

**CITY OF YELLVILLE, ARKANSAS  
WATER & SEWER ENTERPRISE FUND**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

**BALLARD & COMPANY, LTD.**

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# **BALLARD & COMPANY, LTD.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of City Council  
City of Yellville, Arkansas

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

#### ***Opinion***

We have audited the financial statements of the water and sewer enterprise fund of the City of Yellville, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the water and sewer enterprise fund of the City of Yellville, Arkansas' 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 City of Yellville water and sewer enterprise fund as of December 31, 2021 and 2020, 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.

#### ***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 the City of Yellville water and sewer enterprise fund 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***

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, 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 the City of Yellville water and sewer enterprise fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt thereafter.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City of Yellville water and sewer enterprise fund'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 no conditions or events, considered in the aggregate, that raise substantial doubt about the City of Yellville water and sewer enterprise fund'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.

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

As discussed in Note 1, the financial statements present only the water and sewer fund of the City of Yellville, Arkansas, and do not purport to, and do not present fairly the financial position of the City of Yellville as of December 31, 2021 and 2020, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Schedule of the Fund's Proportionate Share of the Net Pension Liability and the Schedule of Fund Contributions 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.

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 of the basic financial statements is not affected by this missing information.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Yellville water and sewer fund's basic financial statements. The Schedules of Operating Expenses and the Schedule of Usage Rates are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 Schedules of Operating Expenses and the Schedule of Usage Rates are fairly stated, in all material respects, in relation to the basic 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 May 25, 2022, on our consideration of the City of Yellville, Arkansas water and sewer enterprise fund'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 City of Yellville water and sewer enterprise fund's control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Yellville, Arkansas water and sewer enterprise fund's internal control over financial reporting and compliance.

*Ballard & Company, Ltd.*

Ballard & Company, Ltd.  
Mountain Home, Arkansas  
May 25, 2022

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2021 AND 2020**

<b><u>ASSETS</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current assets:		
Cash and cash equivalents	\$ 145,484	\$ 110,554
Accounts receivable	76,916	76,134
Inventories	55,364	28,897
Total current assets	<u>277,764</u>	<u>215,585</u>
Restricted assets:		
Cash and cash equivalents	<u>541,227</u>	<u>420,985</u>
Capital assets:		
Nondepreciable assets	42,941	27,542
Depreciable assets, net of accumulated depreciation	2,244,092	2,382,924
Total capital assets	<u>2,287,033</u>	<u>2,410,466</u>
Total assets	<u>3,106,024</u>	<u>3,047,036</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows related to pensions	<u>16,592</u>	<u>42,871</u>
 <b><u>LIABILITIES</u></b>		
Current liabilities - payable from current assets:		
Accounts payable	56,728	32,456
Other current liabilities	16,219	10,047
Total from current assets	<u>72,947</u>	<u>42,503</u>
Current liabilities - payable from restricted assets:		
Accrued interest payable	11,670	8,317
Current maturities - bonds payable	85,000	30,000
Meter deposits refundable	43,891	42,937
Total from restricted assets	<u>140,561</u>	<u>81,254</u>
Long-term liabilities:		
Bonds payable, net of current maturities and discount	1,679,116	1,761,980
Net pension liability	44,338	166,991
Total long-term liabilities	<u>1,723,454</u>	<u>1,928,971</u>
Total liabilities	<u>1,936,962</u>	<u>2,052,728</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred inflows related to pensions	<u>81,000</u>	<u>3,127</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	511,246	610,349
Restricted:		
Debt service	147,136	105,063
Replacement and renewal	337,707	260,486
Other - meter deposits	12,494	12,498
Unrestricted	96,071	45,656
<b>Total net position</b>	<b><u>\$ 1,104,654</u></b>	<b><u>\$ 1,034,052</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>OPERATING REVENUES</u></b>		
Water service fees	\$ 559,964	\$ 525,309
Sewer service and treatment fees	240,864	235,849
Connection and related fees	11,198	24,230
Late penalties	18,084	11,240
Other	<u>8,458</u>	<u>1,774</u>
Total operating revenue	<u>838,568</u>	<u>798,402</u>
<b><u>OPERATING EXPENSES</u></b>		
Water department	539,855	496,691
Sewer department	173,601	162,019
Depreciation expense	<u>179,672</u>	<u>174,674</u>
Total operating expenses	<u>893,128</u>	<u>833,384</u>
Operating income (loss)	<u>(54,560)</u>	<u>(34,982)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Interest income	506	691
Interest expense	(38,234)	(65,972)
Bond issuance costs	<u>-</u>	<u>(31,516)</u>
Total nonoperating revenues (expenses)	<u>(37,728)</u>	<u>(96,797)</u>
Income (loss) before transfers	(92,288)	(131,779)
Transfers in	<u>162,890</u>	<u>148,129</u>
<b>CHANGE IN NET POSITION</b>	70,602	16,350
<u>Net Position - Beginning of Year</u>	<u>1,034,052</u>	<u>1,017,702</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<b><u>\$ 1,104,654</u></b>	<b><u>\$ 1,034,052</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 840,814	\$ 800,216
Cash paid to and/or for employees	(125,822)	(137,390)
Cash paid to suppliers	(605,882)	(504,305)
Cash paid to other funds	(13,750)	(13,417)
	95,360	145,104
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	162,890	148,129
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash received from bond proceeds, net of issuance costs	-	1,759,930
Principal paid on notes and bonds payable	(30,000)	(1,860,282)
Interest paid on notes and bonds payable	(32,743)	(60,110)
Cash paid to purchase and construct assets	(40,841)	(54,156)
	(103,584)	(214,618)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest earned	506	691
NET INCREASE (DECREASE) IN CASH	155,172	79,306
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	531,539	452,233
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 686,711</b>	<b>\$ 531,539</b>

