

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

BALLARD & COMPANY, LTD.

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BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants
Member of the Arkansas Society of Certified Public Accountants

668 HIGHWAY 62 EAST
MOUNTAIN HOME, AR 72653
870-425-6256

416 N. E. MAIN STREET
MOUNTAIN VIEW, AR 72560
870-269-2390

980 ASH FLAT DRIVE
ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of City Council
City of Calico Rock, Arkansas

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the water and wastewater department of the City of Calico Rock, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the water and wastewater department of the City of Calico Rock, Arkansas' basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the City of Calico Rock water and wastewater department as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Calico Rock water and wastewater department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter Giving Rise to the Qualified Opinion

Management has not changed its method of accounting for pensions during the years ended December 31, 2022 and 2021 by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the City of Calico Rock, Arkansas water and wastewater department has not been determined.

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 the City of Calico Rock water and wastewater department'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 Responsibilities for the Audit of the Financial Statements

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City of Calico Rock water and wastewater department'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 no conditions or events, considered in the aggregate, that raise substantial doubt about the City of Calico Rock water and wastewater department'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and wastewater department of the City of Calico Rock, Arkansas, and do not purport to, and do not present fairly the financial position of the City of Calico Rock as of December 31, 2022 and 2021, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the 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 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. Our opinion of the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Calico Rock water and wastewater department's basic financial statements. The Schedule of Water and Wastewater Usage Rates is 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 Schedule of Water and Wastewater Usage Rates is 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 Schedule of City Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of the City of Calico Rock, Arkansas water and wastewater department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Calico Rock water and wastewater department's 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 City of Calico Rock, Arkansas water and wastewater department's internal control over financial reporting and compliance.

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
November 21, 2023

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021**

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 96,807	\$ 117,072
Accounts receivable, net of allowance for doubtful accounts	61,338	59,380
Inventory	57,650	57,650
Total current assets	<u>215,795</u>	<u>234,102</u>
Restricted assets:		
Cash and cash equivalents	<u>115,858</u>	<u>109,263</u>
Capital assets:		
Nondepreciable assets	52,835	35,672
Depreciable assets, net of accumulated depreciation	<u>2,250,391</u>	<u>2,405,825</u>
Total capital assets	<u>2,303,226</u>	<u>2,441,497</u>
Total assets	<u>2,634,879</u>	<u>2,784,862</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	26,764	35,583
Accrued interest	4,944	5,315
Refundable meter deposits	65,430	63,599
Current maturities of long-term debt	<u>54,121</u>	<u>61,141</u>
Total from current assets	<u>151,259</u>	<u>165,638</u>
Long-term liabilities:		
Long-term debt, net of current maturities	<u>882,189</u>	<u>936,313</u>
Total liabilities	<u>1,033,448</u>	<u>1,101,951</u>
 <u>NET POSITION</u>		
Net investment in capital assets	1,361,971	1,438,728
Restricted	50,428	45,664
Unrestricted	<u>189,032</u>	<u>198,519</u>
Total net position	<u>\$ 1,601,431</u>	<u>\$ 1,682,911</u>

The accompanying notes are an integral part of these statements.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<u>OPERATING REVENUES</u>		
Water service fees	\$ 289,204	\$ 280,256
Sewer service and treatment fees	163,599	158,411
Sanitation fees	97,020	92,883
Late penalties	11,533	11,841
Other	6,364	6,925
Total operating revenue	567,720	550,316
<u>OPERATING EXPENSES</u>		
Auto and fuel expense	18,355	15,424
Contract services	5,600	-
Depreciation	155,435	155,689
Dues and fees	8,502	13,147
Insurance - general	5,252	5,604
Insurance - health	4,557	3,038
Lab tests	6,193	6,623
Legal and professional	4,250	2,375
Office and billing expense	4,065	3,915
Pension expense	15,674	15,358
Repairs and maintenance	90,170	108,142
Salaries	103,812	121,183
Sanitation services	98,254	93,069
Sludge removal	18,100	44,100
Taxes - payroll	8,275	9,024
Telephone and utilities	124,140	93,208
Uniforms	7,298	4,368
Total operating expenses	677,932	694,267
Operating income (loss)	(110,212)	(143,951)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	641	1,069
Interest expense	(44,937)	(47,823)
Sales tax revenues	55,865	52,215
Total nonoperating revenues (expenses)	11,569	5,461
Income (loss) before capital contributions	(98,643)	(138,490)
Capital contributions	17,163	20,500
INCREASE (DECREASE) IN NET POSITION	(81,480)	(117,990)
<u>Net Position - Beginning of Year</u>	1,682,911	1,800,901
<u>NET POSITION - END OF YEAR</u>	\$ 1,601,431	\$ 1,682,911

The accompanying notes are an integral part of these statements.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Calico Rock, Arkansas, (the City) was incorporated in 1905 and operates under a Mayor - Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water and wastewater system.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Calico Rock, Arkansas. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operation and cash flows of the City of Calico Rock, Arkansas as a whole.

