

RISON WATER AND SEWER SYSTEM



RISON, ARKANSAS

DECEMBER 31, 2021

RISON WATER AND SEWER SYSTEM
RISON, ARKANSAS

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DECEMBER 31, 2021

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TURNER, RODGERS, MANNING & PLYLER, PLLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Rison, Arkansas

We have performed the procedures enumerated below on the accounting records of Rison Water and Sewer System as of and for the year ended December 31, 2021. Rison Water and Sewer System's management is responsible for the entity's accounting records.

Rison Water and Sewer System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- b. Confirm with depository institutions the cash on deposit and investments.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For one deposit, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedures.

6. Long-Term Debt

- a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedures.

We were engaged by Rison Water and Sewer System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Rison Water and Sewer System. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Rison Water and Sewer System and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Rison Water and Sewer System and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
September 8, 2022

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

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To the Mayor and City Council
Rison Water and Sewer System
Rison, Arkansas

Management is responsible for the accompanying financial statements of Rison Water and Sewer System, which comprise the balance sheets as of December 31, 2021 and 2020, and related statements of revenues, expenses and changes in fund equity, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 19 and Required Supplemental Information for Cost-Sharing Plans on page 20 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The supplementary information contained in Schedule I on page 18, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

As discussed in Note 1, the financial statements referred to above present only Rison Water and Sewer System, which is an enterprise fund of the City of Rison, and are not intended to present fairly the financial position of the City of Rison, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
September 8, 2022

RISON WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 115,289	\$ 93,825
Customer Receivables	43,115	48,364
Unbilled Revenue	11,851	14,050
TOTAL CURRENT ASSETS	<u>170,255</u>	<u>156,239</u>
RESTRICTED ASSETS:		
Cash and Cash Equivalents	<u>266,493</u>	<u>235,628</u>
CAPITAL ASSETS:		
Land and Land Improvements	7,905	7,905
Water System	901,984	901,984
Sewer System	2,149,485	2,149,485
Machinery and Equipment	223,815	223,815
	<u>3,283,189</u>	<u>3,283,189</u>
Less: Accumulated Depreciation	<u>(1,939,554)</u>	<u>(1,853,121)</u>
TOTAL CAPITAL ASSETS	<u>1,343,635</u>	<u>1,430,068</u>
TOTAL ASSETS	<u>1,780,383</u>	<u>1,821,935</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	19,926	47,975
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,800,309</u>	<u>\$ 1,869,910</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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	2021	2020
CURRENT LIABILITIES:		
Accounts Payable	\$ 3,978	\$ 5,566
Accrued Salaries and Vacation	16,728	10,678
Notes Payable - Current Portion	34,193	33,686
TOTAL CURRENT LIABILITIES	54,899	49,930
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Customer Deposits	44,881	44,956
Accrued Interest Payable	1,353	2,374
Current Portion of Bond Payable	27,606	26,316
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	73,840	73,646
TOTAL CURRENT LIABILITIES	128,739	123,576
LONG-TERM LIABILITIES:		
Water Revenue Bond	443,992	471,600
Notes Payable	215,978	249,991
Net Pension Liability	60,392	250,730
TOTAL LONG-TERM LIABILITIES	720,362	972,321
TOTAL LIABILITIES	849,101	1,095,897
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	142,935	32,245
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	992,036	1,128,142
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	621,866	648,475
Restricted	192,653	161,982
Unrestricted	(6,246)	(68,689)
TOTAL NET ASSETS	808,273	741,768
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS	\$ 1,800,309	\$ 1,869,910

