

*Independent Auditor's Report and Financial Statements*

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**

For the Year Ended December 31, 2022

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## **Independent Auditor's Report**

To the Board of Commissioners  
Camden Water Utilities  
Camden, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Camden Water Utilities, a component unit of the City of Camden, Arkansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Camden Water Utilities as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for 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 Camden Water Utilities 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.

#### ***Responsibilities of Management for the Financial Statements***

Camden Water Utilities' 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 Camden Water Utilities' ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***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 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, 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 Camden Water Utilities' 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 Camden Water Utilities' 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 management's discussion and analysis on pages 3 – 6 and the pension schedules on pages 21 and 22 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 an opinion on the financial statements that collectively comprise Camden Water Utilities' basic financial statements. The combining statements of operations and operating expenses on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of operations and operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statements of operations and operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of Camden Water Utilities' 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 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 Camden Water Utilities' internal control over financial reporting and compliance.

***Other Matters***

As disclosed in Note 1 to the financial statements, these financial statements present only the financial position, the changes in financial position and cash flows of Camden Water Utilities and are not intended to present, and do not present the financial position of the City of Camden, Arkansas.



Emrich & Scroggins, LLP  
Certified Public Accountants

El Dorado, Arkansas

November 14, 2023

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**

***Introduction***

This management's discussion and analysis of the financial performance of Camden Water Utilities (the "Utility") provides an overview of the Utility's financial activities for the year ended December 31, 2022. It should be read in conjunction with the accompanying financial statements of Camden Water Utilities.

***Financial Highlights***

- Current assets increased from \$4,033,424 in 2021 to \$4,077,362 in 2022, an increase of \$43,938 (1%).
- Restricted assets decreased from \$4,685,606 in 2021 to \$2,473,939 in 2022, a decrease of \$2,211,667 (47%). This decrease was primarily due to use of the Series 2021 Water and Sewer Refunding and Improvement Revenue Bonds proceeds for capital expenditures during the year ended December 31, 2022.
- Capital assets increased \$1,884,754 (9%) from \$20,912,084 in 2021 to \$22,796,838 in 2022 due to capital improvements of \$2,842,531 exceeding depreciation expense of \$957,777.
- The Utility's long-term debt decreased \$622,340 (4%) from \$15,624,935 in 2021 to \$15,002,595 in 2022. The decrease was primarily due to issuance of new revenue bonds of \$4,385,000 net of bond retirements of (\$4,934,121) and related bond premiums of (\$64,715).
- The Utility's net pension liability increased \$957,891 (255%) from \$374,833 in 2021 to \$1,332,724 in 2022. Deferred outflows of resources and deferred inflows of resources related to the net pension liability increased (decreased) by \$284,921 and (\$674,305), respectively.
- The Utility reported operating income of \$208,881 in 2022, which represents a decrease of \$457,243 (69%) from the operating income of \$666,124 reported in 2021. The decrease in operating income resulted from a decrease in operating revenues of \$(60,258) (1%) and an increase in operating expense of \$396,985 (10%).
- Non-operating revenues (expenses) of (\$351,797) included investment income of \$53,921, interest expense of (\$299,248), and bond issuance cost of (\$106,470). This represents an improvement of \$231,039 over 2021 non-operating revenues (expenses). The improvement resulted from an increase in investment income of \$27,758, a decrease in interest expense of (\$100,661) and a decrease in bond issuance costs of (\$102,620).
- The Utility received a capital contribution of \$400,000 from the City of Camden, Arkansas in 2022.

***Using this Annual Report***

The Utility's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Utility, including resources held by the Utility but restricted for specific purposes by creditors, regulators or enabling legislation. The Utility is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any organization's finances is, "Did the organization as a whole end the year better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Utility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Utility's net position and changes in them. The Utility's total net position – the difference between assets and liabilities – are one measure of the Utility's financial health or financial position. Over time, increases or decreases in the Utility's net position are an indicator of whether its financial health is improving or declining.

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**

***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to questions such as which activity provided cash, which activity used cash and what was the change in cash balances during the reporting period.

***Net Position***

The Utility's net position represents the difference between its assets and liabilities reported in the Statement of Net Position. Of the Utility's total net position, \$7,881,956 (61%) signifies the Utility's investment in capital assets (i.e., land, utility plant, buildings and improvements, machinery and equipment and construction in progress), less any outstanding debt used to acquire those assets. Although the Utility's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources since the capital assets themselves cannot be liquidated to satisfy outstanding debt obligations.

Of the Utility's total net position, \$348,127 (3%) was restricted for debt service and \$1,649,440 (13%) was restricted for capital projects; these amounts are shown net of related liabilities. The remaining \$2,956,458 (23%) of the Utility's net position was unrestricted and may be used to meet ongoing obligations to customers and creditors.

