

RISON WATER AND SEWER SYSTEM



RISON, ARKANSAS

DECEMBER 31, 2022

RISON WATER AND SEWER SYSTEM
RISON, ARKANSAS

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Mayor and City Council
Rison, Arkansas

We have performed the procedures enumerated below on the accounting records of Rison Water and Sewer System as of and for the year ended December 31, 2022. Rison Water and Sewer System's management is responsible for the entity's accounting records.

Rison Water and Sewer System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- b. Confirm with depository institutions the cash on deposit and investments.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

6. Long-Term Debt

- a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedure.

We were engaged by Rison Water and Sewer System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Rison Water and Sewer System. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Rison Water and Sewer System and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Rison Water and Sewer System and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
October 31, 2023

To the Mayor and City Council
Rison Water and Sewer System
Rison, Arkansas

Management is responsible for the accompanying financial statements of Rison Water and Sewer System, which comprise the statement of net position as of December 31, 2022 and 2021, and related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 19 and Required Supplemental Information for Cost-Sharing Plans on page 20 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The supplementary information contained in Schedule I on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

As discussed in Note 1, the financial statements referred to above present only Rison Water and Sewer System, which is an enterprise fund of the City of Rison, and are not intended to present fairly the financial position of the City of Rison, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
October 31, 2023

RISON WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 81,294	\$ 115,289
Customer Receivables	49,398	43,115
Unbilled Revenue	12,432	11,851
TOTAL CURRENT ASSETS	<u>143,124</u>	<u>170,255</u>
RESTRICTED ASSETS:		
Cash and Cash Equivalents	<u>295,446</u>	<u>266,493</u>
CAPITAL ASSETS:		
Land and Land Improvements	7,905	7,905
Water System	901,984	901,984
Sewer System	2,149,485	2,149,485
Machinery and Equipment	<u>223,815</u>	<u>223,815</u>
	3,283,189	3,283,189
Less: Accumulated Depreciation	<u>(2,022,533)</u>	<u>(1,939,554)</u>
TOTAL CAPITAL ASSETS	<u>1,260,656</u>	<u>1,343,635</u>
TOTAL ASSETS	<u>1,699,226</u>	<u>1,780,383</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	83,873	19,926
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,783,099</u>	<u>\$ 1,800,309</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,677	\$ 3,978
Accrued Salaries and Vacation	14,571	16,728
Notes Payable - Current Portion	34,708	34,193
TOTAL CURRENT LIABILITIES	<u>54,956</u>	<u>54,899</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Customer Deposits	44,099	44,881
Accrued Interest Payable	1,215	1,353
Current Portion of Bond Payable	28,960	27,606
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>74,274</u>	<u>73,840</u>
TOTAL CURRENT LIABILITIES	<u>129,230</u>	<u>128,739</u>
LONG-TERM LIABILITIES:		
Water Revenue Bond	415,031	443,992
Notes Payable	181,270	215,978
Net Pension Liability	234,364	60,392
TOTAL LONG-TERM LIABILITIES	<u>830,665</u>	<u>720,362</u>
TOTAL LIABILITIES	<u>959,895</u>	<u>849,101</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	20,062	142,935
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>979,957</u>	<u>992,036</u>
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	600,687	621,866
Restricted	221,172	192,653
Unrestricted	(18,717)	(6,246)
TOTAL NET POSITION	<u>803,142</u>	<u>808,273</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,783,099</u>	<u>\$ 1,800,309</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
OPERATING REVENUE:		
Water Revenue	\$ 277,881	\$ 271,341
Sewer Revenue	218,004	211,917
Other Income	3,681	3,835
TOTAL OPERATING REVENUE	<u>499,566</u>	<u>487,093</u>
OPERATING EXPENSES:		
Salaries	175,921	176,688
GASB 68 Adjustment	(12,848)	(51,599)
Depreciation	82,979	86,433
Employee Benefits	57,116	54,523
Gas and Oil	8,512	4,402
Insurance	3,339	3,800
Office Expense	6,784	11,650
Payroll Taxes	13,889	13,474
Professional Services	4,374	8,259
Repairs and Maintenance	301,030	184,184
Sales Tax	25,874	26,183
Utilities	39,332	32,690
Miscellaneous Expense	36,286	10,106
TOTAL OPERATING EXPENSES	<u>742,588</u>	<u>560,793</u>
OPERATING INCOME (LOSS)	<u>(243,022)</u>	<u>(73,700)</u>
OTHER INCOME (EXPENSES):		
Interest Revenue	374	122
Interest Expense	(23,483)	(24,599)
TOTAL OTHER INCOME (EXPENSES)	<u>(23,109)</u>	<u>(24,477)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(266,131)</u>	<u>(98,177)</u>
TRANSFERS IN	261,000	164,682
CHANGE IN NET POSITION	<u>(5,131)</u>	<u>66,505</u>
NET POSITION - BEGINNING OF YEAR	808,273	741,768
NET POSITION - END OF YEAR	<u>\$ 803,142</u>	<u>\$ 808,273</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 492,702	\$ 494,541
Cash Payments for Goods and Services	(494,837)	(350,859)
Cash Payments to Employees	(178,078)	(170,638)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(180,213)</u>	<u>(26,956)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers	261,000	164,682
Increase (Decrease) in Meter Deposits	(782)	(75)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>260,218</u>	<u>164,607</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Debt	(61,800)	(59,824)
Interest Paid on Debt	(23,621)	(25,620)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(85,421)</u>	<u>(85,444)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	374	122
NET INCREASE IN CASH AND RESTRICTED CASH	<u>(5,042)</u>	<u>52,329</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	381,782	329,453
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 376,740</u>	<u>\$ 381,782</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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Reconciliation of operating income (loss) to net cash provided by operating activities:

	<u>2022</u>	<u>2021</u>
OPERATING INCOME (LOSS)	<u>\$ (243,022)</u>	<u>\$ (73,700)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation	82,979	86,433
Pension Related Adjustment	(12,848)	(51,599)
Change in Assets and Liabilities:		
Accounts Receivable	(6,864)	7,448
Accounts Payable	1,699	(1,588)
Payroll Liabilities	<u>(2,157)</u>	<u>6,050</u>
TOTAL ADJUSTMENTS	<u>62,809</u>	<u>46,744</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (180,213)</u></u>	<u><u>\$ (26,956)</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 1. Significant Accounting Policies:

The Rison Water and Sewer System is an Enterprise Fund of the City of Rison, Arkansas and is governed by the City Council of the City of Rison, Arkansas. The accompanying financial statements and other information reflect the Rison Water and Sewer System fund only, and do not include other funds of the City of Rison, Arkansas.

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The System applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

Bad debts, which are immaterial in amount after applying customer's meter deposits, are recognized based on the direct charge-off of individual accounts considered uncollectible.

Capital assets are stated at cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water System	10 - 50 Years
Sewer System	35 - 50 Years
Equipment	5 - 10 Years

The System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited because a large number of diverse customers make up the System's customer base, thus spreading the trade risk.

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

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.

Management submits to the City Council, for its approval, an executive budget for operation of the System. The approval by the City Council of the budget amounts to an appropriation of funds that are lawfully applicable to items therein.

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Management has evaluated subsequent events through October 31, 2023, the date the financial statements were available for issuance.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 2. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements and internally designed restrictions. Restricted assets as of December 31, 2022 and 2021, were as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Debt Service Reserve Fund	\$ 177,587	\$ 155,038
Depreciation Fund	73,760	66,574
Meter Deposit Fund	44,099	44,881
	<u>\$ 295,446</u>	<u>\$ 266,493</u>

Note 3. Unbilled Revenue:

Unbilled water and sewer revenue of \$12,432 was computed from usage from the last meter reading date of 2022 until the end of December. This amount is computed by allocating water usage based on the last meter reading date.

