

ARKADELPHIA WATER AND SEWER SYSTEM



ARKADELPHIA, ARKANSAS

DECEMBER 31, 2020

ARKADELPHIA WATER AND SEWER SYSTEM
ARKADELPHIA, ARKANSAS

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DECEMBER 31, 2020

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TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

Report on the Financial Statements

We have audited the accompanying financial statements of Arkadelphia Water and Sewer System, a component unit of the City of Arkadelphia, Arkansas, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Arkadelphia Water and Sewer System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkadelphia Water and Sewer System as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only Arkadelphia Water and Sewer System and do not purport to, and do not present fairly the financial position of the City of Arkadelphia, Arkansas, as of December 31, 2020 and 2019, 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 Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 and the supplemental information for cost-sharing plans on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Restricted Assets and Liabilities (Page 23), Schedules of Operating Revenues and Operating Expenses – By Division (Page 24), By Department (Arkadelphia Division) (Page 25) and By Operating Area (Arkadelphia Division) (Pages 26-27), and Schedules of Debt Service Requirements (Pages 29-30) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Arkadelphia Water and Sewer System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arkadelphia Water and Sewer System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arkadelphia Water and Sewer System's internal control over financial reporting and compliance.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

September 23, 2021

ARKADELPHIA WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

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ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 744,291	\$ 565,792
Certificates of Deposit	599,997	701,373
Accounts Receivable - Trade	518,525	421,728
Unbilled Revenue	72,782	65,345
Materials and Supplies	69,248	69,573
Prepaid Expenses	-	22,073
Accrued Interest Receivable	1,198	1,347
TOTAL CURRENT ASSETS	<u>2,006,041</u>	<u>1,847,231</u>
RESTRICTED ASSETS (Schedule I)	<u>927,302</u>	<u>881,713</u>
PLANT AND EQUIPMENT:		
Water Plant	23,163,013	22,572,236
Sewer Plant	8,894,417	8,788,840
Operating Equipment	2,078,197	1,936,969
Office Equipment	64,267	64,267
Construction in Progress	-	89,387
	<u>34,199,894</u>	<u>33,451,699</u>
Less: Accumulated Depreciation	<u>(20,188,204)</u>	<u>(18,973,300)</u>
TOTAL PLANT AND EQUIPMENT	<u>14,011,690</u>	<u>14,478,399</u>
OTHER ASSETS:		
Land	215,060	215,060
Water and Sewer Master Plan (Net of Amortization of \$98,337 and \$87,106)	<u>39,003</u>	<u>50,234</u>
TOTAL OTHER ASSETS	<u>254,063</u>	<u>265,294</u>
TOTAL ASSETS	<u>17,199,096</u>	<u>17,472,637</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	315,764	176,004
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$17,514,860</u>	<u>\$17,648,641</u>

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

ARKADELPHIA WATER AND SEWER SYSTEM
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

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LIABILITIES AND FUND EQUITY

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 109,810	\$ 49,844
Accrued Salaries	65,095	54,086
Notes Payable - Current Portion	244,676	214,387
TOTAL CURRENT LIABILITIES	<u>419,581</u>	<u>318,317</u>
 LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Schedule I)	 <u>491,752</u>	 <u>417,781</u>
 LONG-TERM LIABILITIES:		
Notes Payable, Less Current Maturity \$279,236 (\$247,895 in 2019)	5,476,436	5,732,208
Net Pension Liability	1,261,333	967,992
TOTAL LONG-TERM LIABILITIES	<u>6,737,769</u>	<u>6,700,200</u>
 TOTAL LIABILITIES	 <u>7,649,102</u>	 <u>7,436,298</u>
 DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	73,105	121,537
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>7,722,207</u>	 <u>7,557,835</u>
 FUND EQUITY:		
Contributed Capital	5,486,431	5,404,322
Retained Earnings:		
Reserved	435,550	463,932
Unreserved	3,870,672	4,222,552
TOTAL FUND EQUITY	<u>9,792,653</u>	<u>10,090,806</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	 <u>\$17,514,860</u>	 <u>\$17,648,641</u>

