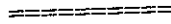


ARKADELPHIA WATER AND SEWER SYSTEM



ARKADELPHIA, ARKANSAS

DECEMBER 31, 2023

ARKADELPHIA WATER AND SEWER SYSTEM
ARKADELPHIA, ARKANSAS

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DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

Opinions

We have audited the accompanying financial statements of Arkadelphia Water and Sewer System, a component unit of the City of Arkadelphia, Arkansas as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Arkadelphia 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Arkadelphia Water and Sewer System, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Arkadelphia 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkadelphia Water and Sewer System'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 the Arkadelphia Water and Sewer System'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 the Arkadelphia Water and Sewer System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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 Arkadelphia Water and Sewer System's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
February 18, 2025

ARKADELPHIA WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

Page 4

| | 2023 | 2022 |
|---|---------------|---------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 667,612 | \$ 476,073 |
| Certificates of Deposit | 617,682 | 601,870 |
| Accounts Receivable - Trade | 600,281 | 577,774 |
| Unbilled Revenue | 96,513 | 97,973 |
| Materials and Supplies | 159,472 | 163,024 |
| Accrued Interest Receivable | 684 | 3,881 |
| TOTAL CURRENT ASSETS | 2,142,244 | 1,920,595 |
| RESTRICTED ASSETS (Schedule I) | 959,281 | 985,825 |
| PLANT AND EQUIPMENT: | | |
| Water Plant | 26,015,125 | 24,047,251 |
| Sewer Plant | 9,036,687 | 9,036,687 |
| Operating Equipment | 2,270,034 | 2,078,197 |
| Office Equipment | 75,099 | 64,267 |
| Construction in Progress | - | 1,611,454 |
| | 37,396,945 | 36,837,856 |
| Less: Accumulated Depreciation | (22,305,471) | (21,569,930) |
| TOTAL PLANT AND EQUIPMENT | 15,091,474 | 15,267,926 |
| OTHER ASSETS: | | |
| Land | 215,060 | 215,060 |
| Water and Sewer Master Plan (Net of Amortization of \$126,108 and \$120,799) | 11,231 | 16,540 |
| TOTAL OTHER ASSETS | 226,291 | 231,600 |
| TOTAL ASSETS | 18,419,290 | 18,405,946 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred Outflows of Resources Related to Pension | 373,290 | 384,402 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 18,792,580 | \$ 18,790,348 |

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

ARKADELPHIA WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

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LIABILITIES AND NET POSITION

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 210,010 | \$ 98,904 |
| Accrued Salaries | 84,027 | 79,285 |
| Sales Tax Payable | 13,234 | 12,848 |
| Notes Payable - Current Portion | 232,009 | 280,650 |
| TOTAL CURRENT LIABILITIES | <u>539,280</u> | <u>471,687</u> |
| | | |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Schedule I) | <u>609,902</u> | <u>529,898</u> |
| | | |
| LONG-TERM LIABILITIES: | | |
| Notes Payable, Less Current Maturity \$329,280 (\$319,566 in 2022) | 6,551,095 | 6,497,609 |
| Net Pension Liability | 1,283,877 | 1,200,272 |
| TOTAL LONG-TERM LIABILITIES | <u>7,834,972</u> | <u>7,697,881</u> |
| | | |
| TOTAL LIABILITIES | <u>8,984,154</u> | <u>8,699,466</u> |
| | | |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred Inflows of Resources Related to Pension | 20,516 | 27,898 |
| | | |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>9,004,670</u> | <u>8,727,364</u> |
| | | |
| NET POSITION: | | |
| Invested in Capital Assets, Net of Related Debt | 5,963,997 | 5,973,108 |
| Restricted | 349,379 | 455,927 |
| Unrestricted | 3,474,534 | 3,633,949 |
| TOTAL NET POSITION | <u>9,787,910</u> | <u>10,062,984</u> |
| | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$18,792,580</u> | <u>\$18,790,348</u> |

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

ARKADELPHIA WATER AND SEWER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| OPERATING REVENUE: | | |
| Water Revenue | \$ 2,289,176 | \$ 1,818,931 |
| Sewer Revenue | 991,573 | 960,279 |
| Penalties | 59,291 | 51,593 |
| Tie-On Fees | 6,675 | 14,900 |
| Other Income | 86,582 | 93,066 |
| TOTAL OPERATING REVENUE | 3,433,297 | 2,938,769 |
| OPERATING EXPENSES: | | |
| Personnel | 1,457,471 | 1,068,563 |
| Supplies | 414,612 | 359,403 |
| Maintenance | 295,064 | 136,964 |
| Miscellaneous | 624,654 | 585,735 |
| Depreciation and Amortization | 740,852 | 695,163 |
| TOTAL OPERATING EXPENSES | 3,532,653 | 2,845,828 |
| OPERATING INCOME (LOSS) | (99,356) | 92,941 |
| OTHER INCOME (EXPENSES): | | |
| Interest Income | 21,961 | 26,501 |
| Interest Expense | (188,568) | (161,883) |
| TOTAL OTHER INCOME (EXPENSES) | (166,607) | (135,382) |
| NET INCOME (LOSS) | (265,963) | (42,441) |
| NET POSITION AT BEGINNING OF YEAR | 10,062,984 | 9,693,119 |
| CAPITAL CONTRIBUTED/(PAID) DURING THE YEAR | (9,111) | 412,306 |
| NET POSITION AT END OF YEAR | \$ 9,787,910 | \$10,062,984 |