Basis of Presentation and Accounting

The accounts of the Department are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the Department are accounted for with a separate set of self-balancing accounts that comprise the Department's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation and debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Department is determined by its measurement focus. The transactions of the Department are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted components.

In addition, operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for water, wastewater, and related services. Principal operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

Budget and Budgetary Accounting

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be bank deposits and certificates of deposit. All balances are displayed separately on the statement of net position as current and restricted cash and cash equivalents.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the Department. These consumers are substantially all local residents and businesses. Receivables as of December 31, 2022 and 2021 are shown net of an allowance for uncollectible accounts in the amount of \$10,824 and \$10,179, respectively.

Inventory

Inventory consists of pipe, fittings, and parts used in normal operations of the water and wastewater department and is valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. Contributed assets are reported at fair market value as of the date received. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

System and improvements	15-40 Years
Vehicles	5 Years
Equipment	5-10 Years

Accounts Payable

Accounts payable consists of various trade accounts which are generally payable within thirty (30) days.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- * *Net Investment in Capital Assets* - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- * *Restricted net position* – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- * *Unrestricted net position* - consists of all other net position that does not meet the definition of the above two components and is available for general use of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2: CASH AND INVESTMENTS

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

The carrying amount of the Department's cash deposits as of December 31, 2022 and 2021 were \$212,665 and \$226,335, respectively, and the bank balances totaled \$230,971 and \$233,285, respectively. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and wastewater department of the City of Calico Rock, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Department's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2022 and 2021, all bank balances of the Department were fully insured or collateralized.

NOTE 3: RESTRICTED ASSETS

Restricted assets consist of cash and equivalents restricted by various bond ordinances and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2022 and 2021 were as follows:

	12-31-22	12-31-21
Debt service reserve funds	\$ 84,024	\$ 84,024
Depreciation funds	23,696	17,686
Meter deposit funds	8,138	7,553
Total restricted assets	\$ 115,858	\$ 109,263

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 16,239	\$ -	\$ -	\$ 16,239
Construction in progress	19,433	17,163	-	36,596
	35,672	17,163	-	52,835
<i>Capital assets, not being depreciated:</i>				
Equipment	241,785	-	-	241,785
Vehicles	42,120	-	-	42,120
System and improvements	6,351,244	-	-	6,351,244
	6,635,149	-	-	6,635,149
<i>Less accumulated depreciation for::</i>				
Equipment	(198,423)	(8,816)	-	(207,239)
Vehicles	(22,090)	(5,680)	-	(27,770)
System and improvements	(4,008,810)	(140,939)	-	(4,149,749)
	(4,229,323)	(155,435)	-	(4,384,758)
Total capital assets being depreciated, net	2,405,825	(155,435)	-	2,250,391
Capital assets, net	\$ 2,441,497	\$ (138,272)	\$ -	\$ 2,303,226

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 4: CAPITAL ASSETS – Continued

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 16,239	\$ -	\$ -	\$ 16,239
Construction in progress	14,422	5,011	-	19,433
	<u>30,661</u>	<u>5,011</u>	<u>-</u>	<u>35,672</u>
<i>Capital assets, not being depreciated:</i>				
Equipment	241,784	-	-	241,784
Vehicles	29,120	20,500	(7,500)	42,120
System and improvements	<u>6,351,244</u>	<u>-</u>	<u>-</u>	<u>6,351,244</u>
	<u>6,622,148</u>	<u>20,500</u>	<u>-</u>	<u>6,635,148</u>
<i>Less accumulated depreciation for::</i>				
Equipment	(187,302)	(11,121)	-	(198,423)
Vehicles	(25,960)	(3,630)	7,500	(22,090)
System and improvements	<u>(3,867,872)</u>	<u>(140,938)</u>	<u>-</u>	<u>(4,008,810)</u>
	<u>(4,081,134)</u>	<u>(155,689)</u>	<u>-</u>	<u>(4,229,323)</u>
Total capital assets being depreciated, net	<u>2,541,014</u>	<u>(135,189)</u>	<u>-</u>	<u>2,405,825</u>
Capital assets, net	<u>\$ 2,571,675</u>	<u>\$ (130,178)</u>	<u>\$ -</u>	<u>\$ 2,441,497</u>

