

**WARD WATER AND SEWER SYSTEM
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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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 business type activities of Ward Water and Sewer System of the City of Ward, AR, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Ward Water and Sewer System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Ward Water and Sewer System of the City of Ward, Arkansas as of December 31, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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.

Required Supplementary Information

Management has omitted *Management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ward Water and Sewer System's basic financial statements. The supplementary information on pages 31-34 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 31-34 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 July 22, 2024 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.
Batesville, Arkansas
July 22, 2024

**Ward Water and Sewer System
Statements of Net Position
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash on hand and in banks (Note 3)	705,610	3,069,838
Accounts receivable, net allowance for doubtful accounts	291,423	361,999
Unbilled Revenue	232,154	141,213
Allowance for doubtful accounts	-	(2,488)
Accrued Interest Receivable	4,481	-
Inventory	80,427	66,210
Total Current Assets	<u>1,314,095</u>	<u>3,636,772</u>
Noncurrent Assets		
Certificates of Deposit	<u>2,995,836</u>	-
Restricted Assets		
Debt Service Funds (Note 5)	<u>838,857</u>	<u>645,932</u>
Total Restricted Assets	<u>838,857</u>	<u>645,932</u>
Capital Assets:		
Land	357,386	357,386
Other capital assets, net accumulated depreciation	<u>10,910,566</u>	<u>11,407,804</u>
Total Capital Assets	<u>11,267,952</u>	<u>11,765,190</u>
Total Noncurrent Assets	<u>15,102,645</u>	<u>12,411,122</u>
Deferred Outflows related to pension	240,094	229,674
Deferred Outflows	<u>272,103</u>	<u>296,311</u>
Total Deferred Outflows	<u>512,197</u>	<u>525,985</u>
Total Assets	<u>\$ 16,928,937</u>	<u>\$ 16,573,879</u>

See accompanying notes to financial statements.

**Ward Water and Sewer System
Statements of Net Position
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 46,020	\$ 84,658
Other Current Liabilities	95,715	49,322
Compensated Absences	11,626	18,369
Accrued Interest payable (Note 6)	30,730	27,805
Current maturities of long-term debt (Note 6)	338,422	336,310
Total Current Liabilities	<u>522,513</u>	<u>516,464</u>
Noncurrent Liabilities		
Meter Deposits	49,045	49,045
Bonds Payable, less current maturities	9,985,285	10,327,127
Net Pension Liability	814,014	763,441
Total Noncurrent Liabilities	<u>10,848,344</u>	<u>11,139,613</u>
Deferred Inflows related to pension	<u>18,750</u>	<u>22,989</u>
Total Liabilities	<u>11,389,607</u>	<u>11,679,066</u>
Net Position		
Invested in capital assets	944,245	1,018,627
Restricted	838,857	645,932
Unrestricted	3,756,228	3,230,254
Total Net Position	<u>5,539,330</u>	<u>4,894,813</u>
Total Liabilities and Net Position	<u>\$ 16,928,937</u>	<u>\$ 16,573,879</u>

See accompanying notes to financial statements.

Ward Water And Sewer System
Statements of Revenue, Expenses and Changes in Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Water revenue	\$ 2,419,399	\$ 2,390,758
Sewer revenue	1,046,822	1,008,770
Meter installation and line extensions	39,034	25,405
Water reconnection fees	117,073	107,089
Delinquent penalties	71,783	69,715
Miscellaneous revenue	304,845	283,316
Total Operating Revenue	<u>3,998,956</u>	<u>3,885,053</u>
Operating Expenses		
Salaries	732,455	679,307
Pension	110,133	97,471
Repairs & maintenance	44,519	91,089
Waste Removal	139,640	156,447
Materials and supplies	192,398	253,316
Purchased water	354,165	343,504
Utilities	174,463	193,681
Telephone	29,469	26,932
Professional fees	40,047	59,279
Insurance and bonds	167,010	143,561
Payroll taxes	56,333	47,595
Truck expense	27,910	32,181
Depreciation and amortization	560,369	547,367
Office expense	74,144	84,247
Other operating expense	383,169	367,016
Bond fees	4,858	4,966
Bad debts	14,271	-
Franchise fees	101,899	102,349
Pension	35,914	(29,998)
Total Operating Expenses	<u>3,243,166</u>	<u>3,200,310</u>
Net (Loss) Income from Operations	<u>755,790</u>	<u>684,743</u>
Nonoperating Revenues (Expenses)		
Interest Income	114,005	18,584
Interest expense	(225,278)	(240,669)
Total Nonoperating Revenues (Expenses)	<u>(111,273)</u>	<u>(222,085)</u>
Changes in Net Position	644,517	462,658
Net Position, Beginning	<u>4,894,813</u>	<u>4,432,155</u>
Net Position, Ending	<u>\$ 5,539,330</u>	<u>\$ 4,894,813</u>

See accompanying notes to financial statements.