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUE:		
Water Revenue	\$ 271,341	\$ 293,833
Sewer Revenue	211,917	215,051
Other Income	3,835	6,643
TOTAL OPERATING REVENUE	487,093	515,527
OPERATING EXPENSES:		
Salaries	176,688	155,050
GASB 68 Adjustment	(51,599)	4,986
Depreciation	86,433	83,296
Employee Benefits	54,523	51,899
Gas and Oil	4,402	4,138
Insurance	3,800	3,618
Office Expense	11,650	2,167
Payroll Taxes	13,474	12,941
Professional Services	8,259	6,508
Repairs and Maintenance	184,184	165,444
Sales Tax	26,183	25,249
Utilities	32,690	36,163
Miscellaneous Expense	10,106	10,269
TOTAL OPERATING EXPENSES	560,793	561,728
OPERATING INCOME (LOSS)	(73,700)	(46,201)
OTHER INCOME (EXPENSES):		
Interest Revenue	122	184
Interest Expense	(24,599)	(26,658)
TOTAL OTHER INCOME (EXPENSES)	(24,477)	(26,474)
NET INCOME (LOSS) BEFORE TRANSFERS	(98,177)	(72,675)
TRANSFERS IN	164,682	145,000
CHANGE IN NET ASSETS	66,505	72,325
NET ASSETS - BEGINNING OF YEAR	741,768	669,443
NET ASSETS - END OF YEAR	\$ 808,273	\$ 741,768

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

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	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 494,541	\$ 502,173
Cash Payments for Goods and Services	(350,859)	(319,569)
Cash Payments to Employees	(170,638)	(155,572)
Other Operating Cash Receipts	-	4,391
NET CASH PROVIDED BY OPERATING ACTIVITIES	(26,956)	31,423
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers	164,682	145,000
Increase (Decrease) in Meter Deposits	(75)	1,600
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	164,607	146,600
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	-	(51,287)
Principal Paid on Debt	(59,824)	(54,959)
Interest Paid on Debt	(25,620)	(26,873)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(85,444)	(133,119)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	122	184
Proceeds from Sale of Capital Assets	-	2,252
NET CASH FLOWS FROM INVESTING ACTIVITIES	122	2,436
NET INCREASE IN CASH AND RESTRICTED CASH	52,329	47,340
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	329,453	282,113
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 381,782	\$ 329,453

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

Reconciliation of operating income (loss) to net cash provided by operating activities:

	2021	2020
OPERATING INCOME (LOSS)	\$ (73,700)	\$ (46,201)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	86,433	83,296
(Gain) Loss on Disposal of Capital Assets	-	(2,252)
Pension Related Adjustment	(51,599)	4,986
Change in Assets and Liabilities:		
Accounts Receivable	7,448	(6,711)
Accounts Payable	(1,588)	(1,173)
Payroll Liabilities	6,050	(522)
TOTAL ADJUSTMENTS	46,744	77,624
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (26,956)	\$ 31,423

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1. Significant Accounting Policies:

The Rison Water and Sewer System is an Enterprise Fund of the City of Rison, Arkansas and is governed by the City Council of the City of Rison, Arkansas. The accompanying financial statements and other information reflect the Rison Water and Sewer System fund only, and do not include other funds of the City of Rison, Arkansas.

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The System applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The System 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.

Bad debts, which are immaterial in amount after applying customer's meter deposits, are recognized based on the direct charge-off of individual accounts considered uncollectible.

Capital assets are stated at cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water System	10 - 50 Years
Sewer System	35 - 50 Years
Equipment	5 - 10 Years

The System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited because a large number of diverse customers make up the System's customer base, thus spreading the trade risk.

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

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.

Management submits to the City Council, for its approval, an executive budget for operation of the System. The approval by the City Council of the budget amounts to an appropriation of funds that are lawfully applicable to items therein.

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 September 8, 2022, the date the financial statements were available for issuance.

RISON WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 2. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements and internally designed restrictions. Restricted assets as of December 31, 2021 and 2020, were as follows:

	12/31/2021	12/31/2020
Debt Service Reserve Fund	\$ 155,038	\$ 132,494
Depreciation Fund	66,574	58,178
Meter Deposit Fund	44,881	44,956
	\$ 266,493	\$ 235,628

Note 3. Unbilled Revenue:

Unbilled water and sewer revenue of \$11,851 was computed from usage from the last meter reading date of 2021 until the end of December. This amount is computed by allocating water usage based on the last meter reading date.

