

Financial Statements and Supplemental Information

**El Dorado Water Utilities
An Enterprise Fund of the City of El Dorado, Arkansas**

For the Year Ended December 31, 2022
(with Independent Auditor's Reports thereon)



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To Paul Choate, Mayor, and Members of City Council
City of El Dorado, Arkansas
El Dorado, Arkansas

Report on the Financial Statements

Opinion

We have audited the financial statements of **El Dorado Water Utilities** (an enterprise fund of the City of El Dorado, Arkansas, hereinafter referred to as the Utility), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Utility's financial statements as listed in the table of contents

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as of December 31, 2022, and the changes in its 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 (U.S. 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 Utility 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

The Utility's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility'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 U.S. 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 U.S. 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 the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the Utility's proportionate share of the net pension liability and the schedule of the Utility's contributions to pension plan be presented to supplement the financial statements. Such information is the responsibility of management, and although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who consider it an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and

Required Supplementary Information (Continued)

comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Accounting principles generally accepted in the United States of America also require that *Management’s Discussion and Analysis* be presented to supplement the financial statements. *Management’s Discussion and Analysis*, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, as it is considered to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Management has elected to omit *Management’s Discussion and Analysis*. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Utility’s financial statements. The combining schedule of net position; combining schedule of revenues, expenses and changes in net position; comparative schedule of net position – water; comparative schedule of revenues, expenses and changes in net position – water; schedule of operating expenses – water; comparative schedule of net position – wastewater; comparative schedule of revenues, expenses and changes in net position – wastewater; and schedule of operating expenses – wastewater are presented for the purposes of additional analysis and are not a required part of the financial statements. The information presented in these schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects in relation to the 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 28, 2023, on our consideration of the Utility’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 Utility’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 Utility’s internal control over financial reporting and compliance.

To Paul Choate, Mayor, and Members of City Council
City of El Dorado, Arkansas
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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 the Utility and are not intended to present, and do not present the financial position of the City of El Dorado, Arkansas.

Landmark PLC

Little Rock, Arkansas
November 28, 2023

Financial Statements

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Net Position
December 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets	
Cash and cash equivalents	\$ 2,171,946
Receivables	1,010,950
Inventories	395,410
Prepaid Insurance	<u>19,096</u>
Total Current Assets	<u>3,597,402</u>
Restricted Assets	
Cash and cash equivalents	<u>1,698,127</u>
Designated Assets	
Cash and cash equivalents designated for long-term purposes	<u>1,946,088</u>
Capital Assets	
Non-depreciable	1,000,322
Depreciable	<u>109,406,839</u>
	110,407,161
Less: Accumulated depreciation	<u>53,466,518</u>
Net Capital Assets	<u>56,940,643</u>
Total Assets	<u>64,182,260</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>476,392</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 64,658,652</u></u>

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Net Position (Continued)
December 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities	
Accounts payable	\$ 39,189
Accrued liabilities	166,136
Due to other funds	47,997
Customer deposits	293,936
Payable from restricted assets:	
Accrued interest payable	54,695
Current maturities of long-term debt	<u>805,668</u>
Total Current Liabilities	<u>1,407,621</u>
Long-term Liabilities	
Long-term debt	7,141,622
Net pension liability	<u>1,602,694</u>
Total Long-term Liabilities	<u>8,744,316</u>
Total Liabilities	<u>10,151,937</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>516,124</u>
Net Position	
Net investment in capital assets	49,050,030
Restricted - expendable for capital projects	1,439,778
Unrestricted	<u>3,500,783</u>
Total Net Position	<u>53,990,591</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 64,658,652</u></u>

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

OPERATING REVENUES	
Water sales	\$ 5,740,376
Wastewater sales	4,283,711
Other income	<u>518,475</u>
Total Operating Revenues	<u>10,542,562</u>
OPERATING EXPENSES	
Water operations	3,445,319
Wastewater operations	3,191,737
Depreciation and amortization	<u>2,942,651</u>
Total Operating Expenses	<u>9,579,707</u>
OPERATING INCOME	<u>962,855</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	20,453
Interest expense	(216,472)
Other expense	(3,550)
Gain (loss) on disposal of assets	<u>217,000</u>
Total Non-operating Revenues (Expenses)	<u>17,431</u>
CHANGE IN NET POSITION	980,286
NET POSITION - BEGINNING OF YEAR	<u>53,010,305</u>
NET POSITION - END OF YEAR	<u><u>\$ 53,990,591</u></u>

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Cash Flows
For the Year Ended December 31, 2022

Operating Activities	
Receipts from customers	\$ 10,044,085
Other receipts	518,475
Cash paid for supplies and operating costs	(3,555,026)
Cash paid for employee and related costs	<u>(3,364,816)</u>
Net Cash Provided by Operating Activities	<u>3,642,718</u>
Capital and Related Financing Activities	
Purchases of property, plant and equipment	(1,912,548)
Proceeds from disposal of assets	217,000
Long-term compensated absences paid	(14,294)
Interest paid on bonds	(236,698)
Principal payments on long-term debt	(780,000)
Trustee fees paid	<u>(3,550)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,730,090)</u>
Investing Activities	
Income from investments	<u>20,453</u>
Net Cash Provided by Investing Activities	<u>20,453</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	933,081
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,883,080</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,816,161</u>
Presented on Statement of Net Position as follows:	
Current assets - cash and cash equivalents	\$ 2,171,946
Restricted assets - cash and cash equivalents	1,698,127
Designated assets - cash and cash equivalents designated for long-term purposes	<u>1,946,088</u>
	<u>\$ 5,816,161</u>

