

**WARD WATER AND SEWER SYSTEM
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

CONTENTS

Financial Statements

Independent Auditors' Report	3-5
Statements of Net Position	6-7
Statements of Revenues, Expenses and Changes in Net Position	8-9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-31

Supplemental Schedules

Statements of Revenues, Expenses and Changes in Net Position (Budget and Actual)	32
Insurance Coverage	33
Sewer Rate Information	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Council Members
City of Ward, Arkansas

Opinions

We have audited the accompanying financial statements of the Ward Water and Sewer System of the City of Ward, AR, as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Ward Water and Sewer System of the City of Ward, Arkansas as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ward Water and Sewer System, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Ward Water and Sewer's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 combined 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 Ward Water and Sewer System, City of Ward Arkansas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ward Water and Sewer System, City of Ward, Arkansas's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ward Water and Sewer System's basic financial statements. The supplementary information on pages 32-34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statement themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information on pages 32-34 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Ward Water and Sewer System, City of Ward, Arkansas, and are not intended to present fairly the net position and results of operations of the City of Ward, Arkansas, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2022 on our consideration of the Ward Water and Sewer System, City of Ward, Arkansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ward Water and Sewer System, City of Ward, Arkansas's internal control over financial reporting and compliance.

Whitmire, Robinson & Co.

Whitmire, Robinson & Co.
Batesville, Arkansas
August 20, 2022

**Ward Water and Sewer System
Statements of Net Position
December 31, 2021 and 2020**

	Water		Sewer	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current Assets				
Cash on hand and in banks (Note 3)	\$ 1,831,255	\$ 1,943,475	\$ 645,189	\$ 46,054
Accounts receivable	234,274	209,449	74,205	89,763
Unbilled Revenue	144,904	124,538	58,037	55,594
Allowance for doubtful accounts	(1,885)	(1,775)	(603)	(761)
Accrued Interest Receivable	455	228	-	-
Inventory	28,697	36,462	40,121	6,755
Total Current Assets	<u>2,237,700</u>	<u>2,312,377</u>	<u>816,949</u>	<u>197,405</u>
Noncurrent Assets				
Certificate of Deposits	256,983	254,759	-	-
Restricted Assets				
Debt Service Funds (Note 5)	192,118	828,661	152,653	124,866
Total Restricted Assets	<u>192,118</u>	<u>828,661</u>	<u>152,653</u>	<u>124,866</u>
Capital Assets:				
Land	321,850	321,850	35,536	35,536
Other capital assets, net accumulated depreciation	4,511,830	4,671,278	7,294,872	7,438,240
Total Capital Assets	<u>4,833,680</u>	<u>4,993,128</u>	<u>7,330,408</u>	<u>7,473,776</u>
Total Noncurrent Assets	<u>5,282,781</u>	<u>6,076,548</u>	<u>7,483,061</u>	<u>7,598,642</u>
Deferred Outflows related to pension	39,443	117,743	13,147	38,109
Deferred Outflows	<u>321,042</u>	<u>322,533</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows	<u>360,485</u>	<u>440,276</u>	<u>13,147</u>	<u>38,109</u>
Total Assets	<u>7,880,966</u>	<u>8,829,201</u>	<u>8,313,157</u>	<u>7,834,156</u>

See accompanying notes to financial statements.

	Water		Sewer	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current Liabilities				
Accounts payable	\$ 59,305	\$ 42,166	\$ 34,832	\$ 41,375
Other Current Liabilities	93,175	125,388	3,992	8,982
Compensated Absences	15,225	16,796	5,000	3,929
Accrued Interest payable (Note 6)	33,349	48,154	2,374	2,374
Current maturities of long-term debt (Note 6)	80,000	200,000	84,249	94,635
Total Current Liabilities	<u>281,054</u>	<u>432,504</u>	<u>130,447</u>	<u>151,295</u>
Noncurrent Liabilities				
Meter Deposits	47,045	45,045		
Bonds Payable, less current maturities	6,406,385	6,106,279	4,256,981	5,238,326
Net Pension Liability	165,140	655,719	55,047	184,508
Total Noncurrent Liabilities	<u>6,618,570</u>	<u>6,807,043</u>	<u>4,312,028</u>	<u>5,422,834</u>
Deferred Inflows related to pension	<u>314,901</u>	<u>15,708</u>	<u>104,968</u>	<u>7,112</u>
Total Liabilities	<u>7,214,525</u>	<u>7,255,255</u>	<u>4,547,443</u>	<u>5,581,241</u>
Net Position				
Invested in capital assets	(1,661,320)	(1,313,151)	3,141,831	2,140,815
Restricted	192,118	828,661	152,653	124,866
Unrestricted	2,135,643	2,058,436	471,230	(12,766)
Total Net Position	<u>666,441</u>	<u>1,573,946</u>	<u>3,765,714</u>	<u>2,252,915</u>
Total Liabilities and Net Position	<u>\$ 7,880,966</u>	<u>\$ 8,829,201</u>	<u>\$ 8,313,157</u>	<u>\$ 7,834,156</u>

See accompanying notes to financial statements.

