

**CITY OF LOCKESBURG, ARKANSAS  
WATER AND SEWER SYSTEM  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**



**CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM**  
**DECEMBER 31, 2023 AND 2022**

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## **Independent Auditor's Report**

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To the Honorable Mayor and City Council  
City of Lockesburg, Arkansas Water and Sewer System  
Lockesburg, Arkansas

### ***Opinion***

We have audited the accompanying financial statements of the Lockesburg, Arkansas Water and Sewer System (the System), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lockesburg, Arkansas Water and Sewer System as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on 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 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 Lockesburg, Arkansas Water and Sewer System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Lockesburg, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

### ***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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lockesburg, Arkansas Water and Sewer System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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 statement in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Required Supplemental Information for Cost-Sharing Employer Plans on pages 23-24 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 considers it to be 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 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of the Lockesburg, Arkansas Water and Sewer System'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 Lockesburg, Arkansas Water and Sewer System'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 Lockesburg, Arkansas Water and Sewer System's internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 25, 2024**

## ***FINANCIAL STATEMENTS***

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 97,503	\$ 103,350
Certificate of deposits	58,183	57,565
Restricted checking and savings accounts	190,062	165,662
Restricted certificate of deposit	10,445	10,326
Accounts receivable, net	26,949	29,804
Prepaid expense	1,925	-
<b>Total Current Assets</b>	<b>385,067</b>	<b>366,707</b>
<b>Net Capital Assets</b>	<b>3,260,439</b>	<b>3,372,723</b>
<b>Total Assets</b>	<b>3,645,506</b>	<b>3,739,430</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pension	45,103	36,930
<b>Total Deferred Outflows of Resources</b>	<b>45,103</b>	<b>36,930</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,690,609</b>	<b>\$ 3,776,360</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 3,085	\$ 6,637
Payroll tax payable	291	2,116
Accrued interest	7,581	7,985
Customer meter deposits	28,820	28,540
Current portion of long-term debt	69,910	67,824
<b>Total Current Liabilities</b>	<b>109,687</b>	<b>113,102</b>
<b>Noncurrent liabilities:</b>		
Long-term debt	1,413,130	1,483,421
Net pension liability	124,975	106,051
<b>Total Noncurrent Liabilities</b>	<b>1,538,105</b>	<b>1,589,472</b>
<b>Total Liabilities</b>	<b>1,647,792</b>	<b>1,702,574</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pension	687	1,281
<b>Total Deferred Inflows of Resources</b>	<b>687</b>	<b>1,281</b>
<b>Net Position</b>		
Net investment in capital assets	1,777,508	1,821,497
Restricted	166,093	141,992
Unrestricted	98,529	109,016
<b>Total Net Position</b>	<b>2,042,130</b>	<b>2,072,505</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 3,690,609</b>	<b>\$ 3,776,360</b>

See accompanying notes to financial statements.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Operating Revenue</b>		
Water revenues	\$ 167,464	\$ 165,098
Sewer revenues	108,015	98,104
Other income	24,598	30,995
<b>Total Operating Revenue</b>	<b>300,077</b>	<b>294,197</b>
<b>Operating Expenses</b>		
Auto expenses	2,395	1,930
Chemicals	12,481	8,279
Conferences	2,205	1,144
Depreciation expense	121,132	121,911
Memberships and licenses	2,517	3,374
Insurance	3,118	-
Legal and accounting	9,900	9,500
Miscellaneous expense	447	614
Operating supplies	5,931	5,615
Payroll	125,316	110,881
Payroll taxes	8,955	7,889
Pension expense	26,392	15,083
Postage	1,259	342
Small equipment and tools	6,889	39
Software	2,676	-
Repairs and maintenance	61,737	34,012
Uniforms	1,284	-
Utilities	19,678	21,499
<b>Total Operating Expenses</b>	<b>414,312</b>	<b>342,112</b>
<b>Net Loss From Operations</b>	<b>(114,235)</b>	<b>(47,915)</b>
<b>Nonoperating Revenue (Expenses)</b>		
Interest income	4,664	1,390
Operating transfers from government funds	124,517	80,836
Interest expense	(45,321)	(47,344)
<b>Total Net Nonoperating Revenue</b>	<b>83,860</b>	<b>34,882</b>
<b>Change in Net Position</b>	<b>(30,375)</b>	<b>(13,033)</b>
<b>Net Position at Beginning of Year</b>	<b>2,072,505</b>	<b>2,085,538</b>
<b>Net Position at End of Year</b>	<b>\$ 2,042,130</b>	<b>\$ 2,072,505</b>

