

# VILONIA WATERWORKS

AMOUNT REQUESTED

**\$1,200,000.00**

ARP FUNDS RECEIVED

**\$0.00**

PEOPLE IMPACTED

Approximately 30,000.00 people  
would benefit from this project.

Vilonia Waterworks Association is asking for funding for a 12" water main installation from Highway 107 to Highway 64. The purpose of the project is to connect a proposed 12" main to an existing 16" water main from the Schultz tank. This connection would reduce the amount of time needed to fill the Schultz tank as well as reduce water loss friction in the existing system.



RECEIVED

FEB 18 2022

FAULKNER CO. JUDGE

Faulkner County  
American Rescue Plan / Coronavirus State and Local  
Fiscal Recovery Funds Application

**Organizational information:**

Name or organization: Vilonia Waterworks Association

Physical address: 19 Industrial Dr. Vilonia, AR 72173

Mailing address: P.O. BOX 300 Vilonia, AR 72173

Email: customerservice@viloniawater.com

Phone: 501-796-2711

**CEO or Executive Director information:**

Name: Cecil McMurtry

Email: N/A

Phone: 501-796-2711

Brief qualifications statement: General manager for over 19 years

**Financial Officer or Director information:**

Name: Oren Noble

Email: onoble@viloniawater.com

Phone: 501-796-2711

Brief qualifications statement: Professional Engineer with over 29 years of experience

**Who is the contact person for this application?**

Name: Oren Noble

Email: onoble@viloniawater.com

Phone: 501-796-2711

Entity type or IRS registration: (501(c)3, LLC, sole proprietorship, etc.)

PFB - Pubic Facilities Board

**Brief history of the organization:**

Vilonia Water was established between 1974 - 1977 and has always been committed to providing safe, high quality water services to our community, while maintaining an excellence in customer service and environmental conservation.

**Financial information:**

1. Have you received other state or federal grant funds in the past three years? If so, list the grant name, the organization from whom it was received, the amount of funding received, and the status of the grant expenditure.

No

2. Please Attach your organization's audits from 2019, 2020, and 2021 if available.

3. What is your organization's annual budget? Please attach a copy of your 2020, 2021, and 2022 budgets.

USDA Budget - see attached

4. The applicant certifies that any funds received through this Faulkner County granting program are fully subject to federal regulations and affirms that the funds will be properly spent in compliance with the American Rescue Plan Act of 2021. The applicant further affirms that financial controls are in place such that each expenditure under the grant will be fully documented and that such documentation will be open to the public and submitted to the County for audit. The applicant understands that all aspects of their use of the grant are open to the public and subject to the Freedom of Information Act.

Yes

About your request:

5. Please indicate under which category of eligibility under ARPA your organization is applying:

- Public Health and Economic Impacts – Responding to COVID-19
- Public Health and Economic Impacts – Responding to Negative Economic Impacts
- Investments in Infrastructure – Water and Sewer
- Investments in Infrastructure – Broadband

6. Briefly and clearly state how your project responds to the COVID-19 crisis:

N/A

7. Does your project have a county-wide impact? If so, please describe.

No

8. Please describe your project including the following information (in any order): What will this project accomplish? How will those goals be measured? How do these goals relate to the goals of the American Rescue Plan Act (ARPA)?

The name of the project is the Highway 107 to Schultz Main. The purpose of this project is to connect a proposed 12" main to an existing 16" water main from the Schultz tank. This connection will reduce the amount of time needed to fill the Schultz Tank from our connection with LWPWA, as well as reduce water loss due to friction in the existing system. VWW uses SCADA to monitor the supply and demand of the water distribution. This project will impact the entire 500 square mile system.

9. Please attach a project budget. If the project includes construction or third-party services, please provide their estimates.

1.2 - 1.3 Million

10. Are other funds part of the budget besides ARPA funds? If so, please list other sources of funding and a copy of their funding commitment, if available.

No

11. Please describe the organization's financial management practices that will ensure audit compliance.

N/A

12. What is the total dollar amount that is being requested from Faulkner County?

1.2 - 1.3 Million

13. Have you received other ARPA or CARES Act funds? If so, how much have you received?

No

**Authorized Representative:** The signature indicates that I have been authorized to submit an application requesting funding for the proposed project and to the best of my knowledge and belief, all data contained in this application is true and correct. If the application is approved for funding, I am authorized to sign any applicable documents on behalf of the applicant.