**Ward Water And Sewer System
Statements of Cash Flows
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,671,258	\$ 3,609,945
Other operating revenue	304,845	283,316
Total Receipts	<u>3,976,103</u>	<u>3,893,261</u>
Cash payments to employees and fringe benefits	849,331	826,941
Cash payments to suppliers of goods and services	1,810,755	1,913,184
Total Disbursements	<u>2,660,086</u>	<u>2,740,125</u>
Net Cash Provided by Operating Activities	<u>1,316,017</u>	<u>1,153,136</u>
Cash Flows From Investing Activities		
Interest Income	109,524	19,039
Net Cash Provided by Investing Activities	<u>109,524</u>	<u>19,039</u>
Cash Flows From Noncapital Financing Activities		
Meter deposits	-	2,000
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>-</u>	<u>2,000</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of fixed assets	(41,108)	(139,919)
Payment on long-term debt principal	(340,020)	(164,178)
Interest paid	(219,880)	(232,507)
Maturity of CD's		256,984
Deposit to CD's	(2,921,381)	
Interest earned on certificate of deposit	(74,455)	
Net Cash Used in Financing Activities	<u>(3,596,844)</u>	<u>(279,620)</u>
Net Increase (Decrease) in Cash	(2,171,303)	894,555
Cash, Beginning of Year	<u>3,715,770</u>	<u>2,821,215</u>
Cash, End of Year	<u>\$ 1,544,467</u>	<u>\$ 3,715,770</u>
Presented on Statement of Net Position as follows:		
Cash and cash equivalents	\$ 705,610	\$ 3,069,838
Restricted cash and cash equivalents	\$ 838,857	\$ 645,932
	<u>\$ 1,544,467</u>	<u>\$ 3,715,770</u>

See accompanying notes to financial statements.

**Ward Water and Sewer System
Statements of Cash Flows
December 31, 2023 and 2022**

Cash Flows from Operating Activities

Increase (Decrease) in net assets before addition to membership equities and capital contributions	\$ 755,790	\$ 684,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	560,369	547,367
Increase or decrease in:		
Accounts receivable	68,088	(53,520)
Unbilled Revenue	(90,941)	61,728
Accounts payable and other current liabilities	7,756	(57,223)
Pension Liabilities, deferred inflows, and deferred outflows	35,914	(30,710)
Inventory	(14,217)	2,608
Compenstated Absences	(6,743)	(1,856)
Net Cash Provided by Operating Activities	<u>\$ 1,316,016</u>	<u>\$ 1,153,136</u>

See accompanying notes to financial statements.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023 AND 2022**

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, 2023 AND 2022

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, 2023 AND 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

i. 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, 2023 AND 2022**

Note 2 - Capital Assets

Water

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23
Land	\$321,850			\$321,850
Water System	7,826,065			7,826,065
Building	212,613			212,613
Equipment	707,167	\$19,477		726,644
Furniture and fixtures	49,377			49,377
Software	17,050			17,050
Twenty year plan	38,106			38,106
	<u>9,172,228</u>	<u>19,477</u>		<u>9,191,705</u>
Accumulated Depreciation	(4,442,045)	(223,326)		(4,665,371)
Accumulated Amortization	(28,578)	(1,905)		(30,483)
	<u>\$4,701,605</u>	<u>(\$205,754)</u>	<u>\$-0-</u>	<u>\$4,495,851</u>
	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
Land	\$321,850			\$321,850
Water System	7,791,065	\$35,000		7,826,065
Building	191,314	21,299		212,613
Equipment	676,450	30,717		707,167
Furniture and fixtures	41,364	8,013		49,377
Software	17,050			17,050
Twenty year plan	38,106			38,106
	<u>9,077,199</u>	<u>95,029</u>		<u>9,172,228</u>
Accumulated Depreciation	(4,216,846)	(225,199)		(4,442,045)
Accumulated Amortization	(26,673)	(1,905)		(28,578)
	<u>\$4,833,680</u>	<u>(\$132,075)</u>	<u>\$-0-</u>	<u>\$4,701,605</u>