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

Page 7

| | 2023 | 2022 |
|---|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Customers | \$ 3,412,250 | \$ 2,836,578 |
| Cash Payments for Goods and Services | (1,131,950) | (1,103,143) |
| Cash Payments to Employees | (1,452,729) | (1,053,409) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 827,571 | 680,026 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Increase in Meter Deposits | 23,458 | 12,252 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and Construction of Capital Assets | (559,089) | (1,126,267) |
| Proceeds from Long-Term Debt | 382,766 | 512,064 |
| Principal Paid on Long-Term Debt | (319,566) | (270,722) |
| Interest Paid on Long-Term Debt | (190,377) | (163,636) |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (686,266) | (1,048,561) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Investments | (635,229) | (1,101,930) |
| Proceeds from Sale and Maturity of Investments | 601,870 | 1,109,070 |
| Interest Received on Investments | 26,425 | 21,476 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (6,934) | 28,616 |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 157,829 | (327,667) |
| CASH AND RESTRICTED CASH - BEGINNING OF YEAR | 959,828 | 1,287,495 |
| CASH AND RESTRICTED CASH - END OF YEAR | \$ 1,117,657 | \$ 959,828 |

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

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

| | 2023 | 2022 |
|---|-------------|------------|
| OPERATING INCOME | \$ (99,356) | \$ 92,941 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Depreciation and Amortization | 740,852 | 695,163 |
| Pension Related Adjustments | 87,336 | (25,987) |
| Change in Assets and Liabilities: | | |
| Accounts Receivable | (21,047) | (102,191) |
| Inventory of Supplies | 3,552 | (48,779) |
| Accounts Payable | 111,106 | 40,875 |
| Other Accrued Expenses | 5,128 | 28,004 |
| TOTAL ADJUSTMENTS | 926,927 | 587,085 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 827,571 | \$ 680,026 |

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Significant Accounting Policies:

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

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

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

Material and supplies inventories are stated at the current costing of physical inventory counts.

Plant and equipment are stated at cost or customer cost of construction on contributed assets, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

| | |
|-----------------------------------|---------------|
| Water Plant and Distribution | 10 - 50 Years |
| Sewer Plant and Collection System | 25 - 40 Years |
| Vehicles and Equipment | 4 - 10 Years |

Depreciation is partially funded by transfers to the depreciation fund at the rate of 5% of gross revenues of the System.

Bond discount and expense are amortized based on the ratio of bonds outstanding at the end of the year.

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

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

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

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 1. Significant Accounting Policies: (Continued)

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

Management has evaluated subsequent events through February 18, 2025, the date the financial statements were available for issuance.

Note 2. Current Assets:

The operation and maintenance fund and other current assets are available to meet the existing current liabilities and provide working capital for the System. Ordinance No. 457 provides that any excess accumulation in the Combined Waterworks and Sewer Revenue Fund may be used for bond redemption, financing extensions or improvements to the System, or for any other lawful purpose. The balance in the Combined Waterworks and Sewer Revenue Fund is shown as a current asset since its use is not restricted. Of this amount, \$459,926 is invested in money market checking, \$16,546 in savings, and \$617,682 in certificates of deposit. Interest rates on certificates of deposit held at December 31, 2023 ranged from 0.10% – 3.76%.

An aged analysis of accounts receivable from water and sewer customers as of December 30, 2023 is as follows:

| | |
|--------------|-------------------|
| Current | \$ 385,662 |
| Past Due | 179,257 |
| Overpayments | <u>(17,242)</u> |
| Total | <u>\$ 547,677</u> |

Unbilled water revenue of \$96,513 was computed for water sold from the last meter reading date until the end of December. This amount is computed by allocating water used based on the last meter reading date.

Note 3. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements.

Schedule I of this report shows an analysis of restricted assets and liabilities at December 31, 2023, compared with those balances at December 31, 2022. Restricted cash is invested in certificates of deposit and savings accounts that are earning interest at rates of 0.04% – 4.89%.

The System maintains cash equal to customers' meter deposits in a certificate of deposit and a meter deposit checking account. These accounts are reflected as restricted assets and the corresponding liability as a liability payable from restricted assets.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4. Capital Assets:

Capital Asset activity for the years ending December 31, 2023 and 2022 was as follows:

| | 12/31/2022 BALANCE | INCREASES | DECREASES | TRANSFERS | 12/31/2023 BALANCE |
|---------------------------------------|-----------------------|---------------------|-------------|--------------|-----------------------|
| Capital Assets: | | | | | |
| Water Plant | \$ 24,047,251 | \$ 356,420 | \$ - | \$ 1,611,454 | \$ 26,015,125 |
| Sewer Plant | 9,036,687 | - | - | - | 9,036,687 |
| Operating Equipment | 2,078,197 | 191,837 | - | - | 2,270,034 |
| Office Equipment | 64,267 | 10,832 | - | - | 75,099 |
| Construction in Progress | 1,611,454 | - | - | (1,611,454) | - |
| Total Capital Assets | 36,837,856 | 559,089 | - | - | 37,396,945 |
| Less Accumulated Depreciation: | | | | | |
| Water Plant | (11,511,460) | (632,235) | - | - | (12,143,695) |
| Sewer Plant | (8,040,059) | (86,592) | - | - | (8,126,651) |
| Operating Equipment | (1,956,442) | (15,270) | - | - | (1,971,712) |
| Office Equipment | (61,969) | (1,444) | - | - | (63,413) |
| Total Accumulated Depreciation | (21,569,930) | (735,541) | - | - | (22,305,471) |
| NET | \$ 15,267,926 | \$ (176,452) | \$ - | \$ - | \$ 15,091,474 |
| | | | | | |
| | 12/31/2021 BALANCE | INCREASES | DECREASES | TRANSFERS | 12/31/2022 BALANCE |
| Capital Assets: | | | | | |
| Water Plant | \$ 23,163,013 | \$ 884,238 | \$ - | \$ - | \$ 24,047,251 |
| Sewer Plant | 8,894,417 | 142,270 | - | - | 9,036,687 |
| Operating Equipment | 2,078,197 | - | - | - | 2,078,197 |
| Office Equipment | 64,267 | - | - | - | 64,267 |
| Construction in Progress | 1,099,390 | 512,064 | - | - | 1,611,454 |
| Total Capital Assets | 35,299,284 | 1,538,572 | - | - | 36,837,856 |
| Less Accumulated Depreciation: | | | | | |
| Water Plant | (10,930,478) | (580,982) | - | - | (11,511,460) |
| Sewer Plant | (7,943,911) | (96,148) | - | - | (8,040,059) |
| Operating Equipment | (1,949,639) | (6,803) | - | - | (1,956,442) |
| Office Equipment | (61,969) | - | - | - | (61,969) |
| Total Accumulated Depreciation | (20,885,997) | (683,933) | - | - | (21,569,930) |
| NET | \$ 14,413,287 | \$ 854,639 | \$ - | \$ - | \$ 15,267,926 |

Note 5. Current Liabilities:

Liabilities due upon demand or within one year from the balance sheet date, with the exception of liabilities payable out of special purpose funds, have been classified as current liabilities on Page 5.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6. Compensated Absences:

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In accordance with the provisions of Accounting Standards Codification Topic 710, Compensated Absences, no liability is recorded for nonvesting, accumulating rights to receive sick pay benefits.

Vacations are earned at twelve days per year after the first year of employment plus an additional day each year after five years of employment with a maximum of twenty days. Sick leave is earned at the rate of fifteen working days per year for a maximum of sixty-six days. Expenses related to compensated absences of \$45,852 and \$41,012 have been accrued as of December 31, 2023 and 2022, respectively.

Note 7. Liabilities Payable from Restricted Assets:

Interest accrued but unpaid and a portion of the current maturity on the outstanding revenue bond is reflected as liabilities to be liquidated with the revenue bond funds. The additional current maturity is reflected as a liability to be liquidated with current assets.

Note 8. Long-Term Debt:

Long-Term Debt consists of the following:

| | 12/31/2023 | 12/31/2022 |
|--|--------------|--------------|
| Revenue Bond, Series 2016, semi-annual payments of \$119,349 including interest at 2.0% plus a 1% service fee, maturing in April 2049. | \$ 4,233,036 | \$ 4,342,279 |
| Revenue Bond, Series 2004, semi-annual payments of \$189,988 including interest at 2.25% plus a 1% service fee, maturing in 2027. | 707,254 | 870,272 |
| Revenue Bond, Series 2020, semi-annual payments of \$46,020, including interest at 1.25% plus a 1% service fee, secured by the Gum Springs Division's revenue. Maturing in 2052. | 1,940,085 | 1,604,624 |
| | 6,880,375 | 6,817,175 |
| Less portion considered current | (329,280) | (319,566) |
| Total long-term debt | \$ 6,551,095 | \$ 6,497,609 |

The Water and Sewer Revenue Bonds are secured by a pledge of the funds in the combined waterworks and sewer revenue bond fund and revenues derived from the Water and Sewer System. Schedules of debt service requirements are shown on Schedules VII and VIII.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Page 13

Note 9. Contributed Capital:

The balance in this account represents the value of System additions paid for by customers, other outside sources, and grants received to assist in financing construction of new additions to the System.

Note 10. Retained Earnings:

Retained earnings consist of the accumulated earnings of the water and sewer system in prior years and the net income as shown by Page 6 of this report.

Reserved retained earnings are stated based on the excess of restricted assets over the related liabilities payable from the restricted assets. An analysis of restricted assets and liabilities is presented in Schedule I.

Note 11. Other:

Transfers to the Depreciation Fund exceeded the amounts required by Ordinances No. 331 and No. 457. The Ordinances state that 2% of gross revenues are to be transferred to the depreciation fund on the first business day of each month the bonds are maintained. The System is making monthly transfers equal to 5% of gross revenues.