See accompanying notes to financial statements.



# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers and other sources	\$ 303,212	\$ 287,255
Cash payments to (advances from) suppliers for goods and services	(163,184)	(102,304)
Cash payments to employees for services	(127,141)	(110,404)
<b>Net Cash Provided By Operating Activities</b>	<b>12,887</b>	<b>74,547</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Operating transfers	124,517	80,836
<b>Net Cash Provided By Noncapital and Related Financing Activities</b>	<b>124,517</b>	<b>80,836</b>
<b>Cash Flows From Investing Activities</b>		
Reinvestment of certificate of deposit earnings	(737)	(494)
Interest income	4,664	1,390
<b>Net Cash Provided By Investing Activities</b>	<b>3,927</b>	<b>896</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Additions to property, plant, and equipment	(8,848)	-
Principal paid on long-term debt	(68,205)	(66,170)
Interest paid on long-term debt	(45,725)	(47,696)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(122,778)</b>	<b>(113,866)</b>
<b>Net Increase In Cash, Cash Equivalents, and Restricted Cash</b>	<b>18,553</b>	<b>42,413</b>
<b>Cash, Cash Equivalents, and Restricted Cash At Beginning of Year</b>	<b>269,012</b>	<b>226,599</b>
<b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>	<b>\$ 287,565</b>	<b>\$ 269,012</b>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 97,503	\$ 103,350
Restricted checking and savings accounts	190,062	165,662
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b>\$ 287,565</b>	<b>\$ 269,012</b>

See accompanying notes to financial statements.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Net loss from operations	\$ (114,235)	\$ (47,915)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	121,132	121,911
(Increase) decrease in:		
Accounts receivable	2,855	(4,329)
Prepaid expenses	(1,925)	-
Deferred outflows of resources related to pension	(8,173)	(23,289)
Increase (decrease) in:		
Trade accounts payable	(3,552)	3,951
Payroll tax payable	(1,825)	477
Customer deposits	280	(2,613)
Net pension liability	18,924	77,428
Deferred inflows of resources related to pension	(594)	(51,074)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 12,887</b>	<b>\$ 74,547</b>

See accompanying notes to financial statements.

# **CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **Nature of Business**

The City of Lockesburg Water and Sewer System (the System) is a proprietary type fund and is a component unit of the City of Lockesburg, Arkansas. The purpose of the System is to provide and maintain water and sewer services to the residents of the City of Lockesburg. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

### **1. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The System's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The System accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 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.

The System is considered to be a component unit of the City of Lockesburg. These financial statements reflect only the Water and Sewer System Enterprise Fund of the City of Lockesburg, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

#### **Financial Reporting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the System. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### **Income Tax Status**

The System is exempt from income taxes as a governmental agency.

#### **Cash Equivalents**

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

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The System does not charge interest on past due accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on historical collection experience and management's evaluation of the collectability of outstanding receivables and was \$8,691 and \$14,845 on December 31, 2023 and 2022, respectively.

#### Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

#### Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value or capacity of the asset or materially extend asset lives are expensed as incurred. The estimated useful lives of the assets are as follows:

Utility plant - sewer	5 - 50 years
Utility plant - water	7 - 50 years
Furniture and fixtures	10 years
Equipment - water	5 - 10 years
Equipment - sewer	7 - 20 years
Sewer pond	10 - 50 years

It is the System's policy to capitalize asset purchases greater than \$2,500 and expense asset purchases less than \$2,500.

#### Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the System. No more than 5 days of unused vacation can be carried forward six months into the following calendar year without written approval. Employees can carry forward a maximum of 60 unused sick days. Upon termination from the System, employees are paid their accumulated unused vacation. Employees are not paid unused accumulated sick days. The System did not have an accrual for compensated absences at December 31, 2023 and 2022, because the amounts were not material to the financial statements.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### **Customer Meter Deposits**

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the System no longer services the customer. The System uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The System recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System recognizes deferred inflows of resources related to pensions.

#### **Net Position**

Net position of the System are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. Summary of Significant Accounting Policies (continued)

#### Net Position (continued)

The System does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. System personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

#### Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System consist of water sales, sewage fees and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards that became effective during the Authority's fiscal year:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

These statements did not have any impact on the System's financial statements.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 2. Deposits with Financial Institutions

The System does not have formal deposit and investment policies, but follows state laws and bond ordinances regarding the investment of public funds. State statutes generally require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States Government.

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be recovered. The System follows the provisions of state law which requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas.

At December 31, 2023 and 2022, the System had no deposits that were uninsured. The bank balances and carrying amount of the System's deposits held were as follows:

Description	At December 31, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 388,345	\$ 356,193	\$ 340,925	\$ 336,903
Total	\$ 388,345	\$ 356,193	\$ 340,925	\$ 336,903

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2023	2022
Cash and cash equivalents	\$ 97,503	\$ 103,350
Certificate of deposits	58,183	57,565
Restricted checking and savings accounts	190,062	165,662
Restricted certificate of deposit	10,445	10,326
Total	\$ 356,193	\$ 336,903

#### **Interest Rate Risk**

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The System minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Type of Investment	Fair Value	Maturity (in Years)	
		Less than 1	1 - 2 Years
Certificates of deposit	\$ 58,183	\$ 18,847	\$ 39,336
Restricted certificate of deposit	10,445	10,326	-
Total	\$ 68,628	\$ 29,173	\$ 39,336

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 2. Deposits with Financial Institutions (continued)

#### Fair Value Measurements

The System's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the System's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 68,628	\$ -	\$ -	\$ 68,628
Total	\$ 68,628	\$ -	\$ -	\$ 68,628

### 3. Restricted Funds And Required Accounts

Restricted cash, cash equivalents and restricted investments are restricted by various City Council ordinances, bond ordinances and laws. Expenditures from these accounts are restricted to improvements and betterments to the distribution system, paying the principal and interest on the loans and bonds and the trustee's and paying agent's fees, and customer meter deposits.

As Of December 31,	2023	2022
<b>Restricted checking and savings:</b>		
Depreciation reserve	\$ 36,958	\$ 80,632
ADFA - debt service escrow a	16,199	15,869
Rural development - debt service	17,808	17,454
Rural development - depreciation reserve	30,185	25,408
Water project depreciation	72,525	10,616
Water meter deposit	11,146	10,651
Water meter reserve account	5,132	4,923
Construction account - water	109	109
<b>Total restricted checking and savings</b>	<b>\$ 190,062</b>	<b>\$ 165,662</b>
<b>Restricted certificates of deposit:</b>		
Water meter deposit fund	\$ 10,445	\$ 10,326
<b>Total restricted certificates of deposit</b>	<b>\$ 10,445</b>	<b>\$ 10,326</b>



# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 4. Capital Assets

Activity of capital assets consists of the following:

<b>As Of</b>	<b>January 1, 2023</b>	<b>Additions &amp; Contributions</b>	<b>Retirements/ Transfers</b>	<b>December 31, 2023</b>
Utility plant - sewer	\$ 4,072,529	\$ -	\$ -	\$ 4,072,529
Utility plant - water	285,822	6,500	-	292,322
Furniture & fixtures	400	-	-	400
Equipment	100,826	2,348	-	103,174
Sewer equipment	198,780	-	-	198,780
Sewer pond	352,443	-	-	352,443
Total Capital Assets	5,010,800	8,848	-	5,019,648
Less: Accumulated depreciation	(1,638,077)	(121,132)	-	(1,759,209)
Net Capital Assets	\$ 3,372,723	(112,284)	-	3,260,439