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 2 - Capital Assets (continued)

Sewer

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23
Land	\$35,536			\$35,536
Sewer System	10,174,597			10,174,597
Building	12,790	\$11,227		24,017
Equipment	99,270	10,404		109,674
Construction in progress	10,322,193	21,631		10,343,824
Accumulated Depreciation	<u>(3,258,608)</u>	<u>(313,115)</u>		<u>(3,571,723)</u>
	<u>\$7,063,585</u>	<u>(\$291,484)</u>	<u>\$-0-</u>	<u>\$6,772,101</u>
	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
Land	\$35,536			\$35,536
Sewer System	10,153,230	\$21,367		10,174,597
Building	12,790			12,790
Equipment	75,747	23,523		99,270
	10,277,303	44,890		10,322,193
Accumulated Depreciation	<u>(2,946,895)</u>	<u>(311,713)</u>		<u>(3,258,608)</u>
	<u>\$7,330,408</u>	<u>(\$266,823)</u>	<u>\$-0-</u>	<u>\$7,063,585</u>

The policy of Ward Water and Sewer System is to capitalize assets with a cost in excess of \$2,500 and Information Technology equipment with a cost in excess of \$500.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 3 - Cash on Hand and in Banks

Cash on hand and in banks consists of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Cash on hand	\$150		\$150	
Revenue fund	366,450	\$280,499	2,727,731	(\$9,449)
Operation and maintenance fund	(873)		13,417	
Payroll	11,949	-0-	11,592	
Special Fund	31,240		171,273	
Depreciation Fund	16,195		155,124	
	<u>\$425,111</u>	<u>\$280,499</u>	<u>\$3,079,287</u>	<u>(\$9,449)</u>

Note 4 - Certificates of Deposit

Water

	<u>2023</u>
Bank of OZK	<u>\$2,995,836</u>
	<u>\$2,995,836</u>

Note 5 - Restricted Cash Reserves

Restricted cash reserves consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Short lived asset		\$96,839		\$81,468
Debt service reserve		188,940		135,116
2021 bond fund reserve	\$553,078		\$429,348	
	<u>\$553,078</u>	<u>\$285,779</u>	<u>\$429,348</u>	<u>\$216,584</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, 2023 AND 2022**

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	<u>(6,223,784)</u>
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, 2023 AND 2022**

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>
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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>
2024	\$250,000	\$116,519
2025	255,000	111,469
2026	255,000	106,369
2027	265,000	102,494
2028	265,000	99,678
2029-2033	1,375,000	397,956
2034-2038	1,520,000	302,819
2039-2043	1,680,000	133,531
2044-2048	180,000	25,175
2049-2053	<u>120,000</u>	<u>4,275</u>
Total maturities of bond	<u><u>\$6,165,000</u></u>	<u><u>\$1,400,285</u></u>

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 6 - Long Term Debt (continued)

	Beginning Balance Dec 31, 2021	Additions	Reductions	Ending Balance Dec 31, 2022
Bonds Payable	\$6,495,000		(\$80,000)	\$6,415,000
Plus (less) deferred amounts:				
For issue discount	(8,615)		290	(8,325)
Activity long term liabilities	<u>\$6,486,385</u>	<u>\$-0-</u>	<u>(\$79,710)</u>	<u>\$6,406,675</u>

	Beginning Balance Dec 31, 2022	Additions	Reductions	Ending Balance Dec 31, 2023	Due Within One Year
Bonds Payable	\$6,415,000		(\$250,000)	\$6,165,000	\$250,000
Plus (less) deferred amounts:					
For issue discount	(8,325)		290	(8,035)	
Activity long term liabilities	<u>\$6,406,675</u>		<u>(\$249,710)</u>	<u>\$6,156,965</u>	<u>\$250,000</u>

Bonds and similar debt payable at December 31, 2023 are comprised of the following individual issues:

	Interest Rates	Original Issue	Balance Outstanding December 31, 2023	Balance Outstanding December 31, 2022
Bonds payable				
2021 Bond Series	1.125 - 2.375%	\$6,495,000	\$6,165,000	\$6,415,000
		<u>\$6,495,000</u>	<u>\$6,165,000</u>	<u>\$6,415,000</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, 2023 AND 2022**

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, 2023</u>	<u>Balance Outstanding December 31, 2022</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$4,860,000	\$4,166,742	\$4,256,762	2.375%	December 28, 2056

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 \$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, 2023 AND 2022**

Note 6 - Long Term Debt (continued)

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

	Principal	Interest
2024	\$88,422	\$99,954
2025	90,586	97,790
2026	92,803	95,573
2027	95,074	93,303
2028	97,400	90,976
2029-2033	523,938	417,941
2034-2038	591,258	350,622
2039-2043	667,228	274,652
2044-2048	752,958	188,922
2049-2053	849,704	92,176
2054-2057	317,371	7,151
Total	\$4,166,742	\$1,809,060

	<u>Beginning Balance</u>		<u>Ending Balance</u>
	<u>December 31, 2021</u>	<u>Additions</u>	<u>December 31, 2022</u>
USDA	\$4,341,230		\$4,256,762
		<u>Reductions</u>	
		(\$84,468)	

	<u>Beginning Balance</u>		<u>Ending Balance</u>		<u>Due Within</u>
	<u>December 31, 2022</u>	<u>Additions</u>	<u>December 31, 2023</u>	<u>One Year</u>	
USDA	\$4,256,762		\$4,166,742	\$88,422	
		<u>Reductions</u>			
		(\$90,020)			

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2023 AND 2022**

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. The balances are insured by the Federal Deposits Insurance Corporation up to \$250,000 and securities with a market value of \$3,742,956. At December 31, 2023, \$351,442 was not insured or collateralized. Concentrations of credit risk with respect to customer accounts receivable are limited due to the geographic location.

Note 8 - Pension Plan

Substantially all of the Utility's employees are eligible to receive retirement benefits.

(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, 2023 and 2022 totaled \$106,584 and \$97,596, respectively. Employer contribution rates applicable were 15.32% of covered payroll for the years ending June 30, 2023 and 2022.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 8 - Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pensions: At December 31, 2023 and 2022, the Utility reported a liability of \$814,014 and \$763,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023 and 2022, the Utility's proportion was 0.028%.

For the years ended December 31, 2023 and 2022, the Utility recognized the actuarially determined pension expense of \$142,498 and \$67,599 respectively. At December 31, 2023 and 2022, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Year Ended December 31, 2023</u>		<u>Year Ended December 31, 2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$38,264			
Changes in proportion and differences between employer contributions and share of contributions		\$14,278	\$165	\$13,722
Differences between expected and actual	45,944	4,472	18,424	9,267
Net difference between projected and actual investment earnings on pension plan investments	101,304		161,919	
Utility contributions subsequent to the measurement date	54,582		49,166	
Total	<u>\$240,094</u>	<u>\$18,750</u>	<u>\$229,674</u>	<u>\$22,989</u>

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENT (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 8 - Pension Plan (continued)

At December 31, 2023, the Utility reported \$54,582 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, 2024. At December 31, 2022, the Utility reported \$49,166 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, 2023.

Other amounts reported as deferred inflows and outflows of resources related to pensions at December 31, 2023 and 2022 were projected to be recognized in pension expense as follows:

<u>Year Ended December 31, 2023</u>		<u>Year Ended December 31, 2022</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>
2024	\$34,871	2023	\$25,622
2025	17,546	2024	18,360
2026	121,183	2025	616
2027	<u>(6,838)</u>	2026	<u>112,921</u>
	<u>\$166,762</u>		<u>\$157,519</u>

Actuarial assumptions: The total pension liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Discount rate	7.0%	7.15%
Inflation rate	3.25%	3.25%
Salary increases	3.25% - 9.85%	3.25% - 9.85%
Investment rate of return, net	7.0%	7.15%

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 8 - Pension Plan (continued)

For the purposes of the June 30, 2023 actuarial valuation, the healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114% and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables males and females, respectively. The disabled retiree mortality tables, for post-retirement disabled mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above-described tables. These assumptions were first used for the June 30, 2023 valuation.

For the purposes of the June 30, 2022 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. The assumption was first used for the June 30, 2018 valuation.