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

ARKADELPHIA WATER AND SEWER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY
 FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUE:		
Water Revenue	\$ 1,683,048	\$ 1,614,060
Sewer Revenue	933,118	945,169
Penalties	46,485	46,081
Tie-On Fees	10,875	14,960
Other Income	88,178	79,907
TOTAL OPERATING REVENUE	2,761,704	2,700,177
OPERATING EXPENSES:		
Personnel	1,295,635	1,253,404
Supplies	228,558	262,473
Maintenance	240,179	177,877
Miscellaneous	479,193	556,927
Depreciation and Amortization	731,329	884,649
TOTAL OPERATING EXPENSES	2,974,894	3,135,330
OPERATING INCOME	(213,190)	(435,153)
OTHER INCOME (EXPENSES):		
Interest Income	8,286	20,219
Interest Expense	(178,358)	(240,639)
TOTAL OTHER INCOME (EXPENSES)	(170,072)	(220,420)
NET INCOME (LOSS)	(383,262)	(655,573)
FUND EQUITY AT BEGINNING OF YEAR	10,090,806	10,746,379
CAPITAL CONTRIBUTED DURING THE YEAR	85,109	-
FUND EQUITY AT END OF YEAR	\$ 9,792,653	\$ 10,090,806

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

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	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,702,967	\$ 2,689,770
Cash Payments for Goods and Services	(1,168,080)	(1,334,571)
Cash Payments to Employees	(874,929)	(856,686)
NET CASH PROVIDED BY OPERATING ACTIVITIES	659,958	498,513
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	29,343	17,086
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(207,274)	(103,787)
Principal Paid on Long-Term Debt	(247,902)	(192,144)
Interest Paid on Long-Term Debt	(180,005)	(241,930)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(635,181)	(537,861)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Acquisition of Gum Springs Division	68,968	-
Purchase of Investments	(607,398)	(809,913)
Proceeds from Sale and Maturity of Investments	707,584	835,785
Interest Received on Investments	9,275	19,350
NET CASH FLOW FROM INVESTING ACTIVITIES	178,429	45,222
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	232,549	22,960
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	931,152	908,192
CASH AND RESTRICTED CASH - END OF YEAR	\$ 1,163,701	\$ 931,152

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

ARKADELPHIA WATER AND SEWER SYSTEM
 COMBINED STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

Reconciliation of operating income to net cash provided by operating activities:

	2020	2019
OPERATING INCOME	\$ (213,190)	\$ (435,153)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Bad Debt Expense	2,034	1,610
Depreciation and Amortization	731,329	884,649
Pension Related Adjustments	105,149	61,477
Change in Assets and Liabilities:		
Accounts Receivable	(58,737)	(12,017)
Inventory of Supplies	325	(11,937)
Prepaid Expenses	22,073	3,427
Accounts Payable	59,966	(1,293)
Salaries Payable	11,009	7,750
TOTAL ADJUSTMENTS	873,148	933,666
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 659,958	\$ 498,513

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Significant Accounting Policies:

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

Material and supplies inventories are stated at the current costing of physical inventory counts.

Plant and equipment are stated at cost or customer cost of construction on contributed assets, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water Plant and Distribution	10 - 50 Years
Sewer Plant and Collection System	25 - 40 Years
Vehicles and Equipment	4 - 10 Years

Depreciation is partially funded by transfers to the depreciation fund at the rate of 5% of gross revenues of the System.

Bond discount and expense are amortized based on the ratio of bonds outstanding at the end of the year.

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.

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

Note 1. Significant Accounting Policies: (Continued)

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

Management has evaluated subsequent events through September 23, 2021, the date the financial statements were available for issuance.