Note 4. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where the principal and interest are fully guaranteed by the United States of America. All cash funds of the System are deposited in accounts in the name of the Rison Water and Sewer System in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The carrying value of the System's accounts and investments at December 31, 2022 was \$376,740. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments had bank balances of \$384,039 before reduction of outstanding items.

Federal Deposit Insurance Corporation (FDIC) coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Rison Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Rison accounts and investments at a financial institution.

Investment Credit Risk: The Rison Water and Sewer System does not have a formal investment policy. Investments consist of certificates of deposit with banks authorized by state law to receive deposits of public funds.

Foreign Currency Risk: The Rison Water and Sewer System has no exposure to foreign currency risk.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 5. Capital Assets:

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	12/31/2021 BALANCE	INCREASES	DECREASES	12/31/2022 BALANCE
Capital Assets:				
Land and Oxidation Pond	\$ 7,905	\$ -	\$ -	\$ 7,905
Water System	901,984	-	-	901,984
Sewer System	2,149,485	-	-	2,149,485
Machinery and Equipment	223,815	-	-	223,815
Total Capital Assets	<u>3,283,189</u>	<u>-</u>	<u>-</u>	<u>3,283,189</u>
Less Accumulated Depreciation:				
Water System	(560,794)	(21,228)	-	(582,022)
Sewer System	(1,192,871)	(51,493)	-	(1,244,364)
Machinery and Equipment	(185,889)	(10,258)	-	(196,147)
Total Accumulated Depreciation	<u>(1,939,554)</u>	<u>(82,979)</u>	<u>-</u>	<u>(2,022,533)</u>
NET	<u>\$ 1,343,635</u>	<u>\$ (82,979)</u>	<u>\$ -</u>	<u>\$ 1,260,656</u>

	12/31/2020 BALANCE	INCREASES	DECREASES	12/31/2021 BALANCE
Capital Assets:				
Land and Oxidation Pond	\$ 7,905	\$ -	\$ -	\$ 7,905
Water System	901,984	-	-	901,984
Sewer System	2,149,485	-	-	2,149,485
Machinery and Equipment	223,815	-	-	223,815
Total Capital Assets	<u>3,283,189</u>	<u>-</u>	<u>-</u>	<u>3,283,189</u>
Less Accumulated Depreciation:				
Water System	(539,566)	(21,228)	-	(560,794)
Sewer System	(1,141,378)	(51,493)	-	(1,192,871)
Machinery and Equipment	(172,177)	(13,712)	-	(185,889)
Total Accumulated Depreciation	<u>(1,853,121)</u>	<u>(86,433)</u>	<u>-</u>	<u>(1,939,554)</u>
NET	<u>\$ 1,430,068</u>	<u>\$ (86,433)</u>	<u>\$ -</u>	<u>\$ 1,343,635</u>

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 6. Long-Term Debt:

Long-term debt as of December 31, 2022 and 2021 was as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Bond payable to USDA Rural Development; original amount \$705,000; due in monthly installments of \$3,462, including interest at 5.0%; secured by the System's revenue; current portion is \$26,388, maturing 2032.	\$ 315,093	\$ 340,198
 Bond payable to USDA Rural Development; original amount \$145,000; due in monthly installments of \$507, including interest at 2.75%; secured by the System's revenue; current portion is \$2,572, maturing 2055.	 128,898	 131,400
 Note payable to AR Natural Resource Commission; due in semi-annual installments (beginning 4/15/2019) of \$18,911, including interest at 0.50% and a service fee of 1.00%; secured by the System's revenue; current portion is \$34,708, maturing in October 2028.	 215,978	 250,171
	<u>659,969</u>	<u>721,769</u>
Less portion considered current	(63,668)	(61,799)
Total Long-Term debt	<u>\$ 596,301</u>	<u>\$ 659,970</u>

Debt service requirements of long-term debt as of December 31, 2022 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 63,668	\$ 21,781	\$ 85,449
2023	65,612	19,837	85,449
2024	67,636	17,814	85,450
2025	69,742	15,709	85,451
2026	71,934	13,516	85,450
Thereafter	321,377	68,553	389,930
Total	<u>\$ 659,969</u>	<u>\$ 157,210</u>	<u>\$ 817,179</u>

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 7. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 8. Risk Management:

The Rison Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the System.