Note 12. Public Fund Deposits and Investments:

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

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Arkadelphia Water and Sewer System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2023 was \$2,154,732. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$2,379,856 before reduction of outstanding items. Securities with a total market value of \$1,351,706 were pledged as collateral by the depository institution and held by the pledging institution's agent in the System's name.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Arkadelphia Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Arkadelphia accounts and investments at a financial institution.

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 12. Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: Arkadelphia Water and Sewer System does not have an investment interest rate risk. All investments are twelve to thirty-six-month certificates of deposit and the System is under no obligation to renew upon maturity.

Investment Credit Risk: Arkadelphia Water and Sewer System does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

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

Note 13. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 14. Risk Management:

The Arkadelphia Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the System. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 15. Major Customers:

The System sells water to four wholesale customers which accounts for approximately 18.77% of total water revenue.

| | Sales | Percent |
|---------------|------------|---------|
| Caddo Valley | \$ 180,004 | 7.36% |
| Country Water | 165,000 | 6.74% |
| River Valley | 114,392 | 4.67% |
| | \$ 459,396 | |

Note 16. Arkansas Public Employees Retirement System:

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2015. The Statement establishes standards for public pension plan obligations for participating employers.

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

Plan Description

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

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

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/2023. The rate remained unchanged for the fiscal year beginning 7/1/2023. Contributions made by the Utility were \$149,741 and \$130,451 for the years ended December 31, 2023 and 2022, respectively.

Benefits Provided

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

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

Note 16. Arkansas Public Employees Retirement System: (Continued)

Benefits Provided (Continued)

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

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

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

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

Contributions

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

APERS Fiduciary Net Position

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

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

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 16. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions

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

Actuarial Assumptions (Continued)

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Discount rate | 7.00% |
| Wage inflation rate | 3.25% |
| Salary Increases | 3.25 – 9.85% |
| Investment Rate of Return | 7.00% (net of investment and administrative expenses) |
| Mortality Table | RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2023 are summarized in the table below:

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 16. Arkansas Public Employees Retirement System: (Continued)

Discount Rate

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

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|---------------------|-------------------|------------------|
| Deferred Outflows of Resources: | | | | | |
| Differences between expected and actual experience | \$ 72,472 | \$ 28,811 | \$ 7,944 | \$ 16,745 | \$ 26,345 |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 7,892 | 37,505 | 68,479 | 83,688 | 32,500 |
| Changes in assumptions | 60,358 | - | - | 15,803 | 52,540 |
| Utility contributions subsequent to measurement date | 72,771 | 64,887 | 61,890 | 66,063 | 64,619 |
| Net difference between projected and actual earnings on pension plan investments | 159,797 | 253,199 | - | 133,465 | - |
| Deferred Inflows of Resources: | | | | | |
| Differences between expected and actual experience | (7,053) | (14,492) | (22,260) | (835) | (1,438) |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | (13,463) | (13,407) | (27,021) | (50,659) | (75,535) |
| Changes in assumptions | - | - | (2,431) | (21,611) | (37,211) |
| Utility contributions subsequent to measurement date | - | - | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | (609,264) | - | (7,353) |
| Totals | <u>\$ 352,774</u> | <u>\$ 356,503</u> | <u>\$ (522,663)</u> | <u>\$ 242,659</u> | <u>\$ 54,467</u> |

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 16. Arkansas Public Employees Retirement System: (Continued)

\$72,771 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Differences in Experience | Changes in Assumptions | Differences in Earnings | Changes in Contribution Proportion | Net Reduction in Pension Expense |
|----------------------------|------------------------------|---------------------------|----------------------------|---------------------------------------|-------------------------------------|
| 2024 | \$ 14,229 | \$ 13,128 | \$ 31,959 | \$ (1,212) | \$ 58,104 |
| 2025 | 14,229 | 13,128 | 31,959 | (1,212) | 58,104 |
| 2026 | 14,229 | 13,128 | 31,959 | (1,212) | 58,104 |
| 2027 | 14,229 | 13,128 | 31,959 | (1,212) | 58,104 |
| 2028 | 8,503 | 7,846 | 31,961 | (723) | 47,587 |
| | <u>\$ 65,419</u> | <u>\$ 60,358</u> | <u>\$ 159,797</u> | <u>\$ (5,571)</u> | <u>\$ 280,003</u> |

Note 17. Gum Springs Water Acquisition:

Effective June 1, 2020, Arkadelphia Water and Sewer System acquired Gum Springs Water System. All assets of Gum Springs Water System were transferred to Arkadelphia Water and Sewer System. All liabilities were assumed by Arkadelphia Water and Sewer System. The net result of the acquisition was the recording of contributed capital in the amount of \$85,109. Arkadelphia Water and Sewer System also obtained approval from Arkansas Natural Resource Commission for a loan in the amount of \$2,766,900 which will be used for improvements/repairs to the Gum Springs system. Of this amount, \$766,900 will be forgiven by ANRC upon completion. In addition, ANRC agreed to forgive the outstanding loan owed by Gum Springs that was assumed by Arkadelphia Water and Sewer System. The loan in the amount of \$23,471 was forgiven in 2021.

