

NORTH LITTLE ROCK WASTE WATER UTILITY
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(With independent auditor's report thereon.)

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INTRODUCTION

The North Little Rock Waste Water Utility, hereafter referred to as the “Utility” is pleased to present its financial report for the years ending December 31, 2023 and 2022 developed in compliance with Governmental Accounting Standards.

Mission

The mission of the Utility is to provide safe, low-cost, high-quality sewer service to the citizens of North Little Rock, Maumelle, Sherwood and other areas as directed. This service in general includes the collection, treatment and disposal of the treated water into the Arkansas River in an environmentally sound matter.

Summary of Organization

The Utility was established by the North Little Rock City Council in 1962. The City Council appointed a five-member commission to oversee its operations. Each commissioner is appointed for a five-year period, with any reappointment approved by the City Council. The commission meets in open public session on the second Tuesday of each month. The Utility’s day-to-day operations are managed by a professional Director with assistance from the senior management. The Utility has no taxing power. Operational and maintenance costs are funded from customer fees and charges. At the end of 2023, the utility provided service to approximately 40,700 customers. The acquisition and construction of capital assets are funded by customer revenues, contributions from developers and sewer improvement districts and from construction loans. The Utility maintains and operates four treatment plants, 74 pump stations and hundreds of miles of sewer lines. As of December 31, 2023, the Utility had 92 employees dedicated to providing sewer service to the customer base.

Responsibility and Controls

The Utility has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books reflect only authorized transactions. The internal accounting controls are evaluated on an ongoing basis by the Finance Administrator. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Utility’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unqualified opinion of our independent auditors, EGP, PLLC, is included in this report.

Independent Auditor's Report

North Little Rock Waste Water Treatment Committee
North Little Rock Waste Water Utility

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Little Rock Waste Water Utility, a component unit of the City of North Little Rock, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise North Little Rock Waste Water Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the North Little Rock Waste Water Utility, as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 North Little Rock Waste Water Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

North Little Rock Waste Water Utility's 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 North Little Rock Waste Water Utility's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS or *Government Auditing*

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 North Little Rock Waste Water Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Little Rock Waste Water Utility'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 required supplementary information as listed in the table of contents on pages 5 through 10 and 30 through 33 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Little Rock Waste Water Utility's financial statements as a whole. The introductory section and schedule of operating expenses on pages 1 and 34, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not present fairly the financial position of the City of North Little Rock 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024 on our consideration of North Little Rock Waste Water Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Little Rock Waste Water Utility, internal control over financial reporting.

June 21, 2024

EGP, PLLC

Certified Public Accountants & Consultants
North Little Rock, Arkansas

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.

Financial Highlights

The current rate ordinance was adopted on February 14, 2022, and it included rate adjustments effective on April 1, 2022, and on January 1st of the years 2023 through 2026. The rate in effect for 2023 was \$19.90 for a minimum usage of 400 cubic feet and \$6.22 per 100 cubic feet of usage after the 400 cubic feet. The rate in effect from April through December of 2022 was \$18.95 for a minimum usage of 400 cubic feet and \$5.92 per 100 cubic feet of usage after the 400 cubic feet. The rate of \$18.05 for a minimum usage of 400 cubic feet and \$5.64 per 100 cubic feet of usage after 400 was effective for the months of January through March of 2022. There is a minimum charge of four 100 cubic feet for all customers.

The Utility realized an increase in its investment balance of around \$6,300,000 during 2023. The Utility did not have to cash any certificates during the year. There are several construction projects and normal operations which the accumulated investments will be used for in the coming years.

The Utility closed six construction in progress projects during 2023 with a value of around \$9,700,000. A land purchase adjacent to the Faulkner Lake Treatment Plant was made for future expansion.

The Arkansas Natural Resources Commission (ANRC) approved loan funds from the Arkansas Clean Water State Revolving Loan Fund in the amount of \$45,000,000 during 2022. The interest rate is .75 percent with an annual servicing fee of 1.00 percent. At the end of December 2023, the Utility had been disbursed the total amount of \$6,011,110 for this loan. The Utility has four other outstanding loans at the end of 2023.

The Statement of Net Position shows an increase of around \$9,000,000 for the year 2023. This excess of total revenues over total expenses is a good indication of the Utility's overall financial health.

Overview of Annual Financial Report

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.

Overview of Annual Financial Report-Continued

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 the assets and liabilities with the difference reported as net position. Over time, increases and decreases in net assets are one indicator of whether the financial position 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 as to how the 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 operational, financing and investing activities. This statement presents cash receipt 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 the Utility's 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 comparative financial statements provide information about the financial activities of the North Little Rock Waste Water Utility. The following information is an analysis of the comparison between the two years presented in the financial statements. The amounts for the year ending December 31, 2021 are also shown for reference purposes.

Statement of Net Position:

This statement indicates that the Utility had an adequate amount of liquid assets as of the end of the year and a reasonable level of unrestricted net position. The other non-current liability total amount for 2023 includes an amount of \$3,099,920 for the reserve for bio-solid removal. This reserve account was set up to accrue liability for the cost of removing sludge from the lagoons at all the treatment plants. The current ratio is an indication of short-term liability and is calculated by dividing current assets by current liabilities. A resulting number greater than one indicates current assets in excess of current needs which can be applied to future periods. The current ratio as of December 31, 2023, was 3.10 and the ratio for 2022 and 2021 was 4.14 and 4.05, respectively. Another ratio which is shown in 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 notes payable by total assets and was 25% for the year ended December 31, 2023. The debt utilization ratio for 2022 and 2021 was 28% and 29%, respectively.

Analysis of Statement of Net Position

	2023	2022	2021
Current Assets	\$25,149,685	\$18,914,144	\$17,973,708
Net Property & Equipment	\$136,469,253	\$136,135,153	\$129,161,536
Other Non-Current Assets and Deferred Outflows	\$9,419,858	\$8,966,635	\$6,421,745
Current Liabilities	\$8,105,847	\$4,571,890	\$4,438,428
Bonds Payable	\$37,891,613	\$42,601,998	\$40,261,682
Other Non-Current Liabilities and Deferred Inflows	\$7,559,116	\$8,331,949	\$5,316,320
Invested in Capital Assets, net of related debt	\$93,718,302	\$90,295,923	\$85,841,989
Restricted Net Assets	\$5,919,725	\$4,548,624	\$3,763,241
Unrestricted Net Assets	\$17,844,193	\$13,665,548	\$13,935,329

Statement of Revenues, Expenses and Changes in Net Position:

For the year ending December 31, 2023, the Utility had an operating income of \$8,849,559 with an overall increase in net position of \$8,972,125 after the non-operating income and expenses were accounted for.

**Analysis of Statement of Revenues, Expenses and
Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenue	\$ 27,405,527	\$ 26,167,024	\$ 24,357,675
Operating Expenses	<u>\$(18,555,968)</u>	<u>\$(20,496,220)</u>	<u>\$(17,003,237)</u>
Operating Income	\$ 8,849,559	\$ 5,670,804	\$ 7,354,438
Non-Operating Revenue	\$ 912,561	\$ 155,022	\$ 97,965
Non-Operataing Expenses	\$ (789,995)	\$ (856,290)	\$ (1,113,935)
Increase in Net Position	<u>\$ 8,972,125</u>	<u>\$ 4,969,536</u>	<u>\$ 6,338,468</u>

Of the total operating revenue for 2023, 93% comes from the rates that the customer base pays for their sewer service.

The operating revenue besides that amount directly from the customer base includes late fees collected on past due billings, tie-on and permit fees, a treatment fee accessed to another city per a court order agreement and plan review charges.