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2022

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

Operating Income	\$	962,855
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		2,942,651
Bad debts		148,450
Changes in pension-related accounts:		
Net pension liability		1,017,436
Pension related deferred outflows		(366,906)
Pension related deferred inflows		(989,886)
Decrease (increase) in current assets:		
Receivables		262
Inventories		(36,752)
Prepaid insurance		(19,095)
Increase (decrease) in current liabilities:		
Accounts payable		(41,229)
Accrued liabilities		5,196
Due to other funds		631
Customer deposits		19,105
		2,679,863
Total adjustments		2,679,863
Net cash provided by operating activities	\$	3,642,718

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The El Dorado Water Utilities (the Utility) is an enterprise fund of the City of El Dorado, Arkansas (the City) providing water and wastewater services to approximately 9,200 customers in the City of El Dorado and surrounding areas.

The City Council of the City of El Dorado (City Council) serves as the governing board of the Utility and approves rates and fees for user charges. The Water Advisory Board, established by City Council and placed under the jurisdiction of the Public Works Department, serves the Utility in an advisory capacity.

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 wastewater sales and services. Operating expenses for the Utility include the cost of pumping, treating and delivering water and wastewater 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.

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.

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 with original maturities of 3 months or less at the date of purchase.

Receivables

The Utility uses the direct write-off method of recording bad debts; and 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 and construction of or improvements to capital assets. Amounts in inventory are valued at cost, which approximates market values.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 1 – NATURE OF OPERATIONS AND 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 cost greater than or equal to \$1,000 and an estimated useful life of greater than one year are reported as capital assets. Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Utility:

Land improvements and buildings.....	10 - 40 years
Distribution mains.....	10 - 50 years
Equipment.....	5 - 50 years

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 and are included in accounts receivable and operating revenues in the financial statements.

Compensated Absences

The Utility’s policies permit employees to earn time off benefits that may be realized in the form of a cash payment or paid time off. A liability for compensated absences and related expenses are recognized as the time off benefits are earned by employees using regular pay rates in effect. Sick leave benefits are recognized only when the time off occurs.

Income Taxes

As a department of a local governmental entity, 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 multi-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.

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT INCOME

At December 31, 2022, the Utility’s deposits consisted of demand and time deposit accounts, and the Utility also holds investments of \$258,349 in an open-ended money market account. The open-ended money market account is a Federated Treasury Obligation Fund, which is a publicly traded money market mutual fund 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.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (Continued)

Custodial Credit Risk

State of Arkansas (the State) statutes require the City, and thus 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 no uninsured deposit balances. The money market mutual fund is a U.S. Treasury obligation fund and has a rating of AAAM/Aaa-mf.

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.

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>Reclasses</u>	<u>Ending Balance</u>
<i>Capital Assets, Nondepreciable</i>					
<i>Water Utility</i>					
Land and land rights	\$ 304,270	\$ -	\$ -	\$ -	\$ 304,270
Construction in progress	144,475	-	-	(144,475)	-
<i>Wastewater Utility</i>					
Land and land rights	696,052	-	-	-	696,052
<i>Total Capital Assets, Not Being Depreciated</i>	1,144,797	-	-	(144,475)	1,000,322
<i>Capital Assets, Depreciable</i>					
<i>Water Utility</i>					
Plant and infrastructure	23,380,244	298,446	-	144,475	23,823,165
Distribution mains	22,695,921	612,919	-	-	23,308,840
Equipment	2,557,569	7,100	(206,327)	-	2,358,342
Other	40,235	2,630	-	-	42,865
Transportation	849,092	-	-	-	849,092
<i>Wastewater Utility</i>					
Plant and infrastructure	15,194,361	5,819	-	-	15,200,180
Distribution mains	12,946,763	968,026	-	-	13,914,789
Discharge line	23,814,339	-	-	-	23,814,339
Equipment	5,162,151	17,608	(208,777)	-	4,970,982
Other	415,217	-	-	-	415,217
Transportation	709,028	-	-	-	709,028
<i>Total Capital Assets, Depreciable</i>	107,764,920	1,912,548	(415,104)	144,475	109,406,839
<i>Total Capital Assets</i>	108,909,717	1,912,548	(415,104)	-	110,407,161
Accumulated Depreciation	(50,938,971)	(2,942,651)	415,104	-	(53,466,518)
Capital Assets, Net	\$ 57,970,746	\$ (1,030,103)	\$ (830,208)	\$ -	\$ 56,940,643

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 4 – LONG-TERM DEBT

The Utility's long-term debt includes the following:

Water and Sewer Refunding Revenue Bonds, Series 2019A

The \$4,540,000 Water and Sewer Refunding Revenue Bonds, Series 2019A (the Series 2019A Bonds) are special obligations of the Utility, payable from revenues of the water and wastewater system. Annual interest rates range from 2.25% to 3.00%. Principal payments are due annually on October 1 with the final payment scheduled in 2032. Interest payments are due semiannually on April 1 and October 1.