Ward Water And Sewer System
Statements of Revenue, Expenses and Changes in Net Position
December 31, 2021 and 2020

	Water		Sewer	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operating Revenue				
Water revenue	2,394,976	2,305,623		
Sewer revenue			957,006	968,715
Meter installation and line extensions	49,305	29,926	3,810	2,974
Water reconnection fees	127,456	99,328		
Delinquent penalties	53,558	43,122	14,281	15,949
Sewer reconnect fees				
Miscellaneous revenue	278,161	257,915	4,070	2,112
Total Operating Revenue	<u>2,903,456</u>	<u>2,735,914</u>	<u>979,167</u>	<u>989,750</u>
Operating Expenses				
Salaries	433,077	453,965	191,778	142,089
Pension	74,569	65,972	16,699	18,096
Repairs & maintenance	21,523	35,458	27,763	14,934
Materials and supplies	128,246	111,856	57,053	44,069
Purchased water	307,869	328,374	-	-
Utilities	40,696	35,783	147,736	123,022
Telephone	20,055	22,040	2,038	2,701
Professional fees	77,960	52,138	406	9,901
Insurance and bonds	101,979	101,443	36,071	42,784
Payroll taxes	36,124	35,969	11,478	12,870
Truck expense	15,290	8,915	9,273	8,007
Rent	1,113	900	-	-
Depreciation and amortization	230,409	232,233	306,543	301,960
Office expense	74,480	58,542	9,270	9,112
Other operating expense	305,274	380,911	109,917	101,276
Bond fees	933	3,985	-	-
Bad debts	14,789	17,442	9,264	7,270
Franchise fees	43,126	44,982	34,859	36,571
Bond Issue Cost	197,130	-	-	-
Pension	(89,053)	49,037	(29,682)	15,350
Total Operating Expenses	<u>2,035,589</u>	<u>2,039,945</u>	<u>940,466</u>	<u>890,012</u>
Net (Loss) Income from Operations	<u>867,867</u>	<u>695,969</u>	<u>38,701</u>	<u>99,738</u>

See accompanying notes to financial statements.

	<u>Water</u>		<u>Sewer</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Nonoperating Revenues (Expenses)				
Interest Income	16,558	14,884	1381	1041
Interest expense	(191,497)	(207,713)	(127,717)	(136,859)
Total Nonoperating Revenues (Expenses)	<u>(174,939)</u>	<u>(192,829)</u>	<u>(126,336)</u>	<u>(135,818)</u>
Transfer In			1,600,434	
Transfer Out	<u>(1,600,434)</u>			
Changes in Net Position	<u>(907,506)</u>	<u>503,140</u>	<u>1,512,799</u>	<u>(36,080)</u>
Net Position, Beginning	<u>1,573,946</u>	<u>1,070,806</u>	<u>2,252,915</u>	<u>2,288,995</u>
Net Position, Ending	<u>\$ 666,440</u>	<u>\$ 1,573,946</u>	<u>\$ 3,765,714</u>	<u>\$ 2,252,915</u>

See accompanying notes to financial statements.

