

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2021 and 2020

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CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

England Water and Sewer Commission
England, Arkansas

Opinion

We have audited the accompanying financial statements of England Water and Sewer Commission (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of England Water and Sewer Commission as of December 31, 2021, and the changes in its net assets 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. 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 England Water and Sewer Commission 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about England Water and Sewer Commission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from misstatements, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of England Water and Sewer Commission'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 aggregate, that raise substantial doubt about England Water and Sewer Commission'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.

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 and budgetary comparison information on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 England Water and Sewer Commission's basic financial statements. The accompanying supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
England Water and Sewer Commission
Page Four

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024 on our consideration of England Water and Sewer Commission'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 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 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 England Water and Sewer Commission's internal control over financial reporting and compliance.

Cobb and Siskie, Ltd.

Certified Public Accountants
October 16, 2024

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

This section presents management's analysis of the financial condition and activities of the England Municipal Water and Sewer Department (the Department) for the year ended December 31, 2021.

Financial Highlights

Management believes England Municipal Water and Sewer Department's financial condition is stable. The Department is within its debt covenants, financial policies, and guidelines set by the board. The following are key financial highlights:

- Total assets at year-end were \$2,990,686 and exceeded liabilities in the amount of \$276,982, a decrease of 42.7% from 2020. Total assets at December 31, 2020 were \$3,069,833 and were exceeded by liabilities in the amount of \$483,478.
- Operating revenue amounted to \$944,237 in 2021, which represents an increase of \$78,622 or 9.1% from 2020, for which operating revenue amounted to \$865,575, which represented an increase of \$145,187 or 20.2% from 2019.
- Operating expenses before depreciation were \$757,717 which represented an increase of \$21,583 or 2.9% from 2020. For 2020, operating expenses before depreciation was \$599,086, which represented a decrease of \$58,654 or 8.9% from 2019.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of England Municipal Water and Sewer Department's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Department's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements include a statement of net assets; a statement of activities; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the Department on an accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of activities presents the results of the business activities over the course of the fiscal year, as well as information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Overview of Annual Financial Report (Continued)

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Department's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information comparing the budget to actual expenses is provided.

England Municipal Water and Sewer Department adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year ended December 31, 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

Summary of Organization and Business

The Department provides retail water and wastewater collection and treatment service to approximately 1,260 customers within the corporate limits of England, Arkansas.

The facilities of the Department include water and sewage treatment plants acquired or contracted at a cost of \$6.7 million.

The Department operates under the direction of the England Water and Sewer Commission.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operation expenses are funded by customer revenue, but the acquisition and construction of capital assets are funded by sewer revenue bonds.

Financial Analysis

The comparative financial statements from pages 8 thru 11 and other selected information listed below serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Other Selected Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>% Change</u>
Selected data for analysis:				
Customers at year end	1,260	1,280	1,253	-1.56%
Revenues:				
Utility revenues	\$ 876,880	\$ 828,261	\$ 684,587	5.87%
Total revenues	\$ 944,237	\$ 865,575	\$ 720,388	9.09%
Operating Expenses:				
Expenses excluding depreciation	\$ 621,956	\$ 599,086	\$ 657,740	3.82%
Total Expenses	\$ 757,717	\$ 736,134	\$ 795,461	2.93%
Ratio of operating revenues to:				
Operating expenses, excluding depreciation	1.52	1.44	1.09	5.56%
Operating expenses	1.25	1.18	0.90	5.93%
Total assets	0.32	0.28	0.22	14.29%
Net assets	N/A	N/A	N/A	N/A
Debt related ratios:				
Debt to net assets	N/A	N/A	N/A	N/A

General Trends and Significant Events

During the year ended December 31, 2021 the number of customers serviced by the Department decreased by 20 customers from 1,280 to 1,260. During 2020, the number of customers served by the Department increased by 27 customers from 1,253 in December 2019 to 1,280 in December 2020.

