

**NORTH LITTLE ROCK WASTE WATER UTILITY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(With independent auditor's report thereon.)

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## INTRODUCTION

The North Little Rock Waste Water Utility, hereafter referred to as the “Utility” is pleased to present its financial report for the years ending December 31, 2022 and 2021 developed in compliance with Governmental Accounting Standards.

### **Mission**

The mission of the Utility is to provide safe, low-cost, high-quality sewer service to the citizens of North Little Rock, Maumelle and other areas as directed. This service in general includes the collection, treatment and disposal of the treated water into the Arkansas River in an environmentally sound matter.

### **Summary of Organization**

The Utility was established by the North Little Rock City Council in 1962. The City Council appointed a five member commission to oversee its operations. Each commissioner is appointed for a five year period, with any reappointment approved by the City Council. The commission meets in open public session on the second Tuesday of each month. The Utility’s day to day operations are managed by a professional Director with assistance from the senior management. The Utility has no taxing power. Operational and maintenance costs are funded from customer fees and charges. At the end of 2022, the utility provided service to approximately 40,000 customers. The acquisition and construction of capital assets are funded by customer revenues, contributions from developers and sewer improvement districts and from construction loans. The Utility maintains and operates four treatment plants, 74 pump stations and hundreds of miles of sewer lines. As of December 31, 2022, the Utility had 88 full time employees dedicated to providing sewer service to the customer base.

### **Responsibility and Controls**

The Utility has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books reflect only authorized transactions. The internal accounting controls are evaluated on an ongoing basis by the Finance Administrator. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Utility’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

### **Audit Assurance**

The unqualified opinion of our independent auditors, EGP, PLLC, is included in this report.

## **Independent Auditor's Report**

North Little Rock Waste Water Treatment Committee  
North Little Rock Waste Water Utility

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of North Little Rock Waste Water Utility, a component unit of the City of North Little Rock, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North Little Rock Waste Water Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the North Little Rock Waste Water Utility, as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Little Rock Waste Water Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Little Rock Waste Water Utility's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### ***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 GAAS will always detect a

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Little Rock Waste Water Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Little Rock Waste Water Utility's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents on pages 5 through 10 and 31 through 34 be presented to supplement the basic financial statements. Such information is the responsibility of management 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Little Rock Waste Water Utility's financial statements as a whole. The introductory section and schedule of operating expenses on pages 1 and 35, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not present fairly the financial position of the City of North Little Rock as of December 31, 2022 and 2021, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of North Little Rock Waste Water Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Little Rock Waste Water Utility, internal control over financial reporting.

EGP, PLLC

March 24, 2023

Certified Public Accountants & Consultants  
North Little Rock, Arkansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Utility's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

Our current rate ordinance was adopted on February 14, 2022, and it included rate adjustments effective on April 1, 2022, and on January 1<sup>st</sup> of the years 2023 through 2026. The rate in effect from April through December of 2022 was \$18.95 for a minimum usage of 400 cubic feet and \$5.92 per 100 cubic feet of usage after the 400 cubic feet. The rate of \$18.05 for a minimum usage of 400 cubic feet and \$5.64 per 100 cubic feet of usage after 400 was effective for the months of January through March of 2022. This was also the rates in effect for the entire year of 2021. There is a minimum charge of four 100 cubic feet for all customers.

The Utility realized an increase in its cash and certificates of deposit balance by around \$1,200,000 during 2022. The Utility did not have to cash any certificates during the year. There are a number of construction in progress projects which the accumulated cash will be used for in the coming year.

The Utility increased its property value less depreciation by around \$7,000,000 during 2022. This increase was mainly due to construction in progress projects.

The Arkansas Natural Resources Commission (ANRC) approved loan funds from the Arkansas Clean Water State Revolving Loan Fund in the amount of \$45,000,000 during 2022. The interest rate is .75 percent with an annual servicing fee of 1.00 percent. At the end of December 2022, the Utility had been disbursed the total amount of \$5,862,155 for this loan. The Utility also replaced a \$30,000,000 revenue bond issue with an interest rate of 1.25% with a \$17,373,599 revenue bond issue with an interest rate of .75%. The Utility also applied for and was approved interest rate reductions on two other bond issues for their remaining terms. One interest rate reduction was from 1.50% to .75% and the other interest rate reduction was from 1.75% to .75%.

Net Position shows an increase of around \$5,000,000 for the year of 2022. This excess of total revenues over total expenses is a good indication of the Utility's overall financial health.

## **Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utility's financial condition and performance.

The financial statements report information about the Utility using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; notes to the financial statements and other supporting schedules.

The statement of net position presents the financial position of the Utility on a full accrual historical cost basis. This statement presents information on all of the assets and liabilities with the difference reported as net position. Over time, increases and decreases in net assets are one indicator of whether the financial position is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipt and disbursement information only.

The notes to the financial statements and supplementary information are provided to disclose information that is essential to a full understanding of the material data provided in the statements.

The financial statements were prepared by the Utility's staff from its detailed transactions for the years ending December 31, 2022 and 2021. The financial statements were audited and adjusted, if material, during the independent external audit process.

## **Financial Analysis**

The comparative financial statements provide information about the financial activities of the North Little Rock Waste Water Utility. The following information is an analysis of the comparison between the two years presented in the financial statements. The amounts for the year ending December 31, 2020 are also shown for reference purposes.



**Statement of Net Position:**

This statement indicates that the Utility had an adequate amount of liquid assets as of the end of the year and a reasonable level of unrestricted net position. The other non-current liability total amount for 2022 includes an amount of \$3,099,920 for the reserve for bio-solid removal. This reserve account was set up to accrue a liability for the cost of removing sludge from the lagoons at all of the treatment plants. The current ratio is an indication of short-term liability and is calculated by dividing current assets by current liabilities. A resulting number greater than one indicates current assets in excess of current needs which can be applied to future periods. The current ratio as of December 31, 2022, was 4.14 and the ratio for 2021 and 2020 was 4.05 and 2.96, respectively. Another ratio which is shown on this statement is the debt utilization ratio which indicates what percentage the total debt is to total assets. This ratio is calculated by dividing total notes payable by total assets and deferred outflows and was 28% for the year ended December 31, 2022. The debt utilization ratio for 2021 and 2020 was 28% and 31%, respectively.

**Analysis of Statement of Net Position**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current Assets	\$ 18,914,144	\$ 17,973,708	\$ 16,130,414
Net Property & Equipment	\$ 136,135,153	\$ 129,161,536	\$ 128,203,154
Other Non-Current Assets and Deferred Outflows	\$ 8,966,635	\$ 6,421,745	\$ 5,929,151
Current Liabilities	\$ 4,571,890	\$ 4,438,428	\$ 5,443,531
Bonds Payable	\$ 42,601,998	\$ 40,261,682	\$ 42,721,590
Other Non-Current Liabilities and Deferred Inflows	\$ 8,331,949	\$ 5,316,320	\$ 4,895,507
Invested in Capital Assets, net of related debt	\$ 90,295,923	\$ 85,841,989	\$ 82,051,561
Restructed Net Assets	\$ 4,548,624	\$ 3,763,241	\$ 3,502,244
Unrestricted Net Assets	\$ 13,665,548	\$ 13,935,329	\$ 11,648,286

**Statement of Revenues, Expenses and Changes in Net Position:**

For the year ending December 31, 2022, the Utility had an operating income of \$5,670,804 with an overall increase in net position of \$4,969,536 after the non-operating income and expenses were accounted for.