The total operating expense is comprised of labor, depreciation and other. The labor cost includes benefits (insurance, training, matching FICA, and pension) as well as salary. The other operating expenses include supplies, utilities, routine repair and maintenance, outside services and any other non-labor or depreciation expense. The operating expenses decreased around 10 percent between 2023 and 2022. This decrease was mainly due to nothing being expended for emergency repairs in 2023 and in 2022 over \$1,000,000 was expended for such repairs.

The non-operating revenue includes interest income on investments and any miscellaneous income. For 2023 the interest income was \$799,836. The average interest rate received on the investments increased by around 3.5% when compared to 2022.

The non-operating expense is the interest expense on all loans. The decrease in 2022 is the result of the decrease in the interest rates on three of the outstanding loans.

Capital Asset Information:

As of December 31, 2023, the Utility had a property value after accumulated depreciation of \$136,469,253. The value includes both booked assets and construction in progress projects.

The construction in progress jobs included various projects for lining and pipe bursting of sewer lines. The capital asset additions were funded with both bond proceeds and reserves.

Debt Information:

The following schedule shows the debt activity for the year.

**SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2022**

<u>DESCRIPTION</u>	<u>1/1/23 BALANCE</u>	<u>DRAWS RECEIVED</u>	<u>PAYMENTS</u>	<u>12/31/23 BALANCE</u>
SERIES 2001	\$ 993,392.89	\$ -	\$ 656,903.14	\$ 336,489.75
SERIES 2008	\$ 7,232,491.90	\$ -	\$ 748,751.43	\$ 6,483,740.47
SERIES 2012	\$14,777,265.64	\$ -	\$ 1,021,706.22	\$13,755,559.42
SERIES 2016	\$16,973,924.43	\$ -	\$ 809,872.62	\$16,164,051.81
SERIES 2022	\$ 5,862,155.00	\$ 148,955.00	\$ -	\$ 6,011,110.00
	<u>\$45,839,229.86</u>	<u>\$ 148,955.00</u>	<u>\$ 3,237,233.41</u>	<u>\$42,750,951.45</u>

The payments recorded for the revolving loan funds were the scheduled six-month payments. The Series 2001 loan will be paid off in April, 2024. The Series 2008 loan will be paid off in October, 2031. The Series 2012 loan will be paid off in October, 2035. The Series 2016 will be paid off in October 2040 and the Series 2022 will be paid off in October 2043.

Budget to Actual Comparison:

The budget is prepared by the Utility's Finance Administrator and is based on the previous year's dollar amounts. The previous year's amounts are adjusted to reflect the projected activity for the current year.

The total operating revenue was close to the budgeted amount. The total non-operating revenue was more than budgeted due to much higher interest rates on investments than anticipated.

The total operating expenses were less than the amount budgeted due to a lower percentage increase than what was included in the budget. Also, there were no emergency repairs expensed in 2023. The non-operating expenses were lower than the budget, due to the amount of draws received on the series 2022 being lower.

Analysis of Planned Activity for 2024:

The Utility plans on continuing with the Maumelle to White Oak Diversion project and starting projects for various large interceptor cured in-place rehabilitation. Loan proceeds will be used for the diversion and the large line interceptor projects. The Utility also has budgeted for several secondary sewer line rehabilitation projects as well as the purchase of land for future

White Oak treatment plant expansion. These projects will be funded from the Utility's reserves and rates.

Contacting the Management:

The financial report is designed to provide our customers, citizens and creditors with a general overview of the Utility's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact our administration office.

North Little Rock Waste Water Utility
Statement of Net Position
December 31, 2023 and 2022
(See independent auditor's report.)

	2023	2022
<u>Assets and Deferred Outflows of Resources</u>		
Current Assets		
Cash	\$ 6,868,073	3,731,614
Certificates of deposit	14,979,661	11,779,100
Accrued interest receivable	334,460	27,464
Accounts receivable (net of allowance of \$10,000 for 2023 and \$29,000 for 2022)	2,657,875	3,206,151
Inventory	46,997	60,847
Prepaid expenses	262,619	108,968
Total Current Assets	25,149,685	18,914,144
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents	4,389,553	3,372,669
Certificates of deposit	526,376	515,294
Other restricted assets	1,003,796	660,661
Other assets	27,474	-
Property, plant and equipment, net	136,469,253	136,135,153
Notes receivable, net of current portion	162,594	166,830
Total Noncurrent Assets	142,579,046	140,850,607
Total Assets	167,728,731	159,764,751
Deferred Outflows of Resources		
Deferred outflows related to pensions	3,310,065	4,251,181
Total Deferred Outflows of Resources	3,310,065	4,251,181
 Total Assets and Deferred Outflows of Resources	 \$ 171,038,796	 164,015,932

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

	<u>2023</u>	<u>2022</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current Liabilities		
Accounts payable	\$ 1,830,662	97,417
Other current liabilities	687,049	544,163
Accrued absences	728,798	693,078
Current portion of long-term debt	4,859,338	3,237,232
Total Current Liabilities	<u>8,105,847</u>	<u>4,571,890</u>
Noncurrent Liabilities		
Reserve for bio-solids disposal	3,099,920	3,099,920
Pension liability	2,943,891	3,740,989
OPEB obligation	138,777	92,591
Bonds payable, net of current portion	37,891,613	42,601,998
Total Noncurrent Liabilities	<u>44,074,201</u>	<u>49,535,498</u>
Total Liabilities	<u>52,180,048</u>	<u>54,107,388</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,376,528	1,398,449
Total Deferred Inflows of Resources	<u>1,376,528</u>	<u>1,398,449</u>
Total Liabilities and Deferred Inflows of Resources	<u>53,556,576</u>	<u>55,505,837</u>
Net Position		
Net investment in capital assets	93,718,302	90,295,923
Restricted	5,919,725	4,548,624
Unrestricted	17,844,193	13,665,548
Total Net Position	<u>117,482,220</u>	<u>108,510,095</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 171,038,796</u>	<u>164,015,932</u>

North Little Rock Waste Water Utility
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2023 and 2022
(See independent auditor's report)

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Service charges	24,227,836	23,062,465
Service charges - industry	1,948,699	2,022,652
Service charges - violations	370,938	300,010
Service charges - late fees	458,752	387,682
Permits and inspections	61,555	52,635
Other operating income	337,747	341,580
Total Operating Revenues	<u>27,405,527</u>	<u>26,167,024</u>
Operating Expenses		
Cost of sales	9,738,182	12,059,838
Operating expenses	8,817,786	8,436,382
Total Operating Expenses	<u>18,555,968</u>	<u>20,496,220</u>
Operating Income	<u>8,849,559</u>	<u>5,670,804</u>
Non-Operating Income		
Interest income	799,836	120,180
Gain on disposal of property, plant and equipment	34,198	13,925
Other non-operating income	78,527	20,917
Total Non-Operating Income	<u>912,561</u>	<u>155,022</u>
Non-Operating Expenses		
Interest expense	789,995	856,290
Total Non-Operating Expenses	<u>789,995</u>	<u>856,290</u>
Increase in Net Position	8,972,125	4,969,536
Net position - beginning of period	<u>108,510,095</u>	<u>103,540,559</u>
Net Position - End of Period	<u>\$ 117,482,220</u>	<u>108,510,095</u>

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

North Little Rock Waste Water Utility
Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022
(See independent auditor's report.)