Financial Condition

The Department's financial condition remained in a deficit position. Total unrestricted assets increased by \$50,506 or 33.8%, which included an increase in unrestricted cash of \$25,876. Restricted assets increased by \$48,165, in 2021. In 2020, total unrestricted assets decreased by \$115,779 or 4.2%, which included an increase in unrestricted cash of \$21,269. Restricted assets decreased by \$2,040 in 2020.

Operating revenues increased 9.1% from 2020, while accounts receivable decreased \$22,436 or 23.8% from 2020. For 2020, operating revenues increased 20.2% from 2019, while accounts receivable decreased \$10,028 or 9.6% from 2019.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Results of Operations

Net Operating Income:

The net operating income (loss) was \$186,520 in 2021, compared to \$129,441 in 2020, an increase resulting from higher revenue. In 2020, the net operating income was \$129,441, compared to net operating income of \$(79,073) in 2019, a decrease resulting from lower revenue in 2020.

Expenses:

The utility operating expense increased from \$736,134 in 2020 to \$757,717 in 2021, or 80.2% of operating revenue in 2021 and 85% in 2020. The Department's operating expenses decreased in 2020 from \$795,461 in 2019 to \$736,134 or 85% of operating revenue in 2020 and 104% in 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Variance %</u>
Salaries & Related Expenses	\$ 223,158	\$ 241,298	\$ 298,855	-7.52%
Materials & Operating Supplies	203,860	235,914	205,703	-13.59%
Utilities & Telephone	82,756	75,874	90,277	9.07%
Depreciation & Amortization	135,761	137,048	137,721	-0.94%
Maintenance	11,385	12,783	17,647	-10.94%
Other Operating	<u>100,797</u>	<u>33,217</u>	<u>45,258</u>	203.45%
Total Operating Expenses	<u>\$ 757,717</u>	<u>\$ 736,134</u>	<u>\$ 795,461</u>	2.93%

Capital Assets and Long-Term Debt

The investment in plant and equipment was \$7,306,465 and did not change in capital acquisitions net of deletions during 2021. Total debt to net capital assets was 1.29% at the end of 2021 and 1.26% at the end of 2020. In 2020, the investment in plant and equipment was \$7,306,465 and did not change in capital acquisitions net of deletions during 2020.

Final Comments

The Department has maintained its mission of providing affordable, efficient, and reliable utility services.

Contacting the Department's Financial Management

This financial report is designed to provide our citizens, taxpayers, and granting agencies with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If there are questions about this report or need for additional financial information arises, contact the England Municipal Water and Sewer Department, P.O. Box 37, England, Arkansas, 72046.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 71,899	\$ 46,023
Accounts Receivable, Less Allowance for Uncollectibles of \$18,923 and \$25,423	71,703	94,139
Other Receivables	594	-
Inventory	10,317	10,678
Prepaid Expenses	9,120	4,344
Total Current Assets	163,633	155,184
 <u>RESTRICTED CASH</u>		
Revenue Fund	48,670	48,138
Bond Fund	144,045	101,870
Water Meter Deposit Refund Accounts	178,649	175,680
Water Treatment Reserve	109,249	106,760
Total Restricted Cash	480,613	432,448
 <u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Land	57,796	57,796
Utility Plant	6,792,590	6,792,590
Operating Equipment	379,040	379,040
Office Equipment	68,457	68,457
Furniture and Fixtures	8,582	8,582
	7,306,465	7,306,465
Less Accumulated Depreciation	4,960,025	4,824,264
Net Property, Plant and Equipment	2,346,440	2,482,201
Total Assets	2,990,686	3,069,833
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pensions	18,804	53,512
Total Deferred Outflows of Resources	18,804	53,512
 <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
	\$ 3,009,490	\$ 3,123,345

