

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

BALLARD & COMPANY, LTD.

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BALLARD & COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of City Council
City of Flippin, Arkansas

We have audited the accompanying financial statements of the water and wastewater department of the City of Flippin, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the water and wastewater department of the City of Flippin, Arkansas' 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 of 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 opinion.

Basis for Qualified Opinion

Management has not changed its method of accounting for pensions during the year ended December 31, 2020 by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the City of Flippin, Arkansas water and wastewater department has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Flippin, Arkansas water and wastewater department as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the water and wastewater department of the City of Flippin, Arkansas. The Schedule of Operating Expenses, Schedule of Water and Wastewater Usage and Rates, and Schedule of City Officials, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses and Schedule of Water and Wastewater Usage and Rates are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses and the Schedule of Water and Wastewater Usage Rates are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 04, 2022 on our consideration of the City of Flippin, Arkansas water and wastewater department'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 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 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 the City of Flippin, Arkansas water and wastewater department's internal control over financial reporting and compliance.

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
March 04, 2022

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 525,269
Accounts receivable	100,417
Interdepartmental receivable	24,927
Inventories	50,008
Total current assets	700,621
Restricted assets - cash and cash equivalents	203,089
Capital assets:	
Nondepreciable assets	61,380
Depreciable assets, net of accumulated depreciation	938,429
Total capital assets, net of accumulated depreciation	999,809
Total assets	1,903,519

LIABILITIES

Current liabilities:	
Accounts payable	7,306
Payroll liabilities	498
Sales tax payable	6,263
Accrued interest	3,393
Current maturities of long-term notes and bonds payable	68,777
Total current liabilities	86,237
Liabilities payable from restricted assets:	
Refundable meter deposits	86,160
Long-term liabilities:	
Notes and bonds payable, net of current maturities	396,984
Total liabilities	569,381

NET POSITION

Net investment in capital assets	465,281
Restricted:	
Debt service requirements	30,900
Other	86,028
Unrestricted	751,929
Total net position	\$ 1,334,138

The accompanying notes are an integral part of these statements.

CITY OF FLIPPIN, ARKANSAS
 WATER AND WASTEWATER DEPARTMENT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2020

<u>OPERATING REVENUES</u>	
Water service fees	\$ 823,930
Wastewater service fees	252,946
Sanitation fees	79,854
Sales tax	78,170
Connection, reconnection fees	24,074
Late penalties	22,274
Other	<u>7,953</u>
Total operating revenue	<u>1,289,201</u>
<u>OPERATING EXPENSES</u>	
Water department	872,156
Wastewater department	150,879
Depreciation expense	<u>91,596</u>
Total operating expenses	<u>1,114,631</u>
Operating income (loss)	<u>174,570</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest income	285
Interest expense	<u>(19,844)</u>
Total nonoperating revenues (expenses)	<u>(19,559)</u>
CHANGE IN NET POSITION	155,011
Net Position - Beginning of Year	<u>1,179,127</u>
<u>NET POSITION - END OF YEAR</u>	<u><u>\$ 1,334,138</u></u>

The accompanying notes are an integral part of these statements.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from from customers	\$ 1,284,956
Payments to and/or for employees	(379,822)
Payments to supplier for goods and services	(695,880)
	<u>209,254</u>
Net Cash Provided by (Used in) Operating Activities	<u>209,254</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid to purchase and construct assets	(9,525)
Principal paid on notes payable	(66,360)
Interest paid on notes payable	(20,298)
	<u>(96,183)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(96,183)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash received from interest earned	285
	<u>285</u>

NET INCREASE (DECREASE) IN CASH

113,356

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

615,002

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 728,358

Reconciliation of Operating Income (Loss) to Net Cash Provided

(Used In) Operating Activities:

Operating income (loss)	\$ 174,570
Depreciation expense	91,596
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:	
Accounts receivable	(8,930)
Interfund balance	(24,927)
Accounts payable	(27,691)
Meter deposits refundable	4,685
Accrued expenses	(49)
	<u>(49)</u>

Net Cash Flows from Operating Activities

\$ 209,254

Reconciliation of Total Cash and Cash Equivalents - End of Year

Current assets - cash and cash equivalents	\$ 525,269
Restricted assets - cash and cash equivalents	203,089
	<u>728,358</u>

\$ 728,358

Reconciliation of Total Cash and Cash Equivalents - Beginning of Year

Current assets - cash and cash equivalents	\$ 437,908
Restricted assets - cash and cash equivalents	177,094
	<u>615,002</u>

\$ 615,002

The accompanying notes are an integral part of these statements.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Flippin, Arkansas, (the City) was incorporated in 1921 and operates under a Mayor - Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water distribution system as well as its wastewater treatment system.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Flippin, Arkansas. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operation and cash flows of the City of Flippin, Arkansas as a whole.

Basis of Accounting

The water and wastewater department is used to account for the operations of the City of Flippin, Arkansas' proprietary fund and is an enterprise fund. Enterprise funds are for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public be financed or recovered primarily through user charges.