**Ward Water And Sewer System
Statements of Cash Flows
December 31, 2021 and 2020**

	Water		Sewer	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,580,214	\$ 2,512,923	\$ 988,054	\$ 960,344
Other operating revenue	278,161	257,915	4,070	2,112
Total Receipts	<u>2,858,375</u>	<u>2,770,838</u>	<u>992,124</u>	<u>962,456</u>
Cash payments to employees and fringe benefits	578,320	557,655	200,835	172,412
Cash payments to suppliers of goods and services	1,341,089	1,188,328	483,559	361,411
Total Disbursements	<u>1,919,409</u>	<u>1,745,983</u>	<u>684,394</u>	<u>533,823</u>
Net Cash Provided by Operating Activities	<u>938,966</u>	<u>1,024,855</u>	<u>307,730</u>	<u>428,633</u>
Cash Flows From Investing Activities				
Interest Income	16,558	15,720	1,381	1,041
Net Cash Provided by Investing Activities	<u>16,558</u>	<u>15,720</u>	<u>1,381</u>	<u>1,041</u>
Cash Flows From Noncapital Financing Activities				
Transfers in			1,600,434	-
Transfers out	(1,600,434)	-	-	-
Meter deposits	2,000	2,325	-	-
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>(1,598,434)</u>	<u>2,325</u>	<u>1,600,434</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Purchase of fixed assets	(62,411)	(7,441)	(163,175)	(182,910)
Payment on long-term debt principal	(6,330,000)	(195,000)	(991,731)	(89,804)
Issue of long-term debt	6,495,000	-	-	-
Interest paid	(206,218)	(194,403)	(127,717)	(136,868)
Deposit to restricted funds	(7,024,836)	(480,000)	(48,350)	(31,402)
Withdrawal from restricted funds	7,662,151	392,504	21,280	-
Interest earned on restricted funds	(772)	(4,124)	(717)	(997)
Maturity of CD's	254,759			
Deposit to CD's	(254,701)	-		-
Interest earned on certificate of deposit	(2,282)	(3,173)		-
Net Cash Used in Financing Activities	<u>530,690</u>	<u>(491,637)</u>	<u>(1,310,410)</u>	<u>(441,981)</u>
Net Increase (Decrease) in Cash	(112,220)	551,263	599,135	(12,307)
Cash, Beginning of Year	1,943,475	1,392,212	46,054	58,361
Cash, End of Year	<u>\$ 1,831,255</u>	<u>\$ 1,943,475</u>	<u>\$ 645,189</u>	<u>\$ 46,054</u>

See accompanying notes to financial statements.

	<u>Water</u>		<u>Sewer</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities				
Increase (Decrease) in net assets before addition to membership equities and capital contributions	\$ 867,867	\$ 695,969	\$ 38,701	\$ 99,738
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	230,409	232,233	306,543	301,960
Increase or decrease in:				
Accounts receivable	(24,715)	32,225	15,400	(26,323)
Unbilled Revenue	(20,366)	2,699	(2,443)	(971)
Accounts payable and other current liabilities	(15,074)	13,321	(11,533)	30,830
Pension Liabilities, deferred inflows, and deferred outflows	(89,819)	49,037	(6,643)	15,350
Inventory	(7,765)	(2,375)	(33,366)	4,627
Compenstated Absences	(1,571)	(1,749)	1,071	643
Due from City	-	3,495	-	2,779
Net Cash Provided by Operating Activities	<u>\$ 938,966</u>	<u>\$ 1,024,855</u>	<u>\$ 307,730</u>	<u>\$ 428,633</u>

See accompanying notes to financial statements.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 1 - Summary of Significant Accounting Policies

a. Reporting Entity

The Ward Water and Sewer System is considered to be a component unit enterprise of the City of Ward, Arkansas. The System oversees, under the direction of the Mayor and City Council, the water and sewer utility services for residents of Ward.

b. Basis of Accounting

Under the Governmental Accounting Standards Board (GASB) Statement No. 62, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Ward Water and Sewer System has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Ward Water and Sewer System is a proprietary enterprise fund and maintains its accounts on the accrual basis of accounting. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

These financial statements present only the Water and Sewer System and are not intended to present the financial position and results of operations of the City of Ward, Arkansas, in conformity with generally accepted accounting principles.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits on instruments with original maturities of six months or less.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 1 - Summary of Significant Accounting Policies (continued)

d. Accounts Receivable

Accounts receivable consist of credit extended to users in the normal course of business. Ward Water and Sewer System uses the allowance method to account for uncollectible accounts receivable. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance accounts. The policy for determining when receivables are post due or delinquent is based on how recently payments have been received. Management uses significant judgment in estimating uncollectible amounts. While management believes that Ward Water and Sewer System's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to any allowance recorded by Ward Water and Sewer System.

e. Inventory

Inventories are stated at lower of cost (first-in, first-out method) or net realizable value and consist of items on hand used in the day to day operations of the system.

f. Depreciation

All fixed assets have been recorded at cost and are depreciated over the estimated useful lives of the assets. Repairs and maintenance are expensed currently while system extensions and major replacements are capitalized.

