

RISON WATER AND SEWER SYSTEM



RISON, ARKANSAS

DECEMBER 31, 2023

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, 2023. 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

December 16, 2024

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, 2023 and 2022, 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
December 16, 2024

RISON WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 106,465	\$ 81,294
Customer Receivables	59,376	49,398
Unbilled Revenue	16,376	12,432
TOTAL CURRENT ASSETS	<u>182,217</u>	<u>143,124</u>
RESTRICTED ASSETS:		
Cash and Cash Equivalents	<u>331,512</u>	<u>295,446</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	247,639	223,815
	3,307,013	3,283,189
Less: Accumulated Depreciation	<u>(2,107,214)</u>	<u>(2,022,533)</u>
TOTAL CAPITAL ASSETS	<u>1,199,799</u>	<u>1,260,656</u>
TOTAL ASSETS	<u>1,713,528</u>	<u>1,699,226</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	107,616	83,873
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,821,144</u>	<u>\$ 1,783,099</u>

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

RISON WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 16,499	\$ 5,677
Accrued Salaries and Vacation	17,546	14,571
Notes Payable - Current Portion	35,230	34,708
TOTAL CURRENT LIABILITIES	<u>69,275</u>	<u>54,956</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Customer Deposits	45,844	44,099
Accrued Interest Payable	1,074	1,215
Current Portion of Bond Payable	30,382	28,960
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>77,300</u>	<u>74,274</u>
TOTAL CURRENT LIABILITIES	<u>146,575</u>	<u>129,230</u>
LONG-TERM LIABILITIES:		
Water Revenue Bond	384,648	415,031
Notes Payable	146,040	181,270
Net Pension Liability	279,941	234,364
TOTAL LONG-TERM LIABILITIES	<u>810,629</u>	<u>830,665</u>
TOTAL LIABILITIES	<u>957,204</u>	<u>959,895</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	7,356	20,062
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>964,560</u>	<u>979,957</u>
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	603,499	600,687
Restricted	254,212	221,172
Unrestricted	(1,127)	(18,717)
TOTAL NET POSITION	<u>856,584</u>	<u>803,142</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,821,144</u>	<u>\$ 1,783,099</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, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
OPERATING REVENUE:		
Water Revenue	\$ 343,449	\$ 277,881
Sewer Revenue	255,936	218,004
Other Income	6,422	3,681
TOTAL OPERATING REVENUE	<u>605,807</u>	<u>499,566</u>
OPERATING EXPENSES:		
Salaries	209,988	175,921
GASB 68 Adjustment	9,128	(12,848)
Depreciation	84,681	82,979
Employee Benefits	85,138	57,116
Gas and Oil	17,833	8,512
Insurance	7,893	3,339
Office Expense	5,957	6,784
Payroll Taxes	16,524	13,889
Professional Services	4,614	4,374
Repairs and Maintenance	143,894	301,030
Sales Tax	31,688	25,874
Utilities	42,571	39,332
Miscellaneous Expense	15,297	36,286
TOTAL OPERATING EXPENSES	<u>675,207</u>	<u>742,588</u>
OPERATING INCOME (LOSS)	<u>(69,400)</u>	<u>(243,022)</u>
OTHER INCOME (EXPENSES):		
Interest Revenue	2,203	374
Interest Expense	(21,361)	(23,483)
TOTAL OTHER INCOME (EXPENSES)	<u>(19,158)</u>	<u>(23,109)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(88,558)</u>	<u>(266,131)</u>
TRANSFERS IN	142,000	261,000
CHANGE IN NET POSITION	<u>53,442</u>	<u>(5,131)</u>
NET POSITION - BEGINNING OF YEAR	803,142	808,273
NET POSITION - END OF YEAR	<u>\$ 856,584</u>	<u>\$ 803,142</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, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 591,885	\$ 492,702
Cash Payments for Goods and Services	(360,588)	(494,837)
Cash Payments to Employees	(207,013)	(178,078)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>24,284</u>	<u>(180,213)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers	142,000	261,000
Increase (Decrease) in Meter Deposits	1,745	(782)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>143,745</u>	<u>260,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(23,824)	-
Principal Paid on Debt	(63,669)	(61,800)
Interest Paid on Debt	(21,502)	(23,621)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(108,995)</u>	<u>(85,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	2,203	374
NET INCREASE IN CASH AND RESTRICTED CASH	<u>61,237</u>	<u>(5,042)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	376,740	381,782
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 437,977</u>	<u>\$ 376,740</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, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
OPERATING INCOME (LOSS)	<u>\$ (69,400)</u>	<u>\$ (243,022)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation	84,681	82,979
Pension Related Adjustment	9,128	(12,848)
Change in Assets and Liabilities:		
Accounts Receivable	(13,922)	(6,864)
Accounts Payable	10,822	1,699
Payroll Liabilities	<u>2,975</u>	<u>(2,157)</u>
TOTAL ADJUSTMENTS	<u>93,684</u>	<u>62,809</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 24,284</u></u>	<u><u>\$ (180,213)</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, 2023