	2023	2022
Cash Flows From Operating Activities:		
Cash received from:		
Customers	\$ 27,620,292	25,228,296
Other operating income	337,747	341,580
Cash payments for:		
Cash paid to suppliers for goods and services	(6,422,335)	(8,920,178)
Cash paid to or on behalf of employees for services	(5,375,471)	(5,238,861)
Net Cash Provided by Operating Activities	16,160,233	11,410,837
 Cash Flows From Capital and Related Financing Activities:		
Repayment of long-term debt and bonds payable	(3,237,233)	(3,342,472)
Proceeds from draws on bond	148,954	5,862,155
Acquisition and construction of capital assets	(5,554,879)	(12,055,926)
Proceeds from disposal of property, plant and equipment	66,539	24,941
Interest paid	(789,995)	(856,290)
Net Cash (Required) by Capital and Related Financing Activities	(9,366,614)	(10,367,592)
 Cash Flows From Investing Activities:		
Investment in certificates of deposit	(15,506,037)	(12,294,394)
Proceeds from maturity of certificates of deposit	12,294,394	10,272,000
Interest and other income received	571,367	119,189
Net Cash Provided (Required) by Investing Activities	(2,640,276)	(1,903,205)
 Net Increase (Decrease) in Cash and Cash Equivalents	4,153,343	(859,960)
Cash and cash equivalents at beginning of year	7,104,283	7,964,243
Cash and Cash Equivalents at End of Year	\$ 11,257,626	7,104,283
 Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	\$ 6,868,073	3,731,614
Restricted cash and cash equivalents	4,389,553	3,372,669
Total Cash and Cash Equivalents	\$ 11,257,626	7,104,283

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

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating income	\$ 8,849,559	5,670,804
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	5,188,438	5,071,293
(Increase) decrease in assets:		
Accounts and notes receivable	552,512	(597,148)
Inventory	13,850	(27,652)
Other assets	(524,260)	87,688
Deferred outflows	941,116	(1,763,872)
Increase (decrease) in liabilities:		
Accounts payable	1,733,245	35,542
Accrued absences	35,720	(52,557)
Other liabilities	(608,026)	3,526,592
Deferred inflows	(21,921)	(539,853)
Net Cash Provided by Operating Activities	<u>\$ 16,160,233</u>	<u>11,410,837</u>

North Little Rock Waste Water Utility
Notes to Financial Statements
December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Principles of Operation

The North Little Rock Waste Water Utility (the “Utility”) (a component unit of the City of North Little Rock) is financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not, present fairly the financial position of the City of North Little Rock, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Utility follows Government Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates 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 Utility uses the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the related cash flows. The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management’s estimates. Those estimates and assumptions 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 expenditures during the reporting period. Actual results may differ from estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Utility considers certificates of deposits and all highly liquid cash investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit with original maturities of greater than three months. Certificates of deposit are recorded at amortized cost which approximates fair value.

Accounts Receivable

Sales of sewer services are made on open account to customers located in North Little Rock, Arkansas and surrounding areas. The Utility utilizes the allowance method of accounting for uncollectible accounts receivable. The Utility reviews its customer accounts on a periodic basis and records a reserve for specific amounts that management determines may not be collected. In addition, the Utility has established a general reserve for potential uncollectible accounts based on historical bad debts. Amounts are written off at the point

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when collection attempts have been exhausted, which is usually 120 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 Utility's 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 Utility. Accounts receivable are net of an allowance for doubtful accounts of \$10,000 and \$29,000 at December 31, 2023 and 2022, respectively.

Inventory

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost unless otherwise noted. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets ranging from three to fifty years. Assets are constructed and acquired by four methods: utility work crews, independent contractors financed by utility funds, contributions to the utility by independently financed waste water improvement districts, and contributions to the utility by real estate developers in conjunction with a property development. Assets acquired from improvement districts and real estate developers result in donated capital and have been so classified. Donated fixed assets are valued at their estimated fair market value on the date donated. The Utility capitalizes all purchases over \$1,000 that have at least a three year useful life. Costs of repairs and maintenance that do not improve or extend the assets lives are charged to expense as incurred.

Long-Lived Assets

The Utility reviews long-lived assets and certain identifiable intangibles held and used by the Utility for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended December 31, 2023 and 2022, no impairment has been identified.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for debt service

This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Utility's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

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Unrestricted

This component of net position consists of net assets that do not meet the definition of “net investment in capital assets” or “restricted.”

Accrued Absences

Each employee may accumulate a maximum of thirty days of vacation and sixty days of sick leave. The Utility has accrued a liability for vacation and sick leave pay, which has been earned but not taken by employees.

Reserve for Bio-Solids Disposal

The Utility provides annually for the estimated cost of bio-solids removal from the treatment plant lagoons, which occurs every five to fifteen years for each lagoon. During 2022, the Utility revised its estimates in regard to the cost to remove bio-solids from each lagoon and also the estimated volume to be removed. This resulted in a change in the estimated reserve for bio-solids disposal of approximately \$1 million. During 2023, there were no changes made to the estimated reserve for bio-solids disposals.

Budgets and Budgetary Accounting

Budgeted revenues and expenses are prepared using the economic resources measurement focus and the accrual basis of accounting. The original budget adopted by the Utility was amended during the year ended December 31, 2023. During the year ended December 31, 2022, the original budget adopted by the Utility was not amended.

Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources, which represents consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. In addition, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until then. The Utility utilizes deferred outflows and deferred inflows to account for changes regarding pension liabilities.

2. Description of Funds

The Utility complies with all state and local laws and regulations as well as the provisions of certain contracts requiring the use of separate funds. The required funds used by the Utility include the following:

Sewer Fund

The Sewer Fund was established for the purpose of depositing all revenues derived from the operation of the system. Revenues are for the payment of reasonable and necessary expenses of operation and maintenance of the system, payment of principal, interest and trustee’s fees on bonds, reserve for contingencies, and providing for a depreciation fund.

Operating and Maintenance Fund

The Operating and Maintenance Fund is used to pay the reasonable and necessary monthly expenses of operation, and repair and maintenance of the Utility. The fund is maintained by required monthly transfers from the Sewer Fund.

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Sewer Depreciation Fund

The Sewer Depreciation Fund is restricted to paying the costs of needed capital improvements or replacements; provided, however, that monies in the Sewer Depreciation Fund may be used to the extent necessary to prevent a default in the payment of the principal and interest on bonds as they become due. The fund is maintained by required monthly transfers from the Sewer Fund.

Rehabilitation Fund

The Rehabilitation Fund was established in 2007 by city ordinance #7973 (as amended by city ordinance #8083) to provide for system repairs and replacements from the proceeds of 2007 rate increases. The ordinance requires that a monthly transfer of \$41,667 (\$500,000 annually) be made from the Sewer Fund to provide for repairs and replacements.

2001 Revolving Loan Fund

The 2001 Revolving Loan Fund was established in 2001 and is restricted to the recording of activity in connection with the 2001 Revolving Loan Fund.

2008 Revolving Loan Fund

The 2008 Revolving Loan Fund was established in 2008 and is restricted to the recording of activity in connection with the 2008 Revolving Loan Fund.

2012 Revolving Loan Fund

The 2012 Revolving Loan Fund was established in 2012 and is restricted to the recording of activity in connection with the 2012 Revolving Loan Fund.

2016 Revolving Loan Fund

The 2016 Revolving Loan Fund was established in 2016 and is restricted to the recording of activity in connection with the 2016 Revolving Loan Fund.

2022 Revolving Loan Fund

The 2022 Revolving Loan Fund was established in 2022 and is restricted to the recording of activity in connection with the 2022 Revolving Loan Fund.