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2021</u>	<u>2020</u>
<u>CURRENT LIABILITIES</u> (Payable from Current Assets)		
Accounts Payable	\$ 37,063	\$ 48,190
Accrued Expenses	12,723	13,411
Due to City of England	<u>21,994</u>	<u>29,231</u>
Total Current Liabilities	<u>71,780</u>	<u>90,832</u>
<u>CURRENT LIABILITIES</u> (Payable from Restricted Cash)		
Current Maturities of Long-Term Debt	87,557	86,042
Accrued Interest Payable	15,150	15,808
Customer Meter Deposits	79,188	77,493
Deferred Revenue - Easement	<u>1,375</u>	<u>1,375</u>
Total Current Liabilities	<u>183,270</u>	<u>180,718</u>
<u>LONG-TERM LIABILITIES</u> , Less Current Maturities		
Long-Term Debt	2,951,837	3,039,519
Net Pension Liability	<u>60,781</u>	<u>242,242</u>
Total Long-Term Liabilities	<u>3,012,618</u>	<u>3,281,761</u>
Total Liabilities	<u>3,267,668</u>	<u>3,553,311</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pensions	<u>132,122</u>	<u>7,736</u>
Total Deferred Inflows of Resources	<u>132,122</u>	<u>7,736</u>
<u>NET POSITION</u>		
Investments in Capital Assets, Net of Related Liability	(692,934)	(643,360)
Restricted for Capital Activity and Debt Service	401,425	354,955
Unrestricted	<u>(98,791)</u>	<u>(149,297)</u>
Total Net Position	<u>(390,300)</u>	<u>(437,702)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,009,490</u>	<u>\$ 3,123,345</u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>OPERATING REVENUES</u>		
Water	\$ 592,256	\$ 550,438
Sewer	284,624	277,823
Bad Debt Recovery	16,071	405
Other Operating Revenue	51,286	36,909
TOTAL OPERATING REVENUES	<u>944,237</u>	<u>865,575</u>
<u>OPERATING EXPENSES</u>		
Salaries & Related Expenses	223,158	241,298
Material & Operating Supplies	203,860	235,914
Utilities & Telephone	82,756	75,874
Depreciation	135,761	137,048
Dues & Fees	17,545	5,170
Maintenance	11,385	12,783
Vehicles	15,276	6,451
Insurance	4,130	7,571
Postage	6,403	5,298
Bad Debt	9,786	1,827
Education and Training	40	-
Sewer Improvements	45,945	5,500
Bank & Trust Fees	1,672	1,400
TOTAL OPERATING EXPENSES	<u>757,717</u>	<u>736,134</u>
NET OPERATING INCOME (LOSS)	<u>186,520</u>	<u>129,441</u>
<u>OTHER REVENUE (EXPENSES)</u>		
Interest Income	1,798	3,419
Interest Expense	(140,916)	(145,394)
Miscellaneous Income	-	151
TOTAL OTHER REVENUE (EXPENSES)	<u>(139,118)</u>	<u>(141,824)</u>
INCREASE (DECREASE) IN NET POSITION	47,402	(12,383)
NET POSITION - JANUARY 1	<u>(437,702)</u>	<u>(425,319)</u>
NET POSITION - DECEMBER 31	<u>\$ (390,300)</u>	<u>\$ (437,702)</u>

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

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 966,079	\$ 845,115
Cash Payments to Suppliers for Goods and Services	(534,356)	(348,153)
Cash Payments to Employees for Services	(200,791)	(279,733)
Bad Debt Recovery	16,071	405
Other Operating Income	51,286	30,083
Net Cash Provided - Operating Activities	<u>298,289</u>	<u>247,717</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Bond and Note Principal Paid	(86,167)	(79,708)
Bond Interest Paid	(141,574)	(145,792)
Net Cash Provided - Capital and Related Financing Activities	<u>(227,741)</u>	<u>(225,500)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	<u>1,798</u>	<u>3,419</u>
Net Cash Provided - Investing Activities	<u>1,798</u>	<u>3,419</u>
<u>CASH FLOWS FROM OTHER ACTIVITIES</u>		
Meter Deposits, Net	1,695	3,470
Miscellaneous Income	-	151
Net Cash Provided - Other Activities	<u>1,695</u>	<u>3,621</u>
Net Increase (Decrease) in Cash	74,041	29,257
Cash, Beginning of Year	<u>478,471</u>	<u>449,214</u>
Cash, End of Year	<u>\$ 552,512</u>	<u>\$ 478,471</u>