***Table 1: Assets, Liabilities and Net Position***

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 4,077,362	\$ 4,033,424	\$ 43,938	1.1%
Restricted assets	2,473,939	4,685,606	(2,211,667)	-47.2%
Capital assets - net	<u>22,796,838</u>	<u>20,912,084</u>	<u>1,884,754</u>	<u>9.0%</u>
<b>Total Assets</b>	<u>29,348,139</u>	<u>29,631,114</u>	<u>(282,975)</u>	<u>-1.0%</u>
<b>Deferred Outflows of Resources</b>	<u>419,793</u>	<u>134,872</u>	<u>284,921</u>	<u>n/a</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 29,767,932</u>	<u>\$ 29,765,986</u>	<u>\$ 1,946</u>	<u>0.0%</u>
<b>Liabilities</b>				
Current liabilities	\$ 1,187,651	\$ 1,081,855	\$ 105,796	9.8%
Long-term liabilities	<u>15,723,105</u>	<u>15,409,734</u>	<u>313,371</u>	<u>2.0%</u>
<b>Total Liabilities</b>	<u>16,910,756</u>	<u>16,491,589</u>	<u>419,167</u>	<u>2.5%</u>
<b>Deferred Inflows of Resources</b>	<u>21,195</u>	<u>695,500</u>	<u>(674,305)</u>	<u>n/a</u>
<b>Net Position</b>				
Net investment in capital assets	7,881,956	5,383,365	2,498,591	46.4%
Restricted for debt service	348,127	342,601	5,526	1.6%
Restricted for capital projects	1,649,440	3,934,704	(2,285,264)	-58.1%
Unrestricted	<u>2,956,458</u>	<u>2,918,227</u>	<u>38,231</u>	<u>1.3%</u>
<b>Total Net Position</b>	<u>12,835,981</u>	<u>12,578,897</u>	<u>257,084</u>	<u>2.0%</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 29,767,932</u>	<u>\$ 29,765,986</u>	<u>\$ 1,946</u>	<u>0.0%</u>



**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**

***Operating Results and Changes in Net Position***

The Utility's overall change in net position was \$257,084 in 2022 compared to \$83,288 in 2021, as shown in Table 2, an increase of \$173,796 (209%).

***Table 2: Operating Results and Changes in Net Position***

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>Percent Change</u>
Operating Revenues	\$ 4,634,290	\$ 4,694,548	(60,258)	-1.3%
Operating Expenses	<u>4,425,409</u>	<u>4,028,424</u>	<u>396,985</u>	<u>9.9%</u>
Operating Income	208,881	666,124	(457,243)	-68.6%
Non-operating Revenues (Expenses)	(351,797)	(209,090)	(142,707)	68.3%
Capital Contributions	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>N/A</u>
Change in Net Position	<u><u>\$ 257,084</u></u>	<u><u>\$ 457,034</u></u>	<u><u>\$ (199,950)</u></u>	<u><u>-43.7%</u></u>

***Operating Income***

The first component of the overall change in net position is the Utility's operating income – generally, the difference between customer charges and other operating revenues and the expenses incurred to provide those services. As illustrated above, the Utility's operating income decreased \$457,243 (69%) from \$666,124 in 2021 to \$208,881 in 2022. Operating revenues decreased \$60,258 (1%) from \$4,694,548 in 2021 to \$4,634,290 in 2022. The decrease in operating revenues was primarily due to decreased water usage. Operating expenses increased \$396,985 (10%) from \$4,028,424 in 2021 to \$4,425,409 in 2022. The increase in operating expenses was primarily attributable to increases in maintenance, chemicals, utilities and personnel costs.

***Non-operating Revenues and Expenses***

Non-operating revenues and expenses, which consists primarily of investment income, interest expense and bond issuance costs improved \$231,039 from (\$582,836) in 2021 to (\$351,797) in 2022. Investment income increased \$27,758 (106%) from \$26,163 in 2021 to \$53,921 in 2022 due to improved interest rates. Interest expense decreased \$100,661 (25%) to \$299,248 in 2022 as compared to \$399,909 in 2021; this decrease resulted from improved interest rates and recognition of bond premium due to the 2022 advanced refunding of bonds. The Utility incurred bond issuance costs of \$106,470 in 2022 relating to the 2022 refunding revenue bonds.

***Income from Contributions and transfers***

In 2022, the Utility received a capital contribution of \$400,000 from the City of Camden, Arkansas for capital improvements to water system storage tanks. The Utility did not receive any capital contributions in 2021.

***Cash Flows***

Changes in the Utility's cash flows are consistent with changes in operating income and non-operating revenues and expenses, discussed earlier.

***Capital Asset and Debt Administration***

***Capital Assets***

At December 31, 2022, the Utility had \$22,796,838, invested in capital assets, net of accumulated depreciation. In 2022, the Utility recorded capital additions of \$2,842,531, the most significant of which were related to water & sewer infrastructure. Depreciation expense totaled \$957,777 in 2022.