All inter-division transactions from June 1, 2020 forward have been eliminated from the financial statements. Sales from Arkadelphia to the Gum Springs division are not included in revenue and water purchases by Gum Springs from Arkadelphia are not included in operating expenses.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

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 Arkadelphia Water and Sewer System as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2025.

Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arkadelphia Water and Sewer System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

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

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

February 18, 2025

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Page 22

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Arkadelphia Water and Sewer System ("the System").

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

No instances of noncompliance material to the financial statements of the System were disclosed by during the audit.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

N/A

SUPPLEMENTARY INFORMATION

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULES OF RESTRICTED ASSETS AND LIABILITIES
DECEMBER 31, 2023 AND 2022

SCHEDULE I
Page 23

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| REVENUE BOND FUND: | | |
| Cash and Cash Equivalents | \$ 128,910 | \$ 72,364 |
| Bond Escrow | 15,529 | 13,705 |
| TOTAL REVENUE BOND FUND | <u>144,439</u> | <u>86,069</u> |
| | | |
| DEPRECIATION FUND: | | |
| Cash and Cash Equivalents | 78,397 | 89,515 |
| Accrued Interest | 736 | 573 |
| Certificate of Deposit | 406,504 | 400,060 |
| TOTAL DEPRECIATION FUND | <u>485,637</u> | <u>490,148</u> |
| | | |
| CUSTOMERS' METER DEPOSITS: | | |
| Cash and Cash Equivalents | 227,209 | 308,171 |
| Accrued Interest | 7 | 1,437 |
| Certificate of Deposit | 101,989 | 100,000 |
| TOTAL CUSTOMERS' METER DEPOSITS | <u>329,205</u> | <u>409,608</u> |
| | | |
| TOTAL RESTRICTED ASSETS | <u>959,281</u> | <u>985,825</u> |
| | | |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | | |
| Accrued Interest on Bonds - Combined Water and Sewer | 31,639 | 33,448 |
| Notes Payable - Current Maturity | 97,271 | 38,916 |
| Customers' Meter Deposits | 480,992 | 457,534 |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS | <u>609,902</u> | <u>529,898</u> |
| | | |
| NET RESTRICTED ASSETS | <u>\$ 349,379</u> | <u>\$ 455,927</u> |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY DIVISION
FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE II
Page 24

| | Division | | Total |
|--|---------------------|-------------------|--------------------|
| | Arkadelphia | Gum Springs | |
| OPERATING REVENUES: | | | |
| Sales and Services | \$ 3,041,739 | \$ 239,010 | \$ 3,280,749 |
| Penalties | 52,819 | 6,472 | 59,291 |
| Tie-on Fees | 4,823 | 1,852 | 6,675 |
| Other Income | 62,167 | 24,415 | 86,582 |
| TOTAL OPERATING REVENUES | 3,161,548 | 271,749 | 3,433,297 |
| OPERATING EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | 1,457,471 | - | 1,457,471 |
| Chemicals and Supplies | 285,115 | 24,543 | 309,658 |
| Vehicle Operating | 40,913 | 4,815 | 45,728 |
| Office Expense | 11,262 | 14,314 | 25,576 |
| Postage | 23,148 | - | 23,148 |
| Uniforms | 10,502 | - | 10,502 |
| Insurance | 52,081 | - | 52,081 |
| Maintenance | 289,641 | 5,423 | 295,064 |
| Special Services | 116,719 | - | 116,719 |
| Utilities and Telephone | 347,290 | 12,261 | 359,551 |
| Miscellaneous | 49,696 | 22,992 | 72,688 |
| Depreciation | 715,994 | 24,858 | 740,852 |
| FSDW - Fee | 23,615 | - | 23,615 |
| TOTAL OPERATING EXPENSES | 3,423,447 | 109,206 | 3,532,653 |
| OPERATING INCOME (LOSS) | \$ (261,899) | \$ 162,543 | \$ (99,356) |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF OPERATING REVENUES AND
 OPERATING EXPENSES - BY DEPARTMENT
 FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE III
 Page 25

| | Department | | Total |
|--|---------------------|------------------|--------------------|
| | Water | Sewer | |
| OPERATING REVENUES: | | | |
| Sales and Services | \$ 2,289,176 | \$ 991,573 | \$ 3,280,749 |
| Penalties | 32,882 | 26,409 | 59,291 |
| Tie-on Fees | 1,775 | 4,900 | 6,675 |
| Other Income | 67,314 | 19,268 | 86,582 |
| TOTAL OPERATING REVENUES | <u>2,391,147</u> | <u>1,042,150</u> | <u>3,433,297</u> |
| OPERATING EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | 883,243 | 574,228 | 1,457,471 |
| Chemicals and Supplies | 252,776 | 56,882 | 309,658 |
| Vehicle Operating | 25,271 | 20,457 | 45,728 |
| Office Expense | 19,945 | 5,631 | 25,576 |
| Postage | 11,574 | 11,574 | 23,148 |
| Uniforms | 5,251 | 5,251 | 10,502 |
| Insurance | 26,040 | 26,041 | 52,081 |
| Maintenance | 243,340 | 51,724 | 295,064 |
| Special Services | 55,439 | 61,280 | 116,719 |
| Utilities and Telephone | 286,349 | 73,202 | 359,551 |
| Miscellaneous | 45,340 | 27,348 | 72,688 |
| Depreciation | 641,543 | 99,309 | 740,852 |
| FSDW - Fee | 23,615 | - | 23,615 |
| TOTAL OPERATING EXPENSES | <u>2,519,726</u> | <u>1,012,927</u> | <u>3,532,653</u> |
| OPERATING INCOME (LOSS) | <u>\$ (128,579)</u> | <u>\$ 29,223</u> | <u>\$ (99,356)</u> |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY OPERATING AREA (WATER)
FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE IV
Page 26