Water and Sewer Refunding Revenue Bonds, Taxable Series 2019B

The \$5,375,000 Water and Sewer Refunding Revenue Bonds, Taxable Series 2019B, (the Series 2019B Bonds) are special obligations of the Utility, payable from revenues of the water and wastewater system. Annual interest rates range from 2.05% to 3.00%. Principal payments are due annually on October 1 with the final payment scheduled in 2030. Interest payments are due semiannually on April 1 and October 1.

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.

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, 2019A	\$ 4,025,000	\$ -	\$ (320,000)	\$ 3,705,000	\$ 330,000
Revenue bonds, 2019B	4,575,000	-	(460,000)	4,115,000	470,000
Compensated absences	70,971	-	(14,294)	56,677	5,668
Total Long-term Debt	<u>\$ 8,670,971</u>	<u>\$ -</u>	<u>\$ (794,294)</u>	7,876,677	<u>\$ 805,668</u>
				Unamortized premiums on bonds	73,360
				Unamortized discounts on bonds	(2,747)
				<u>\$ 7,947,290</u>	

Long-term debt is presented on the statement of net position under the following captions:

Current maturities of long-term debt payable from restricted assets	\$ 805,668
Long-term debt, net of current portion	7,141,622
	<u>\$ 7,947,290</u>

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

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total to be Paid</u>
2023	\$ 800,000	\$ 216,471	\$ 1,016,471
2024	815,000	195,714	1,010,714
2025	835,000	173,952	1,008,952
2026	860,000	151,156	1,011,156
2027	885,000	126,720	1,011,720
2028-2032	3,625,000	273,325	3,898,325
	<u>\$ 7,820,000</u>	<u>\$ 1,137,338</u>	<u>\$ 8,957,338</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 4 – LONG-TERM DEBT (Continued)

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 110% of the maximum annual principal and interest requirements on all outstanding bonds to which the Utility's water and wastewater revenues are pledged.

Pledge 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 Requirements	Percentage Portion of Pledged Revenue Stream	Long-term Portion of Remaining Debt Service Requirements	Period Revenue will not be Available for Other Purposes
Revenue bonds, Series 2019A	Net revenues of the Water and Wastewater System	\$ 3,925,959	\$ 433,194	11.0%	\$ 3,860,100	Until 2032
Revenue bonds, Series 2019B	Net revenues of the Water and Wastewater System	3,925,959	583,278	14.9%	4,080,768	Until 2030

NOTE 5 – 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 is purchased for claims arising from such matters other than business interruption.

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

NOTE 6 – PENSION PLAN

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

(A) Arkansas Public Employees' Retirement Plan

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

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

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees’ Retirement Plan (Continued)

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 \$190,341. Employer contribution rates applicable were 15.32% of covered payroll.

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pensions: At December 31, 2022, the Utility reported a liability of \$1,602,694 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 0.06%.

For the year ended December 31, 2022, the Utility recognized the actuarially determined pension expense of (\$145,223). At December 31, 2022, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and share of contributions	\$ 9	\$ 496,774
Differences between expected and actual experience	38,470	19,350
Net difference between projected and actual investment earnings on pension plan investments	338,091	-
Utility contributions subsequent to the measurement date	99,822	-
Total	\$ 476,392	\$ 516,124

At December 31, 2022, the Utility reported \$99,822 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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/Inflows
2023	\$ (175,934)
2024	(126,663)
2025	(72,738)
2026	235,781
	\$ (139,554)

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees’ Retirement Plan (Continued)

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% - 9.85%
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 long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 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 June 30, 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%
Domestic Fixed	16%	0.57%
Absolute Return	5%	3.05%
Real Assets	18%	4.81%
	100%	

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.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2022

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees’ Retirement Plan (Continued)

Sensitivity of the Utility's proportionate share of the net pension liability to changes in the discount rate: The following presents the Utility's proportionate share of the net pension liability calculated 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Utility's proportionate share of the net pension liability	\$ 2,547,991	\$ 1,602,694	\$ 822,267

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. 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.

(B) Defined Contribution Plan

Employees hired subsequent to July 18, 2018 are eligible to participate in a money-purchase defined contribution plan (the Defined Contribution Plan). The Defined Contribution Plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements may be amended by the City Council. Funding is provided by contributions of 5% by the employee and 5% by the Utility of the employee’s total annual compensation. The Utility made contributions totaling \$16,602 to the Defined Contribution Plan during the year ended December 31, 2022.

NOTE 7 – RESTRICTED AND DESIGNATED NET POSITION

Restricted – At December 31, 2022, the Utility had restricted net position of \$1,439,778 which was restricted for capital projects.