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**

**Long-term Liabilities**

At December 31, 2022, the Utility had \$15,002,595 in bonds outstanding, including related bond premiums and discounts, and was in substantial compliance with its bond covenants. During 2022, the Utility incurred new debt of \$4,385,000 and made principal payments of \$4,934,121 on existing debt.

***Other Economic Factors***

Due to the need to improve water and sewer facilities, the Utility approved increases in water and sewer rates in 2015 to allow the Commission to operate and maintain the system. The rate increase went into effect in August 2015 and increased annually through 2020. There was no rate increase in 2022.

***Contacting Camden Water Utilities' Financial Management***

This financial report is designed to provide our suppliers, taxpayers, customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Camden Water Utilities by telephoning (870) 836-7331.



**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Statement of Net Position**  
**December 31, 2022**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets**

Cash and cash equivalents	\$ 989,172
Cash and cash equivalents - certificates of deposit	2,291,232
Receivables	665,314
Inventories	<u>131,644</u>

<b>Total Current Assets</b>	<u>4,077,362</u>
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**Restricted Assets**

Cash and cash equivalents	<u>2,473,939</u>
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**Capital Assets**

Non-depreciable	831,359
Depreciable, net of accumulated depreciation	<u>21,965,479</u>

<b>Total Capital Assets</b>	<u>22,796,838</u>
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<b>Total Assets</b>	<u>29,348,139</u>
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**Deferred Outflows of Resources**

Pension related deferred outflows	<u>419,793</u>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 29,767,932</u></u>
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The accompanying notes are an integral part of these financial statements.

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Statement of Net Position (Continued)**  
**December 31, 2022**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**Current Liabilities**

Accounts payable	\$ 21,163
Due to other funds	58,569
Customer deposits	313,737
Current maturities of long-term debt	317,063
Payable from restricted assets:	
Accounts payable	75,427
Accrued interest payable	35,395
Current maturities of long-term debt	366,297

<b>Total Current Liabilities</b>	<b>1,187,651</b>
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**Long-term Liabilities**

Long-term debt, net of current portion	14,319,235
Deposit - Harmony Grove Water Association	71,146
Net pension liability	1,332,724

<b>Total Long-term Liabilities</b>	<b>15,723,105</b>
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<b>Total Liabilities</b>	<b>16,910,756</b>
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**Deferred Inflows of Resources**

Pension related deferred inflows	21,195
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**Net Position**

Net investment in capital assets	7,881,956
Restricted - expendable for debt service	348,127
Restricted - expendable for capital projects	1,649,440
Unrestricted	2,956,458

<b>Total Net Position</b>	<b>12,835,981</b>
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**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

	<b>\$ 29,767,932</b>
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The accompanying notes are an integral part of these financial statements.

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2022**

<b>Operating Revenues</b>	
Water sales	\$ 2,709,687
Sewer sales	1,804,771
Other income	36,415
Forfeits, penalties and other charges	<u>83,417</u>
<b>Total Operating Revenues</b>	<u>4,634,290</u>
<b>Operating Expenses</b>	
Water operations	1,944,963
Sewer operations	1,522,669
Depreciation and amortization	<u>957,777</u>
<b>Total Operating Expenses</b>	<u>4,425,409</u>
<b>Operating Income</b>	208,881
<b>Non-operating Revenues (Expenses)</b>	
Investment income	53,921
Interest expense	(299,248)
Bond issuance cost	<u>(106,470)</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>(351,797)</u>
<b>Income before contributions and transfers</b>	(142,916)
<b>Contributions and transfers</b>	
Capital contributions	<u>400,000</u>
<b>Change in Net Position</b>	257,084
<b>Net Position - Beginning</b>	<u>12,578,897</u>
<b>Net Position - Ending</b>	<u><u>\$ 12,835,981</u></u>

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

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

<b>Operating Activities</b>	
Receipts from customers	\$ 4,607,793
Cash paid for supplies and operating costs	(1,778,296)
Cash paid for employee and related costs	<u>(1,628,825)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>1,200,672</u>
<b>Capital and Related Financing Activities</b>	
Purchases of property, plant and equipment	(2,842,531)
Proceeds from capital contributions	400,000
Proceeds from issuance of debt	4,385,000
Bond issuance cost	(106,471)
Interest paid on bonds, net of capitalized interest	(361,385)
Retirement of long-term debt	<u>(4,934,121)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,459,508)</u>
<b>Investing Activities</b>	
Income on certificates of deposit	<u>53,921</u>
<b>Net cash provided by (used in) investing activities</b>	<u>53,921</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,204,915)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>7,959,258</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 5,754,343</u></u>
<b>Presented on Statement of Net Position as follows:</b>	
Current assets	
Cash and equivalents	\$ 989,172
Certificates of deposit	2,291,232
Restricted assets - cash and equivalents	<u>2,473,939</u>
	<u><u>\$ 5,754,343</u></u>