<b>As Of</b>	<b>January 1, 2022</b>	<b>Additions &amp; Contributions</b>	<b>Retirements</b>	<b>December 31, 2022</b>
Utility plant - sewer	\$ 4,072,529	\$ -	\$ -	\$ 4,072,529
Utility plant - water	285,822	-	-	285,822
Furniture & fixtures	400	-	-	400
Equipment	100,826	-	-	100,826
Sewer equipment	198,780	-	-	198,780
Sewer pond	352,443	-	-	352,443
Total Capital Assets	5,010,800	-	-	5,010,800
Less: Accumulated depreciation	(1,516,166)	(121,911)	-	(1,638,077)
Net Capital Assets	\$ 3,494,634	\$ (121,911)	\$ -	\$ 3,372,723

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 6. Long-Term Debt

Long-term debt of the System consists of:

As of December 31,	2023	2022
Rural Development - Water and Sewer Revenue bonds dated 4/9/15 in the amount of \$480,000. Payments are made monthly in the amount of \$1,676 including interest at 2.75%. The note is secured by property and equipment of the system and is scheduled to mature June 2055.	\$ 421,108	\$ 429,514
Arkansas Natural Resources Commission - Water and Sewer Revenue Bonds dated 12/15/14 in the amount of \$1,091,800. Payments are made semi-annually in the amount of \$37,334 and includes interest at 3.25%. The note is secured by revenues of the System and is scheduled to mature April 2037.	810,730	857,896
Arkansas Natural Resources Commission - Water and Sewer Revenue Bonds dated 8/16/17 allowing for borrowings up to \$300,000. Payments of interest at 1.5% and service fee of 1.0% due until project is complete. After completion, semi-annual payments of \$9,576 including interest and service fees will commence on April 15, 2020. The note is secured by revenues of the System and is scheduled to mature October 2039.	251,202	263,835
Total debt	1,483,040	1,551,245
Less current maturity	69,910	67,824
Long-term debt	\$ 1,413,130	\$ 1,483,421

The Arkansas Natural Resources Commission loan contains a provision that the System maintain specific restricted cash accounts and to meet various other general requirements. The System is in compliance with all such significant financial covenants and restrictions at December 31, 2023 and 2022.

The System's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the System on behalf of the issuer until all defaults have been cured; enforce any and all other rights and remedies by law.

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 69,910	\$ 43,708	\$ 113,618
2025	72,062	41,556	113,618
2026	74,280	39,338	113,618
2027	76,568	37,050	113,618
2028	78,926	34,692	113,618

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 6. Long-Term Debt (continued)

2029-2033	432,659	135,432	568,091
2034-2038	389,836	66,257	456,093
2039-2043	84,556	33,590	118,146
2044-2049	75,534	23,459	98,993
2049-2053	86,654	12,339	98,993
2054-2055	42,055	1,501	43,556
Total	\$ 1,483,040	\$ 468,922	\$ 1,951,962

### 7. Activity of Long-Term Liabilities

The activity of long-term liabilities is summarized below:

As of	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023	Due Within One Year
Arkansas Natural					
Resources Comm.	\$ 1,121,731	\$ -	\$ 59,799	\$ 1,061,932	\$ 61,661
Rural Development	429,514	-	8,406	421,108	8,249
Net pension liability	106,051	18,924	-	124,975	-
Total	\$ 1,657,296	\$ 18,924	\$ 68,205	\$ 1,608,015	\$ 69,910