**Analysis of Statement of Revenues, Expenses and  
Changes in Net Position**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating Revenue	\$ 26,167,024	\$ 24,357,675	\$ 23,087,092
Operating Expenses	\$ (20,496,220)	\$ (17,003,237)	\$ (17,637,090)
Operating Income	\$ 5,670,804	\$ 7,354,438	\$ 5,450,002
Non-Operating Revenue	\$ 155,022	\$ 97,965	\$ 1,662,243
Non-Operataing Expenses	\$ (856,290)	\$ (1,113,935)	\$ (1,206,338)
Increase in Net Position	<b><u>\$ 4,969,536</u></b>	<b><u>\$ 6,338,468</u></b>	<b><u>\$ 5,905,907</u></b>

Of the total operating revenue for 2022, 96% comes from the rates that the customer base pays for their sewer service.

The operating revenue besides that amount directly from the customer base includes late fees collected on past due billings, tie-on and permit fees, a treatment fee accessed to another city per a court order agreement and plan review charges.

The total operating expense is comprised of labor, depreciation and other. The labor cost includes benefits (insurance, training, matching FICA, and pension) as well as salary. The other operating expenses include supplies, utilities, routine repair and maintenance, outside services and any other non-labor or depreciation expense. The operating expenses increased around 20 percent for 2022. This increase was the result of the inflationary cost increase of normal purchases and a higher amount spent on emergency repairs.

The non-operating revenue includes interest income on certificates of deposits and any miscellaneous income. The non-operating revenue for 2020 included \$1,506,807 for funds received from FEMA for the flood damage which occurred in 2019.

The non-operating expense is interest expense on all loans. The decrease in 2022 is the result of the decrease in the interest rates on three outstanding loans.

**Capital Asset Information:**

As of December 31, 2022, the Utility had a property value after accumulated depreciation of \$136,135,153. This amount includes construction in progress as well as fixed assets. The major increase in property value before depreciation was the result of various construction in progress projects both completed and in progress. The construction in progress jobs included various projects for lining and pipe bursting of sewer lines. The capital asset additions were funded with both bond proceeds and reserves.

**Debt Information:**

The following schedule shows the debt activity for the year.

**SCHEDULE OF BONDS PAYABLE  
DECEMBER 31, 2022**

<b>DESCRIPTION</b>	<b>1/1/22 BALANCE</b>	<b>DRAWS RECEIVED</b>	<b>PAYMENTS</b>	<b>12/31/22 BALANCE</b>
SERIES 2001	\$ 1,629,456.01	\$ -	\$ 636,063.12	\$ 993,392.89
SERIES 2008	\$ 7,950,059.79	\$ -	\$ 717,567.89	\$ 7,232,491.90
SERIES 2012	\$ 15,754,895.57	\$ -	\$ 977,629.93	\$ 14,777,265.64
SERIES 2016	\$ 17,985,135.45	\$ -	\$ 1,011,211.02	\$ 16,973,924.43
SERIES 2022	\$ -	\$ 5,862,155.00	\$ -	\$ 5,862,155.00
	<b><u>\$43,319,546.82</u></b>	<b><u>\$ 5,862,155.00</u></b>	<b><u>\$ 3,342,471.96</u></b>	<b><u>\$45,839,229.86</u></b>

The payments recorded for the revolving loan funds were the scheduled six-month payments. The Series 2001 loan will be paid off in April, 2024. The Series 2008 loan will be paid off in October, 2031. The Series 2012 loan will be paid off in October, 2035. The Series 2016 will be paid off in October 2040 and the Series 2022 will be paid off in October 2043.

**Budget to Actual Comparison:**

The budget is prepared by the Utility's Finance Administrator and is based on the previous year's dollar amounts. The previous year's amounts are adjusted to reflect the projected activity for the current year. The 2022 budget was amended during the year to reflect revenue more accurately after the rate change and interest expense after the interest rate changes on the outstanding loans.

The total operating revenue was more than the amount budgeted. The actual usage for the customers was higher than what was budgeted, thus the customer revenue was higher than expected.

The budgeted total operating expense was higher than actual. The budget included the amount of \$2,000,000 for emergency repairs and only around \$1,000,000 was expensed.

**Analysis of Planned Activity for 2023:**

The Utility plans on continuing with the Maumelle to White Oak Diversion project and starting projects for various large interceptor cured in-place rehabilitation. Loan proceeds will be used for the diversion and the large line interceptor projects. The Utility also has budgeted for several secondary sewer line rehabilitation projects as well as the purchase of

land for future treatment plant expansions. These projects will be funded from the Utility's reserves and rates.

**Contacting the Management:**

The financial report is designed to provide our customers, citizens and creditors with a general overview of the Utility's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact our administration office.

**North Little Rock Waste Water Utility**  
**Statement of Net Position**  
**December 31, 2022 and 2021**  
(See independent auditor's report.)

	<b>2022</b>	<b>2021</b>
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b>Current Assets</b>		
Cash	\$ 3,731,614	5,475,273
Certificates of deposit	11,779,100	9,758,971
Accrued interest receivable	27,464	5,556
Accounts receivable (net of allowance of \$29,000 for 2022 and \$10,000 for 2021)	3,206,151	2,604,638
Inventory	60,847	33,195
Prepaid expenses	108,968	96,075
<b>Total Current Assets</b>	<b>18,914,144</b>	<b>17,973,708</b>
<b>Noncurrent Assets</b>		
Restricted assets:		
Cash and cash equivalents	3,372,669	2,488,970
Certificates of deposit	515,294	513,029
Other assets	660,661	761,242
Property, plant and equipment, net	136,135,153	129,161,536
Notes receivable, net of current portion	166,830	171,195
<b>Total Noncurrent Assets</b>	<b>140,850,607</b>	<b>133,095,972</b>
<b>Total Assets</b>	<b>159,764,751</b>	<b>151,069,680</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	4,251,181	2,487,309
<b>Total Deferred Outflows of Resources</b>	<b>4,251,181</b>	<b>2,487,309</b>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <b>\$ 164,015,932</b>	 <b>153,556,989</b>

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

	<u>2022</u>	<u>2021</u>
<b><u>Liabilities, Deferred Inflows of Resources and Net Position</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 97,417	61,875
Other current liabilities	544,163	573,053
Accrued absences	693,078	745,635
Current portion of long-term debt	3,237,232	3,057,865
<b>Total Current Liabilities</b>	<u>4,571,890</u>	<u>4,438,428</u>
<b>Noncurrent Liabilities</b>		
Reserve for bio-solids disposal	3,099,920	1,860,200
Pension liability	3,740,989	1,373,351
OPEB obligation	92,591	144,467
Bonds payable, net of current portion	42,601,998	40,261,682
<b>Total Noncurrent Liabilities</b>	<u>49,535,498</u>	<u>43,639,700</u>
<b>Total Liabilities</b>	<u>54,107,388</u>	<u>48,078,128</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	1,398,449	1,938,302
<b>Total Deferred Inflows of Resources</b>	<u>1,398,449</u>	<u>1,938,302</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>55,505,837</u>	<u>50,016,430</u>
<b>Net Position</b>		
Net investment in capital assets	90,295,923	85,841,989
Restricted	4,548,624	3,763,241
Unrestricted	13,665,548	13,935,329
<b>Total Net Position</b>	<u>108,510,095</u>	<u>103,540,559</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 164,015,932</u>	<u>153,556,989</u>

**North Little Rock Waste Water Utility**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**  
(See independent auditor's report)