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



**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2022**

**Reconciliation of Operating Income to Net Cash Provided by  
Operating Activities**

<b>Operating income</b>	\$ 208,881
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation and amortization	953,609
Bad debt write-offs	20,538
Changes in pension related accounts:	
Net pension liability	957,891
Deferred outflows	(284,921)
Deferred inflows	(674,305)
Decrease (increase) in current assets:	
Accounts receivable	(54,154)
Inventories	(3,570)
Increase (decrease) in current liabilities:	
Accounts payable	57,549
Due to other funds	11,702
Customer deposits	13,552
Accrued expenses	(6,100)
<b>Total adjustments</b>	<u>991,791</u>
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 1,200,672</u></u>

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

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations and Reporting Entity***

The Camden Water Utilities (the “Utility”) is a component unit of the City of Camden, Arkansas. The governing board of the Utility is a Board of Commissioners, comprised of 5 members. The Utility provides water and sewer services to customers in the City of Camden and surrounding areas.

***Basis of Accounting and Presentation***

The Utility is accounted for as an enterprise fund and uses the accrual basis of accounting. The Utility’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund’s ongoing operations. The principal operating revenues of the Utility are charges to customers for water and sewer sales and services. Operating expenses for the Utility include the cost of pumping, treating and delivering water and sewer discharge, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, the Utility’s policy is to use restricted resources first, as required, and then unrestricted resources as they are needed.

***Use of Estimates***

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

***Cash and Cash Equivalents***

For purposes of the presentation of cash flows, cash and cash equivalents include all restricted and unrestricted cash on hand, demand deposit accounts, money market deposits accounts and certificates of deposit.

***Deposits and Investments***

Cash includes amounts in demand and time deposit accounts. The Utility classifies all certificates of deposit and money market accounts insured by direct obligations of the United States government as cash and cash equivalents on its statement of net position. Certificates of deposit are reported at cost, which approximates fair value. The Utility occasionally invests in U.S. Government Obligations as permitted by state law.

***Receivables***

Accounts receivable include balances due from customers for services or water provided. Customer deposits may be required when credit is extended to customers. Payments are considered delinquent if not received on or before the date due, and a 10% late charge is assessed. The Utility uses the direct write-off method of recording bad debts; accordingly, an allowance for doubtful accounts is not included in the financial statements. Management believes that there is no material difference between the direct write-off method used and the allowance method.

***Inventories***

Inventory consists of material and supplies used in the operation, maintenance or improvements to capital assets. Amounts in inventory are valued at cost, which approximates market values.

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

It is generally the Utility's policy that assets to be used in operations with an initial value or cost greater than or equal to \$1,000 and an estimated useful life of greater than 1 year are reported as capital assets. Capital assets are recorded at historical cost, including all direct salaries, material and supplies related to construction and improvements completed by Utility personnel. Interest costs related to acquiring or constructing capital assets are also capitalized as part of the related asset. Contributed assets are recorded at the estimated fair value on the date of contribution.

Costs related to major additions and betterments of capital assets are capitalized, while costs of repairs and maintenance that do not add value or extend the useful life of the related asset are expended as incurred.

Depreciation is provided using the straight-line method over the following estimated useful lives:

Plant and infrastructure.....	5 - 50 years
Equipment.....	5 - 10 years
Transportation.....	5 years

Management evaluates events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Such events or changes may include physical damage, obsolescence, changes in or new laws or regulations, construction stoppage or environmental factors. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the year ended December 31, 2022.

***Deferred Outflows/Inflows of Resources***

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then.

***Compensated Absences***

The Utility policies permit full-time employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits as earned. Sick leave benefits are recognized only when the time off occurs.

***Long-term Obligations***

Long-term obligations are reported net of any applicable premiums or discounts. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Debt issuance costs, including underwriter fees, are reported as period costs when incurred.

***Net Position***

The Utility's net position is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted net position* presents assets which are restricted either for debt service or capital projects, net of related payables. Net position restricted for debt service is related to assets which are restricted for use pursuant to bond agreements. Net position restricted for capital projects is related to bond proceeds, capital contributions, and contributions receivable which are restricted to certain capital projects. *Unrestricted net position* is the remaining assets less the remaining liabilities that do not meet the definition of net position invested in capital assets, net of related debt; or net position restricted for debt service or capital projects.

***Revenue Recognition***

The Utility recognizes revenue as water and sewer services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average daily usage of the billing cycle immediately following the accounting period. Unbilled amounts are included in accounts receivable and operating revenues in the financial statements.

**Camden Water Utilities**  
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**December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***Allocation of Administrative Expenses and Transfers***

Substantially all indirect administrative expenses not directly attributable to water or sewer are allocated based on water and sewer revenues.

***Income Taxes***

As a municipal owned utility, the Utility is exempt from federal and state income taxes.