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

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 186,520	\$ 129,441
Depreciation	135,761	137,048
Accounts Receivable (Increase) Decrease	21,842	10,028
Inventory (Increase) Decrease	361	-
Prepaid Expense (Increase) Decrease	(4,776)	-
Operating Liabilities Increase (Decrease)	<u>(41,419)</u>	<u>(28,800)</u>
Net Cash Provided From Operating Activities	<u>\$ 298,289</u>	<u>\$ 247,717</u>

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

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) General Information
England Municipal Water and Sewer Department (the Department) provides water and/or sewer services to residential, farming, and commercial operations in the City of England (the City) and outlying areas. As a municipality, England Municipal Water and Sewer Department is not subject to income tax. The accompanying financial statements have been prepared only for the reporting entity of the England Municipal Water and Sewer Department, which operates as an enterprise fund of the City of England. The accompanying financial statements do not purport to disclose other activities of the City of England; and, accordingly, any other funds have been excluded from the reporting entity.
- (b) Basis of Accounting
The Department utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.
- (c) Cash and Cash Equivalents
For purpose of the statement of cash flows, the Department considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.
- (d) Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2021 and 2020 are more fully explained in Note 3.
- (e) Inventory
Inventory consists of parts and supplies and is valued at average cost on the specific identification basis.
- (f) Restricted Cash
Restricted cash consists of checking accounts and certificates of deposit restricted to use as indicated by its fund title.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (g) Property, Plant and Equipment, and Depreciation
Purchased property, plant and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:
- | | |
|----------------------------|----------------|
| Waterworks and Sewer Plant | 0-40 1/3 years |
| Operating Equipment | 3-10 years |
| Office Building | 20 years |
| Office Equipment | 5-10 years |
| Furniture and Fixtures | 5-10 years |
- (h) Contributed Assets
Contributed assets are recorded at estimated fair value at the time of receipt or based on cost of construction.
- (i) Unamortized Bond Issuance Costs
Costs associated with the issuance of bonds are reported as current period expenses.
- (j) Capitalization of Interest
Interest has been capitalized on major construction projects based on the applicable rate of borrowed funds for that project. If funds were required in excess of specifically borrowed funds, an average rate for all borrowed funds was used to capitalize interest.
- (k) Revenue Recognition
The accounts receivable and revenue recognized are based on meter readings by Department personnel. The meter readings are made at various times of the month, and approximately twenty days of water consumption during any month remain unbilled at the end of the month.
- (l) Basis for Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Government Accounting Standards Board (GASB) Statement No. 68

The GASB issued the following three statements which became effective for the fiscal year ended December 31, 2015: Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Management has determined that Statement No. 69 does not affect England Water and Sewer Department. Statements No. 68 and No. 71 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. Disclosure pertaining to the statements are included in Note 7 to the financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the balance sheets as of December 31, 2021 and 2020, respectively, follows:

	<u>2021</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 46,023	\$ 432,448	\$ 478,471
Net Increase (Decrease)	<u>25,876</u>	<u>48,165</u>	<u>74,041</u>
Cash at End of Year	<u>\$ 71,899</u>	<u>\$ 480,613</u>	<u>\$ 552,512</u>

	<u>2020</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 14,726	\$ 434,488	\$ 449,214
Net Increase (Decrease)	<u>31,297</u>	<u>(2,040)</u>	<u>29,257</u>
Cash at End of Year	<u>\$ 46,023</u>	<u>\$ 432,448</u>	<u>\$ 478,471</u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance corporation (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

The Department was fully collateralized and insured for the years ended December 31, 2021 and 2020.