Designated – Unrestricted net position was designated for capital improvements and other future projects by the Utility’s Board of Commissioners prior to the dissolution of that governing body. The City Council has not formally released the designation, which may be done at their discretion and, therefore, the assets are reported in the statement of net assets as cash and cash equivalents designated for long-term purposes.

Required Supplementary Information

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of the Utility's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*
For the Plan Years Ended June 30, 2015 through June 30, 2022

	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>
Utility's proportion of the net pension liability (percentage)	0.0594%	0.0761%	0.0887%	0.0995%	0.1099%
Utility's proportionate share of the net pension liability (dollars)	\$ 1,602,694	\$ 585,258	\$ 2,542,369	\$ 2,401,016	\$ 2,424,685
Utility's covered-employee payroll	\$ 1,215,066	\$ 1,364,372	\$ 1,599,869	\$ 1,933,242	\$ 2,264,562
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.90%	42.90%	158.91%	124.20%	107.07%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%
	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>		
Utility's proportion of the net pension liability (percentage)	0.1243%	0.1210%	0.1180%		
Utility's proportionate share of the net pension liability (dollars)	\$ 3,212,529	\$ 3,059,997	\$ 2,173,514		
Utility's covered-employee payroll	\$ 2,264,838	\$ 2,224,684	\$ 2,122,028		
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.84%	137.55%	102.43%		
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%		

Information in this schedule has been determined as of the measurement date (June 30 of each year) of the Utility's net pension liability.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Utility will only present available information.

See independent auditor's report.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of the Utility's Contributions to Pension Plan – Last Ten Years
For the Plan Years Ended June 30, 2013 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Required contributions	\$ 190,341	\$ 232,877	\$ 265,389	\$ 291,771	\$ 303,680
Contributions in relation to the required contribution	<u>190,341</u>	<u>232,877</u>	<u>265,389</u>	<u>291,771</u>	<u>303,680</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 1,215,066	\$ 1,364,372	\$ 1,599,869	\$ 1,933,242	\$ 2,264,562
Contributions as a percentage of covered-employee payroll	15.67%	17.07%	16.59%	15.09%	13.41%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Required contributions	\$ 329,454	\$ 315,338	\$ 309,055	\$ 294,691	\$ 295,127
Contributions in relation to the required contribution	<u>329,454</u>	<u>315,338</u>	<u>309,055</u>	<u>294,691</u>	<u>295,127</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 2,264,838	\$ 2,224,684	\$ 2,122,028	\$ 2,089,578	\$ 1,973,122
Contributions as a percentage of covered-employee payroll	14.55%	14.17%	14.56%	14.10%	14.96%

See independent auditor's report.