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Service charges	23,062,465	21,856,313
Service charges - industry	2,022,652	1,709,151
Service charges - violations	300,010	260,432
Service charges - late fees	387,682	352,995
Permits and inspections	52,635	50,450
Other operating income	341,580	128,334
<b>Total Operating Revenues</b>	<u>26,167,024</u>	<u>24,357,675</u>
<b>Operating Expenses</b>		
Cost of sales	12,059,838	9,266,886
Operating expenses	8,436,382	7,736,351
<b>Total Operating Expenses</b>	<u>20,496,220</u>	<u>17,003,237</u>
<b>Operating Income</b>	<u>5,670,804</u>	<u>7,354,438</u>
<b>Non-Operating Income</b>		
Interest income	120,180	46,453
Gain on disposal of property, plant and equipment	13,925	35,723
Other non-operating income	20,917	15,789
<b>Total Non-Operating Income</b>	<u>155,022</u>	<u>97,965</u>
<b>Non-Operating Expenses</b>		
Interest expense	856,290	1,113,935
<b>Total Non-Operating Expenses</b>	<u>856,290</u>	<u>1,113,935</u>
<b>Increase in Net Position</b>	4,969,536	6,338,468
Net position - beginning of period	<u>103,540,559</u>	<u>97,202,091</u>
<b>Net Position - End of Period</b>	<u>\$ 108,510,095</u>	<u>103,540,559</u>

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

**North Little Rock Waste Water Utility**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**  
(See independent auditor's report.)

	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from:		
Customers	\$ 25,228,296	25,636,708
Other operating income	341,580	128,334
Cash payments for:		
Cash paid to suppliers for goods and services	(8,920,178)	(7,985,628)
Cash paid to or on behalf of employees for services	(5,238,861)	(4,583,029)
<b>Net Cash Provided by Operating Activities</b>	<b>11,410,837</b>	<b>13,196,385</b>
 <b>Cash Flows From Capital and Related Financing Activities:</b>		
Repayment of long-term debt and bonds payable	(3,342,472)	(3,430,003)
Proceeds from draws on bond	5,862,155	597,957
Acquisition and construction of capital assets	(12,055,926)	(5,865,519)
Proceeds from disposal of property, plant and equipment	24,941	38,557
Interest paid	(856,290)	(1,113,935)
<b>Net Cash (Required) by Capital and Related Financing Activities</b>	<b>(10,367,592)</b>	<b>(9,772,943)</b>
 <b>Cash Flows From Investing Activities:</b>		
Investment in certificates of deposit	(12,294,394)	(10,272,000)
Proceeds from maturity of certificates of deposit	10,272,000	10,229,024
Interest and other income received	119,189	81,702
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>(1,903,205)</b>	<b>38,726</b>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(859,960)</b>	<b>3,462,168</b>
Cash and cash equivalents at beginning of year	7,964,243	4,502,075
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,104,283</b>	<b>7,964,243</b>
 <b>Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 3,731,614	5,475,273
Restricted cash and cash equivalents	3,372,669	2,488,970
<b>Total Cash and Cash Equivalents</b>	<b>\$ 7,104,283</b>	<b>7,964,243</b>

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



	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 5,670,804	7,354,438
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	5,071,293	4,904,303
(Increase) decrease in assets:		
Accounts and notes receivable	(597,148)	274,724
Inventory	(27,652)	(2,518)
Grant receivable	-	1,132,643
Other assets	87,688	(18,978)
Deferred outflows	(1,763,872)	(236,075)
Increase (decrease) in liabilities:		
Accounts payable	35,542	(525,485)
Accrued absences	(52,557)	(95,535)
Other liabilities	3,526,592	(912,240)
Deferred inflows	(539,853)	1,321,108
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 11,410,837</u>	<u>13,196,385</u>

**North Little Rock Waste Water Utility**  
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**1. Summary of Significant Accounting Policies**

Principles of Operation

The North Little Rock Waste Water Utility (the “Utility”) (a component unit of the City of North Little Rock) is financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not, present fairly the financial position of the City of North Little Rock, Arkansas, as of December 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Utility follows Government Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates 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.

The Utility uses the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the related cash flows. The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management’s estimates. Those estimates and assumptions 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 expenditures during the reporting period. Actual results may differ from estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Utility considers certificates of deposits and all highly liquid cash investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit with original maturities of greater than three months. Certificates of deposit are recorded at amortized cost which approximates fair value.

Accounts Receivable

Sales of sewer services are made on open account to customers located in North Little Rock, Arkansas and surrounding areas. The Utility utilizes the allowance method of accounting for uncollectible accounts receivable. The Utility reviews its customer accounts on a periodic basis and records a reserve for specific amounts that management determines may not be collected. In addition, the Utility has established a general reserve for potential uncollectible accounts based on historical bad debts. Amounts are written off at the point

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when collection attempts have been exhausted, which is usually 120 days after the account is past due. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While management believes the Utility's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to the allowance recorded by the Utility. Accounts receivable are net of an allowance for doubtful accounts of \$29,000 and \$10,000 at December 31, 2022 and 2021, respectively.

Inventory

Inventory consists of materials and supplies valued at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost unless otherwise noted. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets ranging from three to fifty years. Assets are constructed and acquired by four methods: utility work crews, independent contractors financed by utility funds, contributions to the utility by independently financed waste water improvement districts, and contributions to the utility by real estate developers in conjunction with a property development. Assets acquired from improvement districts and real estate developers result in donated capital and have been so classified. Donated fixed assets are valued at their estimated fair market value on the date donated. The Utility capitalizes all purchases over \$1,000 that have at least a three year useful life. Costs of repairs and maintenance that do not improve or extend the assets lives are charged to expense as incurred.

Long-Lived Assets

The Utility reviews long-lived assets and certain identifiable intangibles held and used by the Utility for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended December 31, 2022 and 2021, no impairment has been identified.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets*

This component of net position consists of 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 is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted for debt service*

This component of net position consists of 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. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Utility's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

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*Unrestricted*

This component of net position consists of net assets that do not meet the definition of “net investment in capital assets” or “restricted.”

Accrued Absences

Each employee may accumulate a maximum of thirty days of vacation and sixty days of sick leave. The Utility has accrued a liability for vacation and sick leave pay, which has been earned but not taken by employees.

Reserve for Bio-Solids Disposal

The Utility provides annually for the estimated cost of bio-solids removal from the treatment plant lagoons, which occurs every five to fifteen years for each lagoon. During 2022, the Utility reviewed revised its estimates in regard to the cost to remove bio-solids from each lagoon and also the estimated volume to be removed. This resulted in a change in the estimated reserve for bio-solids disposal of approximately \$1 million.

Budgets and Budgetary Accounting

Budgeted revenues and expenses are prepared using the economic resources measurement focus and the accrual basis of accounting. The original budget adopted by the Utility was amended during the year ended December 31, 2022. During the year ended December 31, 2021, the original budget adopted by the Utility was not amended.

Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources, which represents consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. In addition, the statement net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until then. The Utility utilizes deferred outflows and deferred inflows to account for changes regarding pension liabilities.

**2. Description of Funds**

The Utility complies with all state and local laws and regulations as well as the provisions of certain contracts requiring the use of separate funds. The required funds used by the Utility include the following:

Sewer Fund

The Sewer Fund was established for the purpose of depositing all revenues derived from the operation of the system. Revenues are for the payment of reasonable and necessary expenses of operation and maintenance of the system, payment of principal, interest and trustee’s fees on bonds, reserve for contingencies, and providing for a depreciation fund.