NOTE 5: RISK MANAGEMENT

The water and wastewater department of the City of Calico Rock, Arkansas has purchased insurance coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the Arkansas Municipal League Program for its workers' compensation coverage. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission. The Department also participates in the Arkansas Municipal Property and Vehicle Programs for building and contents, vehicle, and general liability coverage. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

NOTE 6: TRANSFERS FROM OTHER FUNDS

Authorized through a general election by the vote of the electors of the City of Calico Rock, one-fourth of the 1% sales tax is distributed from the City's sales tax monies to the water and wastewater department. Transfers and payments within the City of Calico Rock's funds are substantially for the purposes of subsidizing operating functions.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2022 are as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Arkansas Natural Resources Commission \$51,500 dated July 1997, bears interest at 5.00%, payable in annual installments of \$4,133, maturing 2027	\$ 9,553	\$ -	\$ (9,553)	\$ -	\$ -
Arkansas Natural Resources Commission \$125,000 dated November 1992, bears interest at 5.00%, payable in annual installments of \$10,030, maturing 2022	20,975	-	(3,083)	17,892	3,238
Arkansas Natural Resources Commission \$103,000 dated January 2007, bears interest at 5.00%, payable in annual installments of \$8,265, maturing 2037	89,575	-	(3,786)	85,789	3,975
USDA – RD 91-09 \$314,000 dated June 1998, bears interest at 4.75%, payable in monthly installments of \$1,464, secured by system revenues, maturing 2038	189,693	-	(8,747)	180,946	9,171
USDA – RD 91-13 \$437,800 dated January 2007, bears interest at 4.125%, payable in monthly installments of \$1,905, secured by system revenues, maturing 2047	356,012	-	(8,331)	347,681	8,681
USDA – RD 92-06 \$739,800 dated April 1993, bears interest at 5.00%, payable in monthly installments of \$3,633, secured by system revenues, maturing 2033	331,646	-	(27,643)	304,003	29,056
Total long-term debt	<u>\$ 997,454</u>	<u>\$ -</u>	<u>\$ (61,143)</u>	<u>\$ 936,311</u>	<u>\$ 54,121</u>

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7: LONG-TERM LIABILITIES - Continued

Changes in long-term liabilities for the year ended December 31, 2021 are as follows

	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING</u> <u>BALANCE</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Arkansas Natural Resources Commission \$51,500 dated July 1997, bears interest at 5.00%, payable in annual installments of \$4,133, maturing 2027	\$ 18,651	\$ -	\$ (9,098)	\$ 9,553	\$ 9,553
Arkansas Natural Resources Commission \$125,000 dated November 1992, bears interest at 5.00%, payable in annual installments of \$10,030, maturing 2022	23,912	-	(2,938)	20,975	3,084
Arkansas Natural Resources Commission \$103,000 dated January 2007, bears interest at 5.00%, payable in annual installments of \$8,265, maturing 2037	93,181	-	(3,606)	89,575	3,786
USDA – RD 91-09 \$314,000 dated June 1998, bears interest at 4.75%, payable in monthly installments of \$1,464, secured by system revenues, maturing 2038	198,035	-	(8,342)	189,693	8,746
USDA – RD 91-13 \$437,800 dated January 2007, bears interest at 4.125%, payable in monthly installments of \$1,905, secured by system revenues, maturing 2047	364,008	-	(7,995)	356,012	8,331
USDA – RD 92-06 \$739,800 dated April 1993, bears interest at 5.00%, payable in monthly installments of \$3,633, secured by system revenues, maturing 2033	357,943	-	(26,297)	331,646	27,641
Total long-term debt	<u>\$ 1,055,730</u>	<u>\$ -</u>	<u>\$ (58,276)</u>	<u>\$ 997,454</u>	<u>\$ 61,141</u>

Combined maturity requirements of all the notes and bonds payable subsequent to December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
12-31-2023	\$ 54,121	\$ 42,300
12-31-2024	56,779	39,643
12-31-2025	59,567	36,854
12-31-2026	62,493	33,928
12-31-2027	65,564	30,858
2028 – 2032	293,165	106,909
2033 – 2037	173,424	55,500
2038 – 2042	87,560	26,740
2043 - 2046	83,638	7,180
Total	<u>\$ 936,311</u>	<u>\$ 379,912</u>

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 8: DEBT SERVICE COVERAGE

Various debt covenants require that the net revenues of the system shall equal not less than a certain percentage of the annual debt service requirements of all outstanding bonds plus other indebtedness of the system, including any additional bonds proposed.