| | <u>Water</u> | <u>Water</u> | <u>Total Water</u> |
|--|---------------------|---------------------|---------------------|
| | <u>Treatment</u> | <u>Distribution</u> | |
| OPERATING REVENUES: | | | |
| Sales and Services | | | \$ 2,289,176 |
| Penalties | | | 32,882 |
| Tie-on Fees | | | 1,775 |
| Other Income | | | 67,314 |
| TOTAL OPERATING REVENUES | | | <u>2,391,147</u> |
| OPERATING EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | \$ 302,491 | \$ 362,219 | 664,710 |
| Chemicals and Supplies | 228,233 | 24,543 | 252,776 |
| Maintenance | 75,444 | 146,772 | 222,216 |
| Special Services | 1,351 | 6,072 | 7,423 |
| Utilities and Telephone | 230,091 | 51,053 | 281,144 |
| Miscellaneous | 26,159 | - | 26,159 |
| Depreciation | 401,539 | 232,684 | 634,223 |
| FSDW - Fee | 23,615 | - | 23,615 |
| TOTAL OPERATING EXPENSES | <u>\$ 1,288,923</u> | <u>\$ 823,343</u> | <u>2,112,266</u> |
| COMMON AND ADMINISTRATIVE EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | | | 218,533 |
| Vehicle Operating | | | 25,271 |
| Office Expense | | | 19,945 |
| Postage | | | 11,574 |
| Uniforms | | | 5,251 |
| Insurance | | | 26,040 |
| Maintenance | | | 21,124 |
| Special Services | | | 48,016 |
| Utilities and Telephone | | | 5,205 |
| Miscellaneous | | | 19,181 |
| Depreciation | | | 7,320 |
| TOTAL COMMON AND ADMINISTRATIVE EXPENSES | | | <u>407,460</u> |
| TOTAL EXPENSES | | | <u>2,519,726</u> |
| OPERATING INCOME (LOSS) | | | <u>\$ (128,579)</u> |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF OPERATING REVENUES AND
 OPERATING EXPENSES - BY OPERATING AREA (SEWER)
 FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE V
 Page 27

| | Sewer Treatment | Sewer Collection | Total Sewer |
|--|--------------------|---------------------|------------------|
| OPERATING REVENUES: | | | |
| Sales and Services | | | \$ 991,573 |
| Penalties | | | 26,409 |
| Tie-on Fees | | | 4,900 |
| Other Income | | | 19,268 |
| TOTAL OPERATING REVENUES | | | 1,042,150 |
| OPERATING EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | \$ 151,144 | \$ 160,863 | 312,007 |
| Chemicals and Supplies | 56,882 | - | 56,882 |
| Maintenance | 502 | 30,098 | 30,600 |
| Special Services | 11,239 | 2,025 | 13,264 |
| Utilities and Telephone | 5,124 | 62,873 | 67,997 |
| Miscellaneous | 7,877 | 290 | 8,167 |
| Depreciation | 16,053 | 75,936 | 91,989 |
| FSDW - Fee | - | - | - |
| TOTAL OPERATING EXPENSES | \$ 248,821 | \$ 332,085 | 580,906 |
| COMMON AND ADMINISTRATIVE EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | | | 262,221 |
| Vehicle Operating | | | 20,457 |
| Office Expense | | | 5,631 |
| Postage | | | 11,574 |
| Uniforms | | | 5,251 |
| Insurance | | | 26,041 |
| Maintenance | | | 21,124 |
| Special Services | | | 48,016 |
| Utilities and Telephone | | | 5,205 |
| Miscellaneous | | | 19,181 |
| Depreciation | | | 7,320 |
| TOTAL COMMON AND ADMINISTRATIVE EXPENSES | | | 432,021 |
| TOTAL EXPENSES | | | 1,012,927 |
| OPERATING INCOME | | | \$ 29,223 |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE VI
 Page 28