3. Cash and Certificates of Deposit

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase and by attempting to match investment maturities with cash flow requirements.

Credit risk is the risk that the issuer of counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Utility's investment policy specifies the types of securities in which the Utility may invest. Generally, this is accomplished by investing in certificates of deposit with maturities of less than five years.

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to the Utility. At December 31, 2023 and 2022, the Utility's deposits with three financial institutions were fully insured or collateralized and totaled \$27,080,649 and \$19,737,757, respectively.

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4. Restricted Funds

The Utility has certain debt services funds with the Arkansas Development Finance Authority (“ADFA”), which are restricted to various uses. The Utility is required to deposit monthly with the ADFA, to be held in trust, an amount equal to 1/6 of the interest to become due on the next ensuing interest payment 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 Fund 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 \$1,003,796 and \$660,661, respectively.

In addition, certain funds included in cash and cash equivalents and certificates of deposit are restricted to construction, rehabilitation or capital improvements. Those funds totaled \$4,915,929 and \$3,887,963 as of December 31, 2023 and 2022, respectively.

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	2022	Additions	Transfers	Disposals	2023
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	209,696,477	1,265,382	9,765,500	(259,297)	220,468,062
Construction in process	14,555,211	4,289,497	(9,765,500)	-	9,079,208
	<u>227,391,497</u>	<u>5,554,879</u>	<u>-</u>	<u>(259,297)</u>	<u>232,687,079</u>
Less accumulated depreciation	<u>(91,256,344)</u>	<u>(5,188,438)</u>	<u>-</u>	<u>226,956</u>	<u>(96,217,826)</u>
	<u>\$ 136,135,153</u>	<u>366,441</u>	<u>-</u>	<u>(32,341)</u>	<u>136,469,253</u>
	2021	Additions	Transfers	Disposals	2022
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	203,289,622	1,193,898	5,332,645	(119,688)	209,696,477
Construction in process	9,025,828	10,862,028	(5,332,645)	-	14,555,211
	<u>215,455,259</u>	<u>12,055,926</u>	<u>-</u>	<u>(119,688)</u>	<u>227,391,497</u>
Less accumulated depreciation	<u>(86,293,723)</u>	<u>(5,071,293)</u>	<u>-</u>	<u>108,672</u>	<u>(91,256,344)</u>
	<u>\$ 129,161,536</u>	<u>6,984,633</u>	<u>-</u>	<u>(11,016)</u>	<u>136,135,153</u>

6. Long-Term Debt

In 2001, the Utility received a \$10,000,000 program award available for approved construction. The interest rate on the 2001 revolving loan fund is at 2.25% and a financing fee at 1% of the outstanding principal. Repayment of principal, interest and financing fee of the 2001 loan began in October 2005 with payments to be made semi-annually over twenty years.

In 2008, the Utility received a \$14,000,000 program award available for approved construction. The interest rate on the 2008 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2008 loan began in April 2012 with payments to be made semi-

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annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement dated October 8, 2008, by reducing the interest rate from 1.75% percent to .75% percent on remaining bonds outstanding in the amount of \$7,602,004. Semiannual payments, including principal, interest, and service fee, will be reduced by \$21,341 over the life of the bonds.

In 2012, the Utility received a \$21,000,000 program award available for approved construction. The interest rate on the 2012 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2012 loan began in April 2016 with payments to be made semi-annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement dated October 8, 2012, by reducing the interest rate from 1.5% percent to .75% percent on remaining bonds outstanding in the amount of \$15,281,481. Semiannual payments, including principal, interest, and service fee, will be reduced by \$32,422 over the life of the bonds.

In 2016, the Utility received a \$30,000,000 program award available for approved construction. The interest rate on the 2016 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2016 loan began in April 2021 with payments to be made semi-annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement dated October 25, 2016, by reducing the interest rate from 1.25% percent to .75% percent on remaining bonds outstanding in the amount of \$17,373,599. Semiannual payments, including principal, interest, and service fee, will be reduced by \$381,811 over the life of the bonds. Due to the 2016 Bond being closed out, undrawn loan funds in the amount of \$10,812,127 were de-obligated by the Utility. The de-obligation was reported to the Natural Resources Division on June 1, 2022.

In 2022, the Utility received a \$45,000,000 program award available for approved construction. The interest rate on the 2022 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2022 loan will begin in April 2024 with payments to be made semi-annually over twenty years. At December 31, 2023, \$38,988,890 remained to be drawn.

The Utility has outstanding revenue bonds from direct borrowings totaling \$42,750,951 and \$45,839,230 for the years ending December 31, 2023 and 2022, respectively. The Utility has specifically pledged the revenues of the utility system for the repayment of the bonds. The above notes payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Take possession of the collateralized properties, (3) Gain access to other assets of the Utility to protect the lender's interest, and (4) Use any remedy allowed by state or federal law. The Utility is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, to pay the principal of and premium, if any, and interest on all outstanding bonds to which system revenues are pledged as they become due and make required deposits into the Sewer Depreciation Fund. The Utility also covenants that the rates shall, from time to time be increased to such an amount as will provide revenues at least sufficient for the above purposes. The Utility was in compliance with all debt covenants for the years ended December 31, 2023 and 2022.

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The following is a summary of the bonds payable activity at December 31:

	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u>
Bonds payable	\$ 45,839,230	148,954	(3,237,233)	42,750,951

	<u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>2022</u>
Bonds payable	\$ 43,319,547	5,862,155	(3,342,472)	45,839,230

Aggregate payments of the revolving loan fund balance outstanding are as follows for the years ending December 31:

	<u>2001</u>	<u>2008</u>	<u>2012</u>	<u>2016</u>	<u>2022</u>	<u>Total</u>
Principal:						
2024	\$ 336,488	761,913	1,039,664	824,107	1,897,166	4,859,338
2025		775,304	1,057,937	838,592	1,930,511	4,602,344
2026	-	788,931	1,076,532	853,331	1,964,443	4,683,237
2027	-	802,798	1,095,454	868,330	1,998,971	4,765,553
2028	-	816,907	1,114,708	883,592	2,034,107	4,849,314
2029-2033	-	2,537,887	5,874,410	4,656,451	10,719,555	23,788,303
2034-2038	-	-	2,496,856	5,080,314	11,695,327	19,272,497
Thereafter	-	-	-	2,159,335	12,759,920	14,919,255
	<u>\$ 336,488</u>	<u>6,483,740</u>	<u>13,755,561</u>	<u>16,164,052</u>	<u>45,000,000</u>	<u>81,739,841</u>
Interest:						
2024	\$ 5,468	47,206	101,226	119,692	333,958	607,550
2025		41,466	93,394	113,484	319,668	568,012
2026	-	35,626	85,425	107,167	305,125	533,343
2027	-	29,683	77,316	100,739	290,328	498,066
2028	-	23,636	69,064	94,198	275,269	462,167
2029-2033	-	33,552	216,375	368,781	1,138,051	1,756,759
2034-2038	-	-	23,510	187,126	722,863	933,499
Thereafter	-	-	-	20,332	266,613	286,945
	<u>\$ 5,468</u>	<u>211,169</u>	<u>666,310</u>	<u>1,111,519</u>	<u>3,651,875</u>	<u>5,646,341</u>

7. Pension Plan

Plan Description

North Little Rock Waste Water Utility Defined Pension Plan (the "Plan") is a single-employer sponsored plan administered by North Little Rock Waste Water Utility (the "Utility"). The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Utility's Board of Commissioners establishes benefit provisions and all other requirements. The Plan does not issue stand-alone financial statements, nor is it

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included in another public employee retirement system plan's financial statements. Participants are not required to contribute to the plan.