***Retirement Benefits***

The Utility participates in the Arkansas Public Employees Retirement System ("APERS"), a cost-sharing multiple-employer defined benefit plan, which provides retirement benefits to the Utility's employees. Pension items are allocated to the Utility based on contributions paid to APERS. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of APERS and additions to/deductions from APERS' fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

***Subsequent Events***

Management has evaluated subsequent events through November 14, 2023, the date the financial statements were available to be issued.

**NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT INCOME**

At December 31, 2022, the Utility's deposits consisted of demand accounts and time deposit accounts, and the Utility also holds investments of \$2,291,232 in certificates of deposit and \$1,602,440 in open-ended money market accounts. The open-ended money market accounts are invested in Federated Treasury Obligation Funds, which are publicly traded money market mutual funds comprised of short-term United States (U.S.) Treasury Securities. These balances are classified as cash and cash equivalents in the Utility's Statement of Net Position due to their highly liquid nature.

***Custodial Credit Risk***

State of Arkansas (the State) statutes require the Utility to maintain cash balances on deposit with financial institutions located within the State. There is risk that, in the event of a bank failure, these deposits may not be returned to the Utility. To mitigate this risk, it is generally the Utility's policy to obtain collateral for all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance and that such collateral be held in the Utility's name by an agent of the Utility. At December 31, 2022, the Utility had uninsured balances of \$1,952,912.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, (2) certificates of deposit at financial institutions when secured by acceptable collateral, (3) time deposit accounts at financial institutions, to the extent fully insured, (4) any bond, note or other indebtedness insured by U.S. government or those agencies insured and guaranteed by the federal government and (5) in equity securities, to a limited extent.



**Camden Water Utilities**  
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**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b><i>Capital assets, not being depreciated</i></b>				
<i>Water Utility</i>				
Land and land rights	\$ 32,125	\$ -	\$ -	\$ 32,125
Construction in progress	35,000	49,628	-	84,628
<i>Sewer Utility</i>				
Land and land rights	15,039	-	-	15,039
Construction in progress	70,000	629,567	-	699,567
<b><i>Total Capital Assets, Not Being Depreciated</i></b>	<u>152,164</u>	<u>679,195</u>	<u>-</u>	<u>831,359</u>
<b><i>Capital Assets, Being Depreciated</i></b>				
<i>Water Utility</i>				
Plant and infrastructure	27,823,253	568,094	(17,191)	28,374,156
Equipment	454,652	-	(506)	454,146
Transportation	288,507	72,315	-	360,822
<i>Sewer Utility</i>				
Plant and infrastructure	20,735,603	1,522,927	-	22,258,530
Equipment	1,443,154	-	(40,100)	1,403,054
Transportation	106,386	-	-	106,386
<b><i>Total Capital Assets, Being Depreciated</i></b>	<u>50,851,555</u>	<u>2,163,336</u>	<u>(57,797)</u>	<u>52,957,094</u>
<b><i>Total Capital Assets</i></b>	<u>51,003,719</u>	<u>2,842,531</u>	<u>(57,797)</u>	<u>53,788,453</u>
<b><i>Total Accumulated Depreciation</i></b>	<u>30,091,635</u>	<u>957,777</u>	<u>(57,797)</u>	<u>30,991,615</u>
<b><i>Capital Assets, Net</i></b>	<u>\$ 20,912,084</u>	<u>\$ 1,884,754</u>	<u>\$ -</u>	<u>\$ 22,796,838</u>

**NOTE 4 – LONG-TERM DEBT**

Long-term debt payable at December 31, 2022 was comprised of the following:

USDA 3% Water and Sewer Revenue Bond

The \$700,000 3% Water and Sewer Revenue Bond (the USDA Bond) was issued in 2011 for the purpose of financing the construction of extensions, betterments and improvements to the Utility's water and sewer system. The USDA Bond is a special obligation of the Utility, payable from revenues of the water and sewer system. Annual interest rate is 3.00%. Interest and principal payments are due monthly with the final payment scheduled in 2051.

Water and Sewer Refunding Revenue Bonds, Series 2020

The \$1,990,000 Water and Sewer Refunding Revenue Bonds, Series 2020 (the Series 2020 Bonds) were issued for the purpose of refunding the Utility's Water and Sewer Revenue Bonds, Series 2010 and the Water and Sewer Refunding Revenue Bonds, Series 2012 as well as to fund a debt service reserve and to pay expenses of issuing the Bonds. The Series 2020 Bonds are special obligations of the Utility, payable from revenues of the water and sewer system. Annual interest rates range from 2.00% to 2.25%. Principal payments are due annually on December 1 with the final payment scheduled in 2040. Interest payments are due semiannually on June 1 and December 1.