**Reconciliation of Operating Income (Loss) to Net Cash Provided**

<u>(Used In) Operating Activities:</u>		
Operating income (loss)	\$ (54,560)	\$ (34,982)
Depreciation expense	179,672	174,674
<u>(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:</u>		
Accounts receivable	(782)	3,638
Inventory	(26,467)	(1,099)
Deferred outflows of resources	26,279	(20,037)
Accounts payable	8,873	1,439
Other current liabilities	6,171	(4,005)
Net pension liability	(122,653)	29,176
Deferred inflows of resources	77,873	(4,486)
Meter deposits refundable	954	786
	95,360	145,104
Net Cash Flows from Operating Activities	\$ 95,360	\$ 145,104

**Reconciliation of Total Cash and Cash Equivalents - Ending**

Current assets - cash and cash equivalents	\$ 145,484	\$ 110,554
Restricted assets - cash and cash equivalents	541,227	420,985
	\$ 686,711	\$ 531,539
	\$ 686,711	\$ 531,539

**Reconciliation of Total Cash and Cash Equivalents - Beginning**

Current assets - cash and cash equivalents	\$ 110,554	\$ 59,337
Restricted assets - cash and cash equivalents	420,985	392,896
	\$ 531,539	\$ 452,233
	\$ 531,539	\$ 452,233

The accompanying notes are an integral part of these statements.



**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting Entity**

The City of Yellville, Arkansas, (the "City") was incorporated on April 5, 1946 and operates under an elected mayor-council form of government. The water and sewer fund (the "Fund") is responsible for the operation and maintenance of the City's water distribution system and its sewer treatment system.

The Fund is operated as an enterprise fund of the City. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs, including depreciation, of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

The City's comprehensive financial report does not include the water and sewer enterprise fund, which is separately reported herein. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Fund and are not intended to, and do not, reflect the financial position, results of operations and cash flows of the City of Yellville as a whole.

**Basis of Accounting**

The financial statements of the Fund are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position, and the operating statement presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses when the liability is incurred or economic asset used. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**Basis of Presentation**

The presentation of the Fund's financial statements follows the requirement of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34) – applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the Department's net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable. In addition, operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for water, sewer, and related services. Operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses in the financial statements.

**Cash and Cash Equivalents**

Cash accounts are displayed separately on the Statement of Net Position as "current" and "restricted." Restricted assets consist of amounts set aside under the various debt agreements and by the City Council to fulfill the requirements of the debt agreements and for other specific uses. Cash, including restricted cash, includes all demand accounts of the fund. Cash equivalents consist of money market funds investing in U.S. Treasury Securities and are stated at cost.

For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, money market funds, and any certificates of deposit or short-term investments with an original maturity of three months or less.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: – Continued**

**Accounts Receivable**

Accounts receivable reflects the balances due from the individuals and businesses using the water and sewer services provided by the City. Management closely monitors outstanding balances and evaluates collectability of its accounts receivable on a per-customer basis. Customer accounts are typically collected within a short period of time, and, based on its assessment of current conditions, management believes realization losses on the amount outstanding at the end of 2021 and 2020 will be immaterial. Accordingly, the account balances are reported at the full amounts outstanding.

**Inventories**

Inventories of the materials and supplies used in the operation of the system are stated at average cost.