Note 4. 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 where the principal and interest are fully guaranteed by the United States of America. All cash funds of the System are deposited in accounts in the name of the Rison Water and Sewer System 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. The carrying value of the System's accounts and investments at December 31, 2021 was \$381,854. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$391,528 before reduction of outstanding items.

Federal Deposit Insurance Corporation (FDIC) 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 Rison Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Rison accounts and investments at a financial institution.

Investment Credit Risk: The Rison Water and Sewer System does not have a formal investment policy. Investments consist of certificates of deposit with banks authorized by state law to receive deposits of public funds.

Foreign Currency Risk: The Rison Water and Sewer System has no exposure to foreign currency risk.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5. Capital Assets:

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	12/31/2020 BALANCE	INCREASES	DECREASES	12/31/2021 BALANCE
Capital Assets:				
Land and Oxidation Pond	\$ 7,905	\$ -	\$ -	\$ 7,905
Water System	901,984	-	-	901,984
Sewer System	2,149,485	-	-	2,149,485
Machinery and Equipment	223,815	-	-	223,815
Total Capital Assets	<u>3,283,189</u>	<u>-</u>	<u>-</u>	<u>3,283,189</u>
Less Accumulated Depreciation:				
Water System	(539,566)	(21,228)	-	(560,794)
Sewer System	(1,141,378)	(51,493)	-	(1,192,871)
Machinery and Equipment	(172,177)	(13,712)	-	(185,889)
Total Accumulated Depreciation	<u>(1,853,121)</u>	<u>(86,433)</u>	<u>-</u>	<u>(1,939,554)</u>
NET	<u>\$ 1,430,068</u>	<u>\$ (86,433)</u>	<u>\$ -</u>	<u>\$ 1,343,635</u>

	12/31/2019 BALANCE	INCREASES	DECREASES	12/31/2020 BALANCE
Capital Assets:				
Land and Oxidation Pond	\$ 7,905	\$ -	\$ -	\$ 7,905
Water System	901,984	-	-	901,984
Sewer System	2,149,485	-	-	2,149,485
Machinery and Equipment	183,428	51,287	(10,900)	223,815
Total Capital Assets	<u>3,242,802</u>	<u>51,287</u>	<u>(10,900)</u>	<u>3,283,189</u>
Less Accumulated Depreciation:				
Water System	(518,338)	(21,228)	-	(539,566)
Sewer System	(1,089,885)	(51,493)	-	(1,141,378)
Machinery and Equipment	(172,502)	(10,575)	10,900	(172,177)
Total Accumulated Depreciation	<u>(1,780,725)</u>	<u>(83,296)</u>	<u>10,900</u>	<u>(1,853,121)</u>
NET	<u>\$ 1,462,077</u>	<u>\$ (32,009)</u>	<u>\$ -</u>	<u>\$ 1,430,068</u>

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6. Long-Term Debt:

Long-term debt as of December 31, 2021 and 2020 was as follows:

	12/31/2021	12/31/2020
Bond payable to USDA Rural Development; original amount \$705,000; due in monthly installments of \$3,462, including interest at 5.0%; secured by the System's revenue; current portion is \$25,104, maturing 2032.	\$ 340,198	\$ 364,082
Bond payable to USDA Rural Development; original amount \$145,000; due in monthly installments of \$507, including interest at 2.75%; secured by the System's revenue; current portion is \$2,502, maturing 2055.	131,400	133,834
Note payable to AR Natural Resource Commission; due in semi-annual installments (beginning 4/15/2019) of \$18,911, including interest at 0.50% and a service fee of 1.00%; secured by the System's revenue; current portion is \$34,193, maturing in October 2028.	250,171	283,677
	721,769	781,593
Less portion considered current	(61,799)	(60,002)
Total Long-Term debt	\$ 659,970	\$ 721,591