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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2023 and 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Year Ended December 31, 2023</u>		<u>Year Ended December 31, 2022</u>	
	<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%	6.19%	37%	6.22%
International Equity	24%	6.77%	24%	6.69%
Domestic Fixed	16%	3.34%	16%	4.81%
Absolute Return	5%	3.36%	5%	3.05%
Real Assets	18%	1.79%	18%	0.57%
	100%		100%	

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

Note 8 -Pension Plan (continued)

Discount rate: A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2023 and 2022. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and 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.

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 using the discount rates, 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 or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Utility's proportionate share of the net pension liability at June 30, 2023	<u>\$1,297,465</u>	<u>\$814,014</u>	<u>\$415,696</u>
Utility's proportionate share of the net pension liability at June 30, 2022	<u>\$1,213,731</u>	<u>\$763,441</u>	<u>\$391,686</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, 2023 AND 2022**

Note 9 - Deferred Outflows

Deferred outflows as of December 31, 2023 and 2022 consist as follows:

	<u>2023</u>	<u>2022</u>
Deferred loss on refunding of Series 2005 and 2001 bonds, net of accumulated amortization	\$24,372	\$27,461
Deferred loss on refunding of Series 2008 bonds, net of accumulated amortization	18,840	19,841
Deferred loss on refunding of Series 2013 bonds, net of accumulated amortization	92,790	100,323
Deferred loss on refunding of Series 2011 bonds, net of accumulated amortization	14,636	19,026
Deferred loss on refunding of Series 2016 bonds, net of accumulated amortization	18,051	19,882
Prepaid Greers Ferry Allocation, net accumulated amortization	103,414	109,778
	<u>\$272,103</u>	<u>\$296,311</u>

Note 10 - Evaluation of Subsequent Events

Ward Water and Sewer System has evaluated subsequent events through July 22, 2024, 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.

**WARD WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2023 AND 2022**

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.

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 - Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

Ward Water And Sewer System
Schedules of Revenue, Expenses and Changes in Net Position by Fund
December 31, 2023 and 2022

	Water		Sewer	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating Revenue				
Water revenue	2,419,399	2,390,758	-	-
Sewer revenue	-	-	1,046,822	1,008,770
Meter installation and line extensions	34,705	22,295	4,329	3,110
Water reconnection fees	117,073	107,089	-	-
Delinquent penalties	62,820	56,184	8,963	13,531
Sewer reconnect fees	-	-	-	-
Miscellaneous revenue	300,770	270,871	4,075	12,445
Total Operating Revenue	<u>2,934,767</u>	<u>2,847,197</u>	<u>1,064,189</u>	<u>1,037,856</u>
Operating Expenses				
Salaries	490,140	522,012	242,315	157,295
Pension	91,646	82,987	18,487	14,484
Repairs & maintenance	40,613	69,521	3,906	21,568
Waste Removal	6,814	-	132,826	156,447
Materials and supplies	142,283	140,723	50,115	112,593
Purchased water	354,165	343,504	-	-
Utilities	42,284	49,410	132,179	144,271
Telephone	26,517	24,541	2,952	2,391
Professional fees	31,990	53,895	8,057	5,384
Insurance and bonds	140,692	103,833	26,318	39,728
Payroll taxes	40,857	35,719	15,476	11,876
Truck expense	13,137	20,136	14,773	12,045
Depreciation and amortization	247,254	235,654	313,115	311,713
Office expense	65,409	70,550	8,735	13,697
Other operating expense	365,436	354,629	17,732	12,286
Bond fees	4,335	4,966	523	-
Bad debts	9,652	-	4,619	-
Franchise fees	58,807	56,456	43,092	45,893
Pension	26,936	(22,498)	8,978	(7,500)
Total Operating Expenses	<u>2,198,967</u>	<u>2,146,038</u>	<u>1,044,198</u>	<u>1,054,171</u>
Net (Loss) Income from Operations	<u>735,800</u>	<u>701,159</u>	<u>19,991</u>	<u>-16,315</u>
Nonoperating Revenues (Expenses)				
Interest Income	109,964	17,302	4041	1282
Interest expense	(110,844)	(138,405)	(114,434)	(102,365)
Total Nonoperating Revenues (Expenses)	<u>(880)</u>	<u>(121,103)</u>	<u>(110,393)</u>	<u>(101,083)</u>
Transfer In		633,666		
Transfer Out				(633,666)
Changes in Net Position	<u>734,920</u>	<u>1,213,722</u>	<u>(90,402)</u>	<u>(751,064)</u>
Net Position, Beginning	<u>1,880,163</u>	<u>666,441</u>	<u>3,014,650</u>	<u>3,765,714</u>
Net Position, Ending	<u>\$ 2,615,083</u>	<u>\$ 1,880,163</u>	<u>\$ 2,924,248</u>	<u>\$ 3,014,650</u>