**Capital Assets**

Capital assets which are purchased or constructed are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost of normal maintenance and repairs that do not materially extend an asset's life are expensed as incurred. Capital assets are depreciated by the straight-line method over their estimated useful lives:

Buildings and Improvements	20 - 40 Years
System and Improvements	25 - 40 Years
Furniture and Fixtures	5 – 7 Years
Machinery and Equipment	5 – 10 Years
Vehicles	5 Years

**Accounts Payable**

Accounts payable consists of various trade accounts which are typically payable within thirty (30) days.

**Deferred Outflows/Inflows of Resources**

Deferred outflows/inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Fund's deferred outflows and inflows of resources consist of deferred outflows and inflows of resources related to the Fund's pension plan activities, as further discussed in Note 11.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (APERS) have been determined on the same basis as they are reported by APERS.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- *Net Investment in Capital Assets* - Consists of net capital assets reduced by outstanding balances of any debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by deferred outflows of resources related to those assets.
- *Restricted net position*– net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: – Continued**

**Net Position - Continued:**

- *Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, and then restricted resources as they are needed.

**Budget and Budgetary Accounting**

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

**NOTE 2: CASH AND INVESTMENTS:**

**Legal Provisions for Deposits and Investments**

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

**Deposits and Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and sewer enterprise fund of the City of Yellville, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The City's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2021 and 2020, the Fund's bank balances of \$688,141 and \$532,758, respectively, were fully covered by Federal Depository Insurance and pledged collateral held by the pledging financial institution in the City of Yellville's name.

Cash equivalents consist of funds invested in the Northern Institutional Treasury Portfolio Money Market Fund, and are held by First Security Bank, trustee for the Series 2020 Refunding Revenue Bonds. The funds as of December 31, 2021 and 2020 totaled \$61,891 and \$61,894, respectively.

**NOTE 3: RESTRICTED ASSETS:**

These assets consist of cash restricted by various bond and loan agreements and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Debt service and reserve deposits	\$ 147,136	\$ 105,063
Repair and replacement funds	337,706	260,486
Meter deposit funds	<u>56,385</u>	<u>55,436</u>
Total restricted assets	<u>\$ 541,227</u>	<u>\$ 420,985</u>

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 4: CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 27,542	\$ -	\$ -	\$ 27,542
Construction in progress	-	15,399	-	15,399
	<u>27,542</u>	<u>15,399</u>	<u>-</u>	<u>42,941</u>
<i>Capital assets, being depreciated:</i>				
Vehicles	33,639	-	-	33,639
Machinery and equipment	237,403	27,641	-	265,044
Building improvements	137,979	13,200	-	151,179
Furniture and fixtures	15,596	-	-	15,596
System and improvements	6,389,501	-	-	6,389,501
	<u>6,814,118</u>	<u>40,841</u>	<u>-</u>	<u>6,854,959</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	(21,094)	(4,428)	-	(25,522)
Machinery and equipment	(191,125)	(13,716)	-	(204,841)
Building improvements	(27,884)	(8,827)	-	(36,711)
Furniture and fixtures	(15,596)	-	-	(15,596)
System and improvements	(4,175,495)	(152,702)	-	(4,328,197)
	<u>(4,431,194)</u>	<u>(179,673)</u>	<u>-</u>	<u>(4,610,867)</u>
Total capital assets, being depreciated, net	<u>2,382,924</u>	<u>(138,832)</u>	<u>-</u>	<u>2,244,092</u>
Capital assets, net	<u>\$ 2,410,466</u>	<u>\$ (123,433)</u>	<u>\$ -</u>	<u>\$ 2,287,033</u>

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 4: CAPITAL ASSETS - Continued:**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 78,045	\$ 1,645	\$ (52,148)	\$ 27,542
Construction in progress	3,500	-	(3,500)	-
	<u>81,545</u>	<u>1,645</u>	<u>(55,648)</u>	<u>27,542</u>
<i>Capital assets, being depreciated:</i>				
Vehicles	33,639	-	-	33,639
Machinery and equipment	222,430	14,973	-	237,403
Building improvements	51,379	86,600	-	137,979
Furniture and fixtures	15,596	-	-	15,596
System and improvements	6,382,915	6,586	-	6,389,501
	<u>6,705,959</u>	<u>108,159</u>	<u>-</u>	<u>6,814,118</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	(16,666)	(4,428)	-	(21,094)
Machinery and equipment	(181,155)	(9,970)	-	(191,125)
Building improvements	(20,178)	(7,706)	-	(27,884)
Furniture and fixtures	(15,596)	-	-	(15,596)
System and improvements	(4,022,925)	(152,570)	-	(4,175,495)
	<u>(4,256,520)</u>	<u>(174,674)</u>	<u>-</u>	<u>(4,431,194)</u>
Total capital assets, being depreciated, net	<u>2,449,439</u>	<u>(66,515)</u>	<u>-</u>	<u>2,382,924</u>
Capital assets, net	<u>\$ 2,530,984</u>	<u>\$ (64,870)</u>	<u>\$ (55,648)</u>	<u>\$ 2,410,466</u>