Operating and Maintenance Fund

The Operating and Maintenance Fund is used to pay the reasonable and necessary monthly expenses of operation, and repair and maintenance of the Utility. The fund is maintained by required monthly transfers from the Sewer Fund.

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Sewer Depreciation Fund

The Sewer Depreciation Fund is restricted to paying the costs of needed capital improvements or replacements; provided, however, that monies in the Sewer Depreciation Fund may be used to the extent necessary to prevent a default in the payment of the principal and interest on bonds as they become due. The fund is maintained by required monthly transfers from the Sewer Fund.

Rehabilitation Fund

The Rehabilitation Fund was established in 2007 by city ordinance #7973 (as amended by city ordinance #8083) to provide for system repairs and replacements from the proceeds of 2007 rate increases. The ordinance requires that a monthly transfer of \$41,667 (\$500,000 annually) be made from the Sewer Fund to provide for repairs and replacements.

2001 Revolving Loan Fund

The 2001 Revolving Loan Fund was established in 2001 and is restricted to the recording of activity in connection with the 2001 Revolving Loan Fund.

2008 Revolving Loan Fund

The 2008 Revolving Loan Fund was established in 2008 and is restricted to the recording of activity in connection with the 2008 Revolving Loan Fund.

2012 Revolving Loan Fund

The 2012 Revolving Loan Fund was established in 2012 and is restricted to the recording of activity in connection with the 2012 Revolving Loan Fund.

2016 Revolving Loan Fund

The 2016 Revolving Loan Fund was established in 2016 and is restricted to the recording of activity in connection with the 2016 Revolving Loan Fund.

2022 Revolving Loan Fund

The 2022 Revolving Loan Fund was established in 2022 and is restricted to the recording of activity in connection with the 2022 Revolving Loan Fund.

**3. Cash and Certificates of Deposit**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase and by attempting to match investment maturities with cash flow requirements.

Credit risk is the risk that the issuer of counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Utility's investment policy specifies the types of securities in which the Utility may invest. Generally, this is accomplished by investing in certificates of deposit with maturities of less than five years.

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to the Utility. At December 31, 2022 and 2021, the Utility's deposits with two financial institutions were fully insured or collateralized and totaled \$19,737,757 and \$18,434,933, respectively.

**4. Restricted Funds**

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The Utility has certain debt services funds with the Arkansas Development Finance Authority (“ADFA”), which are restricted to various uses. The Utility is required to deposit monthly with the ADFA, to be held in trust, an amount equal to 1/6 of the interest to become due on the next ensuing interest payment plus 1/6 of the next installment of principal next due on the Bonds. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which a deposit is required to be made. The total deposits, held in trust as of December 31, 2022 and 2021, were \$660,661 and \$761,242, respectively.

In addition, certain funds included in cash and cash equivalents and certificates of deposit are restricted to construction, rehabilitation or capital improvements. Those funds totaled \$3,887,963 and \$3,001,999 as of December 31, 2022 and 2021, respectively.

**5. Property, Plant and Equipment**

Property, plant and equipment consisted of the following at December 31:

	<b>2021</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>2022</b>
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	203,289,622	1,193,898	5,332,645	(119,688)	209,696,477
Construction in process	9,025,828	10,862,028	(5,332,645)	-	14,555,211
	<u>215,455,259</u>	<u>12,055,926</u>	<u>-</u>	<u>(119,688)</u>	<u>227,391,497</u>
Less accumulated depreciation	<u>(86,293,723)</u>	<u>(5,071,293)</u>	<u>-</u>	<u>108,672</u>	<u>(91,256,344)</u>
	<u>\$ 129,161,536</u>	<u>6,984,633</u>	<u>-</u>	<u>(11,016)</u>	<u>136,135,153</u>
	<b>2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>2021</b>
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	195,393,611	696,932	7,273,236	(74,157)	203,289,622
Construction in process	11,130,477	5,168,587	(7,273,236)	-	9,025,828
	<u>209,663,897</u>	<u>5,865,519</u>	<u>-</u>	<u>(74,157)</u>	<u>215,455,259</u>
Less accumulated depreciation	<u>(81,460,743)</u>	<u>(4,904,303)</u>	<u>-</u>	<u>71,323</u>	<u>(86,293,723)</u>
	<u>\$ 128,203,154</u>	<u>961,216</u>	<u>-</u>	<u>(2,834)</u>	<u>129,161,536</u>

**6. Long-Term Debt**

In 2001, the Utility received a \$10,000,000 program award available for approved construction. The interest rate on the 2001 revolving loan fund is at 2.25% and a financing fee at 1% of the outstanding principal. Repayment of principal, interest and financing fee of the 2001 loan began in October 2005 with payments to be made semi-annually over twenty years.

In 2008, the Utility received a \$14,000,000 program award available for approved construction. The interest rate on the 2008 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2008 loan began in April 2012 with payments to be made semi-annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement

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dated October 8, 2008, by reducing the interest rate from 1.75% percent to .75% percent on remaining bonds outstanding in the amount of \$7,602,004. Semiannual payments, including principal, interest, and service fee, will be reduced by \$21,341 over the life of the bonds.

In 2012, the Utility received a \$21,000,000 program award available for approved construction. The interest rate on the 2012 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2012 loan began in April 2016 with payments to be made semi-annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement dated October 8, 2012, by reducing the interest rate from 1.5% percent to .75% percent on remaining bonds outstanding in the amount of \$15,281,481. Semiannual payments, including principal, interest, and service fee, will be reduced by \$32,422 over the life of the bonds.

In 2016, the Utility received a \$30,000,000 program award available for approved construction. The interest rate on the 2016 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2016 loan began in April 2021 with payments to be made semi-annually over twenty years. On April 15, 2022, the Utility modified the original bond purchase agreement dated October 25, 2016, by reducing the interest rate from 1.25% percent to .75% percent on remaining bonds outstanding in the amount of \$17,373,599. Semiannual payments, including principal, interest, and service fee, will be reduced by \$381,811 over the life of the bonds. Due to the 2016 Bond being closed out, undrawn loan funds in the amount of \$10,812,127 were de-obligated by the Utility. The de-obligation was reported to the Natural Resources Division on June 1, 2022.

In 2022, the Utility received a \$45,000,000 program award available for approved construction. The interest rate on the 2022 revolving loan fund is at 0.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2022 loan will begin in April 2024 with payments to be made semi-annually over twenty years. At December 31, 2022, \$39,137,845 remained to be drawn.

The Utility has outstanding revenue bonds from direct borrowings totaling \$45,839,230 and \$43,319,547 for the years ending December 31, 2022 and 2021, respectively. The Utility has specifically pledged the revenues of the utility system for the repayment of the bonds. The above notes payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Take possession of the collateralized properties, (3) Gain access to other assets of the Utility to protect the lender's interest, and (4) Use any remedy allowed by state or federal law. The Utility is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, to pay the principal of and premium, if any, and interest on all outstanding bonds to which system revenues are pledged as they become due and make required deposits into the Sewer Depreciation Fund. The Utility also covenants that the rates shall, from time to time be increased to such an amount as will provide revenues at least sufficient for the above purposes. The Utility was in compliance with all debt covenants for the years ended December 31, 2022 and 2021.