**Camden Water Utilities**  
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**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 4 – LONG-TERM DEBT (Continued)**

Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021

The \$8,690,000 Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021 (the Series 2021 Bonds) were issued for the purpose of refunding the Utility's Series 2015 Bonds, finance betterments and improvements to the Utility's water and sewer system and pay expenses for issuing the bonds. The Series 2021 Bonds are special obligations of the Utility, payable from revenues of the water and sewer system. Annual interest rates range from 1.50% to 2.50%. Principal payments are due annually on December 1 with the final payment scheduled in 2040. Interest payments are due semiannually on June 1 and December 1.

Water and Sewer Refunding Revenue Bonds, Series 2022

The \$4,385,000 Water and Sewer Refunding Revenue Bonds, Series 2022 (the Series 2022 Bonds) were issued for the purpose of refunding the Utility's Series 2016 Bonds. The Series 2022 Bonds are special obligations of the Utility, payable from revenues of the water and sewer system. Annual interest rates range from 2.00% to 2.50%. Principal payments are due annually on October 1 with the final payment scheduled in 2033. Interest payments are due semiannually on April 1 and October 1. The advanced refunding reduced total debt service payments over the next 12 years by approximately \$140,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$124,000.

Compensated Absences

Compensated absences consist of vacation and other leave to the extent that payments are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Utility and the employee. The liability has been calculated using pay rates in effect at December 31, 2022. The Utility estimates the current portion of the compensated absences liability to be 10% of the total.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds, 2011	\$ 552,154	\$ -	\$ (14,121)	\$ 538,033	\$ 14,589
Revenue bonds, 2016	4,450,000	-	(4,450,000)	-	-
Revenue bonds, 2020	1,860,000	-	(135,000)	1,725,000	140,000
Revenue bonds, 2021	8,600,000	-	(175,000)	8,425,000	175,000
Revenue bonds, 2022	-	4,385,000	(160,000)	4,225,000	345,000
Sub-total Revenue Bonds	<u>15,462,154</u>	<u>4,385,000</u>	<u>(4,934,121)</u>	<u>14,913,033</u>	<u>674,589</u>
Accrued Compensated Absences	<u>96,217</u>	<u>-</u>	<u>(8,504)</u>	<u>87,713</u>	<u>8,771</u>
Total Bonds Payable	<u>\$ 15,558,371</u>	<u>\$ 4,385,000</u>	<u>\$ (4,942,625)</u>	<u>15,000,746</u>	<u>\$ 683,360</u>
Unamortized premiums on bonds				28,468	
Unamortized discounts on bonds				(26,619)	
				<u>\$ 15,002,595</u>	

Presented on the statement of net position under the following captions:

Current maturities of long-term debt	\$ 317,063
Current maturities of long-term debt payable from restricted assets	366,297
Long-term debt, net of current portion	<u>14,319,235</u>
	<u>\$ 15,002,595</u>

**Camden Water Utilities**  
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**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 4 – LONG-TERM DEBT (Continued)**

The sinking fund requirements as of December 31, 2022 were as follows:

Year Ending December 31,	Bonds Payable		
	Principal	Interest	Total to be Paid
2023	\$ 674,589	\$ 335,903	\$ 1,010,492
2024	690,032	322,260	1,012,292
2025	705,489	308,303	1,013,792
2026	715,961	294,031	1,009,992
2027	731,446	279,546	1,010,992
2028-2032	3,895,045	1,171,684	5,066,729
2033-2037	4,394,598	709,493	5,104,091
2038-2042	2,961,503	173,445	3,134,948
2043-2047	144,370	11,321	155,691
	<u>\$ 14,913,033</u>	<u>\$ 3,605,986</u>	<u>\$ 18,519,019</u>

The terms of the bond agreements impose certain restrictive covenants on the Utility. Generally, the Utility is required to establish and maintain rates to provide net revenues, as defined, in each fiscal year at least equal to 125% of the maximum annual principal and interest requirements on all outstanding bonds to which the Utility's water and sewer revenues are pledged.

Pledged Revenues

The following is a summary of pledged revenues of the Utility for the year ended December 31, 2022:

Debt	Revenue Pledged	Total Pledged Revenue	Current Portion of Remaining Debt Service Requirement	Percentage Portion of Pledged Revenue Stream	Long-term Portion of Remaining Debt Service Requirement	Period Revenue will not be Available for Other
Revenue bonds, Series 2011	Net revenues of the Water and Wastewater System	\$ 1,220,579	\$ 30,492	2.5%	\$ 735,039	Until 2047
Revenue bonds, Series 2020	Net revenues of the Water and Wastewater System	1,220,579	174,288	14.3%	1,798,537	Until 2040
Revenue bonds, Series 2021	Net revenues of the Water and Wastewater System	1,220,579	368,506	30.2%	10,590,544	Until 2040
Revenue bonds, Series 2022	Net revenues of the Water and Wastewater System	1,220,579	437,206	35.8%	4,384,407	Until 2033

**NOTE 5 – RESTRICTED NET POSITION**

At December 31, 2022, the Utility had restricted net assets of \$1,997,567. Of this amount, \$348,127 was restricted for debt service and \$1,649,440 was restricted for capital projects.