Note 2. Current Assets:

The operation and maintenance fund and other current assets are available to meet the existing current liabilities and provide working capital for the System. Ordinance No. 457 provides that any excess accumulation in the Combined Waterworks and Sewer Revenue Fund may be used for bond redemption, financing extensions or improvements to the System, or for any other lawful purpose. The balance in the Combined Waterworks and Sewer Revenue Fund is shown as a current asset since its use is not restricted. Of this amount, \$144,422 is invested in money market checking, \$280,889 in savings and \$599,997 in certificates of deposit. Interest rates on certificates of deposit held at December 31, 2020 ranged from 0.20% – 2.76%.

An aged analysis of accounts receivable from water and sewer customers as of December 28, 2020 is as follows:

Current	\$ 340,497
Past Due	197,764
Overpayments	<u>(19,736)</u>
Total	<u><u>\$ 518,525</u></u>

Unbilled water revenue of \$69,248 was computed for water sold from the last meter reading date until the end of December. This amount is computed by allocating water used based on the last meter reading date.

Note 3. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements.

Schedule I of this report shows an analysis of restricted assets and liabilities at December 31, 2020, compared with those balances at December 31, 2019. Restricted cash is invested in certificates of deposit and savings accounts that are earning interest at rates of 0.20% – 2.76%.

The System maintains cash equal to customers' meter deposits in a certificate of deposit and a meter deposit checking account. These accounts are reflected as restricted assets and the corresponding liability as a liability payable from restricted assets.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4. Capital Assets:

Capital Asset activity for the years ending December 31, 2020 and 2019 was as follows:

	12/31/2019 BALANCE	INCREASES	DECREASES	TRANSFERS	12/31/2020 BALANCE
Capital Assets:					
Water Plant	\$ 22,572,236	\$ 501,390	\$ -	\$ 89,387	\$ 23,163,013
Sewer Plant	8,788,840	105,577	-	-	8,894,417
Operating Equipment	1,936,969	141,228	-	-	2,078,197
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	89,387	-	-	(89,387)	-
Total Capital Assets	33,451,699	748,195	-	-	34,199,894
Less Accumulated Depreciation:					
Water Plant	(9,413,268)	(936,047)	-	-	(10,349,315)
Sewer Plant	(7,733,740)	(107,390)	-	-	(7,841,130)
Operating Equipment	(1,766,499)	(170,280)	-	-	(1,936,779)
Office Equipment	(59,793)	(1,187)	-	-	(60,980)
Total Accumulated Depreciation	(18,973,300)	(1,214,904)	-	-	(20,188,204)
NET	\$ 14,478,399	\$ (466,709)	\$ -	\$ -	\$ 14,011,690
	12/31/2018	INCREASES	DECREASES	TRANSFERS	12/31/2019 BALANCE
Capital Assets:					
Water Plant	\$ 22,544,276	\$ 27,960	\$ -	\$ -	\$ 22,572,236
Sewer Plant	8,732,918	55,922	-	-	8,788,840
Operating Equipment	1,917,366	19,603	-	-	1,936,969
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	89,085	302	-	-	89,387
Total Capital Assets	33,347,912	103,787	-	-	33,451,699
Less Accumulated Depreciation:					
Water Plant	(8,838,302)	(574,966)	-	-	(9,413,268)
Sewer Plant	(7,490,544)	(243,196)	-	-	(7,733,740)
Operating Equipment	(1,712,905)	(53,594)	-	-	(1,766,499)
Office Equipment	(58,132)	(1,661)	-	-	(59,793)
Total Accumulated Depreciation	(18,099,883)	(873,417)	-	-	(18,973,300)
NET	\$ 15,248,029	\$ (769,630)	\$ -	\$ -	\$ 14,478,399

Note 5. Current Liabilities:

Liabilities due upon demand or within one year from the balance sheet date, with the exception of liabilities payable out of special purpose funds, have been classified as current liabilities on Page 5.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6. Compensated Absences:

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In accordance with the provisions of Accounting Standards Codification Topic 710, Compensated Absences, no liability is recorded for nonvesting, accumulating rights to receive sick pay benefits.

Vacations are earned at twelve days per year after the first year of employment plus an additional day each year after five years of employment with a maximum of twenty days. Sick leave is earned at the rate of fifteen working days per year for a maximum of sixty-six days. Expenses related to compensated absences of \$38,056 and \$33,792 have been accrued as of December 31, 2020 and 2019, respectively.