Benefits Provided

The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits are based on 2% of average annual compensation for the last five years of employment multiplied by the employee's years of credited service up to 30 years. Employees are fully vested after five years. Employees eligible for retirement benefits after attaining 65 years of age with five years of credited service and are eligible for early retirement after attaining age 55 with ten years of credited services. The Utility is required to contribute to the Plan at an actuarially determined rate.

The Plan does not provide for automatic cost of living adjustments ("COLA") although the plan sponsor may make changes. The plan has not given a retiree increase. Therefore, any increases are not substantively automatic and no COLA is included in the determination of the total pension liability.

As of the measurement date on July 1, 2023, the Plan had 71 active employees, 40 inactive employees entitled to, but not yet receiving benefits and 57 inactive employees or beneficiaries currently receiving benefits. As of July 1, 2022, the Plan had 73 active employees, 36 inactive employees entitled to, but not yet receiving benefits and 53 inactive employees or beneficiaries currently receiving benefits.

Contributions

Actuarially determined contributions are determined based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions are based on the employee's annual covered salary. The Utility's contribution rate and actuarially determined contribution for the years ended December 31, 2023 and 2022, were 18.51 and 19.71 percent and \$723,172 and \$782,259, respectively. Actual contributions for the years ended December 31, 2023 and 2022, equaled \$860,000 and \$800,000, or 118.9 and 102.3 percent of required contributions, respectively.

Net Pension Liability

The Utility's net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, as of June 30, 2023 and 2022:

The assumptions used were as follows:

Cost Method:	The "entry age normal cost method" has been used in determining retirement cost. The method used for the July 1, 2013, and previous valuations was the aggregate funding method.
Amortization Method:	The entry age normal cost method also requires an amortization method to be used in calculating the range of recommended contributions. The Unfunded Liabilities are amortized on a level of percentage of salary method and a range of 10 to 15 years is shown. The longest amortization of 15 years was reduced from 20 years beginning July 1, 2021.

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Pre-Retirement Mortality:	RP 2000 table.
Post-Retirement Mortality:	RP 2000 table. The mortality table used for the July 1, 2013, and previous valuation was the Unisex Pensioner 1984 table (UP84).
Mortality Projection:	Future mortality improvements were not considered in developing the suggested contribution for this report. The liabilities are significantly more volatile with regards to the other assumptions (i.e., investment return, retirement age, and turnover) than with mortality improvement.
Voluntary Terminations:	T-2 table.
Investment Rate of Return:	6.5%, net of Plan investment expense, including inflation
Inflation:	3%
Expected Retirement Pattern:	Retirement was assumed to occur in the following pattern beginning with the July 1, 2021 valuation: 5% at ages 55 to 61; 20% at age 62; 5% at ages 63 to 64; 50% at age 65; 25% at ages 66 to 69; and 100% 70 and over. Prior to July 1, 2021 all participants were assumed to retire on their normal retirement age.
Assumed Investment Return:	6.50% beginning with July 1, 2017 (7.50% for prior years).
Salary Growth:	3.50% annually starting in 2017 (4.50% for prior years), including inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as both of December 31, 2023 and 2022, are summarized in the following table:

2023		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	4.50%
Fixed Income	30%	1.75%
Real estate	10%	4.25%
Foreign equity	6%	6.25%
Cash	5%	0.00%
Total	100%	3.53%
2022		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	4.50%
Fixed Income	30%	1.75%
Real estate	10%	4.25%
Foreign equity	6%	6.25%
Cash	5%	0.00%
Total	100%	3.53%

The long-term expected rate of return on 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 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.

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Single Discount Rate

A single discount rate of 6.5% 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 6.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was not available to make all projected future benefit payments of current plan members. Therefore, the single discount rate was calculated and applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2023, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2022	\$ 18,112,642	14,371,653	3,740,989
Changes for the year:			
Service cost	333,635	-	333,635
Interest	1,167,542	-	1,167,542
Difference between expected and actual experience	(324,027)	-	(324,027)
Contributions—employer	-	800,000	(800,000)
Net investment income	-	1,163,594	(1,163,594)
Benefit payments including refunds of employee contributions	(968,171)	(968,171)	-
Other changes	-	10,654	(10,654)
Net changes	<u>208,979</u>	<u>1,006,077</u>	<u>(797,098)</u>
Balance, June 30, 2023	<u>\$ 18,321,621</u>	<u>15,377,730</u>	<u>2,943,891</u>

Changes in the net pension liability for the year ended December 31, 2022, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2021	\$ 17,210,922	15,837,571	1,373,351
Changes for the year:			
Service cost	320,028	-	320,028
Interest	1,109,344	-	1,109,344
Difference between expected and actual experience	400,596	-	400,596
Contributions—employer	-	600,000	(600,000)
Net investment income	-	(1,171,609)	1,171,609
Benefit payments including refunds of employee contributions	(928,248)	(928,248)	-
Other changes	-	33,939	(33,939)
Net changes	<u>901,720</u>	<u>(1,465,918)</u>	<u>2,367,638</u>
Balance, June 30, 2022	<u>\$ 18,112,642</u>	<u>14,371,653</u>	<u>3,740,989</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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The following represents what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>		
	<u>Discount Rate</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 20,464,753	5,087,023	\$ 20,277,815	5,906,162
Current discount rate	6.50%	18,321,621	2,943,891	18,112,642	3,740,989
1% increase	7.50%	16,509,287	1,131,557	16,306,532	1,934,879

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2023 and 2022, the Utility recognized pension expense of \$1,028,283 and \$812,037, respectively. At December 31, 2023 and 2022, the deferred outflows and inflows of resources were as follows:

<u>2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 572,716	422,190
Changes of assumptions	332,599	-
Net difference between projected and actual earnings on Plan investments	<u>1,544,750</u>	<u>954,338</u>
	2,450,065	1,376,528
Employer contributions subsequent to measurement	860,000	-
Total	<u>\$ 3,310,065</u>	<u>1,376,528</u>
 <u>2022</u> 		
Differences between expected and actual experience	\$ 697,663	237,950
Changes of assumptions	543,215	-
Net difference between projected and actual earnings on Plan investments	<u>2,210,303</u>	<u>1,160,499</u>
	3,451,181	1,398,449
Employer contributions subsequent to measurement	800,000	-
Total	<u>\$ 4,251,181</u>	<u>1,398,449</u>

The Utility contributed \$860,000 and \$800,000 in 2023 and 2022, respectively, that are reported as deferred outflows of resources related to pensions result from contributions by the Utility made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ending December 31, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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December 31, 2023 and 2022

	2023	\$	379,731
	2024		115,203
	2025		512,101
	2026		87,876
	2027		9,565
	Thereafter		(30,939)
		<u>\$</u>	<u>1,073,537</u>

Components of Net Pension Liability

The components of the net pension liability at June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 18,321,621	18,112,642
Plan's fiduciary net position	15,377,730	14,371,653
Net pension liability	<u>\$ 2,943,891</u>	<u>3,740,989</u>
Plan fiduciary net position as a percentage of total pension liability	83.93%	79.35%

8. Post-employment Benefits Other than Pensions (OPEB)

GASB requires that employers providing post-employment benefits other than pensions record and disclose annual other post-employment benefit (“OPEB”) cost and a net OPEB liability in their financial statements and disclose other information about their OPEB plans, including the unfunded actuarial liability.