Debt service requirements of long-term debt as of December 31, 2021 are as follows:

Year	Principal	Interest	Total Requirements
2022	\$ 61,799	\$ 23,651	\$ 85,450
2023	63,669	21,781	85,450
2024	65,612	19,837	85,449
2025	67,636	17,814	85,450
2026	69,742	15,709	85,451
Thereafter	393,311	82,069	475,380
Total	\$ 721,769	\$ 180,861	\$ 902,630

Note 7. Major Customer:

The System sold water to Cleveland County Rural Water Association. Sales to this customer totaled \$1,821 and \$29,039 for the years ending December 31, 2021 and 2020, respectively.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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Note 8. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 9. Risk Management:

The Rison Water and Sewer System 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 System maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the System.

Note 10. Arkansas Public Employees Retirement System:

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* establishes standards for public pension plan obligations for participating employers.

Under the 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.

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.

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

Plan Description (Continued)

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll through June 30, 2020. The rate remained unchanged for the fiscal year beginning July 1, 2020. Contributions made by the Utility were \$28,279 and \$29,032 for the years ended December 31, 2020 and 2019, 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.

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

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

Contributions (Continued)

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, 2021. The contribution rate was unchanged for the fiscal year beginning July 1, 2021.

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability was measured as of June 30, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Wage Inflation Rate	3.25%
Salary Increases	3.25 - 9.85% including inflation
Mortality Table	RP-2014 weighted generational mortality tables for healthy annuitied, 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.

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

Actuarial Assumptions (Continued)

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 System's target asset allocation as of June 30, 2020 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

At December 31, 2021 the Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 1,382	\$ 3,329	\$ 6,399	\$ 4,098	\$ 5,214
Changes in proportion and differences between employer contributions and proportionate share of contribution	6	273	983	3,350	5,601
Changes in assumptions	-	3,141	12,762	29,320	43,278
Utility contributions subsequent to measurement date	18,538	14,702	16,117	15,920	14,217
Net difference between projected and actual earnings on pension plan investments	-	26,530	-	-	11,270
Deferred Inflows of Resources:					
Differences between expected and actual experience	(3,873)	(166)	(349)	(2,706)	(5,290)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(32,632)	(27,783)	(19,979)	(10,925)	(750)
Changes in assumptions	(423)	(4,296)	(9,039)	(15,936)	-
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	(106,007)	-	(1,786)	(6,521)	-
Totals	<u>\$ (123,009)</u>	<u>\$ 15,730</u>	<u>\$ 5,108</u>	<u>\$ 16,600</u>	<u>\$ 73,540</u>

Discount Rate (Continued)

\$14,702 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021; any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2022	\$ (542)	\$ (92)	\$ (21,201)	\$ (7,096)	\$ (28,931)
2023	(542)	(92)	(21,201)	(7,096)	(28,931)
2024	(542)	(92)	(21,201)	(7,096)	(28,931)
2025	(542)	(92)	(21,201)	(7,096)	(28,931)
2026	(323)	(55)	(21,203)	(4,242)	(25,823)
	<u>\$ (2,491)</u>	<u>\$ (423)</u>	<u>\$ (106,007)</u>	<u>\$ (32,626)</u>	<u>\$ (141,547)</u>

SUPPLEMENTARY INFORMATION

RISON WATER AND SEWER SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BY DEPARTMENT
FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE I
Page 18