Supplementary Information

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Combining Schedule of Net Position
December 31, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and cash equivalents	\$ 941,633	\$ 1,230,313	\$ 2,171,946
Receivables	271,522	739,428	1,010,950
Due from other funds	11,388,554	-	11,388,554
Inventories	369,014	26,396	395,410
Prepaid insurance	9,548	9,548	19,096
Total Current Assets	<u>12,980,271</u>	<u>2,005,685</u>	<u>14,985,956</u>
Non-current Assets			
Cash restricted for long-term purposes	1,405,798	292,329	1,698,127
Cash designated for long-term purposes	1,024,065	922,023	1,946,088
Capital assets, net	27,645,372	29,295,271	56,940,643
Total Non-current Assets	<u>30,075,235</u>	<u>30,509,623</u>	<u>60,584,858</u>
Deferred Outflows of Resources	<u>238,278</u>	<u>238,114</u>	<u>476,392</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 43,293,784</u>	<u>\$ 32,753,422</u>	<u>\$ 76,047,206</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 201,178	\$ 58,842	\$ 260,020
Due to other funds	47,997	11,388,554	11,436,551
Customer deposits	293,936	-	293,936
Current maturities of long-term debt	473,995	331,673	805,668
Total Current Liabilities	<u>1,017,106</u>	<u>11,779,069</u>	<u>12,796,175</u>
Long-term Liabilities			
Long-term debt	3,678,208	3,463,414	7,141,622
Net pension liability	801,347	801,347	1,602,694
Total Long-term Liabilities	<u>4,479,555</u>	<u>4,264,761</u>	<u>8,744,316</u>
Total Liabilities	<u>5,496,661</u>	<u>16,043,830</u>	<u>21,540,491</u>
Deferred Inflows of Resources	<u>258,062</u>	<u>258,062</u>	<u>516,124</u>
Net Position			
Net investment in capital assets	23,533,119	25,516,911	49,050,030
Restricted - expendable for capital projects	1,257,642	182,136	1,439,778
Unrestricted	12,748,300	(9,247,517)	3,500,783
Total Net Position	<u>37,539,061</u>	<u>16,451,530</u>	<u>53,990,591</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 43,293,784</u>	<u>\$ 32,753,422</u>	<u>\$ 76,047,206</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenues			
Water sales	\$ 5,740,376	\$ -	\$ 5,740,376
Wastewater sales	-	4,283,711	4,283,711
Other income	308,603	209,872	518,475
Total Operating Revenues	<u>6,048,979</u>	<u>4,493,583</u>	<u>10,542,562</u>
Operating Expenses			
Pumping operations	644,991	-	644,991
Pumping maintenance	83,296	-	83,296
Treatment operations	46,264	22,306	68,570
Fluoride operations	19,579	-	19,579
Laboratory	-	63,781	63,781
Distribution operations	512,569	-	512,569
Distribution maintenance	724,756	-	724,756
Wastewater collection system	-	402,443	402,443
Wastewater collection maintenance	-	421,256	421,256
South treatment plant	-	453,119	453,119
North treatment plant	-	359,274	359,274
Billing and collecting	583,704	306,200	889,904
General and administrative	830,160	509,906	1,340,066
Ouachita pipeline	-	653,452	653,452
Depreciation and amortization	1,060,303	1,882,348	2,942,651
Total Operating Expenses	<u>4,505,622</u>	<u>5,074,085</u>	<u>9,579,707</u>
Operating Income (Loss)	<u>1,543,357</u>	<u>(580,502)</u>	<u>962,855</u>
Non-operating Revenues (Expenses)			
Investment income	12,939	7,514	20,453
Interest expense	(120,750)	(95,722)	(216,472)
Other expense	(1,950)	(1,600)	(3,550)
Gain (loss) on disposal of assets	108,500	108,500	217,000
Total Non-operating Revenues (Expenses)	<u>(1,261)</u>	<u>18,692</u>	<u>17,431</u>
Change in Net Position	1,542,096	(561,810)	980,286
Net Position - Beginning of Year	<u>35,996,965</u>	<u>17,013,340</u>	<u>53,010,305</u>
Net Position - Ending of Year	<u>\$ 37,539,061</u>	<u>\$ 16,451,530</u>	<u>\$ 53,990,591</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Schedule of Net Position – Water
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 941,633	\$ 597,756
Receivables	271,522	476,646
Due from other funds	11,388,554	10,377,214
Inventories	369,014	331,065
Prepaid insurance	9,548	-
Total Current Assets	<u>12,980,271</u>	<u>11,782,681</u>
Non-current Assets		
Cash restricted for long-term purposes	1,405,798	1,785,447
Cash designated for long-term purposes	1,024,065	805,345
Capital assets, net	<u>27,645,372</u>	<u>27,784,580</u>
Total Non-current Assets	<u>30,075,235</u>	<u>30,375,372</u>
Deferred Outflows of Resources	<u>238,278</u>	<u>54,825</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 43,293,784</u>	<u>\$ 42,212,878</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 201,178	\$ 223,382
Due to other funds	47,997	47,366
Customer deposits	293,936	274,831
Current maturities of long-term debt	<u>473,995</u>	<u>465,307</u>
Total Current Liabilities	<u>1,017,106</u>	<u>1,010,886</u>
Long-term Liabilities		
Long-term debt	3,678,208	4,159,393
Net pension liability	<u>801,347</u>	<u>292,629</u>
Total Long-term Liabilities	<u>4,479,555</u>	<u>4,452,022</u>
Total Liabilities	<u>5,496,661</u>	<u>5,462,908</u>
Deferred Inflows of Resources	<u>258,062</u>	<u>753,005</u>
Net Position		
Net investment in capital assets	23,533,119	23,212,947
Restricted - expendable for capital projects	1,257,642	1,639,023
Unrestricted	<u>12,748,300</u>	<u>11,144,995</u>
Total Net Position	<u>37,539,061</u>	<u>35,996,965</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 43,293,784</u>	<u>\$ 42,212,878</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Schedule of Revenues, Expenses and Changes in Net Position – Water
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Water sales	\$ 5,740,376	\$ 6,083,927
Other income	308,603	160,503
Total Operating Revenues	<u>6,048,979</u>	<u>6,244,430</u>
Operating Expenses		
Pumping operations	644,991	693,889
Pumping maintenance	83,296	107,719
Treatment operations	46,264	39,989
Flouride operations	19,579	21,768
Distribution operations	512,569	516,803
Distribution maintenance	724,756	927,975
Billing and collecting	583,704	605,054
General and administrative	830,160	828,058
Depreciation and amortization	1,060,303	1,085,327
Total Operating Expenses	<u>4,505,622</u>	<u>4,826,582</u>
Operating Income	<u>1,543,357</u>	<u>1,417,848</u>
Non-operating Revenues (Expenses)		
Investment income	12,939	8,667
Interest expense	(120,750)	(131,116)
Other expense	(1,950)	(2,380)
Gain (loss) on disposal of assets	108,500	-
Total Non-operating Revenues (Expenses)	<u>(1,261)</u>	<u>(124,829)</u>
Change in Net Position	<u>1,542,096</u>	<u>1,293,019</u>
Net Position - Beginning of Year	<u>35,996,965</u>	<u>34,703,946</u>
Net Position - Ending of Year	<u>\$ 37,539,061</u>	<u>\$ 35,996,965</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water
For the Year Ended December 31, 2022

