39,806	(47,784)
Accrued Payroll Expenses	3,935	7,049
Other Liabilities	9,181	1,610
TOTAL ADJUSTMENTS	<u>1,411,882</u>	<u>823,147</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,668,568</u></u>	<u><u>\$ 1,602,960</u></u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of Bond Issuance Cost	<u><u>\$ 18,541</u></u>	<u><u>\$ 18,659</u></u>

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

MALVERN WATER WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Page 11

Note 1. Summary of Significant Accounting Policies:

Malvern Water Works (the “Water Works”) is an Enterprise Fund of the City of Malvern, Arkansas and is governed by the City Council of the City of Malvern, Arkansas. The accompanying financial statements and other information reflect Malvern Water Works fund only and do not include other funds of the City of Malvern, Arkansas.

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The Water Works applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Water Works applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

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

The Water Works utilizes the allowance method of accounting for uncollectible accounts receivable. The Water Works reviews their customer accounts on a periodic basis and records a reserve for specific amounts that management determines may not be collected. In addition, the Water Works has established a general reserve for potentially uncollectible accounts based on historical bad debts. Amounts are written off at the point when collection attempts have been exhausted, which is usually 180 days after the account is past due. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While management believes the Water Works’ processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to the allowance recorded by the Water Works. At December 31, 2023 and 2022, an allowance was not deemed necessary by management. Sales of water and sewer services are made on open account to customers located in Malvern, Arkansas and the surrounding areas and are collateralized to the extent of each customer’s meter deposit.

Inventories consist of materials and supplies valued at the lower of cost or market, using the first-in, first-out method.

Debt issuance expenses and discounts are being amortized over the terms of the respective liabilities using the effective interest method.

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

The Water Works restricts certain assets for the payment of debt service, capital improvements, and repairs and maintenance of the Water Works.

MALVERN WATER WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Page 12

Note 1. Summary of Significant Accounting Policies: (Continued)

The Water Works capitalizes all expenditures in excess of \$5,000 and with a useful life of more than one year. Capital assets are stated at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from three to fifty years. Donated fixed assets are valued at their estimated fair market value on the date donated. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets.

Budgeted revenues and expenses are prepared using the economic resources measurement focus and the accrual basis of accounting. The original budgets adopted by the Water Works were not amended during the years ended December 31, 2023 and 2022.

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

Management has evaluated subsequent events through July 23, 2024, the date the financial statements were available for issuance.

Note 2. Unbilled Revenue:

Unbilled water and sewer revenue of \$224,113 was computed for usage from the last meter reading date of 2023 until the end of December. This amount is computed by allocating water used based on the last meter reading date.

Note 3. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America. All cash funds of the Water Works, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Malvern Water Works in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Malvern Water Works does not have a policy for custodial credit risk. At December 31, 2023 and 2022, the Water Works' deposits with financial institutions were fully insured or collateralized and totaled \$10,930,000 and \$9,800,635, respectively.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Malvern Water Works' accounts

MALVERN WATER WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3. Public Fund Deposit and Investments (Continued):

and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Malvern accounts and investments at a financial institution.

Investment Interest Rate Risk: Malvern Water Works does not have an investment interest rate risk.

Investment Credit Risk: Malvern Water Works does not have a formal investment policy. All investments are demand deposit accounts with banks authorized by state law to receive deposits of public funds and with which the Water Works has a collateral agreement.

Foreign Currency Risk: Malvern Water Works has no exposure to foreign currency risk.

Note 4. Property, Plant and Equipment:

Property, Plant and Equipment activity consists of the following in 2023:

	12/31/2022	Increases	Decreases	Transfers	12/31/2023
Land	\$ 1,197,371	\$ -	\$ -	\$ -	\$ 1,197,371
Plant and Equipment	45,663,021	64,320	-	9,809,709	55,537,050
Vehicles	853,233	136,165	-	-	989,398
Office Equipment	239,623	32,256	-	-	271,879
Construction in Process	8,189,716	1,683,348	-	(9,809,709)	63,355
	56,142,964	1,916,089	-	-	58,059,053
Less Accumulated Depreciation	(22,529,174)	(1,260,801)	-	-	(23,789,975)
NET	<u>\$ 33,613,790</u>	<u>\$ 655,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,269,078</u>