Depreciation is currently being provided for using the straight-line method for:

Water and sewer system	40 years
Buildings	20 years
Office furniture and equipment	10 years
Tools and equipment	5 years
Service vehicles	3 years

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 1 - Summary of Significant Accounting Policies (continued)

g. Use of Estimates

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.

h. Taxes

Ward Water and Sewer System is exempt from federal income taxes under Code Section 501(c)(1)

i. Risk Management

The Board is exposed to various risks of loss related to property and casualty losses. It is the policy of the Ward Water and Sewer System to purchase commercial insurance, including workers' compensation, for the risks of loss to which it is exposed. Under this arrangement, the Board assumes the risk for the amount of loss where risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

j. Concentrations

Ward Water and Sewer System grants credit for water sales to its members, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The collectibility of Ward Water and Sewer System's receivables is dependent upon its members' ability to honor their water bill obligations.

k. Deferred Outflows of Resources

In addition to assets, the accompanying statements of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense/expenditure until then. Ward Water and Sewer System has only one type of item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the accompanying statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 1 - Summary of Significant Accounting Policies (continued)

l. Net Position

The net position of Ward Water and Sewer System is classified in the following three components. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by outstanding balance of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to Ward Water and Sewer System. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of “net investment in capital assets” or “restricted net position.”

m. Revenue Recognition

Ward Water and Sewer System recognizes revenue as water and wastewater services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. The utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average usage of the prior month. Actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to estimates is determined.

Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes that are collected on behalf of government authorities, concurrent with revenue-producing activities, are primarily excluded from revenue.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 2 - Capital Assets

Water

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
Land	\$321,850			\$321,850
Water System	7,791,065			7,791,065
Building	183,873			191,314
Equipment	621,189	\$7,441		621,189
Furniture and fixtures	41,364			41,364
Software	9,900			9,900
Twenty year plan	38,106			38,106
	<u>9,007,347</u>	<u>7,441</u>		<u>9,014,788</u>
Accumulated Depreciation	(3,777,020)	(219,872)		(3,996,892)
Accumulated Amortization	(22,863)	(1,905)		(24,768)
	<u>\$5,207,464</u>	<u>(\$214,336)</u>	<u>\$-0-</u>	<u>\$4,993,128</u>

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
Land	\$321,850			\$321,850
Water System	7,791,065			7,791,065
Building	191,314			191,314
Equipment	621,189	\$55,261		676,450
Furniture and fixtures	41,364			41,364
Software	9,900	7,150		17,050
Twenty year plan	38,106			38,106
	<u>9,014,788</u>	<u>62,411</u>		<u>9,077,199</u>
Accumulated Depreciation	(3,996,892)	(219,954)		(4,216,846)
Accumulated Amortization	(24,768)	(1,905)		(26,673)
	<u>\$4,993,128</u>	<u>(\$159,448)</u>	<u>\$-0-</u>	<u>\$4,833,680</u>

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 2 - Capital Assets (continued)

Sewer

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
Land	\$35,536			\$35,536
Sewer System	9,807,145	\$182,910		9,990,055
Building	12,790			12,790
Equipment	75,747			75,747
Construction in progress	9,931,218	182,910		10,114,128
Accumulated Depreciation	(2,338,392)	(301,960)		(2,640,352)
	<u>\$7,592,826</u>	<u>(\$119,050)</u>	<u>\$-0-</u>	<u>\$7,473,776</u>

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
Land	\$35,536			\$35,536
Sewer System	9,990,055	\$163,175		10,153,230
Building	12,790			12,790
Equipment	75,747			75,747
	10,114,128	163,175		10,277,303
Accumulated Depreciation	(2,640,352)	(306,543)		(2,946,895)
	<u>\$7,473,776</u>	<u>(\$143,368)</u>		<u>\$7,330,408</u>

The policy of Ward Water and Sewer System is to capitalize all assets with a cost in excess of \$500.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 3 - Cash on Hand and in Banks

Cash on hand and in banks consists of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Cash on hand	\$150		\$150	
Revenue fund	1,790,015	\$645,189	1,893,181	\$46,054
Operation and maintenance fund	34,861		30,458	
Payroll	6,229	-0-	19,686	
	<u>\$1,831,255</u>	<u>\$645,189</u>	<u>\$1,943,475</u>	<u>\$46,054</u>

Note 4 - Certificates of Deposit

Water

	<u>2021</u>	<u>2020</u>
Special fund	\$127,796	\$126,872
Depreciation fund	129,187	127,887
	<u>\$256,983</u>	<u>\$254,759</u>

Note 5 - Restricted Cash Reserves

Restricted cash reserves consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Short lived asset		\$52,629		\$32,419
Debt service reserve		100,024		92,447
2016 bond fund reserve	\$-0-		\$632,877	
2016 bond debt service reserve	-0-		195,784	
2021 bond fund reserve	158,616			
2021 bond debt service reserve	33,502			
	<u>\$192,118</u>	<u>\$152,653</u>	<u>\$828,661</u>	<u>\$124,866</u>

The bond debt service reserves are restricted funds held by the respective bond paying agents for future payment on the respective bonds. Bond construction funds are restricted funds held for future payments of the system expansion.