Note 7. Liabilities Payable from Restricted Assets:

Interest accrued but unpaid and a portion of the current maturity on the outstanding revenue bond is reflected as liabilities to be liquidated with the revenue bond funds. The additional current maturity is reflected as a liability to be liquidated with current assets.

Note 8. Long-Term Debt:

Long-Term Debt consists of the following:

	12/31/2020	12/31/2019
Revenue Bond, Series 2016, semi-annual payments of \$119,349 including interest at 2.0% plus a 1% service fee, maturing in April 2049.	\$ 4,551,244	\$ 4,651,151
Revenue Bond, Series 2004, semi-annual payments of \$189,988 including interest at 2.25% plus a 1% service fee, maturing in 2027.	\$ 1,180,957	\$ 1,328,952
Note payable to AR Natural Resource Commission; due in annual installments of \$1,017, including interest at 3.0%, secured by the Gum Springs Division's revenue. Forgiven in 2021.	23,471	-
	5,755,672	5,980,103
Less portion considered current	(279,236)	(247,895)
Total long-term debt	\$ 5,476,436	\$ 5,732,208

The Water and Sewer Revenue Bonds are secured by a pledge of the funds in the combined waterworks and sewer revenue bond fund and revenues derived from the Water and Sewer System. Schedules of debt service requirements are shown on Schedules VII and VIII.

Note 9. Contributed Capital:

The balance in this account represents the value of System additions paid for by customers, other outside sources, and grants received to assist in financing construction of new additions to the System.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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Note 10. Retained Earnings:

Retained earnings consist of the accumulated earnings of the water and sewer system in prior years and the net income as shown by Page 6 of this report.

Reserved retained earnings are stated based on the excess of restricted assets over the related liabilities payable from the restricted assets. An analysis of restricted assets and liabilities is presented in Schedule I.

Note 11. Other:

Transfers to the Depreciation Fund exceeded the amounts required by Ordinances No. 331 and No. 457. The Ordinances state that 2% of gross revenues are to be transferred to the depreciation fund on the first business day of each month the bonds are maintained. The System is making monthly transfers equal to 5% of gross revenues.

Note 12. 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 on which are fully guaranteed by the United States of America. All cash funds of the System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Arkadelphia 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. Arkadelphia Water and Sewer System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2020 was \$2,271,096. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$2,735,623 before reduction of outstanding items. Securities with a total market value of \$3,089,510 were pledged as collateral by the depository institution and held by the pledging institution's agent in the System's name.

Federal Deposit Insurance Corporation 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 Arkadelphia Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Arkadelphia accounts and investments at a financial institution.

Investment Interest Rate Risk: Arkadelphia Water and Sewer System does not have an investment interest rate risk. All investments are twelve to thirty-six-month certificates of deposit and the System is under no obligation to renew upon maturity.

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

Note 12. Public Fund Deposits and Investments: (Continued)

Investment Credit Risk: Arkadelphia Water and Sewer System does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

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

Note 13. 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, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 14. Risk Management:

The Arkadelphia 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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 15. Major Customers:

The System sells water to four wholesale customers which accounts for approximately 27.38% of total water revenue. These are summarized below: (Gum Springs is 1/1/20-5/31/20 only.)

	<u>Sales</u>	<u>Percent</u>
Caddo Valley	\$ 180,550	10.45%
Country Water	145,706	8.44%
Gum Springs	36,526	2.12%
River Valley	110,018	6.37%
	<u>\$ 472,800</u>	

Note 16. Arkansas Public Employees Retirement System:

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2015. The Statement establishes standards for public pension plan obligations for participating employers.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 16. Arkansas Public Employees Retirement System: (Continued)

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position (Continued)

Under the new 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.

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/2020. The rate remained unchanged for the fiscal year beginning 7/1/2020. Contributions made by the Utility were \$122,001 and \$126,795 for the years ended December 31, 2020 and 2019, 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.