Cecil McMurtry  
Type Name

*Cecil McMurtry*  
Signature

General Manager  
Title

2-14-2022  
Date

When completed return by mail or drop-off  
to: Faulkner County Judge's Office  
801 Locust Street  
Conway, AR 72034



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**VILONIA WATERWORKS ASSOCIATION**  
**19 INDUSTRIAL DR**  
**P.O. BOX 300**  
**VILONIA, AR. 72173**

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August 11, 2021

Faulkner County Judge, Jim Baker  
801 Locust Ave.  
Conway, AR 72034

Re: Vilonia Waterworks Association Water Main Funding

Dear Mr. Baker,

Vilonia Waterworks Association (VWA) is asking for \$1.2 million in funding for a 12" water main installation from Highway 107 to Highway 64. The alignment will commence at the intersection of Highway 107 and the bypass, then parallel to the bypass to the apparent intersection of Marshall Road (unimproved), thence north along Marshall Road to the intersection of Highway 64. The new main will connect to an existing 16" main on the Northwest quadrant of the intersection of Marshall Road and Highway 64.

The name of the project is the Highway 107 to Schultz Main. The purpose of the project is to connect an existing 12" main to a water main from the Schultz Tank. The connection will reduce the amount of time for water to fill the Schultz Tank from our connection with Lonoke White Public Water Authority (LWPWA). Also, the connection will reduce water loss due to friction in the existing system. The Supervisory Control and Data Acquisition (SCADA) system is how VWW monitors the supply and demand of the water distribution. The Schultz Tank is approximately 2 Million Gallons and is our largest tank. The existing system has only one feed to the Schultz tank. The Cadron Tank and Cadron Pump Station is connected to the system feeding the Schultz tank. When the Cadron Pump Station is on, the system diverts water from the Schultz tank thus lowering the level during peak demand or critical times. The existing feed has several bottle necks feeding the Schultz tank. The Schultz tank is feed by a 12" to an 8" to a 10" feeding the tank. The proposed main will provide a redundant feed to a 16" main from the tank. During peak demand, the redundant feed will fill the tank during non-peak times and will be independent of the Cadron Pump Station and Tank.

The 12" water main project is designed, approved by the Arkansas Department of Health, and all easements have been acquired. We are prepared to advertise to bid when the funding is available.

Please let me know if you need any additional information regarding the project. You may email me at [onoble@viloniawater.com](mailto:onoble@viloniawater.com) or call me at 501.352.0346.

Sincerely,

Oren Noble, P.E.  
Assistant Manager



# Arkansas Department of Health

4815 West Markham Street • Little Rock, Arkansas 72205-3867 • Telephone (501) 661-2000

Governor Asa Hutchinson

José R. Romero MD, Secretary of Health

Engineering Section, Slot 37 Ph (501) 661-2623 Fax (501) 661-2032  
[www.healthy.arkansas.gov/eng](http://www.healthy.arkansas.gov/eng) After Hours Emergency (501) 661-2136

February 3, 2021

CWB Engineers, Inc.  
1915 Highway 25B P.O. Box 670  
Heber Springs, Arkansas 72543

RE: Vilonia 107 to Schultz Waterline Extension  
Vilonia Waterworks – Faulkner County  
Project ID: 113056

Attn: Oren Noble, P.E.

The plans and specifications for the above captioned project, received on February 3, 2021, have been reviewed and are hereby approved with the following conditions:

- 1) The Engineering Section relied upon the statements and representations made in the plans and specifications. In case any statement or representation in the aforementioned documents is found to be incorrect, this Approval may be revoked.
- 2) There shall be no deviation from the plans and specifications unless revised plans and specifications have been first submitted for review and written consent given.
- 3) The review and approval of the drawings and specifications were for functional and sanitary features and in no way constitute an analysis of the structural design.
- 4) If construction on this project is not started within one year of the date affixed hereto, this Letter of Approval is void.
- 5) Construction inspection shall be the responsibility of CWB Engineers, Inc.

The set of plans and specifications is being retained for our files and no sets are being returned. When submitting correspondence pertaining to this project, please include our reference number 113056.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Thompson'.