**WARD WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 DECEMBER 31, 2021 AND 2020**

Note 5 - Restricted Cash Reserves (continued)

Ward Water and Sewer System has certain covenants related to all revenue bonds and, as part of these bond agreements, are required to maintain the following bank accounts:

- a. **Bond fund and debt service accounts** - Ward Water and Sewer System is required to deposit into the bond fund account each month an amount sufficient to pay 1/12 of the annual principal installment and 1/6 of the annual interest installment next becoming due. In addition, Ward Water and Sewer System shall maintain in the debt service account an amount equal to one half of the maximum annual principal and interest requirements for the 2021 Bond Series. Should the debt service reserve become impaired or be reduced below the Required Level, Ward Water and Sewer System shall make additional monthly payments from the revenue fund until the impairment or reduction is corrected within a 12 month period.

Note 6 - Long Term Debt

On September 21, 2021, the City of Ward, Arkansas Water and Sewer issued \$6,495,000 in Water and Sewer Revenue Refunding Bonds, Series 2021, with interest rates ranging from 1.0% to 2.375%, with a weighted average interest rate of 2.0643% to refund \$900,673 of outstanding 2017 Series bonds and \$6,223,784 in 2016 Series bonds. The final maturities of these bonds will be due April 1, 2051.

The proceeds were utilized as follows:

Proceeds of bond issue	\$6,495,000
Original issue discount	(8,687)
Other bond issue costs	(197,130)
Payoff of 2017 bonds and interest	(900,673)
Deposits from 2016 and 2017 debt reserve funds	835,274
Payoff 2016 bonds and interest	(6,223,784)
Remaining funds	<u><u>\$-0-</u></u>

Bond issue costs of \$197,130 were expensed as required by GASB 65.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 6 - Long Term Debt (continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,721. The difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2051 as a component of interest expense. Ward Water and Sewer completed the current refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain of \$732,596.

The present value benefit of the difference between the debt service payments for the 2021 bond issue as compared to the 2016 and 2017 bonds issues was calculated using the weighted average rate of 2.0643%. The present value of the 2021 debt service payments was \$8,188,630, and the present value of the debt service for the 2016 and 2017 bond issues was \$9,192,053, resulting in a present value benefit of \$1,485,970.

Economic Gain:

Present Value Debt Service Benefit	\$1,485,970
Effects of Changes in Debt Service Investments	(136,786)
Net Transfers from Prior Issue Debt Service Fund	<u>(616,588)</u>

Economic Gain	<u><u>\$732,596</u></u>
---------------	-------------------------

The water long-term debt, which is collateralized by water and sewer revenues, is payable as follows:

<u>April 1</u>	<u>Principal</u>	<u>Interest</u>
2022	\$80,000	\$128,308
2023	250,000	121,519
2024	250,000	116,519
2025	255,000	111,469
2026	255,000	106,369
2027-2031	1,340,000	437,303
2032-2036	1,465,000	363,238
2037-2041	1,605,000	205,122
2042-2046	800,000	48,450
2047-2051	<u>195,000</u>	<u>11,816</u>
Total maturities of bond	<u><u>\$6,495,000</u></u>	<u><u>\$1,650,113</u></u>

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 6 - Long Term Debt (continued)

	Beginning Balance Dec 31, 2019	Additions	Reductions	Ending Balance Dec 31, 2020
Bonds Payable	\$6,525,000		(\$195,000)	\$6,330,000
Plus (less) deferred amounts:				
For issue discount	(25,707)		1,986	(23,721)
Activity long term liabilities	<u>\$6,499,293</u>	<u>\$-0-</u>	<u>(\$193,014)</u>	<u>\$6,306,279</u>

	Beginning Balance Dec 31, 2020	Additions	Reductions	Ending Balance Dec 31, 2021	Due Within One Year
Bonds Payable	\$6,330,000		(\$6,330,000)	\$-0-	
Bond Payable	-0-	\$6,495,000	-0-	6,495,000	\$80,000
Plus (less) deferred amounts:					
For issue discount	(23,721)	(8,687)	23,793	(8,615)	
Activity long term liabilities	<u>\$6,306,279</u>	<u>\$6,486,313</u>	<u>(\$6,306,207)</u>	<u>\$6,486,385</u>	<u>\$80,000</u>

Bonds and similar debt payable at December 31, 2021 are comprised of the following individual issues:

	Interest Rates	Original Issue	Balance Outstanding December 31, 2021	Balance Outstanding December 31, 2020
Bonds payable				
2021 Bond Series	1.125 - 2.375%	\$6,495,000	\$6,495,000	\$-0-
		<u>\$6,495,000</u>	<u>\$6,495,000</u>	<u>\$-0-</u>

Sewer Long Term Debt

On December 30, 2016, the Ward Water and Sewer System issued \$4,860,000 in Water and Sewer Revenue Bonds for the construction of sewer system improvements in order that the Authority and its water users may have adequate and proper wastewater collection and treatment facilities. The estimated cost of construction of \$5,860,000 is financed by the issuance of a Water and Sewer Revenue Bond in the amount of \$4,860,000 to USDA Rural Development, a Water and Sewer Revenue Bond in the amount of \$1,000,000 to USDA Rural Development. The \$1,000,000 Water and Sewer Revenue Bond was closed on June 13, 2017.