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 5: LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended December 31, 2021, was as follows:

	BALANCE 12/31/20	ADDITIONS	PRINCIPAL PAYMENTS	BALANCE 12/31/21	AMOUNTS DUE WITHIN ONE YEAR
Series 2020 Bond	\$ 1,850,000	\$ -	\$ (30,000)	\$ 1,820,000	\$ 85,000

Long-term liability activity for the year ended December 31, 2020, was as follows:

	BALANCE 12/31/19	ADDITIONS	PRINCIPAL PAYMENTS	BALANCE 12/31/20	AMOUNTS DUE WITHIN ONE YEAR
Note payable - ANRC	\$ 28,454	\$ -	\$ (28,454)	\$ -	\$ -
Bonds Payable:					
Series 1992 (RD 92-01)	417,106	-	(417,106)	-	-
Series 1998 (RD 91-05)	275,402	-	(275,402)	-	-
Series 1998 (RD 91-07)	205,120	-	(205,120)	-	-
Series 2008A (RD 93-09)	384,996	-	(384,996)	-	-
Series 2008B (RD 93-11)	549,204	-	(549,204)	-	-
Series 2020	-	1,850,000	-	1,850,000	30,000
Total long-term liabilities	<u>\$ 1,860,282</u>	<u>\$ 1,850,000</u>	<u>\$ (1,860,282)</u>	<u>\$ 1,850,000</u>	<u>\$ 30,000</u>

**ARKANSAS NATURAL RESOURCES PAYABLE**

On July 15, 1993, the City entered into a loan agreement with the Arkansas Natural Resources Commission. The loan, in the amount of \$100,000, had annual payments in the amount of \$8,024, beginning July 2004 over a term of twenty years with interest at a rate of 5% per annum. This loan was paid off during the year ended December 31, 2020 with proceeds of the Water and Sewer Refunding Revenue Bonds, Series 2020.

**Bonds Payable (USDA - Rural Development)**

On July 26, 1993, the City of Yellville signed a loan agreement with the United States Department of Agriculture, Rural Development for funds for improvements to the water and sewer system. This note, in the amount of \$748,200, bore interest at 5.00% and was collateralized by a revenue bond in held by Rural Development.

On March 19, 1998, the City of Yellville adopted Ordinance 98-1, which authorized the issuance of the 1998 bonds in the total amount of \$679,600 for water system improvements. The two bonds were issued to the United States Department of Agriculture, Rural Development, and required monthly payments in the amount of \$1,786 and \$1,334, with interest at a rate of 4.5% per annum. Payments commenced April 19, 2000. In conjunction with the two bond issues, Rural Development also issued two grants for the water system improvements which totaled \$919,900.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 5: LONG-TERM LIABILITIES: - Continued**

On September 18, 2008, the City of Yellville signed two loan agreements with the United States Department of Agriculture, Rural Development for funds for improvements to the water and sewer system. These notes, in the amounts of \$454,000 and \$642,900, bore interest at 4.125% and 3.625%, respectively, and were collateralized by revenue bonds in each amount held by Rural Development. Interest in the amount of \$13,476 was capitalized as part of the project cost. Payments on the first note were in the amount of \$1,935 and were due monthly through September 2048. An interest-only payment was due on the second note in September 2009, followed by monthly payments in the amount of \$2,572 through September 2048.

Note that all of the above bonds were refunded during the year ended December 31, 2020, with the issuance of the Series 2020 Refunding Revenue Bonds, discussed below.

**2020 Bonds Payable**

Under the authority of Ordinance 2020-4, dated August 13, 2020, the City issued refunding revenue bonds in the amount of \$1,850,000, bearing interest from 1.000% - 2.625% per annum through March 1, 2048, in order to refund the Series 1992 Bonds, the Series 1998 Bonds, the 2008 Bonds, and the loan with Arkansas Natural Resources Commission. The net proceeds of \$1,791,446 (after discount) were deposited with an escrow agent to immediately refund the outstanding principal, plus accrued interest, of the prior indebtedness, to pay the costs of issuance, and to fund the Series 2020 Bond's debt service reserve.