| | Budget | Actual | Variance |
|--|---------------------|---------------------|---------------------|
| OPERATING REVENUES: | | | |
| Sales and Services | \$ 3,394,000 | \$ 3,280,749 | \$ (113,251) |
| Penalties | 45,000 | 59,291 | 14,291 |
| Tie-on Fees | 14,500 | 6,675 | (7,825) |
| Other Income | 88,500 | 86,582 | (1,918) |
| TOTAL OPERATING REVENUES | 3,542,000 | 3,433,297 | (108,703) |
| OPERATING EXPENSES: | | | |
| Personnel (Salaries/Payroll Taxes/Employee Benefits) | 1,374,846 | 1,457,471 | (82,625) |
| Chemicals and Supplies | 220,000 | 309,658 | (89,658) |
| Fuel | 46,000 | 45,728 | 272 |
| Office Expense | 14,000 | 25,576 | (11,576) |
| Postage | 23,000 | 23,148 | (148) |
| Uniforms | 15,000 | 10,502 | 4,498 |
| Insurance | 50,000 | 52,081 | (2,081) |
| Maintenance | 283,850 | 295,064 | (11,214) |
| Special Services | 93,500 | 116,719 | (23,219) |
| Utilities and Telephone | 353,800 | 359,551 | (5,751) |
| Miscellaneous | 59,700 | 72,688 | (12,988) |
| Depreciation | 727,042 | 740,852 | (13,810) |
| FSDW - Fee | 23,000 | 23,615 | (615) |
| TOTAL OPERATING EXPENSES | 3,283,738 | 3,532,653 | (248,915) |
| OPERATING INCOME (LOSS) | 258,262 | (99,356) | (357,618) |
| OTHER INCOME (EXPENSES): | | | |
| Interest Income | 26,000 | 21,961 | (4,039) |
| Interest Expense | (428,686) * | (188,568) | 240,118 |
| TOTAL OTHER INCOME (EXPENSES) | (402,686) | (166,607) | 236,079 |
| NET INCOME (LOSS) | \$ (144,424) | \$ (265,963) | \$ (121,539) |

* Budgeted amount includes principal and interest payments on bonds outstanding.

Note: Not included above, is \$3,530,000 budgeted for capital expenditures in the current year.

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 2.25% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2004
 DECEMBER 31, 2023

SCHEDULE VII
 Page 29

| For The Year Ended December 31 | April 15 | | October 15 | | Total Principal and Interest |
|--------------------------------------|-------------------|------------------|-------------------|------------------|------------------------------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | 83,501 | 11,493 | 84,858 | 10,136 | 189,988 |
| 2025 | 86,236 | 8,758 | 87,639 | 7,355 | 189,988 |
| 2026 | 89,062 | 5,932 | 90,509 | 4,485 | 189,988 |
| 2027 | 91,982 | 3,012 | 93,467 | 1,520 | 189,981 |
| TOTALS | <u>\$ 350,781</u> | <u>\$ 29,195</u> | <u>\$ 356,473</u> | <u>\$ 23,496</u> | <u>\$ 759,945</u> |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF DEBT SERVICE REQUIREMENTS
2.00% PLUS 1% SERVICE FEE WATER AND SEWER
REVENUE BOND, SERIES 2016
DECEMBER 31, 2023

SCHEDULE VIII
Page 30

| For The Year Ended December 31 | April 15 | | October 15 | | Total Principal and Interest |
|--------------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|------------------------------------|
| | Principal | Interest / Servicing Fee | Principal | Interest / Servicing Fee | |
| 2024 | 55,854 | 63,495 | 56,691 | 62,658 | 238,698 |
| 2025 | 57,542 | 61,807 | 58,404 | 60,945 | 238,698 |
| 2026 | 59,281 | 60,068 | 60,170 | 59,179 | 238,698 |
| 2027 | 61,073 | 58,276 | 61,989 | 57,360 | 238,698 |
| 2028 | 62,919 | 56,430 | 63,862 | 55,487 | 238,698 |
| 2029 | 64,820 | 54,529 | 65,793 | 53,556 | 238,698 |
| 2030 | 66,780 | 52,569 | 67,781 | 51,568 | 238,698 |
| 2031 | 68,798 | 50,551 | 69,830 | 49,519 | 238,698 |
| 2032 | 70,877 | 48,472 | 71,940 | 47,409 | 238,698 |
| 2033 | 73,020 | 46,329 | 74,115 | 45,234 | 238,698 |
| 2034 | 75,227 | 44,122 | 76,355 | 42,994 | 238,698 |
| 2035 | 77,500 | 41,849 | 78,663 | 40,686 | 238,698 |
| 2036 | 79,842 | 39,507 | 81,040 | 38,309 | 238,698 |
| 2037 | 82,256 | 37,093 | 83,490 | 35,859 | 238,698 |
| 2038 | 84,742 | 34,607 | 86,013 | 33,336 | 238,698 |
| 2039 | 87,303 | 32,046 | 88,613 | 30,736 | 238,698 |
| 2040 | 89,942 | 29,407 | 91,291 | 28,058 | 238,698 |
| 2041 | 92,661 | 26,688 | 94,050 | 25,299 | 238,698 |
| 2042 | 95,461 | 23,888 | 96,894 | 22,455 | 238,698 |
| 2043 | 98,346 | 21,003 | 99,822 | 19,527 | 238,698 |
| 2044 | 101,319 | 18,030 | 102,839 | 16,510 | 238,698 |
| 2045 | 104,382 | 14,967 | 105,948 | 13,401 | 238,698 |
| 2046 | 107,537 | 11,812 | 109,149 | 10,200 | 238,698 |
| 2047 | 110,787 | 8,562 | 112,449 | 6,900 | 238,698 |
| 2048 | 114,135 | 5,214 | 115,847 | 3,501 | 238,697 |
| 2049 | 117,594 | 1,764 | | | 119,358 |
| TOTALS | <u>\$ 2,159,998</u> | <u>\$ 943,085</u> | <u>\$ 2,073,038</u> | <u>\$ 910,686</u> | <u>\$ 6,086,807</u> |

See Independent Auditors' Report.