Plan Description

The Utility’s defined benefit OPEB plan (the “OPEB plan”) provides OPEB for Utility employees resulting from Arkansas statutes which provide that any municipal official or employee vested in any retirement plan that has 20 years of service and attains 55 years of age may continue to participate in the Utility’s healthcare plan after retirement provided that they pay 100% of the group premium. The OPEB plan is a single-employer defined benefit OPEB plan and is administered by the Utility. Standalone financial statements are not issued for the OPEB Plan.

Benefits Provided

The OPEB plan provides medical, pharmacy, dental, and vision insurance to participants after retirement provided that they pay 100% of the group premium.

As the measurement date of December 31, 2023, the Plan had 84 active employees with no inactive employees entitled to, but not yet receiving benefits and no inactive employees or beneficiaries currently receiving benefits.

Annual OPEB Cost and Net OPEB Liability

The Utility's annual OPEB cost and liability is calculated using the Entry Age Normal Actuarial Cost Method as required by GASB 75. The Actuarially Determined Contribution and the Amortization Payment are not applicable due to the plan not being prefunded. The Utility recognizes a liability due to the implicit subsidy rate that is inherent of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and active employees are the same.

North Little Rock Waste Water Utility
Notes to Financial Statements
December 31, 2023 and 2022

As of both December 31, 2023 and 2022, the actuarial accrued liability for benefits was \$138,777 and \$92,591, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2023 and 2022, was \$3,907,574 and \$4,804,038, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.55% and 1.93%, respectively. The actuarial assumptions included a 6.50% investment rate of return and projected annual salary increases of 3.5%.

Health Insurance Premiums

Health insurance premiums are paid monthly and are the same for both pre-age 65 and ages 65 or older. Benefits pay secondary to Medicare. For the year ended December 31, 2023, annual retiree health insurance premiums were \$6,895 for a single coverage and \$17,502 for family coverage.

Healthcare Cost Trend Rate

The cost trend numbers used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The ACA excise tax will ultimately affect all plans. Due to the variability of the ACA excise tax by plan, the user needs to estimate the impact and adjust the trend. The excise tax could raise the average annual trend rate by 0.5% or more in each year.

Actuarial Cost Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following represent the key actuarial assumptions:

Age Adjustment Factor:	2.129159
Average Retirement Age:	63
Employer Future Premium Contribution:	Remain a level percentage of the total cost over time
Actuarial Cost Method:	Entry Age Normal
Amortization: Method:	Level Percentage of Payroll
Assets Backing OPEB Liability:	None
Plan Asset Return:	None
Bond Yield:	3.25% (3.60% in prior year)
Discount Rate:	3.25% (3.60% in prior year)
Measurement Date:	December 31, 2023 and 2022
Projected Salary Increases:	3.0%
Amortization Period:	20 years, if applicable
Percentage Participation:	2.00%
Healthcare Cost Trend:	Healthcare costs are expected to increase annually 4.2% to 4.7% for medical, 4.2% to 5.2% for pharmacy, 3.0% to 3.5% for dental and 3.0% for vision.
NOL and ADC:	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table:	Pub-2010 Public Retirement Mortality Table with mortality improvement projected for 10 years.
Turnover Assumption:	Derived from data maintained by the U.S. Office of Personnel

North Little Rock Waste Water Utility
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Management regarding the most recent experience of employee group covered by the Federal Employees Retirement System.

Changes in Net OPEB Liability

Changes in the net pension liability were as follows:

2023	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability
Balance, January 1, 2023	\$ 92,591	-	92,591
Changes for the year:			
Service cost	4,069	-	4,069
Interest on OPEB liability	3,479	-	3,479
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	28,841	-	28,841
Effect of assumption changes or inputs	9,797	-	9,797
Net changes	<u>46,186</u>	<u>-</u>	<u>46,186</u>
Balance, December 31, 2023	<u>\$ 138,777</u>	<u>-</u>	<u>138,777</u>
2022			
Balance, January 1, 2022	\$ 144,467	-	144,467
Changes for the year:			
Service cost	7,280	-	7,280
Interest on OPEB liability	2,504	-	2,504
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(16,889)	-	(16,889)
Effect of assumption changes or inputs	(44,771)	-	(44,771)
Net changes	<u>(51,876)</u>	<u>-</u>	<u>(51,876)</u>
Balance, December 31, 2022	<u>\$ 92,591</u>	<u>-</u>	<u>92,591</u>

Sensitivity of the OPEB to Changes in the Discount Rate and Healthcare Trend Rate

The following tables represent what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2023			December 31, 2022		
	Discount Rate	Net OPEB Liability	Changes from Baseline	Discount Rate	Net OPEB Liability	Changes from Baseline
1% decrease	2.60%	\$ 112,600	(26,177)	0.65%	\$ 180,366	87,775
Current discount rate	3.60%	138,777	-	1.93%	92,591	-
1% increase	4.60%	77,122	(61,655)	2.65%	117,376	24,785

The following presents the OPEB liability calculated using the healthcare trend rates 1 percent lower or 1 percent higher than the current rate:

North Little Rock Waste Water Utility
Notes to Financial Statements
December 31, 2023 and 2022

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Net OPEB Liability</u>	<u>Changes from Baseline</u>	<u>Net OPEB Liability</u>	<u>Changes from Baseline</u>
1% decrease	\$ 72,445	(66,332)	\$ 111,209	18,618
Current discount rate	138,777	-	92,591	-
1% increase	119,660	(19,117)	189,832	97,241

9. Average Number of Sewer Users

The average number of residential, commercial, and industrial customers for the year ended December 31, 2023, was 36,820; 3,848; and 19, respectively. The average number of residential, commercial, and industrial customers for the year ended December 31, 2022, was 37,237; 3,391; and 19, respectively.

10. Insurance Coverage

The Utility was insured at December 31, 2023 and 2022, for general liability, automobile liability and all risk replacement cost except worker's compensation with the Arkansas Municipal League with claims administered by Alliant Insurance Services Inc. of Little Rock. The Utility was insured with the Municipal League Workers' Compensation Trust for worker's compensation. The policy effective dates are for a calendar year for all aforementioned insurance policies. The Utility was insured at December 31, 2023 and 2022, with RSUI Indemnity Co. for blanket property coverage.

The following schedule lists the coverage and limits:

<u>Type of Insurance</u>	<u>Limits</u>
1. General liability	
a. Property	\$502,500,000 per occurrence
b. Cyber liability	\$25,000,000 subject to \$2,000,000 per member
2. Automobile liability	\$25,000 each occurrence, bodily injury and property damage/\$50,000 bodily injury per accident
3. All risk replacement cost	\$500,000,000
4. Blanket property coverage	
a. Earthquake coverage	\$52,500,000 per occurrence
b. Flood coverage	\$52,500,000 per occurrence

11. Current Sewer Rates

The current sewer rates were established by Ordinance No. 9432 by the City Council of the City of North Little Rock on February 14, 2022. The classes of users include residential, commercial, and significant industrial customers. The rates for each residential customer are computed based on the average monthly usage for the billing months of October, November, December, January, February and March. The rates for each commercial customer are computed based on the actual usage. In the case of new residential customers for whom records are not available for the entire six-month period, the rates are computed on actual water usage until an average monthly usage can be calculated. The minimum monthly charge for zero through four hundred cubic feet of monthly usage is a rate equal to \$19.90. For each one hundred cubic feet over the four hundred cubic feet minimum, the monthly rate for residential, commercial and industrial customers is equal to \$6.22 per one hundred cubic feet for all customers. Existing users are defined as users physically located

North Little Rock Waste Water Utility
Notes to Financial Statements
December 31, 2023 and 2022

within the city limits of North Little Rock or when they are physically located within the now existing territorial boundaries of an improvement district that received services from the system on the date of the enactment of ordinance 9432. Any user not deemed to be an existing user shall be deemed to be an outside user, but will have the same monthly rate as an existing user.