**WARD WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENT (Cont.)
 DECEMBER 31, 2021 AND 2020**

Note 6 - Long Term Debt (continued)

The Water and Sewer Revenue Bonds have been funded through USDA Rural Development as follows:

<u>Bond Issue</u>	<u>Balance Outstanding December 31, 2021</u>	<u>Balance Outstanding December 31, 2020</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$4,860,000	\$4,341,230	\$4,425,417	2.375%	December 28, 2056
\$1,000,000	-0-	907,544	3.375%	June 13, 2057
Total	<u>\$4,341,230</u>	<u>\$5,332,961</u>		

The Water and Sewer Revenue Bonds are special obligations payable solely from the revenue of the Water and Sewer System. The \$4,860,000 issue is payable in monthly installments of \$15,698 beginning January 28, 2017 through the maturity date of December 28, 2056. The \$1,000,000 issue is payable in monthly installments of \$3,800 beginning July 13, 2017 and was paid off in 2021.

The \$4,860,000 bond issue contains a requirement to fund a debt service reserve that includes \$1,570 per month in addition to the required monthly payment until \$188,376 has been accumulated, then the additional payment shall not be required. Also, the bond issue requires a short-lived asset reserve to be funded in monthly payments of \$667 until the balance reaches \$92,750.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 6 - Long Term Debt (continued)

Future principal maturities, assuming that all funding is drawn, are as follows:

	Principal	Interest
2022	\$84,249	\$104,127
2023	86,310	102,066
2024	88,422	97,790
2025	90,586	95,573
2026	92,803	93,303
2027-2031	499,209	430,456
2032-2036	563,351	364,744
2037-2041	635,734	290,589
2042-2046	717,418	206,907
2047-2051	809,597	112,472
2052-2056	673,551	17,272
Total	\$4,341,230	\$1,915,299

	<u>Beginning Balance</u>		<u>Ending Balance</u>
	<u>December 31, 2019</u>	<u>Additions</u>	<u>December 31, 2020</u>
USDA	\$4,507,631		\$4,425,417
		<u>Reductions</u>	
		(\$82,214)	

	<u>Beginning Balance</u>		<u>Ending Balance</u>		<u>Due Within</u>
	<u>December 31, 2020</u>	<u>Additions</u>	<u>December 31, 2021</u>		<u>One Year</u>
USDA	\$4,425,417		\$4,341,230		\$84,249
		<u>Reductions</u>			
		(\$84,187)			

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 6 - Long Term Debt (continued)

	Beginning Balance December 31, 2019	Additions	Reductions	Ending Balance December 31, 2020
USDA	\$915,134	_____	(\$7,590)	\$907,544
	Beginning Balance December 31, 2020	Additions	Reductions	Ending Balance December 31, 2021
USDA	\$907,544	_____	(\$907,544)	\$-0-

Note 7 - Concentrations of Credit Risk

Financial instruments that potentially subject the Ward Water and Sewer System to concentrations of credit risk consist principally of cash, cash investments, and customer accounts receivable. The fund maintains its cash balances in financial institutions located in central Arkansas. At December 31, 2021, Ward Water and Sewer System had deposits at financial institutions in excess of federally insured limits in the amount of \$1,273,652. Concentrations of credit risk with respect to customer accounts receivable are limited due to the geographic location.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 8 - Pension Plan

Substantially all of the Utility's employees are eligible to receive retirement benefits. Employees hired prior to July 18, 2018, participate in a defined benefit plan and employees hired on or after July 18, 2018, participate in a defined contribution plan.

(A) Arkansas Public Employees' Retirement Plan

Plan description: Utility employees hired prior to July 18, 2018, participate in the Arkansas Public Employees' Retirement Plan (the Plan), a multi-employer, cost sharing, defined benefit plan, qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. The administration and control of the plan is vested in the Board of Trustees of APERS.

Benefits provided: The Plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Current retirement law provides for a three percent (3%) COLA to all APERS retirees who have been retired or participated in the Deferred Retirement Option Plan (DROP) for at least twelve months on July 1 of each year. Benefit provisions are established by state law and may be amended only by state legislature.