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Page 16

Note 16. Arkansas Public Employees Retirement System: (Continued)

Benefits Provided (Continued)

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 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, 2020. The contribution rate was unchanged for the fiscal year beginning July 1, 2020.

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability was measured as of June 30, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

ARKADELPHIA WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

Note 16. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions (Continued)

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Mortality Table	RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

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, 2020 are summarized in the table below:

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

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 16. Arkansas Public Employees Retirement System: (Continued)

Discount Rate

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 16,745	\$ 26,345	\$ 15,685	\$ 21,136	\$ 941
Changes in proportion and differences between employer contributions and proportionate share of contribution	83,688	32,500	56,768	40,393	29,576
Changes in assumptions	15,803	52,540	112,218	175,425	76,366
Utility contributions subsequent to measurement date	66,063	64,619	62,115	57,482	54,858
Net difference between projected and actual earnings on pension plan investments	133,465	-	-	45,686	173,987
Deferred Inflows of Resources:					
Differences between expected and actual experience	(835)	(1,438)	(10,354)	(21,444)	(35,748)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(50,659)	(75,535)	(4,001)	(6,708)	(9,691)
Changes in assumptions	(21,611)	(37,211)	(60,993)	-	-
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(7,353)	(24,957)	-	-
Totals	<u>\$ 242,659</u>	<u>\$ 54,467</u>	<u>\$ 146,481</u>	<u>\$ 311,970</u>	<u>\$ 290,289</u>

ARKADELPHIA WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 16. Arkansas Public Employees Retirement System: (Continued)

\$66,063 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, 2020. 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
2021	\$ 3,460	\$ (1,263)	\$ 26,693	\$ 7,184	\$ 36,074
2022	3,460	(1,263)	26,693	7,184	36,074
2023	3,460	(1,263)	26,693	7,184	36,074
2024	3,460	(1,263)	26,693	7,184	36,074
2025	2,070	(756)	26,693	4,293	32,300
	<u>\$ 15,910</u>	<u>\$ (5,808)</u>	<u>\$ 133,465</u>	<u>\$ 33,029</u>	<u>\$ 176,596</u>

Note 17. Gum Springs Water Acquisition:

Effective June 1, 2020, Arkadelphia Water and Sewer System acquired Gum Springs Water System. All assets of Gum Springs Water System were transferred to Arkadelphia Water and Sewer System. All liabilities were assumed by Arkadelphia Water and Sewer System. The net result of the acquisition was the recording of contributed capital in the amount of \$85,109. Arkadelphia Water and Sewer System also obtained approval from Arkansas Natural Resource Commission for a loan in the amount of \$2,766,900 which will be used for improvements/repairs to the Gum Springs system. Of this amount, \$766,900 will be forgiven by ANRC upon completion. In addition, ANRC agreed to forgive the outstanding loan owed by Gum Springs that was assumed by Arkadelphia Water and Sewer System. The loan in the amount of \$23,471 was forgiven in 2021.

All inter-division transactions from June 1, 2020 forward have been eliminated from the financial statements. Sales from Arkadelphia to the Gum Springs division are not included in revenue and water purchases by Gum Springs from Arkadelphia are not included in operating expenses.

TURNER, RODGERS, MANNING & PLYLER, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arkadelphia Water and Sewer System as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arkadelphia Water and Sewer System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arkadelphia Water and Sewer System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arkadelphia Water and Sewer System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arkadelphia Water and Sewer System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

September 23, 2021

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the financial statements of Arkadelphia Water and Sewer System ("the System").