Included in the Department's total cash balances of \$552,512 and \$478,471 restricted and unrestricted at December 31, 2021 and 2020, respectively, are deposits with financial institutions which are categorized as to credit risk as follows:

	<u>2021</u>	
	Carrying Amount	Bank Balances
Insured (FDIC) and Collateralized	\$ 552,512	\$ 556,044
Uninsured and Uncollateralized	<u>-</u>	<u>-</u>
Total	<u>\$ 552,512</u>	<u>\$ 556,044</u>

	<u>2020</u>	
	Carrying Amount	Bank Balances
Insured (FDIC) and Collateralized	\$ 478,471	\$ 488,397
Uninsured and Uncollateralized	<u>-</u>	<u>-</u>
Total	<u>\$ 478,471</u>	<u>\$ 488,397</u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Trade Receivables, Current	\$ 60,176	\$ 94,139
Trade Receivables, Past Due	<u>30,450</u>	<u>25,423</u>
Total	<u>90,626</u>	<u>119,562</u>
Allowance for Uncollectibles, Beginning of Year	(25,423)	(21,192)
Charged Against Allowance/(Recovered)	16,286	(2,404)
Provision for Bad Debt Expense	<u>(9,786)</u>	<u>(1,827)</u>
Allowance for Uncollectibles, End of Year	<u>(18,923)</u>	<u>(25,423)</u>
Accounts Receivable, Net of Allowance for Uncollectibles	<u>\$ 71,703</u>	<u>\$ 94,139</u>

NOTE 4 CAPITAL ASSETS

Capital assets as of December 31, 2021 and 2020 consisted of the following components:

	<u>Beginning Balance</u>	<u>2021</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Retirements</u>	
Capital Assets Not Being Depreciated:				
Land	\$ 57,796	\$ -	\$ -	\$ 57,796
Total Capital Assets Not Being Depreciated	<u>57,796</u>	<u>-</u>	<u>-</u>	<u>57,796</u>
Capital Assets Being Depreciated:				
Utility Plant	6,792,590	-	-	6,792,590
Operating Equipment	379,040	-	-	379,040
Office Equipment	68,457	-	-	68,457
Furniture and Fixtures	<u>8,582</u>	<u>-</u>	<u>-</u>	<u>8,582</u>
Total Capital Assets Being Depreciated	<u>7,248,669</u>	<u>-</u>	<u>-</u>	<u>7,248,669</u>
Less Accumulated Depreciation for:				
Utility Plant	4,370,127	134,899	-	4,505,026
Operating Equipment	377,098	862	-	377,960
Office Equipment	68,457	-	-	68,457
Furniture and Fixtures	<u>8,582</u>	<u>-</u>	<u>-</u>	<u>8,582</u>
Total Accumulated Depreciation	<u>4,824,264</u>	<u>135,761</u>	<u>-</u>	<u>4,960,025</u>
Capital Assets, Net	<u>\$ 2,482,201</u>	<u>\$ (135,761)</u>	<u>\$ -</u>	<u>\$ 2,346,440</u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4: CAPITAL ASSETS (CONTINUED)

	Beginning	<u>2020</u>		Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 57,796	\$ -	\$ -	\$ 57,796
Total Capital Assets Not Being Depreciated	<u>57,796</u>	<u>-</u>	<u>-</u>	<u>57,796</u>
Capital Assets Being Depreciated:				
Utility Plant	6,792,590	-	-	6,792,590
Operating Equipment	379,040	-	-	379,040
Office Equipment	68,457	-	-	68,457
Furniture and Fixtures	8,582	-	-	8,582
Total Capital Assets Being Depreciated	<u>7,248,669</u>	<u>-</u>	<u>-</u>	<u>7,248,669</u>
Less Accumulated Depreciation for:				
Utility Plant	4,234,264	135,863	-	4,370,127
Operating Equipment	375,913	1,185	-	377,098
Office Equipment	68,457	-	-	68,457
Furniture and Fixtures	8,582	-	-	8,582
Total Accumulated Depreciation	<u>4,687,216</u>	<u>137,048</u>	<u>-</u>	<u>4,824,264</u>
Capital Assets, Net	<u>\$ 2,619,249</u>	<u>\$ (137,048)</u>	<u>\$ -</u>	<u>\$ 2,482,201</u>