Contributions: Contributions are set forth in Arkansas statute and the Plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date have the option to become a contributory member at any time. The Utility is required to contribute a percent of covered salary at an actuarially determined rate. Required employer contributions made during the years ended June 30, 2021 and 2020 totaled \$91,268 and \$84,068, respectively. Employer contribution rates applicable were 15.32% of covered payroll for the years ending June 30, 2021 and 2020.

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pensions: At December 31, 2021 and 2020, the Utility reported a liability of \$220,187 and \$840,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on a projection of the Utility's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 and 2020, the Utility's proportion was 0.029% and 0.029%, respectively.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 8 - Pension Plan (continued)

For the years ended December 31, 2021 and 2020, the Utility recognized the actuarially determined pension expense of (\$27,460) and \$153,409, respectively. At December 31, 2021 and 2020, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>	
	Deferred Inflows of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$-0-	\$1,542	\$10,518	\$14,383
Changes in proportion and differences between employer contributions and share of contributions	1,384	17,747	3,114	7,881
Differences between expected and actual	5,039	14,120	11,144	556
Net difference between projected and actual investment earnings on pension plan investments		386,460	88,824	
Utility contributions subsequent to the measurement date	46,167		42,252	
Total	<u>\$52,590</u>	<u>\$419,869</u>	<u>\$155,852</u>	<u>\$22,820</u>

At December 31, 2021, the Utility reported \$46,167 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. At December 31, 2020, the Utility reported \$42,252 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which were recognized as a reduction of the net pension liability in the year ended December 31, 2021.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 8 - Pension Plan (continued)

Other amounts reported as deferred inflows and outflows of resources related to pensions at December 31, 2021 and 2020 were projected to be recognized in pension expense as follows:

<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>	
<u>Projected to be Recognized in Year Ended June 30:</u>	<u>Deferred Outflows and Inflows</u>	<u>Projected to be Recognized in Year Ended June 30:</u>	<u>Deferred Outflows and Inflows</u>
2022	(\$102,511)	2021	\$6,126
2023	(93,169)	2022	24,440
2024	(100,488)	2023	34,029
2025	<u>(117,278)</u>	2024	<u>26,185</u>
	<u>(\$413,446)</u>		<u>\$90,780</u>

Actuarial assumptions: The total pension liability in the June 30, 2021 and 2020 actuarial valuations 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%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return, net	7.15%

For the purposes of the June 30, 2021 and 2020 actuarial valuations, the rates of mortality for the period after service retirement were determined according to the RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. All other actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017 and were applied to all prior periods included in the measurement.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 8 - Pension Plan (continued)

Investment Rate of Return: 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 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 current asset allocation percentage and by adding expected price inflation.

As of June 30, 2021 and 2020, best estimates of arithmetic real rates of return for the 10-year periods from 2021-2030 and 2020-2029 respectively, were based upon capital market assumptions provided by the Plan's investment consultant. For each major asset class included in the Plan's target asset allocation as of June 30, 2021 and 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	Year Ended December 31, 2021		Year Ended December 31, 2020	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%	37%	6.22%
International Equity	24%	6.69%	24%	6.69%
Domestic Fixed	18%	0.57%	16%	4.81%
Absolute Return	5%	3.05%	5%	3.05%
Real Assets	16%	4.81%	18%	0.57%
	<u>100%</u>		<u>100%</u>	

Discount rate: A single discount rate of 7.15% was used to measure the total pension liability as of June 30, 2021 and 2020. 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.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 8 - Pension Plan (continued)

Sensitivity of the Utility's proportionate share of the net pension liability to changes in the discount rate: The following presents the Utility's proportionate share of the net pension liability calculated the discount rate of 7.15%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Utility's proportionate share of the net pension liability at June 30, 2021	<u>\$658,593</u>	<u>\$220,187</u>	<u>(\$141,918)</u>
Utility's proportionate share of the net pension liability at June 30, 2020	<u>\$1,278,548</u>	<u>\$840,227</u>	<u>\$477,099</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report available at <http://www.apers.org/annualreport>.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 9 - Deferred Outflows

Deferred outflows as of December 31, 2021 and 2020 consist as follows:

	<u>2021</u>	<u>2020</u>
Deferred loss on refunding of Series 2005 and 2001 bonds, net of accumulated amortization	\$30,551	\$33,641
Deferred loss on refunding of Series 2008 bonds, net of accumulated amortization	20,842	21,843
Deferred loss on refunding of Series 2013 bonds, net of accumulated amortization	108,032	115,905
Deferred loss on refunding of Series 2011 bonds, net of accumulated amortization	23,700	28,638
Deferred loss on refunding of Series 2016 bonds, net of accumulated amortization	21,776	-0-
Prepaid Greers Ferry Allocation, net accumulated amortization	<u>116,141</u>	<u>122,506</u>
	<u>\$321,042</u>	<u>\$322,533</u>

Note 10 - Evaluation of Subsequent Events

Ward Water and Sewer System has evaluated subsequent events through August 20, 2022, the date which the financial statements were available to be issued.