The Series 2020 Bonds are secured by a pledge of the system revenues and were issued at a discount of \$58,554 with total issuance costs of \$31,516. The discount is being amortized over the life of the bonds. The issuance costs were expensed during the year ended December 31, 2020.

Maturities of the Series 2020 Bonds after December 31, 2021, are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>
2022	\$ 85,000	\$ 34,631	1.000%
2023	90,000	33,781	1.000%
2024	90,000	32,881	1.250%
2025	80,000	31,756	1.250%
2026	85,000	30,756	1.250%
2027-2031	460,000	135,044	1.500% - 2.125%
2032-2036	360,000	94,000	2.125% - 2.375%
2037-2041	270,000	57,213	2.375% - 2.625%
2042-2046	210,000	28,744	2.625%
2047-2048	<u>90,000</u>	<u>3,545</u>	2.625%
	<u>\$ 1,850,000</u>	<u>\$ 482,351</u>	

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6: FUND REQUIREMENTS:**

Various ordinances authorized the issuance of the 1992, 1998, 2008, and 2020 Series of Water and Sewer Revenue Bonds, and established certain funds and the manner in which revenues are to be deposited and transferred between the various funds.

The cash funds required and their uses are as follows:

**Water and Sewer Revenue Fund**

Ordinance 98-1, for the 1998 bond issue and Ordinances 5-1 (amended), 1-WS-2008-B for the 2008 bond issues, and 2020-04 for the 2020 bond issue confirmed and continued the 1993 bond ordinance requirement that all revenues of the system shall be paid into the Water and Sewer Revenue Fund (the Revenue Fund), and that the revenues in this fund are pledged and shall be applied to the payment of the expenses of operation and maintenance of the system, to the payment of the principal of and interest on all outstanding bonds, to the establishment and maintenance of any required debt service reserves and to the providing of a depreciation fund.

**Water and Sewer Operations and Maintenance Fund**

The ordinances also confirmed and continued the requirement that a special fund titled the "Water and Sewer Operations and Maintenance Fund" (the Operating Fund) be established. On or before the fifteenth day of each month, funds sufficient for that month's operating requirements are to be transferred from the Revenue Fund into the Operating Fund and disbursed as needed for the operation and maintenance of the system.

**1992 Water and Sewer Revenue Bond Fund**

Ordinance SO-6 set forth the requirement that a special fund be established titled the "1992 Water and Sewer Revenue Bond Fund." On the first of each month, monies are to be transferred from the Revenue Fund into this fund in an amount sufficient to pay the next monthly installment on the bonds plus \$368. When a debt service reserve has accumulated in the amount of \$34,704, the additional \$368 transfer need not be made. This fund was established and the required transfers for principal and interest have been made. Upon the issuance of the Series 2020 Bonds, the remaining funds in this account were transferred to the 2020 Water and Sewer Revenue Bond Fund.

**1998 Revenue Bond Fund**

Ordinance 98-1 set forth the requirement that a special fund be established titled the "1998 Revenue Bond Fund." On or before the first business day of each month, monies are to be transferred from the Revenue Fund into this fund in an amount sufficient to pay the next monthly installment on the bonds plus \$313. When a debt service reserve has accumulated in the amount of \$37,440, the additional \$313 transfer need not be made. This fund was established and the required transfers for principal and interest have been made. Upon the issuance of the Series 2020 Bonds, the remaining funds in this account were transferred to the 2020 Water and Sewer Revenue Bond Fund.

**2008A Water and Sewer Bond Fund**

Ordinance 5-1, adopted August 7, 2006 and amended by Ordinance 1-WS-2008-B, adopted July 7, 2008, set forth the requirement that a special fund be established titled the "2008A Water and Sewer Bond Fund." On the first of each month, monies are to be transferred from the Revenue fund into this Fund in an amount sufficient to pay the next monthly installment on the bonds plus \$194. When a debt service reserve has accumulated in the amount of \$23,220, the additional \$194 transfer need not be made. This fund was established, and the required transfers have been made. Upon the issuance of the Series 2020 Bonds, the remaining funds in this account were transferred to the 2020 Water and Sewer Revenue Bond Fund.



**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6: FUND REQUIREMENTS: - Continued**

**2008B Water and Sewer Bond Fund**

Ordinance 1-WS-2008-B, adopted July 7, 2008, set forth the requirement that a special fund be established titled the "2008B Water and Sewer Bond Fund." On the first of each month, monies are to be transferred from the Revenue Fund into this fund in an amount sufficient to pay the next monthly installment on the bonds plus \$258. When a debt service reserve has accumulated in the amount of \$30,864, the additional \$258 transfer need not be made. This fund was established and the required transfers for principal and interest have been made. Upon the issuance of the Series 2020 Bonds, the remaining funds in this account were transferred to the 2020 Water and Sewer Revenue Bond Fund.