The financial statements of the Department 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. 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 Department'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, wastewater, and related services. Principal 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 revenue and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

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.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be bank deposits and certificates of deposit. All balances are displayed separately on the statement of net position as current and restricted cash and cash equivalents.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the Department. These consumers are substantially all local residents and businesses.

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 2020 will be immaterial. Accordingly, the account balance is reported at the full amount outstanding.

Inventories

Inventories held by the water and wastewater department are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. Contributed assets are reported at fair market value as of the date received. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

Buildings and improvements	40 Years
Water and wastewater system	40 Years
Vehicles	5 Years
Equipment	5-10 Years

Accounts Payable

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

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 related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of 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.
- * *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 of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2: CASH 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.

The carrying amount of the Department's cash deposits was \$728,358 and the respective bank balances totaled \$732,911. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and wastewater department of the City of Flippin, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Department's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2020, all bank balances of the Department were fully insured or collateralized.

NOTE 3: RESTRICTED ASSETS

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

Debt service reserve funds	\$ 30,900
Depreciation funds	88,132
Meter deposit fund	<u>84,057</u>
Total restricted assets	<u>\$ 203,089</u>

NOTE 4: FUND REQUIREMENTS

The various bond and loan documents established certain funds and the manner in which revenues are to be deposited and transferred between the various funds. Cash funds were deposited and transferred as required.

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposit reserves at December 31, 2020 were \$84,057, a deficit in the amount of \$2,103 from the total customer deposits of \$86,160.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5: CAPITAL ASSETS

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 45,000	\$ -	\$ -	\$ 45,000
Construction in progress	16,380	-	-	16,380
	<u>61,380</u>	<u>-</u>	<u>-</u>	<u>61,380</u>
<i>Capital assets, being depreciated:</i>				
Equipment	345,685	-	-	345,685
Vehicles	112,592	-	-	112,592
Buildings and improvements	105,900	9,525	-	115,425
System and improvements	2,954,865	-	-	2,954,865
	<u>3,519,042</u>	<u>9,525</u>	<u>-</u>	<u>3,528,567</u>
<i>Less accumulated depreciation for:</i>				
Equipment	(242,797)	(15,377)	-	(258,174)
Vehicles	(50,799)	(19,149)	-	(69,948)
Buildings and improvements	(67,739)	(4,108)	-	(71,847)
System and improvements	(2,137,207)	(52,962)	-	(2,190,169)
	<u>(2,498,542)</u>	<u>(91,596)</u>	<u>-</u>	<u>(2,590,138)</u>
Total capital assets, being depreciated, net	<u>1,020,500</u>	<u>(82,071)</u>	<u>-</u>	<u>938,429</u>
Capital assets, net	<u>\$ 1,081,880</u>	<u>\$ (82,071)</u>	<u>\$ -</u>	<u>\$ 999,809</u>

Depreciation expense was charged to the water and wastewater departments as follows:

Water department	\$ 64,845
Wastewater department	<u>26,751</u>
	<u>\$ 91,596</u>

CITY OF FLIPPIN, ARKANSAS
 WATER AND WASTEWATER DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2020 are as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING</u> <u>BALANCE</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Notes Payable:					
Arkansas Natural Resources Commission \$125,000 dated September 2004, bears interest at 5%, payable in annual installments of \$10,030, maturing 2024	\$ 43,427	\$ -	\$ (7,859)	\$ 35,568	\$8,252
Arkansas Natural Resources Commission \$216,300 dated November 2017, bears interest at 2.75%, payable in one annual installment of \$24,044 and remaining annual installments of \$25,035, maturing 2028	197,213	-	(19,612)	177,601	20,151
First Service Bank \$26,904 dated March 2017, bears interest at 2.62%, payable in monthly installments of \$479, secured by a vehicle, maturing 2022	12,529	-	(5,489)	7,040	5,637
First Service Bank \$76,659 dated June 2017, bears interest at 2.62%, payable in monthly installments of \$1,350, secured with equipment, maturing 2022	38,697	-	(15,362)	23,335	15,777
Bonds Payable:					
USDA – RD 92-11 \$210,200 dated May 1987, bears interest at 5%, payable in monthly installments of \$1,024, secured by system revenues, maturing 2027	73,936	-	(8,791)	65,145	9,241
USDA – RD 91-13 \$294,400 dated September 1993, bears interest at 5%, payable in monthly installments of \$1,446, secured by system revenues, maturing 2033	166,319	-	(9,247)	157,072	9,719
Total long-term debt	<u>\$ 532,121</u>	<u>\$ -</u>	<u>\$ (66,360)</u>	<u>\$ 465,761</u>	<u>\$ 68,777</u>

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 6: LONG-TERM LIABILITIES - Continued

Combined maturity requirements of all the notes and bonds payable subsequent to December 31, 2020 are as follows:

	Principal	Interest
12-31-2021	\$ 68,777	\$ 17,882
12-31-2022	58,260	15,467
12-31-2023	51,322	13,384
12-31-2024	53,435	11,272
12-31-2025	45,609	9,066
2026 – 2030	154,197	22,069
2031 - 2032	34,161	1,870
Total	\$ 465,761	\$ 91,010

NOTE 7: DEBT SERVICE COVERAGE

Various debt covenants require that the net revenues of the system shall equal not less than a certain percentage of the annual debt service requirements of all outstanding bonds plus other indebtedness of the system, including any additional bonds proposed.