The actual percentage at December 31, 2022 and 2021 were 104% and 60%, respectively, computed as follows:

	12-31-22	12-31-21
Operating Income	\$ (110,212)	\$ (143,951)
Plus Depreciation Expense	155,435	155,689
Plus Sales Tax Revenues	55,865	52,215
Funds Available for Debt Service	\$ 101,088	\$ 63,953
Annual Debt Service Requirement on Outstanding Long-Term Debt Payable	\$ 96,421	\$ 106,452
Debt Service Coverage Percentage	104%	60%

NOTE 9: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)

Plan Description

The water and wastewater department of the City of Calico Rock, Arkansas provides pension benefits for its eligible employees through the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit plan that covers municipal employees whose municipalities have elected coverage under this system. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957.

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or can be accessed at www.apers.org.

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.

Benefits Provided

Benefit provisions are established by state law 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.

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 55 with 35 credited service for elected officials or public safety members.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with at least 25 years but less than 28 years of actual service. The plan also provides for disability and survivor benefits.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 9: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) – Continued

Contributions

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 that are noncontributory have the option to become a contributory member at any time.

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. Members who began service on or after July 1, 2005 are required to contribute a percentage 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. For both 2022 and 2021, employers contributed 15.32% of compensation. Contributions made to the plan by the Department for the years ended December 31, 2022 and 2021 amounted to \$15,674 and \$15,358, respectively.

Implementation of GASB 68

In June 2012, GASB implemented Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which became effective for years beginning after June 15, 2014. The Statement establishes standards for public pension 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. These financial statements do not include the disclosures related to this accounting principal.

SUPPLEMENTARY AND OTHER INFORMATION

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF WATER AND WASTEWATER USAGE RATES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Water Rates

Effective January 2022, monthly water usage rates were as follows:

Inside City Limits:

First 1,000 gallons or less	\$17.75
All over 1,000 gallons	\$ 4.25 per 1,000 gallons

Outside City Limits:

First 1,000 gallons or less	\$21.75
All over 1,000 gallons	\$ 4.25 per 1,000 gallons or portion thereof

Effective January 2021, monthly water usage rates were as follows:

Inside City Limits:

First 1,000 gallons or less	\$17.50
All over 1,000 gallons	\$ 4.00 per 1,000 gallons

Outside City Limits:

First 1,000 gallons or less	\$21.50
All over 1,000 gallons	\$ 4.00 per 1,000 gallons or portion thereof

Wastewater Rates

Effective January 2022, minimum monthly wastewater usage rates were as follows:

First 1,000 gallons or less	\$17.25
All over 1,000 gallons	\$ 3.00 per 1,000 gallons

Effective January 2021, minimum monthly wastewater usage rates were as follows:

First 1,000 gallons or less	\$17.00
All over 1,000 gallons	\$ 2.75 per 1,000 gallons

See auditor's report on supplementary information.

**CITY OF CALICO ROCK, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF CITY OFFICIALS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

<u>Position</u>	<u>Member</u>
Mayor	Greg Hamby
Council Member	Jackie Goggans
Council Member	Charles Wilson
Council Member	Steven Lively
Council Member	Howard Jeffery
Council Member	Mitchell Arnold
Council Member	My Kim Nguyen
Council Member	Rick Knowles
Council Member	Jim King

See auditor's report on other information.

OTHER REQUIRED REPORTS



BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants
Member of the Arkansas Society of Certified Public Accountants

668 HIGHWAY 62 EAST
MOUNTAIN HOME, AR 72653
870-425-6256

416 N. E. MAIN STREET
MOUNTAIN VIEW, AR 72560
870-269-2390

980 ASH FLAT DRIVE
ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

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

To the Mayor and Members of City Council
City of Calico Rock, Arkansas

We have audited, 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, the financial statements of the water and wastewater department of the City of Calico Rock, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City of Calico Rock, Arkansas water and wastewater department's basic financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the water and wastewater department of the City of Calico Rock, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the water and wastewater department of the City of Calico Rock, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the water and wastewater department of the City of Calico Rock, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the water and wastewater department of the City of Calico Rock, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Ballard & Company, Ltd.

Mountain Home, Arkansas
November 21, 2023