Note 11 - Commitments

Ward Water and Sewer has entered into a contract to purchase water from Lonoke White Public Water Authority. Ward Water and Sewer has agreed to pay a fee of \$22,070 per month plus \$24,714 for the first 19,770,833 gallons per month, which shall also be the minimum rate per month.

Note 12 - Compensated Absences

Ward Water and Sewer System's policy provides that employees accrue sick leave at a rate of two hours per pay period. Employees may carryover up to a maximum of sixty days to be used for eligible sick leave. Employees will not be paid for accrued sick leave upon termination.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2021 AND 2020**

Note 13 - Fair Value of Financial Instruments

The following methods and assumptions were used by Ward Water and Sewer System in estimating the fair value of its financial instruments:

Cash, cash equivalents and other deposits: The carrying amounts reported in the balance sheets for cash, cash equivalents and other deposits approximate its fair value.

Receivables: The carrying amount reported in the balance sheets for receivables approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheets for accounts payable and accrued expenses approximate its fair value.

Customer meter deposits and bonds payable: The carrying amount reported in the balance sheets for other noncurrent liabilities approximates its fair value.

Note 14 - Accounting and Reporting

GASB Statement No. 87, "Leases." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of government' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for periods beginning after June 15, 2021. Earlier application is encouraged. Ward Water and Sewer System has not yet determined the potential impact, if any, this statement could have on its financial statements.

WARD WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Revised Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue			
Water revenue	\$2,394,976	\$2,185,000	\$209,976
Sewer revenue	957,006	930,000	27,006
Water meter installation	49,305	33,000	16,305
Water connect fees	127,456	100,000	27,456
Sewer installation fees	3,810	4,000	(190)
Miscellaneous income	282,231	250,000	32,231
Delinquent fees	67,839	72,500	(4,661)
Total Operating Revenue	<u>3,882,623</u>	<u>3,574,500</u>	<u>308,123</u>
Operating Expense			
Salaries, wages and benefits	644,990	422,000	(222,990)
Repairs and Maintenance/Material	234,585	347,000	112,415
Water purchased	307,869	320,000	12,131
Utilities and telephone	210,525	193,000	(17,525)
Other operating expenses	1,041,134	774,500	(266,634)
Depreciation	536,952	366,000	(170,952)
Total Operating Expenses	<u>2,976,055</u>	<u>2,422,500</u>	<u>(553,555)</u>
Operating Income	<u>906,568</u>	<u>1,152,000</u>	<u>(245,432)</u>
Non-Operating Revenue			
Interest income	17,939	16,000	1,939
Interest expense	(319,214)	(424,000)	104,786
Total Non-Operating Revenue	<u>(301,275)</u>	<u>(408,000)</u>	<u>106,725</u>
Changes in Net Position	<u><u>\$605,293</u></u>	<u><u>\$744,000</u></u>	<u><u>(\$138,707)</u></u>

**WARD WATER AND SEWER SYSTEM
INSURANCE COVERAGE
DECEMBER 31, 2021**

<u>Type of Insurance</u>		<u>Amount of Coverage</u>	<u>Period Covered</u>	<u>Company</u>
Real and personal property	Equipment, building and contents	\$5,499,765	January 1, 2021 to December 31, 2021	Arkansas Municipal Property program
Fidelity Bond		\$250,000	January 1, 2021 to December 31, 2021	Arkansas Fidelity Bond Trust Fund
Worker's Compensation			January 1, 2021 to December 31, 2021	Municipal League Workers Compensation Trust

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**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**

Honorable Mayor and Council Members
City of Ward, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Ward Water and Sewer System of City of Ward, Arkansas as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Ward Water and Sewer System of City of Ward, Arkansas' basic financial statements, and have issued our report thereon dated August 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Ward Water and Sewer System of City of Ward, Arkansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ward Water and Sewer System of City of Ward, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Ward Water and Sewer System of City of Ward, Arkansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ward Water and Sewer System of City of Ward, Arkansas' 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Whitmire, Robinson & Co.

Whitmire, Robinson & Co.

Batesville, Arkansas

August 20, 2022