The actual percentage at December 31, 2020 was 304%, computed as follows:

Operating Income	\$ 172,068
Plus Depreciation Expense	91,596
Funds Available for Debt Service	\$ 263,664
Annual Debt Service Requirement on Outstanding Notes and Bonds Payable	\$ 86,659
Debt Service Coverage Percentage	304%

NOTE 8: RISK MANAGEMENT

The water and wastewater department of the City of Flippin, Arkansas 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 Department participates in the Arkansas Municipal League Program for its workers' compensation coverage. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission. The Department also participates in the Arkansas Municipal Property and Vehicle Programs for building and contents, vehicle, and general liability coverage. 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 year.

NOTE 9: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)

Plan Description

The water and wastewater department of the City of Flippin, Arkansas provides pension benefits for its eligible employees through the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit 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.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) – Continued:

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or can be accessed at www.apers.org.

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.

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 55 with 35 credited service for elected officials or public safety members.

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 but less than 28 years of actual service. The plan also provides for disability and survivor benefits.

Contributions

The plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978, was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to this date that are noncontributory have the option to become a contributory member at any time.

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. Member 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. For the twelve months of 2020, employers contributed 15.32% of compensation. Contributions made to the plan by the Department for the year ended December 31, 2020 amounted to \$39,432.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Water Department</u>	<u>Wastewater Department</u>
Advertising	\$ 152	\$ 118
Auto and fuel expense	8,355	1,089
Dues and licenses	10,179	1,118
DMR reports	-	2,200
Educational expense	628	-
Insurance - general	5,719	1,473
Insurance - health and life	19,021	11,403
Legal and professional services	20,000	152
Miscellaneous	642	5
Postage and freight	4,738	-
Repairs and maintenance	5,321	19,760
Retirement expense	28,535	10,897
Salaries	193,545	71,121
Sanitation	87,535	-
Sludge removal	-	929
Supplies - operating	33,904	2,328
Taxes - payroll	14,715	5,424
Taxes - sales	88,576	-
Travel and mileage	-	607
Uniforms	5,250	5,779
Utilities	6,414	16,476
Water purchases	338,927	-
Total Operating Expenses	<u>\$ 872,156</u>	<u>\$ 150,879</u>

See auditor's report on supplementary information.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF WATER AND WASTEWATER USAGE AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

Water Rates

Effective February 01, 2020, monthly water usage rates are as follows:

In City:

First 2,000 gallons or less	\$22.59
All over 2,000 gallons	\$ 6.32 per 1,000 gallons or portion thereof

Rural:

First 1,500 gallons or less	\$23.64
All over 1,500 gallons	\$ 7.83 per 1,000 gallons or portion thereof

Wastewater Rates

For the first 10 months of the year, minimum monthly wastewater usage rates were as follows:

First 1,000 gallons or less	\$15.00
All over 1,000 gallons	\$ 3.50 per 1,000 gallons

Effective November 01, 2020, minimum monthly wastewater usage rates are as follows:

First 1,000 gallons or less	\$15.00
All over 1,000 gallons	\$ 5.00 per 1,000 gallons

Water Usage

Gallons purchased and sold during the year ended December 31, 2020 were as follows:

Gallons of water purchased	109,647,000
Gallons of water sold	<u>77,078,754</u>
Gallons of water lost	<u>32,568,246</u>

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Position</u>	<u>Official</u>
Mayor	Jerald Marberry
Council Member	Tony Ford
Council Member	Joe Cantrell
Council Member	Heath Hogan
Council Member	Jennifer Pieske

See auditor's report on other information.

OTHER REPORTS



BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants

Member of the Arkansas Society of Certified Public Accountants

668 HIGHWAY 62 EAST
MOUNTAIN HOME, AR 72653
870-425-6256

416 N. E. MAIN STREET
MOUNTAIN VIEW, AR 72560
870-269-2390

980 ASH FLAT DRIVE
ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

INDEPENDENT AUDITOR'S 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 Mayor and Members of City Council
City of Flippin, Arkansas

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 the water and wastewater department of the City of Flippin, Arkansas as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the basic financial statements of the water and wastewater department of the City of Flippin, Arkansas, and have issued our report thereon dated March 04, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the water and wastewater department of the City of Flippin, Arkansas' internal control over financial reporting (internal control) to determine the 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 wastewater department of the City of Flippin, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the water and wastewater department of the City of Flippin, 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 charge with governance.

Our consideration of the 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 over financial reporting 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 the water and wastewater department of the City of Flippin, Arkansas' 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 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.

Mountain Home, Arkansas

March 04, 2022