**NOTE 6 – RISK MANAGEMENT**

The Utility is exposed to various risks of loss from: torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption.

**Camden Water Utilities**  
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**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 6 – RISK MANAGEMENT (Continued)**

Settled claims have not exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in fiscal year 2022.

**NOTE 7 – PENSION PLAN**

*Plan description:* All eligible Utility employees participate in the Arkansas Public Employees' Retirement Plan (the "Plan"), a multi-employer, cost sharing, defined benefit plan, qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. The administration and control of the plan is vested in the Board of Trustees of Arkansas Public Employees' Retirement System ("APERS"). The Plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957; detailed information on the Plan can be found in Title 24 of Arkansas Code Annotated. The Plan issues a publicly available financial report that includes financial statements and supplementary information for the Plan which is available on the APERS website, [www.apers.org](http://www.apers.org). The report may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201-1015.

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

*Contributions:* Contributions are set forth in Arkansas statute and the Plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date have the option to become a contributory member at any time. The Utility is required to contribute a percent of covered salary at an actuarially determined rate. Required employer contributions made during the period July 1, 2021 through June 30, 2022 totaled \$158,279. The employer contribution rate applicable was 15.32% of covered payroll.

*Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions:* At December 31, 2022, the Utility reported a liability of \$1,332,724 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on a projection of the Utility's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Utility's proportion was 0.05%.

For the year ended December 31, 2022, the Utility recognized actuarially determined pension expense of \$157,958. At December 31, 2022, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between employer contributions and share of contributions	\$ 25,790	\$ (5,104)
Differences between expected and actual experience	31,990	(16,091)
Net difference between projected and actual investment earnings on pension plan investments	281,140	-
Contributions subsequent to the measurement date	80,873	-
Total	<u>\$ 419,793</u>	<u>\$ (21,195)</u>



**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

\$80,873 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 ending December 31, 2022.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow/Inflow Amounts
2023	\$ 65,951
2024	50,258
2025	5,452
2026	196,064
	<hr/>
	\$ 317,725

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

Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Inflation rate	3.25%
Salary increases	3.25% to 9.85%, including inflation
Investment rate of return, net	7.15%

The mortality tables used to measure retired life mortality were the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017. This assumption was first used for the June 30, 2018 valuation.

*Investment Rate of Return:* The investment rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of returns by weighing the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period 2020-2029 were based upon capital market assumptions provided by the Plan's investment consultant. For each major asset class included in the Plan's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

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

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

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
Utility's proportionate share of the net pension liability	\$ 2,118,788	\$ 1,332,724	\$ 683,758

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report. Additional financial and actuarial information is available in APERS' annual financial report for the year ended June 30, 2022. This information and the actuarial valuation report are available on the APERS website, [www.apers.org](http://www.apers.org). The reports may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

**NOTE 8 - COMMITMENTS**

At December 31, 2022, the Utility had a construction contract commitment in place on the following project:

<b>Project Description</b>	<b>Project Authorization</b>	<b>Paid through 12/31/22</b>	<b>Remaining Commitment</b>
Sanitary Sewer Improvements	\$ 1,195,058	\$ 403,830	\$ 791,228

## Required Supplementary Information

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Schedule of the Utility's Proportionate Share of the Net Pension Liability – Last Ten Years\***  
**December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Utility's proportion of the net pension liability	0.0494264%	0.0487535%	0.0478433%	0.0486890%	0.0437446%
Utility's proportionate share of the net pension liability	\$ 1,332,724	\$ 374,833	\$ 1,370,032	\$ 1,174,637	\$ 964,978
Utility's covered-employee payroll	\$ 1,039,770	\$ 1,024,553	\$ 924,344	\$ 926,300	\$ 878,755
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.17%	36.59%	148.22%	126.81%	109.81%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Utility's proportion of the net pension liability	0.0452071%	0.0420706%	0.0403550%		
Utility's proportionate share of the net pension liability	\$ 1,168,215	\$ 1,007,838	\$ 743,231		
Utility's covered-employee payroll	\$ 822,967	\$ 801,776	\$ 733,697		
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95%	125.70%	101.30%		
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%		

**\* Information for years prior to 2015 is not available.**



**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Schedule of the Utility's Contributions to Pension Plan – Last Ten Years**  
**December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 158,279	\$ 149,148	\$ 143,417	\$ 141,909	\$ 132,131
Contributions in relation to the statutorily required contribution	<u>158,279</u>	<u>149,148</u>	<u>143,417</u>	<u>141,909</u>	<u>132,131</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 1,039,770	\$ 1,024,553	\$ 924,344	\$ 926,300	\$ 878,755
Contributions as a percentage of covered-employee payroll	15.22%	14.56%	15.52%	15.32%	15.04%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 120,368	\$ 116,258	\$ 107,333	\$ 104,907	\$ 101,973
Contributions in relation to the statutorily required contribution	<u>120,368</u>	<u>116,258</u>	<u>107,333</u>	<u>104,907</u>	<u>101,973</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 822,967	\$ 801,776	\$ 733,697	\$ 707,859	\$ 699,074
Contributions as a percentage of covered-employee payroll	14.63%	14.50%	14.63%	14.82%	14.59%