The following is a summary of the bonds payable activity at December 31:

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	<u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>2022</u>
Bonds payable	\$ 43,319,547	5,862,155	(3,342,472)	45,839,230
	<u>2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>2021</u>
Bonds payable	\$ 46,151,593	597,957	(3,430,003)	43,319,547

Aggregate payments of the revolving loan fund balance outstanding are as follows for the years ending December 31:

	<u>2001</u>	<u>2008</u>	<u>2012</u>	<u>2016</u>	<u>2022</u>	<u>Total</u>
Principal:						
2023	\$ 656,904	748,751	1,021,705	809,872	-	3,237,232
2024	336,488	761,912	1,039,663	824,107	1,897,166	4,859,336
2025	-	775,304	1,057,937	838,592	1,930,511	4,602,344
2026	-	788,931	1,076,532	853,331	1,964,443	4,683,237
2027	-	802,798	1,095,454	868,330	1,998,971	4,765,553
2028-2032	-	3,354,797	5,772,941	4,576,021	10,534,397	24,238,156
2033-2037	-	-	3,713,034	4,992,562	11,493,313	20,198,909
Thereafter	-	-	-	3,211,109	15,181,199	18,392,308
	<u>\$ 993,392</u>	<u>7,232,493</u>	<u>14,777,266</u>	<u>16,973,924</u>	<u>45,000,000</u>	<u>84,977,075</u>
Interest:						
2023	26,990	52,846	108,922	125,793	-	314,551
2024	5,468	47,206	101,226	119,692	333,958	607,550
2025	-	41,466	93,394	113,484	319,668	568,012
2026	-	35,626	85,425	107,167	305,125	533,343
2027	-	29,683	77,316	100,739	290,328	498,066
2028-2032	-	57,188	259,861	403,251	1,217,405	1,937,705
2033-2037	-	-	49,088	224,734	809,440	1,083,262
Thereafter	-	-	-	42,452	375,951	418,403
	<u>\$ 32,458</u>	<u>264,015</u>	<u>775,232</u>	<u>1,237,312</u>	<u>3,651,875</u>	<u>5,960,892</u>

## 7. Pension Plan

### Plan Description

North Little Rock Waste Water Utility Defined Pension Plan (the “Plan”) is a single-employer sponsored plan administered by North Little Rock Waste Water Utility (the “Utility”). The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Utility’s Board of Commissioners establishes benefit provisions and all other requirements. The Plan does not issue stand-alone financial statements, nor is it included in another public employee retirement system plan’s financial statements. Participants are not required to contribute to the plan.



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Benefits Provided

The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits are based on 2% of average annual compensation for the last five years of employment multiplied by the employee's years of credited service up to 30 years. Employees are fully vested after five years. Employees eligible for retirement benefits after attaining 65 years of age with five years of credited service and are eligible for early retirement after attaining age 55 with ten years of credited services. The Utility is required to contribute to the Plan at an actuarially determined rate.

The Plan does not provide for automatic cost of living adjustments ("COLA") although the plan sponsor may make changes. The plan has not given a retiree increase. Therefore, any increases are not substantively automatic and no COLA is included in the determination of the total pension liability.

As of the measurement date on July 1, 2022, the Plan had 73 active employees, 36 inactive employees entitled to, but not yet receiving benefits and 53 inactive employees or beneficiaries currently receiving benefits. As of July 1, 2021, the Plan had 74 active employees, 38 inactive employees entitled to, but not yet receiving benefits and 50 inactive employees or beneficiaries currently receiving benefits.

Contributions

Actuarially determined contributions are determined based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions are based on the employee's annual covered salary. The Utility's contribution rate and actuarially determined contribution for the years ended December 31, 2022 and 2021, were 19.71 and 12.77 percent and \$782,259 and \$491,142, respectively. Actual contributions for the years ended December 31, 2022 and 2021, equaled \$800,000 and \$600,000, or 102.3 and 122.2 percent of required contributions, respectively.

Net Pension Liability

The Utility's net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, as of June 30, 2022 and 2021:

The assumptions used were as follows:

Cost Method:	The "entry age normal cost method" has been used in determining retirement cost. The method used for the July 1, 2013, and previous valuations was the aggregate funding method.
Amortization Method:	The entry age normal cost method also requires an amortization method to be used in calculating the range of recommended contributions. The Unfunded Liabilities are amortized on a level of percentage of salary method and a range of 10 to 15 years is shown. The longest amortization of 15 years was reduced from 20 years beginning July 1, 2021.
Pre-Retirement Mortality:	RP 2000 table.
Post-Retirement Mortality:	RP 2000 table. The mortality table used for the July 1, 2013, and previous valuation was the Unisex Pensioner 1984 table (UP84).

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Mortality Projection:	Future mortality improvements were not considered in developing the suggested contribution for this report. The liabilities are significantly more volatile with regards to the other assumptions (i.e., investment return, retirement age, and turnover) than with mortality improvement.
Voluntary Terminations:	T-2 table.
Investment Rate of Return:	6.5%, net of Plan investment expense, including inflation
Inflation:	3%
Expected Retirement Pattern:	Retirement was assumed to occur in the following pattern beginning with the July 1, 2021 valuation: 5% at ages 55 to 61; 20% at age 62; 5% at ages 63 to 64; 50% at age 65; 25% at ages 66 to 69; and 100% 70 and over. Prior to July 1, 2021 all participates were assumed to retire on their normal retirement age.
Assumed Investment Return:	6.50% beginning with July 1, 2017 (7.50% for prior years).
Salary Growth:	3.50% annually starting in 2017 (4.50% for prior years), including inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as both of December 31, 2022 and 2021, are summarized in the following table:

2022		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	4.50%
Fixed Income	30%	1.75%
Real estate	10%	4.25%
Foreign equity	6%	6.25%
Cash	5%	0.00%
Total	100%	3.53%
Inflation		3.00%
2021		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	4.50%
Fixed Income	30%	1.75%
Real estate	10%	4.25%
Foreign equity	6%	6.25%
Cash	5%	0.00%
Total	100%	3.53%
Inflation		3.00%

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

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Single Discount Rate

A single discount rate of 6.5% 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 6.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was not available to make all projected future benefit payments of current plan members. Therefore, the single discount rate was calculated and applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2022, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2021	\$ 17,210,922	15,837,571	1,373,351
Changes for the year:			
Service cost	320,028	-	320,028
Interest	1,109,344	-	1,109,344
Difference between expected and actual experience	400,596	-	400,596
Contributions—employer	-	600,000	(600,000)
Net investment income	-	(1,171,609)	1,171,609
Benefit payments including refunds of employee contributions	(928,248)	(928,248)	-
Other changes	-	33,939	(33,939)
Net changes	<u>901,720</u>	<u>(1,465,918)</u>	<u>2,367,638</u>
Balance, June 30, 2022	<u>\$ 18,112,642</u>	<u>14,371,653</u>	<u>3,740,989</u>

Changes in the net pension liability for the year ended December 31, 2021, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2020	\$ 15,489,098	13,037,243	2,451,855
Changes for the year:			
Service cost	359,368	-	359,368
Interest	1,006,486	-	1,006,486
Difference between expected and actual experience	476,534	-	476,534
Contributions—employer	-	750,000	(750,000)
Net investment income	-	2,789,277	(2,789,277)
Benefit payments including refunds of employee contributions	(728,145)	(728,145)	-
Changes in assumptions	454,581	-	454,581
Change in Benefit Provisions	153,000	-	153,000
Other changes	-	(10,804)	-
Net changes	<u>1,721,824</u>	<u>2,800,328</u>	<u>(1,089,308)</u>
Balance, June 30, 2021	<u>\$ 17,210,922</u>	<u>15,837,571</u>	<u>1,373,351</u>