Property, Plant and Equipment activity consists of the following in 2022:

	12/31/2021	Increases	Decreases	Transfers	12/31/2022
Land	\$ 1,197,371	\$ -	\$ -	\$ -	\$ 1,197,371
Plant and Equipment	45,381,747	281,274	-	-	45,663,021
Vehicles	846,156	52,947	(45,870)	-	853,233
Office Equipment	239,623	-	-	-	239,623
Construction in Process	7,413,584	776,132	-	-	8,189,716
	55,078,481	1,110,353	(45,870)	-	56,142,964
Less Accumulated Depreciation	(21,477,760)	(1,097,284)	45,870	-	(22,529,174)
NET	<u>\$ 33,600,721</u>	<u>\$ 13,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,613,790</u>

Note 5. Long-Term Debt:

As of December 31, 2023, the Water Works had seven indebtedness issues outstanding. The bonds are secured by pledge of and payable from revenues derived from operation of the water and sewer systems. In order to comply with its debt covenants, the Water Works must maintain separate revenue, operating and maintenance accounts, and debt service accounts. In

MALVERN WATER WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 5. Long-Term Debt: (continued)

addition, a monthly deposit of 5% of net revenues must be made into a depreciation fund until such time that the remaining balance in the depreciation fund exceeds the total of 5% of annual net revenues plus the cost of probable replacements during the current and next ensuing year.

Long-Term Debt as of December 31, 2023 and 2022 consists of the following:

	12/31/2023	12/31/2022
Capital Improvement Revenue Bond (Waterworks Project), Series 2004A (DWSRF); original amount \$3,030,749; interest rate of 1.5% plus servicing fee of 1%; payments due semi-annually on April 15 and October 15; current portion is \$128,995. Maturing in April 2032.	\$ 1,205,688	\$ 1,331,518
City of Malvern 2.5% Water and Sewer Revenue Bond, Series 2004B (DWSRF-2004); original amount \$10,812,336; interest rate of 1.5% plus servicing fee of 1%; payments due semi-annually on April 15 and October 15; current portion is \$385,654. Maturing in October 2036.	5,844,597	6,220,787
City of Malvern, Arkansas 4.75% Water and Sewer Revenue Bond, Series 2007; original amount \$1,339,000; interest rate of 2.75%; payments due semi-annually on June 1 and December 1; current portion is \$65,501. Maturing in June 2033.	695,920	759,657
City of Malvern Lease-Purchase Agreement, Series 2005; original amount \$1,389,139; interest rate of 3.9%; payments due semi-annually on June 1 and December 1; current portion is \$52,682. Maturing in June 2035.	748,116	798,802
City of Malvern 2005A Water and Sewer Revenue Bond (Bond D), Series 2005; original amount of \$206,000; interest free; one-time servicing fee of \$6,000; payments due annually on June 1; current portion is \$6,867. Maturing in June 2035.	82,394	89,261
City of Malvern, Arkansas 1.75% Water and Sewer Revenue Bond, Series 2009; original amount of \$500,000; interest rate of 1.75% plus servicing fee of 1%; payments due semi-annually on April 15 and October 15. Principal payments began April 15, 2012; current portion is \$26,439. Maturing in October 2031.	233,162	258,889
City of Malvern, Arkansas Water and Sewer Revenue Bond, Series 2018; original amount \$15,960,000; interest rate of 3.00% through 2030; interest only payments due February 1st each year; principal and interest payments (varying amounts) due August 1st each year; current portion is \$625,000. Maturing in August 2043.	13,105,000	13,715,000
	21,914,877	23,173,914
Less portion considered current	(1,291,138)	(1,259,036)
Total long-term debt	\$ 20,623,739	\$ 21,914,878

MALVERN WATER WORKS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 5. Long-Term Debt: (continued)