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the System were disclosed by during the audit.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

N/A

SUPPLEMENTARY INFORMATION

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF RESTRICTED ASSETS AND LIABILITIES
 DECEMBER 31, 2020 AND 2019

SCHEDULE I
 Page 23

	2020	2019
REVENUE BOND FUND:		
Cash and Cash Equivalents	\$ 71,461	\$ 72,056
DEPRECIATION FUND:		
Cash and Cash Equivalents	67,370	59,736
Accrued Interest	471	877
Certificate of Deposit	407,398	415,019
TOTAL DEPRECIATION FUND	475,239	475,632
CUSTOMERS' METER DEPOSITS:		
Cash and Cash Equivalents	280,579	233,568
Accrued Interest	23	457
Certificate of Deposit	100,000	100,000
TOTAL CUSTOMERS' METER DEPOSITS	380,602	334,025
TOTAL RESTRICTED ASSETS	927,302	881,713
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued Interest on Bonds - Combined Water and Sewer	36,901	38,548
Notes Payable - Current Maturity	34,560	33,508
Customers' Meter Deposits	420,291	345,725
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	491,752	417,781
NET RESTRICTED ASSETS	\$ 435,550	\$ 463,932

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY DIVISION
FOR YEAR ENDED DECEMBER 31, 2020

SCHEDULE II
Page 24

	Division		Total
	Arkadelphia	Gum Springs	
OPERATING REVENUES:			
Sales and Services	\$ 2,447,311	\$ 168,855	\$ 2,616,166
Penalties	44,090	2,395	46,485
Tie-on Fees	10,875	-	10,875
Other Income	81,594	6,584	88,178
TOTAL OPERATING REVENUES	2,583,870	177,834	2,761,704
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,267,480	28,155	1,295,635
Chemicals and Supplies	155,838	8,183	164,021
Vehicle Operating	20,077	1,851	21,928
Office Expense	12,697	5,634	18,331
Postage	17,796	2,000	19,796
Uniforms	13,968	-	13,968
Insurance	54,876	-	54,876
Maintenance	236,750	3,429	240,179
Special Services	70,137	862	70,999
Utilities and Telephone	282,373	5,776	288,149
Miscellaneous	31,798	6,365	38,163
Depreciation	729,804	1,525	731,329
FSDW - Fee	17,520	-	17,520
TOTAL OPERATING EXPENSES	2,911,114	63,780	2,974,894
OPERATING INCOME (LOSS)	\$ (327,244)	\$ 114,054	\$ (213,190)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF OPERATING REVENUES AND
 OPERATING EXPENSES - BY DEPARTMENT
 (ARKADELPHIA DIVISION)
 FOR YEAR ENDED DECEMBER 31, 2020

SCHEDULE III
 Page 25

	Department		Total
	Water	Sewer	
OPERATING REVENUES:			
Sales and Services	\$ 1,514,193	\$ 933,118	\$ 2,447,311
Penalties	22,045	22,045	44,090
Tie-on Fees	4,650	6,225	10,875
Other Income	65,037	16,557	81,594
TOTAL OPERATING REVENUES	1,605,925	977,945	2,583,870
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	777,836	489,644	1,267,480
Chemicals and Supplies	119,060	36,778	155,838
Fuel	10,039	10,038	20,077
Office Expense	6,349	6,348	12,697
Postage	8,898	8,898	17,796
Uniforms	6,984	6,984	13,968
Insurance	27,438	27,438	54,876
Maintenance	130,412	106,338	236,750
Special Services	26,951	43,186	70,137
Utilities and Telephone	203,928	78,445	282,373
Miscellaneous	13,133	18,665	31,798
Depreciation	597,820	131,984	729,804
FSDW - Fee	17,520	-	17,520
TOTAL OPERATING EXPENSES	1,946,368	964,746	2,911,114
OPERATING INCOME (LOSS)	\$ (340,443)	\$ 13,199	\$ (327,244)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY OPERATING AREA (WATER)
(ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2020