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

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The following represents what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>		
	<u>Discount Rate</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 20,277,815	5,906,162	\$ 19,250,421	3,412,850
Current discount rate	6.50%	18,112,642	3,740,989	17,210,922	1,373,351
1% increase	7.50%	16,306,532	1,934,879	15,486,101	(351,470)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2022 and 2021, the Utility recognized pension expense of \$812,037 and \$606,529, respectively. At December 31, 2022 and 2021, the deferred outflows and inflows of resources were as follows:

<u>2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 697,663	237,950
Changes of assumptions	543,215	-
Net difference between projected and actual earnings on Plan investments	<u>2,210,303</u>	<u>1,160,499</u>
	3,451,181	1,398,449
Employer contributions subsequent to measurement	800,000	-
Total	<u>\$ 4,251,181</u>	<u>1,398,449</u>
 <u>2021</u>		
Differences between expected and actual experience	\$ 428,745	389,656
Changes of assumptions	753,831	-
Net difference between projected and actual earnings on Plan investments	<u>704,733</u>	<u>1,548,646</u>
	1,887,309	1,938,302
Employer contributions subsequent to measurement	600,000	-
Total	<u>\$ 2,487,309</u>	<u>1,938,302</u>

The Utility contributed \$800,000 and \$600,000 in 2022 and 2021, respectively, that are reported as deferred outflows of resources related to pensions result from contributions by the Utility made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ending December 31, 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

	2023	\$	514,147
	2024		465,488
	2025		200,960
	2026		597,858
	2027		173,633
	Thereafter		100,146
		<u>\$</u>	<u>2,052,232</u>

Components of Net Pension Liability

The components of the net pension liability at June 30, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 18,112,642	17,210,922
Plan's fiduciary net position	14,371,653	15,837,571
Net pension liability	<u>\$ 3,740,989</u>	<u>1,373,351</u>
Plan fiduciary net position as a percentage of total pension liability	79.35%	92.02%

**8. Post-employment Benefits Other than Pensions (OPEB)**

GASB requires that employers providing post-employment benefits other than pensions record and disclose annual other post-employment benefit ("OPEB") cost and a net OPEB liability in their financial statements and disclose other information about their OPEB plans, including the unfunded actuarial liability.

Plan Description

The Utility's defined benefit OPEB plan (the "OPEB plan") provides OPEB for Utility employees resulting from Arkansas statutes which provide that any municipal official or employee vested in any retirement plan that has 20 years of service and attains 55 years of age may continue to participate in the Utility's healthcare plan after retirement provided that they pay 100% of the group premium. The OPEB plan is a single-employer defined benefit OPEB plan and is administered by the Utility. Standalone financial statements are not issued for the OPEB Plan.

Benefits Provided

The OPEB plan provides medical, pharmacy, dental, and vision insurance to participants after retirement provided that they pay 100% of the group premium.

As the measurement date of December 31, 2022, the Plan had 84 active employees with no inactive employees entitled to, but not yet receiving benefits and no inactive employees or beneficiaries currently receiving benefits.

Annual OPEB Cost and Net OPEB Liability

The Utility's annual OPEB cost and liability is calculated using the Entry Age Normal Actuarial Cost Method as required by GASB 75. The Actuarially Determined Contribution and the Amortization Payment are not applicable due to the plan not being prefunded. The Utility recognizes a liability due to the implicit subsidy rate that is inherent of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and active employees are the same.

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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As of both December 31, 2022 and 2021, the actuarial accrued liability for benefits was \$92,591 and \$144,467, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2022 and 2021, was \$4,804,038 and \$4,800,377, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.93% and 3.01%, respectively. The actuarial assumptions included a 6.50% investment rate of return and projected annual salary increases of 3.5%.

*Health Insurance Premiums*

Health insurance premiums are paid monthly and are the same for both pre-age 65 and ages 65 or older. Benefits pay secondary to Medicare. For the year ended December 31, 2022, annual retiree health insurance premiums were \$5,376 for a single coverage and \$11,910 for family coverage.

*Healthcare Cost Trend Rate*

The cost trend numbers used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The ACA excise tax will ultimately affect all plans. Due to the variability of the ACA excise tax by plan, the user needs to estimate the impact and adjust the trend. The excise tax could raise the average annual trend rate by 0.5% or more in each year.

*Actuarial Cost Methods and Assumptions*

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following represent the key actuarial assumptions:

Age Adjustment Factor:	1.822503
Average Retirement Age:	63
Employer Future Premium Contribution:	Remain a level percentage of the total cost over time
Actuarial Cost Method:	Entry Age Normal
Amortization: Method:	Level Percentage of Payroll
Assets Backing OPEB Liability:	None
Plan Asset Return:	None
Bond Yield:	3.60% (1.65% in prior year)
Discount Rate:	3.60% (1.65% in prior year)
Measurement Date:	December 31, 2022 and 2021
Projected Salary Increases:	3.0%
Amortization Period:	20 years, if applicable
Percentage Participation:	2.00%
Healthcare Cost Trend:	Healthcare costs are expected to increase annually 4.2% to 4.7% for medical, 4.2% to 5.2% for pharmacy, 3.0% to 3.5% for dental and 3.0% for vision.
NOL and ADC:	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table:	Pub-2010 Public Retirement Mortality Table with mortality improvement projected for 10 years.

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Turnover Assumption: Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of employee group covered by the Federal Employees Retirement System.

Changes in Net OPEB Liability

Changes in the net pension liability were as follows:

<b>2022</b>	<b>Total OPEB Liability</b>	<b>Total Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance, January 1, 2022	\$ 144,467	-	144,467
Changes for the year:			
Service cost	7,280	-	7,280
Interest on OPEB liability	2,504	-	2,504
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(16,889)	-	(16,889)
Effect of assumption changes or inputs	(44,771)	-	(44,771)
Net changes	(51,876)	-	(51,876)
Balance, December 31, 2022	<u>\$ 92,591</u>	<u>-</u>	<u>92,591</u>
<b>2021</b>			
Balance, January 1, 2021	\$ 140,768	-	140,768
Changes for the year:			
Service cost	7,570	-	7,570
Interest on OPEB liability	2,863	-	2,863
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(15,084)	-	(15,084)
Effect of assumption changes or inputs	8,350	-	8,350
Net changes	3,699	-	3,699
Balance, December 31, 2021	<u>\$ 144,467</u>	<u>-</u>	<u>144,467</u>

Sensitivity of the OPEB to Changes in the Discount Rate and Healthcare Trend Rate

The following tables represent what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>December 31, 2022</b>			<b>December 31, 2021</b>		
	<b>Discount Rate</b>	<b>Net OPEB Liability</b>	<b>Changes from Baseline</b>	<b>Discount Rate</b>	<b>Net OPEB Liability</b>	<b>Changes from Baseline</b>
1% decrease	2.60%	\$ 112,600	20,009	0.65%	\$ 180,366	35,899
Current discount rate	3.60%	92,591	-	1.93%	144,467	-
1% increase	4.60%	77,122	(15,469)	2.65%	117,376	(27,091)

The following presents the OPEB liability calculated using the healthcare trend rates 1 percent lower or 1 percent higher than the current rate:

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

	December 31, 2022		December 31, 2021	
	Net OPEB Liability	Changes from Baseline	Net OPEB Liability	Changes from Baseline
1% decrease	\$ 72,445	(20,146)	\$ 111,209	(33,258)
Current discount rate	92,591	-	144,467	-
1% increase	119,660	27,069	189,832	45,365

**9. Average Number of Sewer Users**

The average number of residential, commercial, and industrial customers for the year ended December 31, 2022, was 37,237; 3,391; and 19, respectively. The average number of residential, commercial, and industrial customers for the year ended December 31, 2021, was 37,155; 3,409; and 19, respectively.