Aggregate maturities of debt as of December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Total</u>
2024	\$ 1,291,138	\$ 609,986	\$ 71,490	\$ 1,972,614
2025	1,328,704	579,114	66,045	1,973,863
2026	1,321,749	547,301	60,463	1,929,513
2027	1,220,287	515,887	54,740	1,790,914
2028	1,254,326	487,715	48,871	1,790,912
Thereafter	<u>15,498,673</u>	<u>3,603,608</u>	<u>179,583</u>	<u>19,281,863</u>
Total	<u>\$ 21,914,877</u>	<u>\$ 6,343,611</u>	<u>\$ 481,192</u>	<u>\$ 28,739,679</u>

Note 6. Restricted Funds:

The Water Works has deposits which are restricted to various uses as follows:

Depreciation Funds:

The depreciation fund was established by Ordinance No. 788 to be used solely for the purpose of paying the costs of replacements of fixed assets made necessary by the depreciation of the system. The depreciation fund totaled \$2,682,367 and \$3,895,939 at December 31, 2023 and 2022, respectively.

Debt Service Funds:

The Water Works is required to deposit funds monthly, to be held in trust, an amount equal to 1/6 of the interest to become due on the next ensuing interest payment date plus 1/6 of the next installment of principal next due on the Bonds. The required deposits shall be reduced by any amount in the Debt Service Funds available for meeting the purpose for which a deposit is required to be made. The total deposits, held in trust as of December 31, 2023 and 2022 were \$612,404 and \$608,469, respectively.

Meter Deposits:

The Water Works meter deposits are in the operating bank account. At December 31, 2023 and 2022, the amount in the operating bank account set aside for meter deposits was \$302,128 and \$318,654, respectively.

Construction Fund for 2019 Bond Issuance:

The Water Works established a construction fund for proceeds from the bonds issued in 2019 to be held during the improvement project process. The balance in the fund at December 31, 2023 and 2022, was \$2,449,379 and \$1,147,351, respectively.

MALVERN WATER WORKS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 7. Concentrations:

The Water Works has obtained its water from the Ouachita River. This is the sole source of water for the Water Works.

The Water Works had sales of \$1,392,999 to the Arkansas Department of Corrections for the year ending December 31, 2023. This represented approximately 26% of total water and sewer sales.

Note 8. Current Rates:

The current water and sewer rates were established by Ordinance No. 2011-02 and 2011-03, respectively, adopted February 14, 2011. The classes of users include: residential I, a user whose water is for residential property that has one meter per single family residence and uses an annual average of under 2,000 gallons per month; residential II, a user whose water is for residential property that has one meter per single family residence and uses an annual average over 2,000 gallons per month; small commercial, a user whose water is for commercial operations, trade or business and who consumes an annual average of less than 6,000 gallons of water per month; large user, a user whose water is for commercial operations, trade or business and who consumes an annual average of 6,000 gallons or more of water per month; sprinkler meter, a user who has a dedicated meter for the purpose of irrigation; and wholesale, a city, town, improvement district, public facilities board, public water authority, or water users association purchasing water through a master meter.

Rates are as follows for the year ended December 31, 2023:

Class	Base*	Rate per 100 Gallons
Water Rates:		
Residential I	\$ 9.50	0.435
Residential II	14.00	0.435
Small Commercial	21.25	0.435
Large User	36.75	0.435
Sprinkler Meter	14.00	0.435
Wholesale	6.00	0.30
Sewer Rates:		
Residential	12.00	0.30
Small Commercial	21.00	0.30
Large User	42.75	0.30

* Base includes 2,000 gallons

Note 9. Insurance Coverage:

The Water Works is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Works considers it to be more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation, vehicle and property insurance. As such, they participate in the Arkansas Municipal League Risk Management Pool ("AML Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Arkansas. The Water Works pay an annual premium to the AML Pool for its workers' compensation, vehicle and property insurance. The AML Pool for workers' compensation, vehicle and legal property insurance is totally self-insured and each political subdivision that has participated in the AML Pool is not subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the AML Pool.

The Water Works continues to carry commercial insurance for all other risks of loss, including fire and extended coverage, inland marine coverage, fidelity bond, and employee health, life and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past fiscal years. There has been no significant reduction in the amount of coverage provided.

Note 10. Arkansas Public Employees Retirement System:

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers.

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

Plan Description

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

Note 10. Arkansas Public Employees Retirement System: (Continued)

Plan Description (Continued)

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

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/23. The rate remained unchanged for the fiscal year beginning 7/1/23. Contributions made by the Utility were \$202,877 and \$182,329 for the years ended December 31, 2023 and 2022, respectively.