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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 December 16, 2024, the date the financial statements were available for issuance.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023 and 2022, were as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Debt Service Reserve Fund	\$ 200,136	\$ 177,587
Depreciation Fund	85,532	73,760
Meter Deposit Fund	45,844	44,099
	<u>\$ 331,512</u>	<u>\$ 295,446</u>

Note 3. Unbilled Revenue:

Unbilled water and sewer revenue of \$16,376 was computed from usage from the last meter reading date of 2023 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 \$437,977. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments had bank balances of \$445,398 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, 2023

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Note 5. Capital Assets:

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

	12/31/2022 BALANCE	INCREASES	DECREASES	12/31/2023 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	23,824	-	247,639
Total Capital Assets	<u>3,283,189</u>	<u>23,824</u>	<u>-</u>	<u>3,307,013</u>
Less Accumulated Depreciation:				
Water System	(582,022)	(21,228)	-	(603,250)
Sewer System	(1,244,364)	(51,493)	-	(1,295,857)
Machinery and Equipment	(196,147)	(11,960)	-	(208,107)
Total Accumulated Depreciation	<u>(2,022,533)</u>	<u>(84,681)</u>	<u>-</u>	<u>(2,107,214)</u>
NET	<u>\$ 1,260,656</u>	<u>\$ (60,857)</u>	<u>\$ -</u>	<u>\$ 1,199,799</u>

	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>

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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Note 6. Long-Term Debt:

Long-term debt as of December 31, 2023 and 2022 was as follows:

	<u>12/31/2023</u>	<u>12/31/2022</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 \$27,739, maturing 2032.	\$ 288,703	\$ 315,093
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 \$2,643, maturing 2055.	126,327	128,898
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 \$35,230, maturing in October 2028.	<u>181,270</u>	<u>215,978</u>
	596,300	659,969
Less portion considered current	<u>(65,612)</u>	<u>(63,668)</u>
Total Long-Term debt	<u>\$ 530,688</u>	<u>\$ 596,301</u>

Debt service requirements of long-term debt as of December 31, 2023 are as follows:

Year	Principal	Interest	Total Requirements
2024	\$ 65,612	\$ 19,837	\$ 85,449
2025	67,636	17,814	85,450
2026	69,742	15,709	85,451
2027	71,934	13,516	85,450
2028	73,949	11,233	85,182
Thereafter	247,427	57,318	304,745
Total	<u>\$ 596,300</u>	<u>\$ 135,427</u>	<u>\$ 731,727</u>

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023 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.

RISON WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023. The rate remained unchanged for the fiscal year beginning July 1, 2023. Contributions made by the Utility were \$42,539 and \$27,760 for the years ended December 31, 2023 and 2022, 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, 2023. The contribution rate was unchanged for the fiscal year beginning July 1, 2023.

APERS Fiduciary Net Position

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

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, 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.

Actuarial Assumptions

The total pension liability in the June 30, 2023 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	7.00%
Investment Rate of Return	7.00% (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, 2023

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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, 2023 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Total	100%	

Discount Rate

A 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'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, 2023 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
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DECEMBER 31, 2023

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

Discount Rate (Continued)

	2023	2022	2021	2020	2019
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 15,802	\$ 5,625	\$ 1,382	\$ 3,329	\$ 6,399
Changes in proportion and differences between employer contributions and proportionate share of contribution	22,556	13,291	6	273	983
Changes in assumptions	13,161	-	-	3,141	12,762
Utility contributions subsequent to measurement date	21,254	15,517	18,538	14,702	16,117
Net difference between projected and actual earnings on pension plan investments	34,842	49,439	-	26,530	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(1,538)	(2,830)	(3,873)	(166)	(349)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(5,818)	(17,232)	(32,632)	(27,783)	(19,979)
Changes in assumptions	-	-	(423)	(4,296)	(9,039)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	(106,007)	-	(1,786)
Totals	<u>\$ 100,260</u>	<u>\$ 63,811</u>	<u>\$ (123,009)</u>	<u>\$ 15,730</u>	<u>\$ 5,108</u>

\$21,254 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, 2023; 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
2024	\$ 3,103	\$ 2,862	\$ 6,968	\$ 3,641	\$ 16,574
2025	3,103	2,862	6,968	3,641	16,574
2026	3,103	2,862	6,968	3,641	16,574
2027	3,103	2,862	6,968	3,641	16,574
2028	1,852	1,713	6,970	2,174	12,709
	<u>\$ 14,264</u>	<u>\$ 13,161</u>	<u>\$ 34,842</u>	<u>\$ 16,738</u>	<u>\$ 79,005</u>