	Water	Sewer	Total
OPERATING REVENUE:			
Water Revenue	\$ 271,341	\$ -	\$ 271,341
Sewer Revenue	-	211,917	211,917
Other Income	3,785	50	3,835
TOTAL OPERATING REVENUE	275,126	211,967	487,093
OPERATING EXPENSES:			
Salaries	137,757	38,931	176,688
GASB 68 Adjustment	(33,539)	(18,060)	(51,599)
Depreciation	29,811	56,622	86,433
Employee Benefits	40,562	13,961	54,523
Gas and Oil	1,522	2,880	4,402
Insurance	2,486	1,314	3,800
Office Expense	11,650	-	11,650
Payroll Taxes	10,365	3,109	13,474
Professional Services	2,679	5,580	8,259
Repairs and Maintenance	118,081	66,103	184,184
Sales Tax	26,183	-	26,183
Utilities	14,983	17,707	32,690
Miscellaneous Expense	6,366	3,740	10,106
TOTAL OPERATING EXPENSES	368,906	191,887	560,793
OPERATING INCOME (LOSS)	(93,780)	20,080	(73,700)
OTHER INCOME (EXPENSES):			
Interest Revenue	82	40	122
Interest Expense	(3,319)	(21,280)	(24,599)
TOTAL OTHER INCOME (EXPENSES)	(3,237)	(21,240)	(24,477)
NET INCOME (LOSS) BEFORE TRANSFERS	(97,017)	(1,160)	(98,177)
TRANSFERS IN	138,287	26,395	164,682
CHANGE IN NET ASSETS	\$ 41,270	\$ 25,235	\$ 66,505

See Independent Accountants' Compilation Report.

RISON WATER AND SEWER SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 FOR YEAR ENDED DECEMBER 31, 2021

SCHEDULE II
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	Budget	Actual	Variance
OPERATING REVENUES:			
Sales and Services	\$ 536,900	\$ 483,258	\$ (53,642)
Other Income	9,000	3,835	(5,165)
TOTAL OPERATING REVENUES	545,900	487,093	(58,807)
OPERATING EXPENSES:			
Salaries	202,500	176,688	25,812
GASB 68 Adjustment	-	(51,599)	51,599
Depreciation	-	86,433	(86,433)
Employee Benefits	65,650	54,523	11,127
Gas and Oil	9,000	4,402	4,598
Insurance	7,000	3,800	3,200
Office Expense	11,250	11,650	(400)
Payroll Taxes	14,600	13,474	1,126
Professional Services	3,300	8,259	(4,959)
Repairs and Maintenance	151,200	184,184	(32,984)
Sales Tax	24,000	26,183	(2,183)
Utilities	34,000	32,690	1,310
Miscellaneous Expense	10,000	10,106	(106)
TOTAL OPERATING EXPENSES	532,500	560,793	(28,293)
OPERATING INCOME (LOSS)	13,400	(73,700)	(87,100)
OTHER INCOME (EXPENSES):			
Interest Revenue	-	122	122
Interest Expense	(85,900) *	(24,599)	61,301
TOTAL OTHER INCOME (EXPENSES)	(85,900)	(24,477)	61,423
NET INCOME (LOSS)	\$ (72,500)	\$ (98,177)	\$ (25,677)

See Independent Accountants' Compilation Report.

* Budgeted amount includes total principal and interest payments.

RISON WATER AND SEWER SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017
System's proportion of the net pension liability (asset) per APERS	0.0007855%	0.0103010%	0.0113324%	0.0122966%	0.0129978%
System's proportionate share of the net pension liability - per APERS	\$ 60,392	\$ 250,730	\$ 235,122	\$ 257,692	\$ 268,974
System's covered-employee payroll	\$ 176,688	\$ 184,589	\$ 191,272	\$ 197,269	\$ 188,774
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.18%	135.83%	122.93%	130.63%	142.48%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 27,068	\$ 28,279	\$ 29,302	\$ 29,669	\$ 27,850
Contributions in relation to the contractually required contribution	(27,068)	(28,279)	(29,302)	(29,669)	(27,850)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 176,688	\$ 184,589	\$ 191,272	\$ 197,269	\$ 188,774
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.04%	14.75%

See Independent Accountants' Compilation Report.