Benefits Provided

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

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

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

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

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

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

Note 10. Arkansas Public Employees Retirement System: (Continued)

Contributions

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

APERS Fiduciary Net Position

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

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

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

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Discount rate	7.00%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)

Note 10. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions (Continued)

Mortality Table	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 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 rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Water Works' target asset allocation as of June 30, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MALVERN WATER WORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 10. Arkansas Public Employees Retirement System: (Continued)

Discount Rate (Continued)

At December 31, 2023, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 93,095	\$ 35,288	\$ 9,940	\$ 21,265	\$ 36,371
Changes in proportion and differences between employer contributions and proportionate share of contribution	35,308	11,126	24,011	24,814	28,325
Changes in assumptions	77,534	-	-	20,070	72,535
Utility contributions subsequent to measurement date	102,175	91,618	83,931	87,877	82,813
Net difference between projected and actual earnings on pension plan investments	205,268	310,123	-	169,499	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(9,060)	(17,749)	(27,855)	(1,061)	(1,986)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(20,103)	(31,278)	(1,305)	(11,881)	(22,541)
Changes in assumptions	-	-	(3,042)	(27,446)	(51,373)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	(762,384)	-	(10,150)
Totals	<u>\$ 484,217</u>	<u>\$ 399,128</u>	<u>\$ (676,704)</u>	<u>\$ 283,137</u>	<u>\$ 133,994</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Differences in Experience</u>	<u>Changes in Assumptions</u>	<u>Differences in Earnings</u>	<u>Changes in Contribution Proportion</u>	<u>Net Reduction in Pension Expense</u>
2023	\$ 18,278	\$ 16,864	\$ 41,054	\$ 3,307	\$ 79,503
2024	18,278	16,864	41,054	3,307	79,503
2025	18,278	16,864	41,054	3,307	79,503
2026	18,278	16,864	41,054	3,307	79,503
2027	10,923	10,078	41,052	1,977	64,030
	<u>\$ 84,035</u>	<u>\$ 77,534</u>	<u>\$ 205,268</u>	<u>\$ 15,205</u>	<u>\$ 382,042</u>

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 City Council
City of Malvern, Arkansas
Malvern Water Works

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 Malvern Water Works as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Malvern Water Works' internal control over financial reporting (internal control) to determine the 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 Malvern Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Malvern Water Works' 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Malvern Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

July 23, 2024

MALVERN WATER WORKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Page 24

Summary of Auditors' Results

The auditor's report expresses an unqualified opinion on the financial statements of Malvern Water Works ("the Water Works").

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the Water Works were disclosed during the audit.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

N/A

SUPPLEMENTARY INFORMATION

MALVERN WATER WORKS
SCHEDULE OF RESTRICTED ASSETS AND LIABILITIES
DECEMBER 31, 2023 AND 2022

SCHEDULE I
Page 25

	2023	2022
RESTRICTED ASSETS:		
Cash and Cash Equivalents - Depreciation Funds	\$ 2,682,367	\$ 3,895,939
Cash and Cash Equivalents - Debt Service	619,483	608,469
Cash and Cash Equivalents - Meter Deposits	302,128	318,654
Cash and Cash Equivalents - Construction Funds	2,449,379	1,147,351
TOTAL RESTRICTED ASSETS	6,053,357	5,970,413
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued Interest Payable on Long-Term Debt	200,325	216,408
Customers' Meter Deposits	302,128	318,654
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	502,453	535,062
NET RESTRICTED ASSETS	\$ 5,550,904	\$ 5,435,351

See Independent Auditors' Report.