Significant industrial customers are defined by the ordinance as any non-residential customer which normally discharges wastewater to the system in quantities of 25,000 gallons per day or greater or whose wastewater contains or has the potential to contain toxic pollutants, restricted pollutants, or non-compatible pollutants. The minimum monthly charge and additional monthly charge as stated above applies. In addition, penalties are assessed for biochemical oxygen demand, total suspended solids, ph, fats, oils and greases, and other limited parameters in excess of maximum limits established by the ordinance.

12. Total Annual Billable Water

The total annual billable water for the year ended December 31, 2023, was 3,712,201 one-hundred cubic feet, comprised of 2,255,068 one-hundred cubic feet annual billable water for residential customers and 1,457,133 one-hundred cubic feet annual billable water for commercial customers. The total annual billable water for the year ended December 31, 2022, was 3,982,297 one-hundred cubic feet, comprised of 2,457,950 one-hundred cubic feet annual billable water for residential customers and 1,524,347 one-hundred cubic feet annual billable water for commercial customers.

North Little Rock Waste Water Utility
Combined Statement of Revenues, Expenses, and Changes in Net Position
Budgetary Comparison Schedule
For the Year Ended December 31, 2023
(See independent auditor's report.)

	Final Budget	Actual	Actual Over (Under) Budget
Operating Revenues			
Service charges	\$ 24,531,900	24,227,836	(304,064)
Service charges - industry	2,088,700	1,948,699	(140,001)
Service charges - violations	156,300	370,938	214,638
Service charges - late fees	368,500	458,752	90,252
Permits and inspections	48,900	61,555	12,655
Other operating income	9,400	337,747	328,347
Total Operating Revenues	<u>27,203,700</u>	<u>27,405,527</u>	<u>201,827</u>
Operating Expenses			
Cost of sales	13,706,700	9,738,182	(3,968,518)
Operating expenses	9,047,000	8,817,786	(229,214)
Total Operating Expenses	<u>22,753,700</u>	<u>18,555,968</u>	<u>(4,197,732)</u>
Operating Income	<u>4,450,000</u>	<u>8,849,559</u>	<u>4,399,559</u>
Non-Operating Income			
Interest and other income	112,600	912,561	799,961
Total Non-Operating Income	<u>112,600</u>	<u>912,561</u>	<u>799,961</u>
Non-Operating Expenses			
Interest expense	1,124,300	789,995	(334,305)
Total Non-Operating Expenses	<u>1,124,300</u>	<u>789,995</u>	<u>(334,305)</u>
Increase in Net Position	3,438,300	8,972,125	5,533,825
Net position - beginning of period	108,510,095	108,510,095	-
Net Position - End of period	<u>\$ 111,948,395</u>	<u>117,482,220</u>	<u>5,533,825</u>

North Little Rock Waste Water Utility
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Seven Years Ended December 31, 2023
(See independent auditor's report.)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Pension Liability				
Service cost	\$ 333,635	\$ 320,028	\$ 359,368	\$ 359,055
Interest	1,167,542	1,109,344	1,006,486	972,926
Benefit changes	-	-	153,000	-
Differences between expected and actual experience	(324,027)	400,596	476,534	(141,901)
Assumption change	-	-	454,581	-
Benefit payments	(968,171)	(928,248)	(728,145)	(620,051)
Net change in total pension liability	208,979	901,720	1,721,824	570,029
Total pension liability - beginning	18,112,642	17,210,922	15,489,098	14,919,069
Total Pension Liability - Ending	<u>18,321,621</u>	<u>18,112,642</u>	<u>17,210,922</u>	<u>15,489,098</u>
Plan Fiduciary Net Position				
Contributions - employee	-	-	-	-
Contributions - employer	800,000	600,000	750,000	750,000
Net investment income	1,163,594	(1,171,609)	2,789,277	(261,577)
Benefit payments	(968,171)	(928,248)	(728,145)	(620,051)
Administrative expense	-	-	-	-
Other	10,654	33,939	(10,804)	3,706
Net change in plan net position	1,006,077	(1,465,918)	2,800,328	(127,922)
Plan fiduciary net position - beginning	14,371,653	15,837,571	13,037,243	13,165,165
Plan Fiduciary Net Position - Ending	<u>15,377,730</u>	<u>14,371,653</u>	<u>15,837,571</u>	<u>13,037,243</u>
Net pension liability	<u>\$ 2,943,891</u>	<u>\$ 3,740,989</u>	<u>\$ 1,373,351</u>	<u>\$ 2,451,855</u>
Plan fiduciary net position as a percentage of total pension liability	83.93%	79.35%	92.02%	84.17%
Covered employee payroll	\$ 3,907,574	3,967,880	3,846,544	3,867,031
Net pension liability as a percentage of covered employee payroll	75.34%	94.28%	35.70%	63.40%
Annual money-weighted rate of return	8.1%	-7.4%	21.3%	-2.0%

Note: A full 10 year schedule will be completed as information is available. Valuation date is July 1 or 6 months prior to the end of the fiscal year in which contributions are reported.

Note: Key actuarial assumptions and disclosures can be found in Note 7 of the financial statements

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	372,460	364,770	325,043	289,654	273,092
	934,150	893,838	927,980	871,343	881,729
	-	-	-	-	-
	(88,707)	(64,567)	(449,454)	101,449	(786,365)
	-	-	1,092,570	-	-
	<u>(595,829)</u>	<u>(566,646)</u>	<u>(549,127)</u>	<u>(536,212)</u>	<u>(510,798)</u>
	622,074	627,395	1,347,012	726,234	(142,342)
	<u>14,296,995</u>	<u>13,669,600</u>	<u>12,322,588</u>	<u>11,596,354</u>	<u>11,738,696</u>
	<u>14,919,069</u>	<u>14,296,995</u>	<u>13,669,600</u>	<u>12,322,588</u>	<u>11,596,354</u>
	-	-	-	-	-
	1,353,100	702,970	625,000	600,000	642,000
	798,804	577,978	858,710	416,717	94,153
	(595,829)	(566,646)	(549,127)	(536,212)	(510,798)
	-	-	-	-	-
	<u>(2,334)</u>	<u>13,615</u>	<u>14,211</u>	<u>(2,632)</u>	<u>(558)</u>
	1,553,741	727,917	948,794	477,873	224,797
	<u>11,611,424</u>	<u>10,883,507</u>	<u>9,934,713</u>	<u>9,456,840</u>	<u>9,232,043</u>
	<u>13,165,165</u>	<u>11,611,424</u>	<u>10,883,507</u>	<u>9,934,713</u>	<u>9,456,840</u>
\$	<u>1,753,904</u>	<u>2,685,571</u>	<u>2,786,093</u>	<u>2,387,875</u>	<u>2,139,514</u>
	88.24%	81.22%	79.62%	80.62%	81.55%
	3,856,063	3,675,206	3,621,125	3,288,939	3,125,501
	45.48%	73.07%	76.94%	72.60%	68.45%
	6.6%	5.3%	8.6%	4.4%	1.0%

North Little Rock Waste Water Utility
Schedule of Contributions
For the Seven Years Ended December 31, 2023
(See independent auditor's report.)