## Supplementary Information

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Combining Statement of Operations**  
**For the Year Ended December 31, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues</b>			
Water and sewer sales	\$ 2,709,687	\$ 1,804,771	\$ 4,514,458
Other income	22,523	13,892	36,415
Forfeits, penalties and other charges	36,917	46,500	83,417
<b>Total Operating Revenues</b>	<u>2,769,127</u>	<u>1,865,163</u>	<u>4,634,290</u>
<b>Operating Expenses</b>			
Operating expenses	1,944,963	1,522,669	3,467,632
Depreciation and amortization	636,799	320,978	957,777
<b>Total Operating Expenses</b>	<u>2,581,762</u>	<u>1,843,647</u>	<u>4,425,409</u>
<b>Operating Income</b>	187,365	21,516	208,881
<b>Non-operating Revenues (Expenses)</b>			
Investment income	53,867	54	53,921
Interest expense	(149,549)	(149,699)	(299,248)
Bond issuance cost	(106,470)	-	(106,470)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(202,152)</u>	<u>(149,645)</u>	<u>(351,797)</u>
<b>Income before contributions and transfers</b>	(14,787)	(128,129)	(142,916)
<b>Contributions</b>			
Capital contributions	400,000	-	400,000
<b>Change in Net Position</b>	<u>\$ 385,213</u>	<u>\$ (128,129)</u>	<u>\$ 257,084</u>

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Combining Statement of Operating Expenses**  
**For the Year Ended December 31, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Expenses			
Salaries	\$ 604,749	\$ 493,444	\$ 1,098,193
Less capitalized amount	(918)	-	(918)
Salaries, net	603,831	493,444	1,097,275
Payroll taxes	46,411	37,939	84,350
Medical insurance	157,628	121,776	279,404
Retirement	88,421	69,537	157,958
Utilities - electric	175,437	174,299	349,736
Utilities - gas	3,521	2,049	5,570
Operations	66,006	13,430	79,436
Laboratory	7,224	21,972	29,196
Maintenance	408,132	327,882	736,014
Chemicals	248,148	69,022	317,170
Sludge removal	-	60,149	60,149
Other expense	10,142	14,791	24,933
	<u>1,814,901</u>	<u>1,406,290</u>	<u>3,221,191</u>
Total Operating Expenses			
General and Administrative			
Franchise tax	78,885	44,060	122,945
Insurance	33,013	17,860	50,873
Bad debts	7,356	13,182	20,538
Professional fees	10,808	10,808	21,616
Airport sewer system	-	30,469	30,469
	<u>130,062</u>	<u>116,379</u>	<u>246,441</u>
Total General and Administrative			
Total Operating Expenses	<u>\$ 1,944,963</u>	<u>\$ 1,522,669</u>	<u>\$ 3,467,632</u>

**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 Board of Commissioners  
Camden Water Utilities  
Camden, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Camden Water Utilities, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Camden Water Utilities' basic financial statements, and have issued our report thereon dated November 14, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Camden Water Utilities' internal control over financial reporting (internal control) to determine the 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 Camden Water Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Camden Water Utilities' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses, described as item 2022-001, that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Camden Water Utilities' 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


***Camden Water Utility's Response to Findings***

Camden Water Utilities' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Camden Water Utilities' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.



***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 result of that testing, and not to provide an opinion on the effectiveness of Camden Water Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Camden Water Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Emrich & Scroggins, LLP". The signature is stylized and cursive.

Emrich & Scroggins, LLP  
El Dorado, Arkansas

November 14, 2023

**Camden Water Utilities**  
**A Component Unit of the City of Camden, Arkansas**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2022**

2022-001

**Segregation of Duties**

*Condition:* Camden Water Utilities did not segregate financial accounting duties relating to initiating, receipting, depositing, disbursing and recording cash transactions to sufficiently reduce the risks of fraud or error.

*Criteria:* Proper segregation of controls should be in place to provide reasonable assurance that fraud or error does not occur.

*Cause:* Camden Water Utilities has limited financial resources which prevent it from fully segregated financial accounting duties.

*Effect:* Without proper segregation of duties, opportunity for fraud or error exists.

*Recommendation:* Camden Water Utilities should evaluate its internal controls and segregate financial duties to the extent possible with the current staffing levels and consider additional oversight where segregation is not possible.

*Views of Responsible Officials:* Camden Water Utilities will segregate financial duties to the extent possible with the current staffing levels.