Depreciation expense for the years ended December 31, 2021 and December 31, 2020 amounted to \$135,761 and \$137,048 respectively.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5: LONG-TERM DEBT

Net changes in total indebtedness for the year ended December 31, 2021 and 2020 are as follows:

	Balance <u>12/31/2020</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>12/31/2021</u>	Amount Due Within <u>One Year</u>
<u>Loans Payable</u>					
United States Department of Agriculture Rural Development: 2008 consolidation loan Payments of \$9,095 monthly, including interest of 4.125%					
	\$ 1,785,561	\$ -	\$ 36,167	\$ 1,749,394	\$ 37,557
	<u>1,785,561</u>	<u>-</u>	<u>36,167</u>	<u>1,749,394</u>	<u>37,557</u>
<u>Bonds Payable</u>					
2003 Bond Issue, Annual payments of principle of varying amounts plus interest at 5%					
	1,340,000	-	50,000	1,290,000	50,000
	<u>1,340,000</u>	<u>-</u>	<u>50,000</u>	<u>1,290,000</u>	<u>50,000</u>
Total Indebtedness	<u>\$ 3,125,561</u>	<u>\$ -</u>	<u>\$ 86,167</u>	<u>\$ 3,039,394</u>	<u>\$ 87,557</u>
	Balance <u>12/31/2019</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>12/31/2020</u>	Amount Due Within <u>One Year</u>
<u>Loans Payable</u>					
United States Department of Agriculture Rural Development: 2008 consolidation loan Payments of \$9,095 monthly, including interest of 4.125%					
	\$ 1,820,269	\$ -	\$ 34,708	\$ 1,785,561	\$ 36,042
	<u>1,820,269</u>	<u>-</u>	<u>34,708</u>	<u>1,785,561</u>	<u>36,042</u>
<u>Bonds Payable</u>					
2003 Bond Issue, Annual payments of principle of varying amounts plus interest at 5%					
	1,385,000	-	45,000	1,340,000	50,000
	<u>1,385,000</u>	<u>-</u>	<u>45,000</u>	<u>1,340,000</u>	<u>50,000</u>
Total Indebtedness	<u>\$ 3,205,269</u>	<u>\$ -</u>	<u>\$ 79,708</u>	<u>\$ 3,125,561</u>	<u>\$ 86,042</u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5: LONG-TERM DEBT (CONTINUED)

On August 6, 2008, ordinance 2008-04 was passed authorizing the construction of extensions, betterments, and improvements to the existing water system of the City of England, and the issuance and sale of water revenue bonds for the purpose of financing the cost of these improvements. The bond is secured by a pledge of water and wastewater revenues and a statutory mortgage lien upon the utility plant system. Proceeds from the bond are being disbursed and recorded by the Department on a draw basis as costs are incurred during the construction period of the project. The principal amount of the Water Revenue Bonds Series 2008 is \$2,110,000. The bonds were purchased by the United States Department of Agriculture (USDA) with an interest rate of 4.125% on September 8, 2008. A monthly payment of \$9,095 commenced on October 8, 2009 and will continue for 39 years with any remaining balance being paid in full in year 40, or 2048. An interest payment of \$40,566 was paid to the USDA on September 8, 2009 and capitalized into the project. Additional loan proceeds of \$47,899 were distributed to the Department to complete the funding of the original authorized amount in November 2011.

The City of England Municipal Water and Sewer Department, by means of City Ordinance 2003-03 as of March 3, 2003, authorized a \$1,900,000 bond issue for the refinancing of current indebtedness related to the City's Water and Sewer System. Accordingly, the 2003 City of England Water and Sewer Revenue Refunding Bonds were issued April 1, 2003. The bonds are payable solely from net revenues derived from the Department and are payable over a thirty-five-year period ending December 31, 2038, at interest rates varying from 2.0% to 5.2%.