	<u>Pumping Operations</u>	<u>Pumping Maintenance</u>	<u>Treatment Operations</u>	<u>Fluoride Operations</u>
Operating Expenses				
Labor	\$ 195,230	\$ 42,357	\$ -	\$ -
Transportation	6,571	-	1,639	2,846
Office supplies	4,451	-	-	-
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	(8,850)	(556)	-	-
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - gas	364	-	-	-
Utilities - electric	404,177	-	-	-
Professional fees	-	-	-	-
Payroll taxes and other	13,205	2,865	-	-
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	-	-	47	-
Outside engineering	633	-	-	-
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Building/site maintenance	-	-	-	-
Equipment maintenance	2,442	907	-	-
Electrical maintenance	20,244	32,951	-	668
Equipment lease and maintenance	-	-	-	-
Equipment rental	-	-	-	-
Contract labor	-	-	-	-
Materials and supplies	6,230	4,772	5,045	2,286
Computer support	-	-	-	-
Claim settlement/ADEQ Fees	-	-	-	-
Cellular meter fees	-	-	-	-
Safety	73	-	-	-
Independent sampling	221	-	-	-
Chemicals	-	-	39,533	13,779
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses before Depreciation and Amortization	<u>\$ 644,991</u>	<u>\$ 83,296</u>	<u>\$ 46,264</u>	<u>\$ 19,579</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water (Continued)
For the Year Ended December 31, 2022

<u>Distribution Operations</u>	<u>Distribution Maintenance</u>	<u>Billing and Collecting</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 419,305	\$ 389,524	\$ 211,834	\$ 120,499	\$ 1,378,749
15,361	47,362	15,187	3,052	92,018
563	36	18,729	19,786	43,565
-	-	28,284	1,599	29,883
-	-	-	81,849	81,849
(19,280)	(19,917)	(7,691)	(8,900)	(65,194)
-	-	-	255,972	255,972
-	-	93,913	-	93,913
-	-	-	2,247	2,611
-	-	-	8,022	412,199
-	-	-	93,770	93,770
28,362	26,348	14,329	9,038	94,147
-	-	-	3,682	3,682
-	-	300	44,369	44,669
214	2,481	33,843	50,286	86,871
-	-	-	25,037	25,670
-	-	-	34,403	34,403
-	-	-	1,972	1,972
-	-	512	12,061	12,573
4,162	18,574	-	-	26,085
-	-	-	-	53,863
-	-	25,041	-	25,041
-	-	-	-	-
-	-	21,766	-	21,766
63,872	260,348	18,630	104	361,287
-	-	592	64,342	64,934
-	-	-	6,113	6,113
-	-	108,435	-	108,435
10	-	-	457	540
-	-	-	400	621
-	-	-	-	53,312
<u>\$ 512,569</u>	<u>\$ 724,756</u>	<u>\$ 583,704</u>	<u>\$ 830,160</u>	<u>\$ 3,445,319</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water
For the Year Ended December 31, 2021

	<u>Pumping Operations</u>	<u>Pumping Maintenance</u>	<u>Treatment Operations</u>	<u>Fluoride Operations</u>
Operating Expenses				
Labor	\$ 244,616	\$ 72,949	\$ -	\$ -
Transportation	13,022	1,108	-	3,799
Office Supplies	700	-	-	-
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	(26,010)	(4,869)	-	-
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - gas	369	-	-	-
Utilities - electric	403,923	-	-	-
Professional fees	-	-	-	-
Payroll taxes and other	15,599	4,652	-	-
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	-	-	61	-
Outside engineering	782	-	-	-
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Building/site maintenance	220	4,105	-	-
Equipment maintenance	-	6,182	2,223	-
Electrical maintenance	32,728	23,058	1,104	4,822
Equipment lease and maintenance	-	-	-	-
Equipment rental	-	-	1,390	-
Contract labor	-	-	1,472	-
Materials and supplies	6,305	534	9,642	2,361
Computer support	-	-	-	-
Claim settlement/ADEQ Fees	1,441	-	-	-
Cellular meter fees	-	-	-	-
Safety	194	-	-	-
Chemicals	-	-	24,097	10,786
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses before Depreciation and Amortization	<u>\$ 693,889</u>	<u>\$ 107,719</u>	<u>\$ 39,989</u>	<u>\$ 21,768</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water (Continued)
For the Year Ended December 31, 2021

<u>Distribution Operations</u>	<u>Distribution Maintenance</u>	<u>Billing and Collecting</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 455,415	\$ 397,272	\$ 222,648	\$ 141,200	\$ 1,534,100
16,386	65,807	11,999	1,813	113,934
1,173	367	28,839	28,677	59,756
-	-	22,810	3,210	26,020
-	-	-	73,082	73,082
(56,091)	(48,656)	(21,970)	(13,737)	(171,333)
-	-	-	254,377	254,377
-	-	134,439	-	134,439
-	-	-	1,245	1,614
-	-	-	13,697	417,620
-	-	-	69,428	69,428
29,042	25,334	14,198	6,479	95,304
-	-	125	4,570	4,695
-	-	300	48,451	48,751
718	2,679	20,782	49,106	73,346
-	-	-	7,455	8,237
-	200	-	31,756	31,956
-	28	-	6,255	6,283
-	-	255	35,497	40,077
8,476	34,043	-	-	50,924
-	-	-	2,213	63,925
-	-	19,760	-	19,760
-	652	-	-	2,042
-	2,013	17,357	2,710	23,552
61,155	442,153	19,310	1,161	542,621
-	-	104	59,000	59,104
-	5,195	-	356	6,992
-	-	113,576	-	113,576
529	888	522	57	2,190
-	-	-	-	34,883
\$ 516,803	\$ 927,975	\$ 605,054	\$ 828,058	\$ 3,741,255