**2020 Water and Sewer Revenue Bond Fund**

Ordinance 2020-4 set forth the requirement that a special fund be established titled the "2020 Water and Sewer Revenue Bond Fund." Commencing in October 2020 and continuing on the fifteenth day of each month after until all outstanding bonds with interest thereon have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment on the bonds, plus 1/12 of the next installment of principal should be transferred into the Bond Fund; provided, however, monthly payments to be made through February 2021 are to be made in the amount of 1/5 of the principal and interest due on March 1, 2021. The City will also pay into this Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses.

As part of the 2020 Bond Fund, a debt service reserve is to be maintained in an amount equal to 1/2 of the maximum annual principal and interest requirement on the bonds. This amount, \$61,891, has been set aside in a separate account.

**Water and Sewer Depreciation Fund**

The bond ordinances all set forth the requirement that a special fund be established titled the "Water and Sewer Depreciation Fund." On or before the fifteenth day of each month, 5% of the gross system revenues of the preceding month (excluding the Fund's portion of the sales tax collections) are to be transferred to this fund from the Revenue Fund. The monies in this fund are to be used solely for the purpose of paying the cost of replacements or repairs to the system made necessary by the depreciation of the system. If in any fiscal year a surplus is accumulated in the Depreciation Fund over and above the amount which is necessary to defray the cost of the probable replacements during the current fiscal year and the next ensuing fiscal year, the excess can be transferred back into the Revenue Fund. This fund has been established and the required transfers have been made.

**Meter Deposits**

Meter deposits are refundable customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposit reserves on December 31, 2021, were \$56,385, an excess of \$12,494 over the total customer deposits of \$43,891. Meter deposit reserves on December 31, 2020, were \$55,436, an excess of \$12,499 over the total customer deposits of \$42,937.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7: DEBT SERVICE RATIO:**

Various debt covenants require that the net revenues of the system shall equal not less than a certain percentage of the maximum annual debt service requirements of all outstanding bonds plus other indebtedness of the system, including any additional bonds proposed, should the City desire to issue additional bonds secured on a senior or parity basis to the outstanding bonds.

The actual percentages at December 31, 2021 and 2020 were 233% and 232%, respectively, computed as follows:

	2021	2020
Operating income (loss)	\$ (54,560)	\$ (34,982)
Plus Depreciation Expense	179,672	174,674
Plus Transferred Sales Tax Revenues	162,890	148,129
 Funds Available for Debt Service	 \$ 288,002	 \$ 287,821
 Maximum Annual Debt Service Requirements: 2020 – Series 2020 Bonds	 \$ 123,781	 \$ 123,781
 Debt Service Coverage Percentage	 233%	 232%

**NOTE 8: TANK MAINTENANCE AGREEMENTS:**

During the year ended December 31, 2011, the City of Yellville entered into agreements for the maintenance of four of its water tanks. Annual payments totaling \$53,712 were due for the first eight years of the contracts. Beginning in the ninth year, annual payments are \$27,274, with cost adjustments applied every three years.

**NOTE 9: TRANSFERS FROM OTHER FUNDS:**

Authorized through a special election by the vote of the electors of the City of Yellville, an additional 1% sales and use tax was levied within the City beginning January 01, 2013. Under the City Council's authorization, ½ of the 1% is distributed from the City's sales tax monies for the water and sewer fund. Transfers and payments within the City of Yellville's funds are substantially for the purpose of subsidizing operating functions.

**NOTE 10: RISK MANAGEMENT:**

The Fund has purchased insurance coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior three years.

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS):**

**Plan Description**

The Fund provides pension benefits for its eligible employees through the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined-benefit pension plan that covers municipal employees whose municipalities have elected coverage under this system. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) – Continued:**

**Plan Description - Continued**

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.

**Benefits Provided**

Benefit provisions are established by state law and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/207	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 01, 2005), or
- at age 55 with 35 credited service as an elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with at least 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 adjustment 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 on or before 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. 24-2-701(C)(3)). Employers contributed 15.32% for the fiscal years ended June 30, 2021 and 2020. In some cases, an additional 2.5% of member and employer contributions are required for elected officials. The Fund contributed 15.32% of compensation for the years ended December 31, 2021 and 2020, which totaled \$14,687 and \$18,093, respectively.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS): - Continued**

**APERS Fiduciary Net Position**

Detailed information about APERS' 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**

At December 31, 2021 and 2020, the Fund reported a liability of \$44,338 and \$166,991, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and June 30, 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of each date. The water and sewer fund of the City of Yellville, Arkansas' proportion of the net pension liability was based on its share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2021 and 2020, the Fund's proportion was .0058%.