MALVERN WATER WORKS
 SCHEDULE OF OPERATING EXPENSES
 DECEMBER 31, 2023 AND 2022

SCHEDULE II
 Page 26

	2023	2022
OPERATING EXPENSES:		
Salaries and Wages	\$ 1,331,310	\$ 1,209,525
Payroll Taxes	100,673	91,643
Employee Benefits	622,536	415,265
Bad Debts	8,393	14,508
Chemicals and Supplies	560,888	457,812
Communications	27,867	28,947
Computer	13,641	13,592
Depreciation	1,260,752	1,097,284
Dues and Subscriptions	12,428	7,842
Equipment Parts and Small Tools	29,963	31,106
Insurance	62,311	57,829
Legal and Professional	19,062	29,468
Meter Reading	25,612	24,281
Office	20,772	13,719
Outside Labor and Materials	178,860	247,914
Postage	37,315	32,873
Repairs and Maintenance	276,343	186,822
Street Breaks and Boring	26,948	31,780
Utilities	423,176	398,121
Miscellaneous	9,616	10,016
TOTAL OPERATING EXPENSES	\$ 5,048,466	\$ 4,400,347

See Independent Auditors' Report.

MALVERN WATER WORKS
BUDGETARY COMPARISON SCHEDULE
FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE III
Page 27

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES:			
Water Sales	\$ 3,185,000	\$ 3,423,364	\$ 238,364
Sewer Sales	1,754,000	1,726,317	(27,683)
Fees and Charges	75,000	89,130	14,130
Penalties	70,000	60,092	(9,908)
Miscellaneous Revenue	6,000	6,249	249
TOTAL OPERATING REVENUES	<u>5,090,000</u>	<u>5,305,152</u>	<u>215,152</u>
OPERATING EXPENSES:			
Salaries and Wages	1,356,805	1,331,310	25,495
Payroll Taxes	111,195	100,673	10,522
Employee Benefits	593,155	622,536	(29,381)
Bad Debts	30,000	8,393	21,607
Chemicals and Supplies	517,260	560,888	(43,628)
Communications	53,350	27,867	25,483
Computer	46,400	13,641	32,759
Depreciation	126,000 ^	1,260,752	(1,134,752)
Dues and Subscriptions	20,075	12,428	7,647
Equipment Parts and Small Tools	35,000	29,963	5,037
Insurance	71,050	62,311	8,739
Legal and Professional	99,000	19,062	79,938
Meter Reading	21,000	25,612	(4,612)
Office	28,700	20,772	7,928
Outside Labor and Materials	253,200	178,860	74,340
Postage	31,000	37,315	(6,315)
Repairs and Maintenance	210,850	276,343	(65,493)
Street Breaks and Boring	37,000	26,948	10,052
Utilities	557,000	423,176	133,824
Miscellaneous	10,450	9,616	834
TOTAL OPERATING EXPENSES	<u>4,208,490</u>	<u>5,048,466</u>	<u>(839,976)</u>
OPERATING INCOME	<u>881,510</u>	<u>256,686</u>	<u>(624,824)</u>
OTHER INCOME (EXPENSES):			
Sales Tax Revenue	1,260,000	1,378,085	118,085
Interest Revenue	25,600	63,656	38,056
Interest Expense	(2,156,925) *	(712,755)	1,444,170
TOTAL OTHER INCOME (EXPENSES)	<u>(871,325)</u>	<u>728,986</u>	<u>1,600,311</u>
NET INCOME	<u>\$ 10,185</u>	<u>\$ 985,672</u>	<u>\$ 975,487</u>

See Independent Auditors' Report.

* Budgeted amount includes total principal, interest, and service fee payments.

^ Includes amounts budgeted for capital purchases.

MALVERN WATER WORKS
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE IV
 Page 28

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

	2023	2022	2021	2020	2019
System's proportion of the net pension liability (asset) per APERS	0.0565927%	0.0545217%	0.0056491%	0.0055940%	0.0055393%
System's proportionate share of the net pension liability - per APERS	\$ 192,163	\$ 1,470,113	\$ 434,323	\$ 1,601,879	\$ 1,336,380
System's covered-employee payroll	\$ 1,324,262	\$ 1,190,137	\$ 1,104,243	\$ 1,124,530	\$ 1,083,035
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.51%	123.52%	39.33%	142.45%	123.39%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 202,877	\$ 182,329	\$ 169,170	\$ 172,278	\$ 165,921
Contributions in relation to the contractually required contribution	(202,877)	(182,329)	(169,170)	(172,278)	(165,921)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 1,324,262	\$ 1,190,137	\$ 1,104,243	\$ 1,124,530	\$ 1,083,035
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%

See Independent Auditors' Report.