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Schedule of Net Position – Wastewater
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash	\$ 1,230,313	\$ 507,321
Receivables	739,428	683,017
Inventories	26,396	27,595
Prepaid insurance	9,548	-
Total Current Assets	<u>2,005,685</u>	<u>1,217,933</u>
Non-current Assets		
Cash restricted for long-term purposes	292,329	469,602
Cash designated for long-term purposes	922,023	717,608
Capital assets, net	29,295,271	30,186,166
Total Non-current Assets	<u>30,509,623</u>	<u>31,373,376</u>
Deferred Outflows of Resources	<u>238,114</u>	<u>54,661</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32,753,422</u>	<u>\$ 32,645,970</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 58,842	\$ 79,452
Due to other funds	11,388,554	10,377,214
Current maturities of long-term debt	331,673	321,790
Total Current Liabilities	<u>11,779,069</u>	<u>10,778,456</u>
Long-term Liabilities		
Long-term debt	3,463,414	3,808,540
Net pension liability	801,347	292,629
Total Long-term Liabilities	<u>4,264,761</u>	<u>4,101,169</u>
Total Liabilities	<u>16,043,830</u>	<u>14,879,625</u>
Deferred Inflows of Resources	<u>258,062</u>	<u>753,005</u>
Net Position		
Net investment in capital assets	25,516,911	26,073,741
Restricted - expendable for capital projects	182,136	360,992
Unrestricted	(9,247,517)	(9,421,393)
Total Net Position	<u>16,451,530</u>	<u>17,013,340</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 32,753,422</u>	<u>\$ 32,645,970</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Schedule of Revenues, Expenses and Changes in Net Position – Wastewater
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Wastewater sales	\$ 4,283,711	\$ 3,762,624
Other income	209,872	276,075
Total Operating Revenues	<u>4,493,583</u>	<u>4,038,699</u>
Operating Expenses		
Treatment operations	22,306	41,988
Laboratory	63,781	64,530
Wastewater system collection	402,443	349,557
Wastewater system collection maintenance	421,256	398,736
South treatment plant	453,119	374,073
North treatment plant	359,274	353,908
Billing and collecting	306,200	306,153
General and administrative	509,906	563,727
Ouachita pipeline	653,452	649,260
Depreciation and amortization	1,882,348	1,925,099
Total Operating Expenses	<u>5,074,085</u>	<u>5,027,031</u>
Operating Loss	<u>(580,502)</u>	<u>(988,332)</u>
Non-operating Revenues (Expenses)		
Investment income	7,514	3,306
Interest expense	(95,722)	(104,468)
Other expense	(1,600)	(1,898)
Gain (loss) on disposal of assets	108,500	-
Total Non-operating Revenues (Expenses)	<u>18,692</u>	<u>(103,060)</u>
Change in Net Position	<u>(561,810)</u>	<u>(1,091,392)</u>
Net Position - Beginning of Year	<u>17,013,340</u>	<u>18,104,732</u>
Net Position - Ending of Year	<u>\$ 16,451,530</u>	<u>\$ 17,013,340</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater
For the Year Ended December 31, 2022

	<u>Treatment Operations</u>	<u>Laboratory</u>	<u>Wastewater Collection System</u>	<u>Wastewater Collection Maintenance</u>
Operating Expenses				
Labor	\$ 7,962	\$ 40,170	\$ 223,137	\$ 205,768
Transportation	-	3,411	18,117	23,446
Office supplies	-	247	290	-
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	113	(27)	(16,379)	(14,784)
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	-	3,830	88,352	-
Utilities - other	-	593	-	-
Professional fees	-	-	-	-
Payroll taxes and other	645	3,253	18,072	16,666
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	-	9,000	218	2,166
Outside engineering	-	-	-	-
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Repairs and maintenance	-	-	-	-
Building/site maintenance	-	200	-	-
Equipment maintenance	-	223	6,689	29,501
Materials and supplies	-	2,233	27,801	124,531
Electrical maintenance	-	-	36,136	12,029
Claim settlement/ADEQ Fees	-	-	-	21,923
Independent sampling	13,586	648	-	-
Safety	-	-	10	10
Chemicals	-	-	-	-
Total Operating Expenses before Depreciation and Amortization	\$ 22,306	\$ 63,781	\$ 402,443	\$ 421,256

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater (Continued)
For the Year Ended December 31, 2022