For the years ended December 31, 2021 and 2020, the water and sewer fund recognized pension expense of \$371 and \$22,745, respectively. At December 31, 2021 and 2020, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows:</u>	<u>2021</u>	<u>2020</u>
Differences between expected and actual experience	\$ 1,015	\$ 2,178
Changes of assumptions	0	2,092
Net difference between projected and actual earnings on pension plan investments	0	17,670
Changes in proportion and differences between Water and Sewer Fund contributions and proportionate share of contributions	9,142	12,200
Contributions subsequent to the measurement date	6,435	8,731
Total	<u>\$ 16,592</u>	<u>\$ 42,871</u>

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS): - Continued**

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

<u>Deferred Inflows:</u>	<u>2021</u>	<u>2020</u>
Differences between expected and actual experience	\$ (2,844)	\$ (111)
Changes of assumptions	(310)	(2,861)
Net difference between projected and actual earnings on pension plan investments	(77,829)	0
Changes in proportion and differences between Water and Sewer Fund contributions and proportionate share of contributions	<u>(16)</u>	<u>(155)</u>
<b>Total</b>	<b><u>\$ (81,000)</u></b>	<b><u>\$ (3,127)</u></b>

\$6,435 reported as deferred outflow of resources related to pensions resulting from the Fund's contributions subsequent to the measurement date of June 30, 2021 will be recognized as a reduction of the net pension liability for the year ending December 31, 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:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows</u>
2022	\$ (17,308)
2023	(15,453)
2024	(17,158)
<u>2025</u>	<u>(20,924)</u>
<b>Total</b>	<b><u>\$ (70,843)</u></b>

**Actuarial Assumptions**

The total pension liability amounts in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>2021 and 2020:</u>	
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation Rate	3.25%
Investment Rate of Return (net of investment and administrative expenses)	7.15%
Salary Increases	3.25 - 9.85%

**CITY OF YELLVILLE, ARKANSAS  
 WATER AND SEWER ENTERPRISE FUND  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS): - Continued**

**Actuarial Assumptions - Continued**

For the plan years ended June 30, 2021, and 2020, mortality rates were based on the RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

All other actuarial assumptions used in the June 30, 2021, and 2020 valuations were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

**Long-term Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the current asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 – 2030 (and 2020 – 2029 as of June 30, 2020) were based upon capital market assumptions provided by the plan’s investment consultant.

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, 2021 and 2020 are summarized in the table below:

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

**Discount Rate**

For each of the June 30, 2021 and 2020 valuations, 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 these single discount rates 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.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS): - Continued**

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

The following presents the water and sewer fund's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the water and sewer fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15% or 1-percentage point-higher (8.15%) than the current rate.

Amounts are reported as of the measurement date of June 30, 2021:

	<u>1% Lower (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Higher (8.15%)</u>
Water and sewer fund's proportionate share of the net pension liability	<u>132,634</u>	<u>44,338</u>	<u>(28,581)</u>

Amounts are reported as of the measurement date of June 30, 2020:

	<u>1% Lower (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Higher (8.15%)</u>
Water and sewer fund's proportionate share of the net pension liability	<u>225,487</u>	<u>166,991</u>	<u>70,724</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**Arkansas Public Employees Retirement System**

Last 7 Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund's proportion of the net pension liability	0.0057%	0.0055%	0.0060%	0.0056%	0.0057%	0.0058%	0.0058%
Fund's proportionate share of the net pension liability (asset)	\$ 97,269	\$ 137,887	\$ 155,040	\$ 122,866	\$ 137,815	\$ 166,991	\$ 44,338
Fund's covered payroll	\$ 101,381	\$ 102,415	\$ 104,782	\$ 106,320	\$ 113,527	\$ 118,100	\$ 96,154
Fund's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	95.94%	134.64%	147.96%	115.56%	121.39%	141.40%	46.11%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.59%	78.55%	75.38%	93.57%

*Ten years worth of data will be presented as it is available.*

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
SCHEDULE OF FUND CONTRIBUTIONS**

**Arkansas Public Employees Retirement System**

**Last 7 Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions	\$ 14,834	\$ 14,850	\$ 15,225	\$ 16,072	\$ 17,389	\$ 18,093	\$ 14,687
Contributions in relation to the contractually required contribution	<u>(14,834)</u>	<u>(14,850)</u>	<u>(15,225)</u>	<u>(16,072)</u>	<u>(17,389)</u>	<u>(18,093)</u>	<u>(14,687)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's covered payroll	\$ 101,381	\$ 102,415	\$ 104,782	\$ 106,320	\$ 113,527	\$ 118,100	\$ 95,854
Contributions as a percentage of covered payroll	14.63%	14.50%	14.53%	15.12%	15.32%	15.32%	15.32%

*Ten years worth of data will be presented as it is available.*

See independent auditor's report on required supplementary information.