SCHEDULE IV
Page 26

	<u>Water Treatment</u>	<u>Water Distribution</u>	<u>Total Water</u>
OPERATING REVENUES:			
Sales and Services			\$ 1,514,193
Penalties			22,045
Tie-on Fees			4,650
Other Income			65,037
TOTAL OPERATING REVENUES			<u>1,605,925</u>
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	\$ 259,202	\$ 277,144	536,346
Chemicals and Supplies	119,060	-	119,060
Maintenance	27,189	92,147	119,336
Special Services	8,525	2,221	10,746
Utilities and Telephone	168,216	32,479	200,695
Miscellaneous	1,441	184	1,625
Depreciation	401,603	181,894	583,497
FSDW - Fee	17,520	-	17,520
TOTAL OPERATING EXPENSES	<u>\$ 1,002,756</u>	<u>\$ 586,069</u>	<u>1,588,825</u>
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			241,490
Fuel			10,039
Office Expense			6,349
Postage			8,898
Uniforms			6,984
Insurance			27,438
Maintenance			11,076
Special Services			16,205
Utilities and Telephone			3,233
Miscellaneous			11,508
Depreciation			14,323
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			<u>357,543</u>
TOTAL EXPENSES			<u>1,946,368</u>
OPERATING INCOME (LOSS)			<u>\$ (340,443)</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY OPERATING AREA (SEWER)
(ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2020

SCHEDULE V
Page 27

	<u>Sewer Treatment</u>	<u>Sewer Collection</u>	<u>Total Sewer</u>
OPERATING REVENUES:			
Sales and Services			\$ 933,118
Penalties			22,045
Tie-on Fees			6,225
Other Income			16,557
TOTAL OPERATING REVENUES			<u>977,945</u>
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	\$ 109,375	\$ 138,780	248,155
Chemicals and Supplies	36,734	44	36,778
Maintenance	30,257	65,005	95,262
Special Services	17,679	9,302	26,981
Utilities and Telephone	5,029	70,182	75,211
Miscellaneous	7,053	103	7,156
Depreciation	16,697	100,964	117,661
FSDW - Fee	-	-	-
TOTAL OPERATING EXPENSES	<u>\$ 222,824</u>	<u>\$ 384,380</u>	<u>607,204</u>
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			241,489
Fuel			10,038
Office Expense			6,348
Postage			8,898
Uniforms			6,984
Insurance			27,438
Maintenance			11,076
Special Services			16,205
Utilities and Telephone			3,234
Miscellaneous			11,509
Depreciation			14,323
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			<u>357,542</u>
TOTAL EXPENSES			<u>964,746</u>
OPERATING INCOME (LOSS)			<u>\$ 13,199</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 FOR YEAR ENDED DECEMBER 31, 2020

SCHEDULE VI
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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES:			
Sales and Services	\$ 2,650,000	\$ 2,616,166	\$ (33,834)
Penalties	50,000	46,485	(3,515)
Tie-on Fees	14,500	10,875	(3,625)
Other Income	85,136	88,178	3,042
TOTAL OPERATING REVENUES	<u>2,799,636</u>	<u>2,761,704</u>	<u>(37,932)</u>
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,266,108	1,295,635	(29,527)
Chemicals and Supplies	186,000	164,021	21,979
Fuel	25,000	21,928	3,072
Office Expense	12,000	18,331	(6,331)
Postage	18,000	19,796	(1,796)
Uniforms	12,000	13,968	(1,968)
Insurance	84,287	54,876	29,411
Maintenance	359,600	240,179	119,421
Special Services	120,500	70,999	49,501
Utilities and Telephone	366,000	288,149	77,851
Miscellaneous	24,900	38,163	(13,263)
Depreciation	721,025	731,329	(10,304)
FSDW - Fee	19,000	17,520	1,480
TOTAL OPERATING EXPENSES	<u>3,214,420</u>	<u>2,974,894</u>	<u>239,526</u>
OPERATING INCOME (LOSS)	<u>(414,784)</u>	<u>(213,190)</u>	<u>201,594</u>
OTHER INCOME (EXPENSES):			
Interest Income	20,000	8,286	(11,714)
Interest Expense	(428,686) *	(178,358)	250,328
TOTAL OTHER INCOME (EXPENSES)	<u>(408,686)</u>	<u>(170,072)</u>	<u>238,614</u>
NET INCOME (LOSS)	<u>\$ (823,470)</u>	<u>\$ (383,262)</u>	<u>\$ 440,208</u>

* Budgeted amount includes principal and interest payments on bonds outstanding.