SUPPLEMENTARY INFORMATION

RISON WATER AND SEWER SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BY DEPARTMENT
FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE I
Page 18

	Water	Sewer	Total
OPERATING REVENUE:			
Water Revenue	\$ 343,449	\$ -	\$ 343,449
Sewer Revenue	-	255,936	255,936
Other Income	4,860	1,562	6,422
TOTAL OPERATING REVENUE	<u>348,309</u>	<u>257,498</u>	<u>605,807</u>
OPERATING EXPENSES:			
Salaries	135,738	74,250	209,988
GASB 68 Adjustment	5,933	3,195	9,128
Depreciation	26,635	58,046	84,681
Employee Benefits	48,720	36,418	85,138
Gas and Oil	9,651	8,182	17,833
Insurance	4,566	3,327	7,893
Office Expense	5,957	-	5,957
Payroll Taxes	10,706	5,818	16,524
Professional Services	2,307	2,307	4,614
Repairs and Maintenance	85,854	58,040	143,894
Sales Tax	31,688	-	31,688
Utilities	15,427	27,144	42,571
Miscellaneous Expense	10,190	5,107	15,297
TOTAL OPERATING EXPENSES	<u>393,372</u>	<u>281,835</u>	<u>675,207</u>
OPERATING INCOME (LOSS)	<u>(45,063)</u>	<u>(24,337)</u>	<u>(69,400)</u>
OTHER INCOME (EXPENSES):			
Interest Revenue	1,784	419	2,203
Interest Expense	(2,728)	(18,633)	(21,361)
TOTAL OTHER INCOME (EXPENSES)	<u>(944)</u>	<u>(18,214)</u>	<u>(19,158)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(46,007)</u>	<u>(42,551)</u>	<u>(88,558)</u>
TRANSFERS IN	80,000	62,000	142,000
CHANGE IN NET POSITION	<u>\$ 33,993</u>	<u>\$ 19,449</u>	<u>\$ 53,442</u>

See Independent Accountants' Compilation Report.

RISON WATER AND SEWER SYSTEM
BUDGETARY COMPARISON SCHEDULE
FOR YEAR ENDED DECEMBER 31, 2023

SCHEDULE II
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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES:			
Sales and Services	\$ 552,500	\$ 599,385	\$ 46,885
Other Income	44,400	6,422	(37,978)
TOTAL OPERATING REVENUES	<u>596,900</u>	<u>605,807</u>	<u>8,907</u>
OPERATING EXPENSES:			
Salaries	207,000	209,988	(2,988)
GASB 68 Adjustment	-	9,128	(9,128)
Depreciation	-	84,681	(84,681)
Employee Benefits	71,400	85,138	(13,738)
Gas and Oil	9,000	17,833	(8,833)
Insurance	2,100	7,893	(5,793)
Office Expense	7,500	5,957	1,543
Payroll Taxes	15,600	16,524	(924)
Professional Services	4,200	4,614	(414)
Repairs and Maintenance	105,700	143,894	(38,194)
Sales Tax	26,000	31,688	(5,688)
Utilities	42,500	42,571	(71)
Miscellaneous Expense	20,000	15,297	4,703
TOTAL OPERATING EXPENSES	<u>511,000</u>	<u>675,207</u>	<u>(164,207)</u>
OPERATING INCOME (LOSS)	<u>85,900</u>	<u>(69,400)</u>	<u>(155,300)</u>
OTHER INCOME (EXPENSES):			
Interest Revenue	-	2,203	2,203
Interest Expense	(85,900) *	(21,361)	64,539
TOTAL OTHER INCOME (EXPENSES)	<u>(85,900)</u>	<u>(19,158)</u>	<u>66,742</u>
NET INCOME (LOSS)	<u>\$ -</u>	<u>\$ (88,558)</u>	<u>\$ (88,558)</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, 2023

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

	2023	2022	2021	2020	2019
System's proportion of the net pension liability (asset) per APERS	0.0096061%	0.0086918%	0.0007855%	0.0103010%	0.0113324%
System's proportionate share of the net pension liability - per APERS	\$ 279,941	\$ 234,364	\$ 60,392	\$ 250,730	\$ 235,122
System's covered-employee payroll	\$ 277,670	\$ 181,195	\$ 176,688	\$ 184,589	\$ 191,272
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.82%	129.34%	34.18%	135.83%	122.93%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 42,539	\$ 27,759	\$ 27,068	\$ 28,279	\$ 29,302
Contributions in relation to the contractually required contribution	(42,539)	(27,759)	(27,068)	(28,279)	(29,302)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 277,670	\$ 181,195	\$ 176,688	\$ 184,589	\$ 191,272
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%

See Independent Accountants' Compilation Report.