**10. Insurance Coverage**

The Utility was insured at December 31, 2022 and 2021, for general liability, automobile liability and all risk replacement cost except worker's compensation with the Arkansas Municipal League with claims administered by Alliant Insurance Services Inc. of Little Rock. The Utility was insured with the Municipal League Workers' Compensation Trust for worker's compensation. The policy effective dates are for a calendar year for all aforementioned insurance policies. The Utility was insured at December 31, 2022 and 2021, with RSUI Indemnity Co. for blanket property coverage.

The following schedule lists the coverage and limits:

<u>Type of Insurance</u>	<u>Limits</u>
1. General liability	
a. Property	\$502,500,000 per occurrence
b. Cyber liability	\$25,000,000 subject to \$2,000,000 per member
2. Automobile liability	\$25,000 each occurrence, bodily injury and property damage/\$50,000 bodily injury per accident
3. All risk replacement cost	\$500,000,000
4. Blanket property coverage	
a. Earthquake coverage	\$52,500,000 per occurrence
b. Flood coverage	\$52,500,000 per occurrence



**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**11. Current Sewer Rates**

The current sewer rates were established by Ordinance No. 9432 by the City Council of the City of North Little Rock on February 14, 2022. The classes of users include residential, commercial, and significant industrial customers. The rates for each residential customer are computed based on the average monthly usage for the billing months of October, November, December, January, February and March. The rates for each commercial customer are computed based on the actual usage. In the case of new residential customers for whom records are not available for the entire six-month period, the rates are computed on actual water usage until an average monthly usage can be calculated. The minimum monthly charge for the first four hundred cubic feet or less of the average monthly usage is a rate equal to \$18.95. For each one hundred cubic feet, or fraction thereof, the monthly rate for residential, commercial and industrial customers is equal to \$5.92 per one hundred cubic feet charged with a minimum of \$18.95 per four hundred cubic feet for existing users. Existing users are defined as users physically located within the city limits of North Little Rock or when they are physically located within the now existing territorial boundaries of an improvement district that received services from the system on the date of the enactment of ordinance 9432. Any user not deemed to be an existing user shall be deemed to be an outside user, but will have the same monthly rate as an existing user.

Significant industrial customers are defined by the ordinance as any non-residential customer which normally discharges wastewater to the system in quantities of 25,000 gallons per day or greater or whose wastewater contains or has the potential to contain toxic pollutants, restricted pollutants, or non-compatible pollutants. The minimum monthly charge and additional monthly charge as stated above applies. In addition, penalties are assessed for biochemical oxygen demand, total suspended solids, ph, fats, oils and greases, and other limited parameters in excess of maximum limits established by the ordinance.

**12. Total Annual Billable Water**

The total annual billable water for the year ended December 31, 2022, was 3,982,297 one-hundred cubic feet, comprised of 2,457,950 one-hundred cubic feet annual billable water for residential customers and 1,524,347 one-hundred cubic feet annual billable water for commercial customers. The total annual billable water for the year ended December 31, 2021, was 3,905,463 one-hundred cubic feet, comprised of 2,466,452 one-hundred cubic feet annual billable water for residential customers and 1,439,011 one-hundred cubic feet annual billable water for commercial customers.

**North Little Rock Waste Water Utility**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2022**  
(See independent auditor's report.)

	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Operating Revenues</b>			
Service charges	\$ 22,873,300	23,062,465	189,165
Service charges - industry	1,906,300	2,022,652	116,352
Service charges - violations	250,800	300,010	49,210
Service charges - late fees	377,200	387,682	10,482
Permits and inspections	51,200	52,635	1,435
Other operating income	13,300	341,580	328,280
<b>Total Operating Revenues</b>	<u>25,472,100</u>	<u>26,167,024</u>	<u>694,924</u>
<b>Operating Expenses</b>			
Cost of sales	13,654,000	12,059,838	(1,594,162)
Operating expenses	8,849,500	8,436,382	(413,118)
<b>Total Operating Expenses</b>	<u>22,503,500</u>	<u>20,496,220</u>	<u>(2,007,280)</u>
<b>Operating Income</b>	<u>2,968,600</u>	<u>5,670,804</u>	<u>2,702,204</u>
<b>Non-Operating Income</b>			
Interest and other income	60,000	155,022	95,022
<b>Total Non-Operating Income</b>	<u>60,000</u>	<u>155,022</u>	<u>95,022</u>
<b>Non-Operating Expenses</b>			
Interest expense	1,054,800	856,290	(198,510)
<b>Total Non-Operating Expenses</b>	<u>1,054,800</u>	<u>856,290</u>	<u>(198,510)</u>
<b>Increase in Net Position</b>	<u>1,973,800</u>	<u>4,969,536</u>	<u>2,995,736</u>
Net position - beginning of period	103,540,559	103,540,559	-
<b>Net Position - End of period</b>	<u>\$ 105,514,359</u>	<u>108,510,095</u>	<u>2,995,736</u>

**North Little Rock Waste Water Utility**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Seven Years Ended December 31, 2022**  
(See independent auditor's report.)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total Pension Liability</b>				
Service cost	\$ 320,028	\$ 359,368	\$ 359,055	\$ 372,460
Interest	1,109,344	1,006,486	972,926	934,150
Benefit changes	-	153,000	-	-
Differences between expected and actual experience	400,596	476,534	(141,901)	(88,707)
Assumption change	-	454,581	-	-
Benefit payments	(928,248)	(728,145)	(620,051)	(595,829)
Net change in total pension liability	<u>901,720</u>	<u>1,721,824</u>	<u>570,029</u>	<u>622,074</u>
Total pension liability - beginning	<u>17,210,922</u>	<u>15,489,098</u>	<u>14,919,069</u>	<u>14,296,995</u>
<b>Total Pension Liability - Ending</b>	<u>18,112,642</u>	<u>17,210,922</u>	<u>15,489,098</u>	<u>14,919,069</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employee	-	-	-	-
Contributions - employer	600,000	750,000	750,000	1,353,100
Net investment income	(1,171,609)	2,789,277	(261,577)	798,804
Benefit payments	(928,248)	(728,145)	(620,051)	(595,829)
Administrative expense	-	-	-	-
Other	33,939	(10,804)	3,706	(2,334)
Net change in plan net position	<u>(1,465,918)</u>	<u>2,800,328</u>	<u>(127,922)</u>	<u>1,553,741</u>
Plan fiduciary net position - beginning	<u>15,837,571</u>	<u>13,037,243</u>	<u>13,165,165</u>	<u>11,611,424</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u>14,371,653</u>	<u>15,837,571</u>	<u>13,037,243</u>	<u>13,165,165</u>
Net pension liability	<u>\$ 3,740,989</u>	<u>\$ 1,373,351</u>	<u>\$ 2,451,855</u>	<u>\$ 1,753,904</u>
Plan fiduciary net position as a percentage of total pension liability	79.35%	92.02%	84.17%	88.24%
Covered employee payroll	3,967,880	3,846,544	3,867,031	3,856,063
Net pension liability as a percentage of covered employee payroll	94.28%	35.70%	63.40%	45.48%
Annual money-weighted rate of return	-7.4%	21.3%	-2.0%	6.6%

Note: A full 10 year schedule will be completed as information is available. Valuation date is July 1 or 6 months prior to the end of the fiscal year in which contributions are reported.