Note: Not included above, is \$530,000 budgeted for capital expenditures in the current year.

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 2.25% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2004
 DECEMBER 31, 2020

SCHEDULE VII
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For The Year Ended December 31	April 15		October 15		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2021	\$ 75,803	\$ 19,191	\$ 77,035	\$ 17,959	\$ 189,988
2022	78,287	16,707	79,559	15,435	189,988
2023	80,852	14,142	82,166	12,828	189,988
2024	83,501	11,493	84,858	10,136	189,988
2025	86,236	8,758	87,639	7,355	189,988
2026	89,062	5,932	90,509	4,485	189,988
2027	91,982	3,012	93,474	1,520	189,988
TOTALS	<u>\$ 585,723</u>	<u>\$ 79,235</u>	<u>\$ 595,240</u>	<u>\$ 69,718</u>	<u>\$ 1,329,916</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 2.00% PLUS 1% SERVICE FEE WATER AND SEWER
 REVENUE BOND, SERIES 2016
 DECEMBER 31, 2020

For The Year Ended	April 15		October 15		Total
December 31	Principal	Interest / Servicing Fee	Principal	Interest / Servicing Fee	Principal and Interest
2021	\$ 51,081	\$ 68,268	\$ 51,846	\$ 67,503	\$ 238,698
2022	52,624	66,725	53,414	65,935	238,698
2023	54,215	65,134	55,028	64,321	238,698
2024	55,854	63,495	56,691	62,658	238,698
2025	57,542	61,807	58,404	60,945	238,698
2026	59,281	60,068	60,170	59,179	238,698
2027	61,073	58,276	61,989	57,360	238,698
2028	62,919	56,430	63,862	55,487	238,698
2029	64,820	54,529	65,793	53,556	238,698
2030	66,780	52,569	67,781	51,568	238,698
2031	68,798	50,551	69,830	49,519	238,698
2032	70,877	48,472	71,940	47,409	238,698
2033	73,020	46,329	74,115	45,234	238,698
2034	75,227	44,122	76,355	42,994	238,698
2035	77,500	41,849	78,663	40,686	238,698
2036	79,842	39,507	81,040	38,309	238,698
2037	82,256	37,093	83,490	35,859	238,698
2038	84,742	34,607	86,013	33,336	238,698
2039	87,303	32,046	88,613	30,736	238,698
2040	89,942	29,407	91,291	28,058	238,698
2041	92,661	26,688	94,050	25,299	238,698
2042	95,461	23,888	96,894	22,455	238,698
2043	98,346	21,003	99,822	19,527	238,698
2044	101,319	18,030	102,839	16,510	238,698
2045	104,382	14,967	105,948	13,401	238,698
2046	107,537	11,812	109,149	10,200	238,698
2047	110,787	8,562	112,449	6,900	238,698
2048	114,135	5,214	115,848	3,501	238,698
2049	117,594	1,764			119,358
TOTALS	<u>\$ 2,317,918</u>	<u>\$ 1,143,212</u>	<u>\$ 2,233,327</u>	<u>\$ 1,108,445</u>	<u>\$ 6,802,902</u>

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2020	2019	2018	2017	2016
System's proportion of the net pension liability (asset) per APERS	0.0440473%	0.0401235%	0.0447101%	0.0425317%	0.0409519%
System's proportionate share of the net pension liability - per APERS	\$ 1,261,333	\$ 967,992	\$ 986,275	\$ 1,090,287	\$ 996,537
System's covered-employee payroll	796,351	827,644	808,117	780,782	768,703
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	158.39%	116.96%	122.05%	139.64%	129.64%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 122,001	\$ 126,795	\$ 121,328	\$ 114,188	\$ 111,462
Contributions in relation to the contractually required contribution	(122,001)	(126,795)	(121,328)	(114,188)	(111,462)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 796,351	\$ 827,644	\$ 808,117	\$ 780,782	\$ 768,703
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.01%	14.62%	14.50%

See Independent Auditors' Report.