Raymond Thompson, P.E.  
Engineer Supervisor  
Engineering Section

RT:tjj


Cc: Vilonia Waterworks [195]

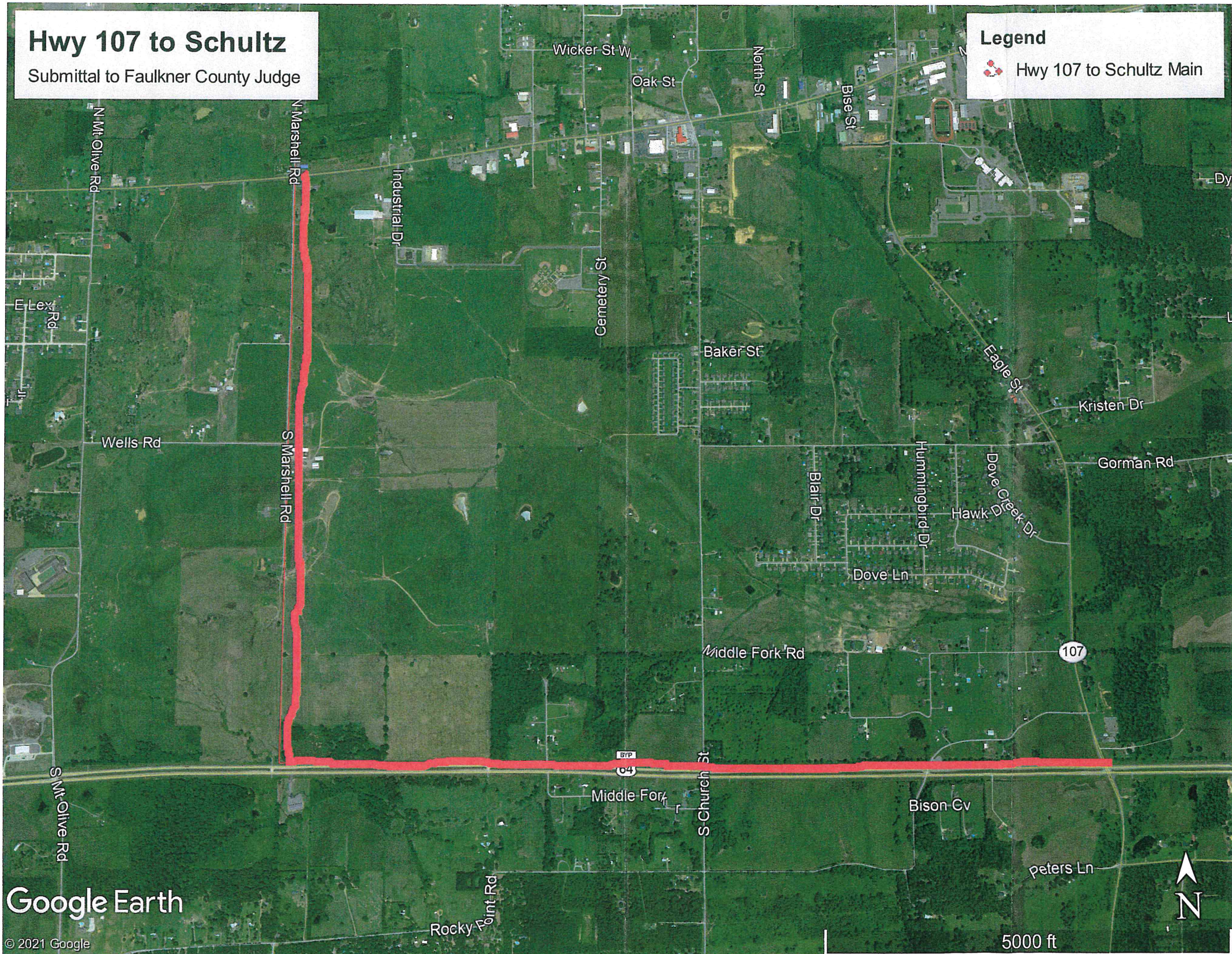


# Hwy 107 to Schultz

Submittal to Faulkner County Judge

## Legend

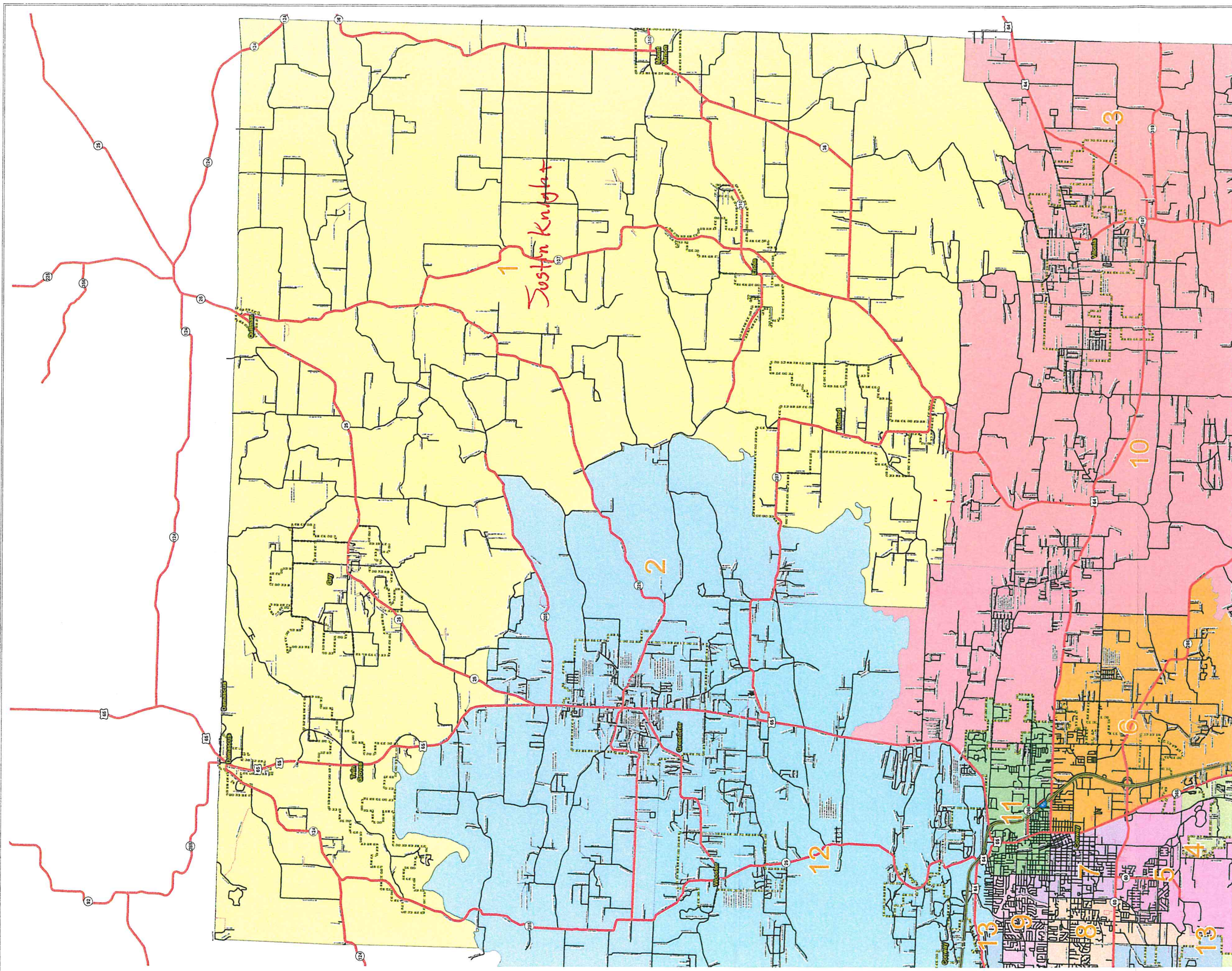
 Hwy 107 to Schultz Main



Google Earth

© 2021 Google

5000 ft



**Faulkner County, Arkansas**

**Justice of the Peace: District 1**

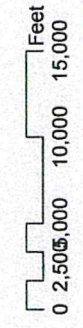