Fiscal Year ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
2015	\$ 577,750	642,000	(64,250)	3,125,501	20.54%
2016	551,811	600,000	(48,189)	3,288,939	18.24%
2017	616,644	625,000	(8,356)	3,621,125	17.26%
2018	702,970	702,970	-	3,675,206	19.13%
2019	698,563	1,353,100	(654,537)	3,856,063	35.09%
2020	575,971	750,000	(174,029)	3,867,031	19.39%
2021	657,970	750,000	(92,030)	3,846,544	19.50%
2022	491,142	600,000	(108,858)	3,967,880	15.12%
2023	782,259	800,000	(17,741)	3,907,574	20.47%

Note: A full 10 year schedule will be completed as information is available. Valuation date is July 1 or 6 months prior to the end of the fiscal year in which contributions are reported.

Key assumptions for actuarially determined contribution:

Cost method:	Entry Age Normal
Amortization method:	Level Percent of Salary
Remaining amortization:	9 years
Asset valuation:	Market Value
Investment rate of return:	6.5% (7.5% for 2016 and prior)
Mortality:	Pub 2010

North Little Rock Waste Water Utility
Schedule of Changes in the Other Post-Retirement Benefit Liability and Related Ratios
For the Five Years Ended December 31, 2023
(See independent auditor's report.)

	<u>2023</u>	<u>2022</u>
Total OPEB Liability		
Service cost	\$ 4,069	7,280
Interest	3,479	2,504
Benefit changes	-	-
Differences between expected and actual experience	-	-
Effect of economic/demographic gains or losses	28,841	(16,889)
Assumption change	9,797	(44,771)
Benefit payments	-	-
Net change in total pension liability	<u>46,186</u>	<u>(51,876)</u>
Total OPEB liability - beginning	<u>92,591</u>	<u>144,467</u>
Total OPEB Liability - Ending	<u>138,777</u>	<u>92,591</u>
 Plan Fiduciary Net Position		
Contributions - employee	-	-
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expense	-	-
Other	-	-
Net change in plan net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending	<u>-</u>	<u>-</u>
 Net OPEB liability	 <u>\$ 138,777</u>	 <u>92,591</u>
 Plan fiduciary net position as a percentage of total pension liability	 0.00%	 0.00%
 Covered employee payroll	 \$ 3,907,574	 4,800,377
 Net OPEB liability as a percentage of covered employee payroll	 3.55%	 1.93%

Note: A full 10 year schedule will be completed as information is available.

Note: Key actuarial assumptions and disclosures can be found in Note 8 of the financial statements

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
7,570	13,772	15,645	15,645	14,453
2,863	10,227	10,968	9,047	5,951
-	-	-	-	-
-	-	-	-	-
(15,084)	(216,695)	(33,223)	31,724	-
8,350	33,514	20,880	58,671	-
-	-	-	-	-
<u>3,699</u>	<u>(159,182)</u>	<u>14,270</u>	<u>115,087</u>	<u>20,404</u>
<u>140,768</u>	<u>299,950</u>	<u>285,680</u>	<u>170,593</u>	<u>150,189</u>
<u>144,467</u>	<u>140,768</u>	<u>299,950</u>	<u>285,680</u>	<u>170,593</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>144,467</u>	<u>140,768</u>	<u>299,950</u>	<u>285,680</u>	<u>170,593</u>
0.00%	0.00%	0.00%	0.00%	0.00%
4,800,377	4,490,198	4,367,587	4,051,934	4,312,328
3.01%	3.14%	6.87%	7.05%	3.96%

North Little Rock Waste Water Utility
Schedule of Operating Expenses
For the Years Ended December 31, 2023 and 2022
(See independent auditor's report on other supplementary information.)

	<u>2023</u>	<u>2022</u>
Administrative and General		
Advertising	\$ 5,579	7,106
Audit and other professional fees	28,000	36,387
Depreciation	596,199	588,477
Employee physicals expense	3,005	992
Equipment repair and maintenance	7,621	8,527
Executive salary	158,390	140,005
Gas - transportation equipment	477	140
Holiday pay	32,334	25,840
Insurance - general	17,039	17,064
Insurance - group	76,174	59,860
Insurance - transportation equipment	380	413
Janitorial	7,162	2,874
Labor expense - office	516,749	377,429
Legal	35,778	90,174
Longevity pay	53,029	59,679
Maintenance and repairs - transportation equipment	724	1,040
Miscellaneous	555,363	606,651
Miscellaneous leave pay	4,322	4,505
OPEB expense	-	-
Payroll taxes	56,295	45,460
Postage expense	2,181	2,002
Rent/lease expense	1,886	1,698
Sick leave expense	29,358	31,698
Subscription and dues	32,824	23,277
Supplies expense	41,860	32,492
Telephone	8,862	8,955
Training	23,276	31,099
Travel, meetings, and conventions	15,452	7,195
Utilities	14,099	14,313
Vacation	35,145	41,736
Workers' compensation insurance	4,198	4,166
Total Administrative and General	<u>2,363,761</u>	<u>2,271,254</u>

	<u>2023</u>	<u>2022</u>
Undistributed Expense		
Depreciation - nonfunded	4,592,239	4,482,816
Employee pension	1,028,283	812,037
Pension plan administration	11,565	5,405
Total Undistributed Expense	<u>5,632,087</u>	<u>5,300,258</u>
Utilities Accounting		
Bad debt	269,908	333,759
Billing and collecting - North Little Rock district	544,110	512,165
Billing and collecting - other districts	7,920	18,946
Total Utilities Accounting	<u>821,938</u>	<u>864,870</u>
Total Operating Expenses	<u>\$ 8,817,786</u>	<u>8,436,382</u>



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

North Little Rock Waste Water Treatment Committee
North Little Rock Waste Water Utility

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Little Rock Waste Water Utility (the “Utility”), a component unit of the City of North Little Rock, Arkansas, as of and for the years ended December 31, 2023, and have issued our report thereon dated June 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Utility’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility’s 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 that is required to be reported under *Government Auditing Standards*.

The Utility's Response to Findings

The Utility's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Utility's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion to it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EGP, PLLC

June 21, 2024

Certified Public Accountants and Consultants
Bryant, Arkansas

**North Little Rock Waste Water Utility
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

Summary of Auditor's Results

The auditor's report expresses a unmodified opinion on the financial statements of North Little Rock Waste Water Utility (the "Utility"), a component unit of the City of North Little Rock, Arkansas.

A material weakness in internal control were disclosed by the audit of the financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

No findings were reported under *Governmental Auditing Standards* for the year ended December 31, 2022.

Findings and Questioned Costs Required to be Reported by *Government Auditing Standards*

2023-1

Criteria:	Management is responsible for ensuring that the financial statements are in accordance with accounting principles generally accepted in the United States of America.
Condition:	The Utility should reconcile all accounts from the subledger or other supporting documentation to the general ledger on a recurring, frequent basis.
Context:	The Utility did not reconcile all accounts from the subledger or other supporting documentation to the general ledger for the year ended December 31, 2023 resulting in a significant number of errors in account balances.
Effect:	Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.
Cause:	The Utility underwent a change in key personnel and the internal control procedures for reconciliation of account balances were not maintained subsequent to that change.
Recommendation:	We recommend that the Utility reinstate its processes for reconciling and adjusting general ledger accounts.
Management's Response:	The Utility hired a consultant with whom they have prior experience to reconcile and adjust balances as of December 31, 2023. In addition, a new Director of Finance has been hired to work alongside the consultant until such time that all reconciliation processes have been reimplemented and accounts can be reconciled in an accurate and timely manner.