Note 9. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* establishes standards for public pension plan obligations for participating employers.

Under the statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

Plan Description

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.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the 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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 10. Arkansas Public Employees Retirement System: (Continued)

Plan Description (Continued)

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll through June 30, 2022. The rate remained unchanged for the fiscal year beginning July 1, 2022. Contributions made by the Utility were \$27,760 and \$31,250 for the years ended December 31, 2022 and 2021, respectively.

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 07/01/2005	2.07%
Contributory, on or after 07/01/2005 but prior to 07/01/2007	2.03%
Contributory, on or after 07/01/2007	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.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service 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 adjusting 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

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NOTES TO FINANCIAL STATEMENTS
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Note 11. Arkansas Public Employees Retirement System: (Continued)

Contributions (Continued)

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. 24-2-703)(c)(3). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022. The contribution rate was unchanged for the fiscal year beginning July 1, 2022.

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>.

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

The collective Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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.

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Wage Inflation Rate	3.25%
Salary Increases	3.25 - 9.85% including inflation
Mortality Table	RP-2014 weighted generational mortality tables for healthy annuitized, 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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 12. Arkansas Public Employees Retirement System: (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 rates 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 System's target asset allocation as of June 30, 2022 are summarized in the table below:

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

Discount Rate

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

At December 31, 2022 the Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 13. Arkansas Public Employees Retirement System: (Continued)

Discount Rate (Continued)

	2022	2021	2020	2019	2018
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 5,625	\$ 1,382	\$ 3,329	\$ 6,399	\$ 4,098
Changes in proportion and differences between employer contributions and proportionate share of contribution	13,291	6	273	983	3,350
Changes in assumptions	-	-	3,141	12,762	29,320
Utility contributions subsequent to measurement date	15,517	18,538	14,702	16,117	15,920
Net difference between projected and actual earnings on pension plan investments	49,439	-	26,530	-	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(2,830)	(3,873)	(166)	(349)	(2,706)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(17,232)	(32,632)	(27,783)	(19,979)	(10,925)
Changes in assumptions	-	(423)	(4,296)	(9,039)	(15,936)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(106,007)	-	(1,786)	(6,521)
Totals	<u>\$ 63,811</u>	<u>\$ (123,009)</u>	<u>\$ 15,730</u>	<u>\$ 5,108</u>	<u>\$ 16,600</u>

\$15,517 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022; 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,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2023	\$ 608	\$ -	\$ 9,888	\$ (857)	\$ 9,639
2024	608	-	9,888	(857)	9,639
2025	608	-	9,888	(857)	9,639
2026	608	-	9,888	(857)	9,639
2027	363	-	9,887	(513)	9,737
	<u>\$ 2,795</u>	<u>\$ -</u>	<u>\$ 49,439</u>	<u>\$ (3,941)</u>	<u>\$ 48,293</u>

SUPPLEMENTARY INFORMATION

A

B

RISON WATER AND SEWER SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BY DEPARTMENT
FOR YEAR ENDED DECEMBER 31, 2022