South Treatment Plant	North Treatment Plant	Billing and Collections	General and Administrative	Ouachita Pipeline	Total
\$ 125,202	\$ 111,810	\$ 211,836	\$ 132,439	\$ 21,814	\$ 1,080,138
8,554	10,585	8,482	4,243	6,420	83,258
306	123	72	5,470	-	6,508
-	-	22,100	-	-	22,100
-	-	-	7,121	-	7,121
(5,659)	(5,624)	(10,515)	(10,682)	130	(63,427)
-	-	-	228,444	34,250	262,694
-	-	54,537	-	-	54,537
136,825	134,016	-	8,179	80,883	452,085
-	-	-	3,035	-	3,628
-	-	-	29,213	270	29,483
10,140	9,056	17,157	10,822	1,767	87,578
-	-	-	1,010	-	1,010
-	-	-	19,400	16,242	35,642
-	-	1,524	(17,653)	-	(4,745)
-	-	-	27,899	124,919	152,818
-	-	1,007	32,267	-	33,274
-	-	-	-	-	-
-	-	-	-	70,131	70,131
1,122	84	-	1,352	16,415	19,173
4,235	2,887	-	35	23,824	67,394
15,648	5,876	-	24,988	27,215	228,292
4,497	5,549	-	65	59,898	118,174
-	-	-	-	-	21,923
-	-	-	-	169,274	183,508
-	-	-	2,259	-	2,279
152,249	84,912	-	-	-	237,161
<u>\$ 453,119</u>	<u>\$ 359,274</u>	<u>\$ 306,200</u>	<u>\$ 509,906</u>	<u>\$ 653,452</u>	<u>\$ 3,191,737</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater
For the Year Ended December 31, 2021

	<u>Treatment Operations</u>	<u>Laboratory</u>	<u>Wastewater Collection System</u>	<u>Wastewater Collection Maintenance</u>
Operating Expenses				
Labor	\$ 21,133	\$ 35,897	\$ 237,068	\$ 218,073
Transportation	-	2,862	20,755	39,250
Office supplies	-	549	255	255
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	(1,214)	(3,100)	(30,515)	(27,145)
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	109	3,485	77,061	-
Utilities - other	-	488	180	-
Professional fees	-	-	-	-
Payroll taxes and other	1,859	3,159	20,859	19,188
Membership and dues	-	-	-	-
Miscellaneous	-	7,800	251	1,999
Outside engineering	-	-	-	-
Uniforms	-	-	-	-
Repairs and maintenance	-	-	-	-
Building/site maintenance	-	306	1,200	-
Equipment maintenance	-	301	3,552	46,717
Contract labor	-	-	-	10,120
Materials and supplies	680	10,837	4,887	84,028
Electrical maintenance	-	1,017	13,933	5,650
Claim settlement/ADEQ Fees	-	-	-	220
Independent sampling	19,421	651	-	-
Safety	-	278	71	381
Chemicals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses before Depreciation and Amortization	\$ 41,988	\$ 64,530	\$ 349,557	\$ 398,736

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater (Continued)
For the Year Ended December 31, 2021

South Treatment Plant	North Treatment Plant	Billing and Collections	General and Administrative	Ouachita Pipeline	Total
\$ 111,168	\$ 130,057	\$ 222,649	\$ 115,833	\$ 57,718	1,149,596
7,339	7,162	7,933	3,246	4,494	93,041
216	274	205	11,260	-	13,014
-	-	15,300	3,400	-	18,700
-	-	-	5,523	-	5,523
(12,808)	(16,655)	(26,277)	(15,579)	(3,493)	(136,786)
-	-	-	217,766	32,778	250,544
-	-	61,555	-	-	61,555
118,513	119,825	-	6,367	88,510	413,870
-	-	-	2,813	-	3,481
-	-	-	26,460	1,555	28,015
9,782	11,443	19,590	8,877	5,079	99,836
-	-	-	20,200	15,000	35,200
90	61	5,148	(4,280)	-	11,069
-	-	-	42,644	136,856	179,500
-	-	-	31,238	-	31,238
-	-	-	-	21,204	21,204
2,206	540	-	6,925	32,702	43,879
1,321	2,198	-	615	7,413	62,117
-	-	-	-	5,233	15,353
4,555	9,218	50	72,720	90,422	277,397
9,263	12,858	-	745	114	43,580
-	-	-	6,207	-	6,427
849	749	-	-	153,675	175,345
57	58	-	747	-	1,592
121,522	76,120	-	-	-	197,642
<u>\$ 374,073</u>	<u>\$ 353,908</u>	<u>\$ 306,153</u>	<u>\$ 563,727</u>	<u>\$ 649,260</u>	<u>\$ 3,101,932</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 Paul Choate, Mayor, and Members of City Council
City of El Dorado, Arkansas
El Dorado, 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 **El Dorado Water Utilities** (the Utility), which comprise the statement of net position as of December 31, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's 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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Utility'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 or significant deficiencies may exist that were not identified.

To Paul Choate, Mayor, and Members of City Council
City of El Dorado, Arkansas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from 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 Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive script, and "PLC" is written in a simpler, blocky font.

Little Rock, Arkansas
November 28, 2023