**SUPPLEMENTARY INFORMATION**

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
SCHEDULE OF WATER OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Administrative fees	\$ 5,675	\$ 5,509
Bad debts	-	1,305
Dues and fees	18,329	13,922
Insurance - general	641	559
Insurance - health	9,090	8,906
Miscellaneous	1,325	3,018
Professional services	4,579	3,726
Pension expense	248	14,826
Repairs and maintenance	47,675	48,916
Salaries	54,119	50,806
Supplies - office	7,900	7,906
Supplies - operating	22,367	40,382
Taxes - payroll	6,322	6,077
Utilities	14,534	15,004
Water purchases	<u>347,051</u>	<u>275,829</u>
Total Operating Expenses	<u>\$ 539,855</u>	<u>\$ 496,691</u>

See independent auditor's report on supplementary information.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
SCHEDULE OF SEWER OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
Administrative fees	\$ 5,675	\$ 5,509
Bad debts	-	1,305
Dues and fees	2,812	761
Insurance - general	1,112	1,006
Insurance - health	1,855	4,453
Miscellaneous	603	1,047
Professional fees	4,579	3,726
Pension expense	123	7,919
Repairs and maintenance	30,927	25,689
Salaries	36,979	40,843
Supplies - office	1,539	1,625
Supplies - operating	38,236	22,264
Taxes - payroll	2,889	3,253
Utilities	46,272	42,619
	<u>46,272</u>	<u>42,619</u>
Total Operating Expenses	<u>\$ 173,601</u>	<u>\$ 162,019</u>

See independent auditor's report on supplementary information.

**CITY OF YELLVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
SCHEDULE OF USAGE RATES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Effective with the January 2020 billing, water and sewer rates were as follows:

**Water Rate Schedule**

<b><u>Residential &amp; Housing (3/4" 1" 2" Meter)</u></b>	<b>(Inside City)</b>	<b>(Outside City)</b>	<b>(Rural)</b>
First 1,000 gallons	\$15.55	\$19.45	\$24.30
All over 1,000 (per 1,000 gallons)	\$ 5.45	\$ 6.75	\$ 6.75
<b><u>Commercial &amp; Industrial 3/4" Meter</u></b>			
First 1,000 gallons	\$17.30	\$21.65	
All over 1,000 (per 1,000 gallons)	\$ 5.45	\$ 6.75	
<b><u>Commercial &amp; Industrial 1" Meter</u></b>			
First 1,000 gallons	\$20.05	\$23.05	
All over 1,000 (per 1,000 gallons)	\$ 5.45	\$ 6.75	
<b><u>Commercial &amp; Industrial 2" Meter</u></b>			
First 1,000 gallons	\$22.55	\$26.05	
All over 1,000 (per 1,000 gallons)	\$ 5.45	\$ 6.75	

**Sewer Rate Schedule**

<b><u>Residential &amp; Housing/Commercial &amp; Industrial</u></b>	
First 1,000 gallons	\$16.00
All over 1,000 (per 1,000 gallons)	\$ 3.95
<b><u>Industrial and Wholesale</u></b>	
First 1,000 gallons	\$30.00
All over 1,000 (per 1,000 gallons)	\$ 3.45

**OTHER REPORTS**



# **BALLARD & COMPANY, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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980 ASH FLAT DRIVE  
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SALEM, AR 72576  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of City Council  
City of Yellville, Arkansas

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 the water and sewer enterprise fund of the City of Yellville, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Yellville, Arkansas water and sewer enterprise fund's basic financial statements, and have issued our report thereon dated May 25, 2022.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the water and sewer enterprise fund of the City of Yellville, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the water and sewer enterprise fund of the City of Yellville, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the water and sewer enterprise fund of the City of Yellville, Arkansas' 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 may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether the water and sewer enterprise fund of the City of Yellville, Arkansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



## **Purpose of This Report**

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.

*Ballard & Company, Ltd.*

Ballard & Company, Ltd.  
Mountain Home, Arkansas  
May 25, 2022