As of	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022	Due Within One Year
Arkansas Natural					
Resources Comm.	\$ 1,179,723	\$ -	\$ 57,992	\$ 1,121,731	\$ 59,799
Rural Development	437,692	-	8,178	429,514	8,025
Net pension liability	28,623	77,428	-	106,051	-
Total	\$ 1,646,038	\$ 77,428	\$ 66,170	\$ 1,657,296	\$ 67,824

### 8. Pension Plan

#### Plan Description

The System participates in the Arkansas Public Employees Retirement Departments (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 passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 8. Pension Plan (continued)

The general administration and responsibility for the proper operation of the System is vested in the thirteen 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, 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, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

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

#### **Summary of Significant Accounting Policies**

For the 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 the Arkansas Public Employee's Retirement System (the Plan) and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **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	2.00%
Non-Contributory	1.72%

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

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

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 8. Pension Plan (continued)

#### **Benefits Provided (continued)**

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 Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

#### **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. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. 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)). Employers contributed 15.32% of compensation for both APERS plan fiscal years ended June 30, 2023 and 2022. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the City were \$24,288 and \$17,264 for the years ended December 31, 2023 and 2022, respectively. The System is allocated 2/3 of the pension contributions and the City's General Fund is allocated the remaining 1/3 of the pension contributions. Therefore, the System is allocated \$16,192 and \$11,509 of contributions made by the City for the years ended December 31, 2023 and 2022, respectively.

#### **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>.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 8. Pension Plan (continued)

#### Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the City's proportionate share as of June 30, 2023 was 0.00643273%. Approximately 67% of this amount was allocated to the System.

There were no changes between the measurement date of June 30, 2023 and the System's report ending date of December 31, 2023, that would have had a significant impact on the net pension liability.

#### Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2023. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.00%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

#### Long-Term Expected Return on Plan Assets

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the APERS target asset allocation as of June 30, 2023 are summarized in the table below:

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 8. Pension Plan (continued)

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
	<u>100%</u>	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary's Assumption		2.50%
Net Expected Return		<u>7.44%</u>

#### **Single Discount Rate**

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2023 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.86% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.00%.

The single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan 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.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 8. Pension Plan (continued)

#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ 199,199	\$ 124,975	\$ 63,822

#### **Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions**

The City's proportionate share of pension expense was \$39,588 and the System's allocated share of the expense was \$26,392 for the year ended December 31, 2023. At December 31, 2023, the System reported allocated deferred outflows of resources and deferred inflows of resources related to pensions from the System from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,055	\$ 687
Changes in assumptions	5,875	-
Net difference between projected and actual earnings on pension plan investments	15,555	-
Changes in proportion and differences between employer contributions and share contributions	8,285	-
System contributions subsequent to the measurement date	8,333	-
Total	\$ 45,103	\$ 687

\$8,333 reported as deferred outflows of resources related to pensions resulting from the System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase in Pension Expense
2024	\$ 10,515
2025	6,228
2026	20,391
2027	(1,050)
	\$ 36,084



# **CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **9. Interfund Transfers**

The System received interfund transfers from the City of \$124,517 and \$80,836 during the years ended December 31, 2023 and 2022, respectively, for payroll, maintenance and repairs, and other operating expenses.

### **10. Concentrations of Credit Risk**

Financial instruments that potentially subject the System to credit risk consist primarily of accounts receivable. The receivables are from customers located within the same geographic region.

### **11. Risk Management**

The System is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System carries commercial insurance through Arkansas Municipal League.

There has been no significant reduction in the System's insurance coverage from the previous year. In addition, there have been no settlements in excess of the System's coverage in any of the prior four fiscal years.