**2013**

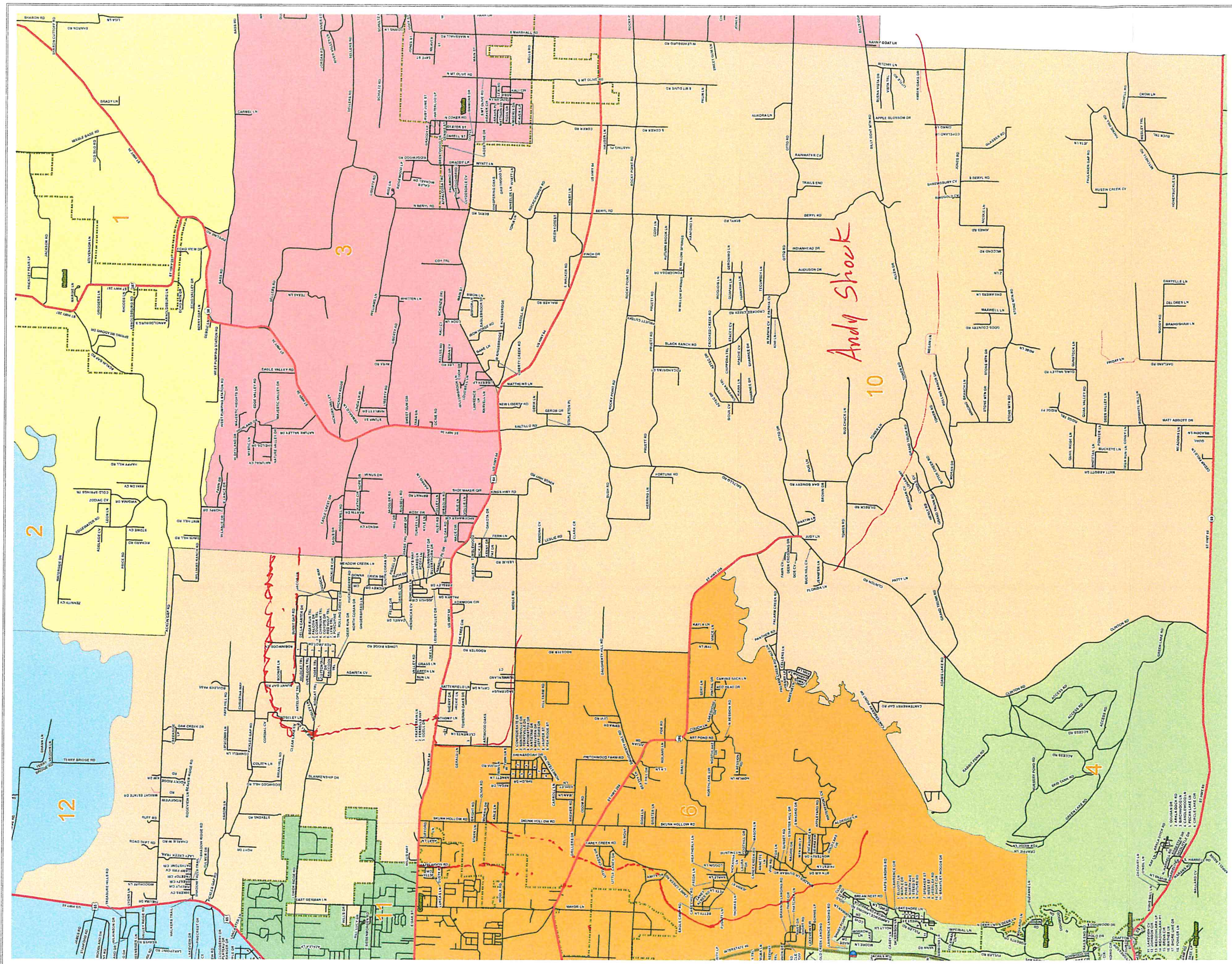
Created By:  
 Conway Planning and Development  
 &  
 Faulkner County Roads and OEM Offices  
 1201 Oak St  
 Conway, AR 72032  
 Phone: 1-501-450-6105  
 E-Mail: [conway@conwayplanning.org](mailto:conway@conwayplanning.org)  
 Website: [www.conwayplanning.org](http://www.conwayplanning.org)

**Legend**

- Interstate
  - Highways
  - Roads
  - Private
  - City Limits
- |                                |    |
|--------------------------------|----|
| Justice of the Peace Districts | 11 |
| District                       | 12 |
| 1                              | 13 |
| 2                              | 10 |
| 3                              | 7  |
| 4                              | 8  |
| 5                              | 9  |
| 6                              | 10 |

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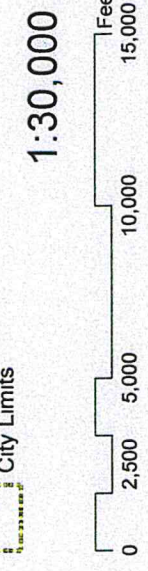