SCHEDULE I
Page 18

	Water	Sewer	Total
OPERATING REVENUE:			
Water Revenue	\$ 277,881	\$ -	\$ 277,881
Sewer Revenue	-	218,004	218,004
Other Income	3,651	30	3,681
TOTAL OPERATING REVENUE	<u>281,532</u>	<u>218,034</u>	<u>499,566</u>
OPERATING EXPENSES:			
Salaries	117,023	58,898	175,921
GASB 68 Adjustment	(8,351)	(4,497)	(12,848)
Depreciation	26,357	56,622	82,979
Employee Benefits	39,457	17,659	57,116
Gas and Oil	2,769	5,743	8,512
Insurance	2,007	1,332	3,339
Office Expense	6,784	-	6,784
Payroll Taxes	9,259	4,630	13,889
Professional Services	2,187	2,187	4,374
Repairs and Maintenance	222,645	78,385	301,030
Sales Tax	25,874	-	25,874
Utilities	14,715	24,617	39,332
Miscellaneous Expense	34,532	1,754	36,286
TOTAL OPERATING EXPENSES	<u>495,258</u>	<u>247,330</u>	<u>742,588</u>
OPERATING INCOME (LOSS)	<u>(213,726)</u>	<u>(29,296)</u>	<u>(243,022)</u>
OTHER INCOME (EXPENSES):			
Interest Revenue	331	43	374
Interest Expense	(3,494)	(19,989)	(23,483)
TOTAL OTHER INCOME (EXPENSES)	<u>(3,163)</u>	<u>(19,946)</u>	<u>(23,109)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(216,889)</u>	<u>(49,242)</u>	<u>(266,131)</u>
TRANSFERS IN	226,000	35,000	261,000
CHANGE IN NET POSITION	<u>\$ 9,111</u>	<u>\$ (14,242)</u>	<u>\$ (5,131)</u>

See Independent Accountants' Compilation Report.

RISON WATER AND SEWER SYSTEM
BUDGETARY COMPARISON SCHEDULE
FOR YEAR ENDED DECEMBER 31, 2022

SCHEDULE II
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	Budget	Actual	Variance
OPERATING REVENUES:			
Sales and Services	\$ 536,900	\$ 495,885	\$ (41,015)
Other Income	9,000	3,681	(5,319)
TOTAL OPERATING REVENUES	<u>545,900</u>	<u>499,566</u>	<u>(46,334)</u>
OPERATING EXPENSES:			
Salaries	192,000	175,921	16,079
GASB 68 Adjustment	-	(12,848)	12,848
Depreciation	-	82,979	(82,979)
Employee Benefits	62,400	57,116	5,284
Gas and Oil	9,000	8,512	488
Insurance	7,000	3,339	3,661
Office Expense	7,000	6,784	216
Payroll Taxes	14,600	13,889	711
Professional Services	3,300	4,374	(1,074)
Repairs and Maintenance	316,700	301,030	15,670
Sales Tax	24,000	25,874	(1,874)
Utilities	34,000	39,332	(5,332)
Miscellaneous Expense	10,000	36,286	(26,286)
TOTAL OPERATING EXPENSES	<u>680,000</u>	<u>742,588</u>	<u>(62,588)</u>
OPERATING INCOME (LOSS)	<u>(134,100)</u>	<u>(243,022)</u>	<u>(108,922)</u>
OTHER INCOME (EXPENSES):			
Interest Revenue	-	374	374
Interest Expense	(85,900) *	(23,483)	62,417
TOTAL OTHER INCOME (EXPENSES)	<u>(85,900)</u>	<u>(23,109)</u>	<u>62,791</u>
NET INCOME (LOSS)	<u>\$ (220,000)</u>	<u>\$ (266,131)</u>	<u>\$ (46,131)</u>

See Independent Accountants' Compilation Report.

* Budgeted amount includes total principal and interest payments.

RISON WATER AND SEWER SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
FOR COST-SHARING PLANS
FOR YEAR ENDED DECEMBER 31, 2022

SCHEDULE III
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Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018
System's proportion of the net pension liability (asset) per APERS	0.0086918%	0.0007855%	0.0103010%	0.0113324%	0.0122966%
System's proportionate share of the net pension liability - per APERS	\$ 234,364	\$ 60,392	\$ 250,730	\$ 235,122	\$ 257,692
System's covered-employee payroll	\$ 181,195	\$ 176,688	\$ 184,589	\$ 191,272	\$ 197,269
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.34%	34.18%	135.83%	122.93%	130.63%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 27,759	\$ 27,068	\$ 28,279	\$ 29,302	\$ 29,669
Contributions in relation to the contractually required contribution	(27,759)	(27,068)	(28,279)	(29,302)	(29,669)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 181,195	\$ 176,688	\$ 184,589	\$ 191,272	\$ 197,269
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.04%

See Independent Accountants' Compilation Report.