### **12. Subsequent Events**

The System has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through November 25, 2024, the date the financial statements were available to be issued. The City has plans to refurbish the water tower. The total estimated cost of the project is approximately \$480,000 which will be financed with grant funding.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2023

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

	APERS at June 30, 2023	APERS at June 30, 2022	APERS at June 30, 2021	APERS at June 30, 2020	APERS at June 30, 2019	APERS at June 30, 2018	APERS at June 30, 2017	APERS at June 30, 2016	APERS at June 30, 2015	APERS at June 30, 2014
City of Lockesburg's proportion of the net pension liability	0.00643273%	0.00589961%	0.00558444%	0.00541874%	0.00536300%	0.00454476%	0.00472798%	0.00555788%	0.00433941%	0.00435532%
Percent allocated to the Water and Sewer System	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%
City of Lockesburg's proportionate share of the net pension liability	\$ 187,462	\$ 159,076	\$ 42,935	\$ 155,170	\$ 129,384	\$ 100,254	\$ 122,178	\$ 132,908	\$ 79,920	\$ 61,798
Amount allocated to the Water and Sewer System	\$ 124,975	\$ 106,051	\$ 28,623	\$ 103,447	\$ 86,256	\$ 66,836	\$ 81,452	\$ 88,605	\$ 53,280	\$ 41,199
System's covered-employee payroll	\$ 142,163	\$ 78,875	\$ 73,277	\$ 68,885	\$ 64,056	\$ 56,660	\$ 56,339	\$ 66,949	\$ 49,787	\$ 51,335
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.91%	134.45%	39.06%	150.17%	134.66%	117.96%	144.57%	132.35%	107.02%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

### Schedule of Required Contributions

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution	\$ 24,288	\$ 11,509	\$ 12,708	\$ 11,505	\$ 9,754	\$ 9,632	\$ 7,025	\$ 9,587	\$ 9,094	\$ 6,641
Contributions in relation to the contractually required contribution	(24,288)	(11,509)	(12,708)	(11,505)	(9,754)	(9,632)	(7,025)	(9,587)	(9,094)	(6,641)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 158,537	\$ 75,126	\$ 82,952	\$ 75,101	\$ 63,665	\$ 64,078	\$ 48,031	\$ 66,115	\$ 62,200	\$ 44,800
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	15.03%	14.63%	14.50%	14.62%	14.82%

See independent auditor's report.

# CITY OF LOCKESBURG, ARKANSAS WATER AND SEWER SYSTEM

## REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2023

### Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits:
- None: June 30, 2022 through June 30, 2023  
June 30, 2021 valuation
- Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
  - Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
  - For members hired on or after July 1, 2022:
    - Change the final average compensation period from 3 to 5 years
    - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index
- None: June 30, 2014 through June 30, 2020

3. Changes in actuarial assumptions:

Single Discount Rate:	June 30, 2023			7.00%
	June 30, 2022 through June 30, 2017			7.15%
	June 30, 2016 through June 30, 2015			7.50%
	June 30, 2014			7.75%
Investment Rate of Return:	June 30, 2023 through June 30, 2017			7.15%
	June 30, 2016 through June 30, 2015			7.50%
	June 30, 2014			7.75%
Municipal Bond Rate	June 30, 2023	3.86%	June 30, 2018	3.62%
Source:	June 30, 2022	3.69%	June 30, 2017	3.56%
20-Bond GO Index	June 30, 2021	1.92%	June 30, 2016	2.85%
	June 30, 2020	2.45%	June 30, 2015	3.80%
	June 30, 2019	3.13%	June 30, 2014	4.29%
Inflation	June 30, 2023 through June 30, 2015		3.25% wage 2.50% price	
	June 30, 2014		3.75% wage 2.75% price	
Salary Increases	June 30, 2023 through June 30, 2015		3.25% - 9.85%	
	June 30, 2014		3.75% - 10.35%	
Mortality Table	June 30, 2023 through June 30, 2018		Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	
	June 30, 2017 through June 30, 2014		Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	

See independent auditor's report.

## ***ADDITIONAL REPORT***



**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***

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To the Honorable Mayor and City Council  
City of Lockesburg, Arkansas Water and Sewer System  
Lockesburg, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements Lockesburg Water and Sewer System, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's financial statements, and have issued our report thereon dated November 25, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

As part of obtaining reasonable assurance about whether the Lockesburg Water and Sewer System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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**

This 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 the 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.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 25, 2024**