Total debt service payments on all indebtedness subsequent to December 31, 2021, are scheduled as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 87,557	\$ 135,080	\$ 222,637
2023	89,136	131,082	220,218
2024	95,781	126,807	222,588
2025	102,496	122,217	224,713
2026	104,282	117,430	221,712
2027-2031	600,949	507,701	1,108,650
2032-2036	758,323	350,402	1,108,725
2037-2041	593,813	177,270	771,083
2042-2046	465,420	79,680	545,100
2047-2048	141,637	4,195	145,832
	<u>\$ 3,039,394</u>	<u>\$ 1,751,864</u>	<u>\$ 4,791,258</u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6: AMOUNTS DUE TO THE CITY OF ENGLAND

As an accommodation to the City of England, the Department adds garbage collection, ambulance service, and mosquito control fees to its bills to consumers each month. The Department retains 8% of the mosquito control fees collected as a fee for this service and remits to the City in the subsequent month of collection of these fees. At December 31, 2021 and 2020 the Department had collected \$21,994 and \$29,224 respectively, of these fees for subsequent remittance to the City.

NOTE 7: DEFINED BENEFIT PENSION PLAN

GASB Statement no. 68 established new standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. The effects of these standards are discussed in detail below:

Arkansas Public Employees Retirement System (APERS) Plan Description

The Department participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the system is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

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

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	1.72%
Non – Contributory	1.72%

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

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

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost – of – living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The Department contributed 15.30% of compensation from January 1, 2021 until December 31, 2021. The Department's contributions for the year ended December 31, 2021 were \$23,577 which is equal to the required contribution for the year.

APERS Fiduciary Net Position

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

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At December 31, 2021 the Department reported a liability of \$60,781 for its proportionate share of the net pension liability. The collective Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Department's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Utility's proportion was .0079%.

For the year ended December 31, 2021, the Department recognized a pension expense of \$1,210. At December 31, 2021 the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,391	\$ (3,898)
Changes of Assumptions	-	(426)
Net difference between projected and Actual Investment Earnings on Pension Plan Investments	-	(106,691)
Change in Proportion and Differences between Employer Contributions and Share of Contributions	5,503	(21,107)
Contributions Made subsequent to the measurement date	11,910	-
Total	<u>\$ 18,804</u>	<u>\$ (132,122)</u>

\$11,910 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

2022	\$ (31,991)
2023	\$ (28,112)
2024	\$ (32,747)
2025	\$ (32,378)
2026	\$ -
Thereafter	\$ -

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility requirement
Mortality Table	Based on the RP-2006 Healthy Annuitant 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.
Average Service Life of All Members	3.916

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021, are summarized in the table below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
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%
Total	<u>100%</u>	
Total Real Rate of Return		4.93%
Plus: Prior Inflation - Actuary Assumption		<u>2.50%</u>
Net Expected Return		7.43%

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 to determine the total pension liability.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Department's proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

<u>Sensitivity of Discount Rate</u>		
<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
(6.15%)	(7.15%)	(8.15%)
\$ 181,820	\$ 60,577	\$ (39,180)

NOTE 8: RISK MANAGEMENT

The Department has purchased various insurance policies from commercial carriers for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Department. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant changes in coverage compared to the prior year.