ARKADELPHIA (GUM SPRINGS) WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 1.25% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2020
 DECEMBER 31, 2023

| For The Year Ended December 31 | April 15 | | October 15 | | Total Principal and Interest |
|--------------------------------------|------------|-----------------------------|------------|-----------------------------|------------------------------------|
| | Principal | Interest / Servicing Fee | Principal | Interest / Servicing Fee | |
| 2024 | 24,134 | 21,886 | 24,406 | 21,614 | 92,040 |
| 2025 | 24,596 | 21,222 | 24,873 | 21,061 | 91,752 |
| 2026 | 25,153 | 20,667 | 25,436 | 20,496 | 91,752 |
| 2027 | 25,722 | 20,099 | 26,011 | 19,919 | 91,751 |
| 2028 | 26,304 | 19,626 | 26,600 | 19,329 | 91,859 |
| 2029 | 26,899 | 18,925 | 27,201 | 18,726 | 91,751 |
| 2030 | 27,507 | 18,318 | 27,817 | 18,108 | 91,750 |
| 2031 | 28,130 | 17,697 | 28,447 | 17,477 | 91,751 |
| 2032 | 28,767 | 17,156 | 29,091 | 16,832 | 91,846 |
| 2033 | 29,417 | 16,414 | 29,748 | 16,172 | 91,751 |
| 2034 | 30,083 | 15,750 | 30,421 | 15,497 | 91,751 |
| 2035 | 30,764 | 15,071 | 31,110 | 14,807 | 91,752 |
| 2036 | 31,460 | 14,456 | 31,814 | 14,101 | 91,831 |
| 2037 | 32,172 | 13,667 | 32,534 | 13,379 | 91,752 |
| 2038 | 32,900 | 12,941 | 33,270 | 12,641 | 91,752 |
| 2039 | 33,645 | 12,199 | 34,023 | 11,886 | 91,753 |
| 2040 | 34,405 | 11,502 | 34,793 | 11,114 | 91,814 |
| 2041 | 35,184 | 10,663 | 35,580 | 10,325 | 91,752 |
| 2042 | 35,980 | 9,869 | 36,385 | 9,517 | 91,751 |
| 2043 | 36,795 | 9,057 | 37,208 | 8,692 | 91,752 |
| 2044 | 37,627 | 8,272 | 38,050 | 7,848 | 91,797 |
| 2045 | 38,478 | 7,378 | 38,911 | 6,984 | 91,751 |
| 2046 | 39,349 | 6,510 | 39,792 | 6,102 | 91,753 |
| 2047 | 40,239 | 5,622 | 40,692 | 5,199 | 91,752 |
| 2048 | 41,149 | 4,740 | 41,612 | 4,276 | 91,777 |
| 2049 | 42,080 | 3,785 | 42,554 | 3,331 | 91,750 |
| 2050 | 43,032 | 2,836 | 43,516 | 2,366 | 91,750 |
| 2051 | 44,006 | 1,865 | 44,501 | 1,379 | 91,751 |
| 2052 | 45,002 | 877 | 32,710 | 369 | 78,958 |
| TOTALS | \$ 970,979 | \$ 359,068 | \$ 969,106 | \$ 349,547 | \$ 2,648,700 |

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2023

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

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------|--------------|------------|--------------|------------|
| System's proportion of the net pension liability (asset) per APERS | 0.0440561% | 0.0445141% | 0.0451453% | 0.0440473% | 0.0401235% |
| System's proportionate share of the net pension liability - per APERS | \$ 1,283,877 | \$ 1,200,272 | \$ 347,092 | \$ 1,261,333 | \$ 967,992 |
| System's covered-employee payroll | \$ 977,422 | \$ 851,508 | \$ 827,141 | \$ 796,351 | \$ 827,644 |
| System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 131.35% | 140.96% | 41.96% | 158.39% | 116.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.94% | 78.31% | 93.57% | 75.38% | 78.55% |

Schedule of Required Contributions Last Fiscal Year

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 149,741 | \$ 130,451 | \$ 126,718 | \$ 122,001 | \$ 126,795 |
| Contributions in relation to the contractually required contribution | (149,741) | (130,451) | (126,718) | (122,001) | (126,795) |
| Contribution deficiency (excess) | - | - | - | - | - |
| System's covered-employee payroll | \$ 977,422 | \$ 851,508 | \$ 827,141 | \$ 796,351 | \$ 827,644 |
| Contributions as a percentage of covered-employee payroll | 15.32% | 15.32% | 15.32% | 15.32% | 15.32% |

See Independent Auditors' Report.