WARD WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(BUDGET AND ACTUAL)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Actual</u>	<u>Revised Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue			
Water revenue	\$2,419,399	\$2,400,000	\$19,399
Sewer revenue	1,046,822	1,000,000	46,822
Water meter installation	34,705	33,000	1,705
Water connect fees	117,073	100,000	17,073
Sewer installation fees	4,329	4,000	329
Miscellaneous income	304,845	268,000	36,845
Delinquent fees	71,783	70,000	1,783
Total Operating Revenue	<u>3,998,956</u>	<u>3,875,000</u>	<u>123,956</u>
Operating Expense			
Salaries, wages and benefits	878,502	1,074,800	196,298
Repairs and Maintenance/Material	376,557	357,000	(19,557)
Water purchased	354,165	325,000	(29,165)
Utilities and telephone	203,932	208,000	4,068
Other operating expenses	869,640	901,500	31,860
Depreciation	560,369	547,000	(13,369)
Total Operating Expenses	<u>3,243,165</u>	<u>3,413,300</u>	<u>170,135</u>
Operating Income	<u>755,791</u>	<u>461,700</u>	<u>294,091</u>
Non-Operating Revenue			
Interest income	114,005	18,000	96,005
Interest expense	(225,278)	(350,000)	124,722
Total Non-Operating Revenue	<u>(111,273)</u>	<u>(332,000)</u>	<u>220,727</u>
Changes in Net Position	<u>\$644,518</u>	<u>\$129,700</u>	<u>\$514,818</u>

**WARD WATER AND SEWER SYSTEM
INSURANCE COVERAGE
DECEMBER 31, 2023**

<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	\$5,868,554	January 1, 2023 to December 31, 2023	Arkansas Municipal Property program
Fidelity Bond		\$250,000	January 1, 2023 to December 31, 2023	Arkansas Fidelity Bond Trust Fund
Worker's Compensation			January 1, 2023 to December 31, 2023	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, 2023 and 2022, 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 July 22, 2024.

Report on 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) as a basis for designing 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.

Report on 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.
Batesville, Arkansas
July 22, 2024

**Ward Water And Sewer System
Schedule of the Water and Sewer System's Proportionate Share of the Net Pension Liability
Years Ended June 30, 2023 Through 2016**

	As of June 30, 2023	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016
Utility's proportion of the net pension liability (percentage)	0.02850%	0.02850%	0.02860%	0.02930%	0.02970%	0.02950%	0.02940%	0.02980%
Utility's proportionate share of the net pension liability (dollars)	\$ 814,014	\$ 763,441	\$ 220,163	\$ 839,452	\$ 717,175	\$ 650,916	\$ 759,503	\$ 712,385
Utility's covered-employee payroll	\$ 701,179	\$ 637,052	\$ 591,000	\$ 538,516	\$ 561,061	\$ 560,840	\$ 803,970	\$ 709,992
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116.09%	119.84%	37.25%	155.88%	127.82%	116.06%	94.47%	100.34%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.50%	80.39%

**Ward Water And Sewer System
Schedule of the Water and Sewer System's Contributions to Pension Plan
Years Ended June 30, 2023 Through 2016**

	As of June 30, 2023	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016
Required Contributions	\$ 106,584	\$ 97,596	\$ 91,277	\$ 85,759	\$ 85,913	\$ 85,634	\$ 82,913	\$ 102,380
Contributions in relation to the required contribution	106,584	97,596	91,277	85,759	85,913	85,634	82,913	102,380
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Utility's covered-employee payroll	701,179	637,052	591,000	538,516	561,061	560,840	803,970	709,992
Contributions as a percentage of covered-employee payroll	15.20%	15.32%	15.44%	15.93%	15.31%	15.27%	10.31%	14.42%