NOTE 9: SUBSEQUENT EVENTS

England Municipal Water and Sewer Department did not have any recognized or nonrecognized subsequent events occur after December 31, 2021, the date of the statement of net position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through October 16, 2024, the date the financial statements were available to be issued.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original & <u>Final Budget</u>	Actual Budgetary Basis (See Note A)	<u>Variance</u>
<u>Operating Revenue</u>			
Water	\$ 544,874	\$ 592,256	\$ 47,382
Sewer	291,943	284,624	(7,319)
Service Fees	6,792	-	(6,792)
Bad Debt Recovery	-	16,071	16,071
Other Operating Revenue	-	51,286	51,286
Total Operating Revenues	<u>843,609</u>	<u>944,237</u>	<u>100,628</u>
<u>Expenses</u>			
Salaries & Related Expenses	247,466	223,158	24,308
Materials & Operating Supplies	139,050	203,860	(64,810)
Utilities & Telephone	82,400	82,756	(356)
Dues & Fees	10,050	17,545	(7,495)
Maintenance	7,800	11,385	(3,585)
Vehicles	10,550	15,276	(4,726)
Insurance & Bonds	151,540	4,130	147,410
Postage	5,300	6,403	(1,103)
Bad Debt	-	9,786	(9,786)
Education and Training	100	40	60
Water & Sewer Improvements	29,000	45,945	(16,945)
Bank & Trust Fees	1,401	1,672	(271)
Miscellaneous	600	-	600
Total Operating Expenses	<u>685,257</u>	<u>621,956</u>	<u>63,301</u>
Net Operating Revenue	<u>158,352</u>	<u>322,281</u>	<u>163,929</u>
<u>Other</u>			
Interest Income	-	1,798	1,798
Interest (Expense)	(69,000)	(140,916)	(71,916)
Total Other Income	<u>(69,000)</u>	<u>(139,118)</u>	<u>(70,118)</u>
Revenue in Excess of (Under) Expenses	<u>\$ 89,352</u>	<u>\$ 183,163</u>	<u>\$ 93,811</u>

See independent auditors' report on required supplementary information.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
NOTE TO SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Uses/outflows of resources:

Actual amounts (budgetary basis) from the Budgetary Comparison Schedule	\$ 183,163
Differences - Budget to GAAP:	
Depreciation of capital items for GAAP purposes	<u>135,761</u>
Increase (Decrease) in Net Assets per Statement of Activities	<u><u>\$ 47,402</u></u>

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 SCHEDULES OF CASH AND RESTRICTED CASH
 DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>UNRESTRICTED CASH</u>		
Working Cash Fund	\$ 175	\$ 175
Revenue Fund	<u>71,724</u>	<u>45,848</u>
 Total Unrestricted Cash	 <u>\$ 71,899</u>	 <u>\$ 46,023</u>
 <u>RESTRICTED CASH</u>		
CD - Revenue Fund	\$ 48,670	\$ 48,138
Bond Fund	144,045	101,870
Water Meter Deposit Refund	79,188	77,353
CD - Water Meter Deposits	99,461	98,327
Water Tower Checking	-	-
Water Tower Debt Service Reserve	-	-
Water Tower Depreciation Reserve	-	-
Water Treatment Reserve	<u>109,249</u>	<u>106,760</u>
 Total Restricted Cash	 <u>\$ 480,613</u>	 <u>\$ 432,448</u>

See independent auditors' report on supplementary schedules.

ENGLAND MUNICIPAL WATER AND SEWER DEPARTMENT
 SCHEDULE OF INSURANCE IN FORCE
 DECEMBER 31, 2021

<u>Company</u>	<u>Date of Policy</u>
Arkansas Municipal League	9-15-2021 to 9-14-2022
<u>Coverages</u>	<u>Amount</u>
General Liability: Bodily Injury and Property Damage	\$ 350,000
Real Estate: All Property	\$ 100,000,000
Vehicles: Bodily Injury and Property Damage	\$ 100,000

See independent auditors' report on supplementary schedules.

COBB AND SUSKIE, LTD.

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

England Water and Sewer Commission
England, 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 Standard* issued by the Comptroller General of the United States, the financial statements of the England Municipal Water and Sewer Department, as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise England Municipal Water and Sewer Department's basic financial statements, and have issued our report thereon dated October 16, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered England Municipal Water and Sewer Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of England Municipal Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of England Municipal Water and Sewer Department's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether England Municipal Water and Sewer Department'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cobb and Suskie, Ltd.

Certified Public Accountants
October 16, 2024