Note: Key actuarial assumptions and disclosures can be found in Note 7 of the financial statements

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
364,770	325,043	289,654	273,092
893,838	927,980	871,343	881,729
-	-	-	-
(64,567)	(449,454)	101,449	(786,365)
-	1,092,570	-	-
(566,646)	(549,127)	(536,212)	(510,798)
627,395	1,347,012	726,234	(142,342)
13,669,600	12,322,588	11,596,354	11,738,696
14,296,995	13,669,600	12,322,588	11,596,354
-	-	-	-
702,970	625,000	600,000	642,000
577,978	858,710	416,717	94,153
(566,646)	(549,127)	(536,212)	(510,798)
-	-	-	-
13,615	14,211	(2,632)	(558)
727,917	948,794	477,873	224,797
10,883,507	9,934,713	9,456,840	9,232,043
11,611,424	10,883,507	9,934,713	9,456,840
2,685,571	2,786,093	2,387,875	2,139,514
81.22%	79.62%	80.62%	81.55%
3,675,206	3,621,125	3,288,939	3,125,501
73.07%	76.94%	72.60%	68.45%
5.3%	8.6%	4.4%	1.0%

**North Little Rock Waste Water Utility**  
**Schedule of Contributions**  
**For the Seven Years Ended December 31, 2022**  
(See independent auditor's report.)

Fiscal Year ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
2015	\$ 577,750	642,000	(64,250)	3,125,501	20.54%
2016	551,811	600,000	(48,189)	3,288,939	18.24%
2017	616,644	625,000	(8,356)	3,621,125	17.26%
2018	702,970	702,970	-	3,675,206	19.13%
2019	698,563	1,353,100	(654,537)	3,856,063	35.09%
2020	575,971	750,000	(174,029)	3,867,031	19.39%
2021	657,970	750,000	(92,030)	3,846,544	19.50%
2022	491,142	600,000	(108,858)	3,967,880	15.12%

Note: A full 10 year schedule will be completed as information is available. Valuation date is July 1 or 6 months prior to the end of the fiscal year in which contributions are reported.

Key assumptions for actuarially determined contribution:

Cost method:	Entry Age Normal
Amortization method:	Level Percent of Salary
Remaining amortization:	10 years
Asset valuation:	Market Value
Investment rate of return:	6.5% (7.5% for 2016 and prior)
Mortality:	Pub 2010

**North Little Rock Waste Water Utility**  
**Schedule of Changes in the Other Post-Retirement Benefit Liability and Related Ratios**  
**For the Five Years Ended December 31, 2022**  
(See independent auditor's report.)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 7,280	\$ 7,570	\$ 13,772
Interest	2,504	2,863	10,227
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Effect of economic/demographic gains or losses	(16,889)	(15,084)	(216,695)
Assumption change	(44,771)	8,350	33,514
Benefit payments	-	-	-
Net change in total pension liability	<u>(51,876)</u>	<u>3,699</u>	<u>(159,182)</u>
Total OPEB liability - beginning	<u>144,467</u>	<u>140,768</u>	<u>299,950</u>
<b>Total OPEB Liability - Ending</b>	<u>92,591</u>	<u>144,467</u>	<u>140,768</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - employee	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net change in plan net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u>-</u>	<u>-</u>	<u>-</u>
 Net OPEB liability	<u>\$ 92,591</u>	<u>\$ 144,467</u>	<u>\$ 140,768</u>
 Plan fiduciary net position as a percentage of total pension liability	0.00%	0.00%	0.00%
 Covered employee payroll	3,967,880	4,800,377	4,490,198
 Net OPEB liability as a percentage of covered employee payroll	2.33%	3.01%	3.14%

Note: A full 10 year schedule will be completed as information is available.

Note: Key actuarial assumptions and disclosures can be found in Note 8 of the financial statements

<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 15,645	\$ 15,645	14,453
10,968	9,047	5,951
-	-	-
-	-	-
(33,223)	31,724	-
20,880	58,671	-
-	-	-
<u>14,270</u>	<u>115,087</u>	<u>20,404</u>
<u>285,680</u>	<u>170,593</u>	<u>150,189</u>
<u>299,950</u>	<u>285,680</u>	<u>170,593</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 299,950</u>	<u>\$ 285,680</u>	<u>170,593</u>
0.00%	0.00%	0.00%
4,367,587	4,051,934	4,312,328
6.87%	7.05%	3.96%

**North Little Rock Waste Water Utility**  
**Schedule of Operating Expenses**  
**For the Years Ended December 31, 2022 and 2021**  
(See independent auditor's report on other supplementary information.)

	<u>2022</u>	<u>2021</u>
<b>Administrative and General</b>		
Advertising	\$ 7,106	1,350
Audit and other professional fees	36,387	23,000
Depreciation	588,477	549,958
Employee physicals expense	992	1,021
Equipment repair and maintenance	8,527	19,103
Executive salary	140,005	149,924
Gas - transportation equipment	140	884
Holiday pay	25,840	22,589
Insurance - general	17,064	16,316
Insurance - group	59,860	41,353
Insurance - transportation equipment	413	398
Janitorial	2,874	2,635
Labor expense - office	377,429	293,678
Legal	90,174	34,371
Longevity pay	59,679	63,200
Maintenance and repairs - transportation equipment	1,040	145
Miscellaneous	606,651	432,205
Miscellaneous leave pay	4,505	7,603
OPEB expense	-	3,699
Payroll taxes	45,460	42,024
Postage expense	2,002	1,586
Rent/lease expense	1,698	1,986
Sick leave expense	31,698	49,986
Subscription and dues	23,277	11,959
Supplies expense	32,492	24,487
Telephone	8,955	7,848
Training	31,099	10,286
Travel, meetings, and conventions	7,195	5,106
Utilities	14,313	10,918
Vacation	41,736	54,708
Workers' compensation insurance	4,166	3,647
<b>Total Administrative and General</b>	<u>2,271,254</u>	<u>1,887,973</u>



	<u>2022</u>	<u>2021</u>
<b>Undistributed Expense</b>		
Depreciation - nonfunded	4,482,816	4,354,345
Employee pension	812,037	606,529
Pension plan administration	5,405	11,175
<b>Total Undistributed Expense</b>	<u>5,300,258</u>	<u>4,972,049</u>
<b>Utilities Accounting</b>		
Bad debt	333,759	330,865
Billing and collecting - North Little Rock district	512,165	502,628
Billing and collecting - other districts	18,946	42,836
<b>Total Utilities Accounting</b>	<u>864,870</u>	<u>876,329</u>
<b>Total Operating Expenses</b>	<u>\$ 8,436,382</u>	<u>7,736,351</u>

**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the  
Financial Statements Performed in Accordance with *Government Auditing Standards***

North Little Rock Waste Water Treatment Committee  
North Little Rock Waste Water Utility

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Little Rock Waste Water Utility as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North Little Rock Waste Water Utility’s basic financial statements, and have issued our report thereon dated March 24, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered North Little Rock Waste Water Utility’s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Little Rock Waste Water Utility’s internal control. Accordingly, we do not express an opinion on the effectiveness of North Little Rock Waste Water Utility’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 North Little Rock Waste Water Utility’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 24, 2023

EGP, PLLC

Certified Public Accountants & Consultants  
North Little Rock, Arkansas