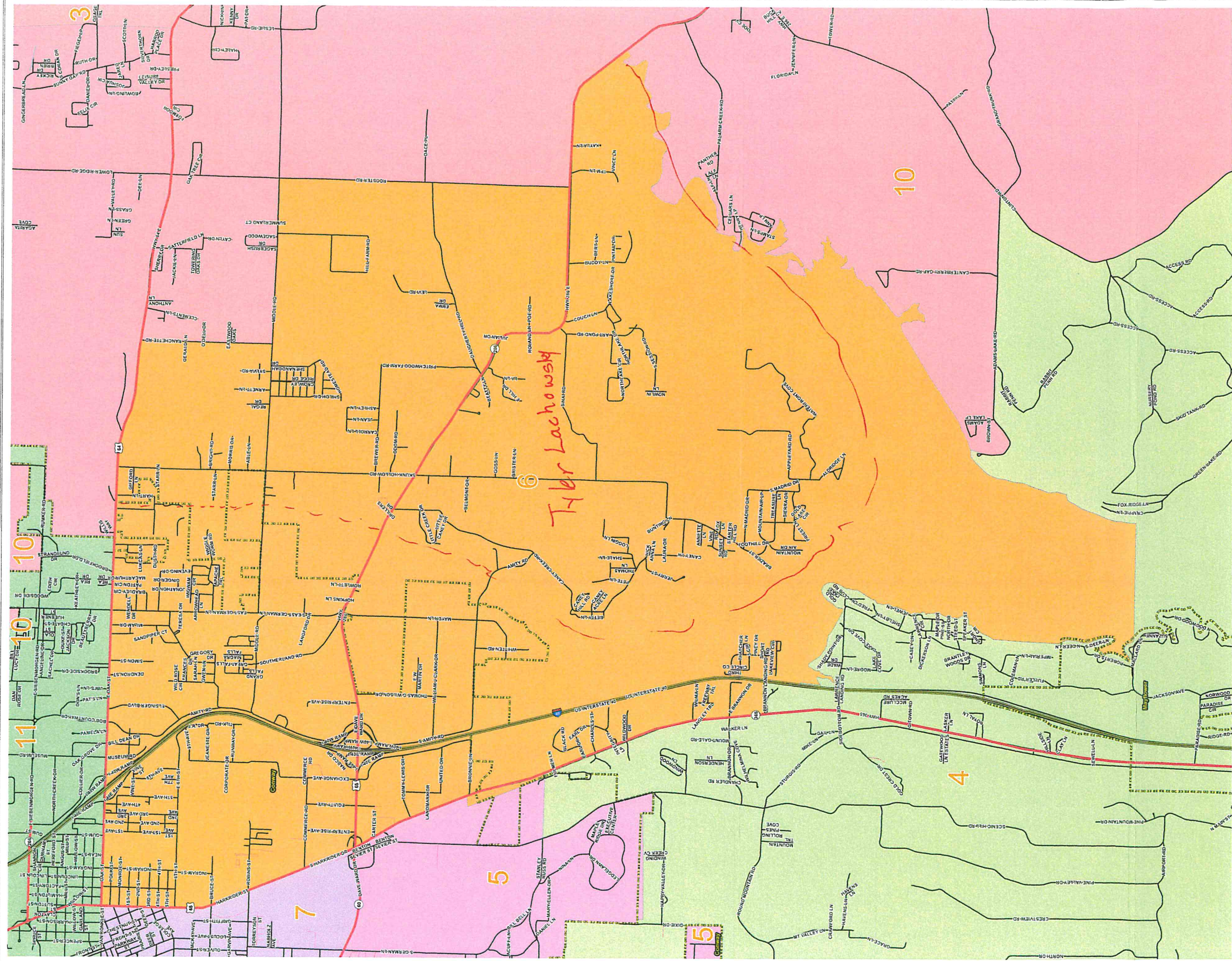


**Faulkner County, Arkansas**  
**Justice of the Peace: District 10**  
**2013**

Created By:  
 Conway Planning and Development  
 Faulkner County Roads and OEM Offices  
 Conway, AR 72032  
 Phone: 1-501-450-6105  
 E-Mail: jason.lyon@cityofconway.org  
 Website: www.conwayplanning.org

- Legend**
- Interstate
  - Highways
  - Roads
  - Private
  - City Limits
- Justice of the Peace Districts**
- 3
  - 4
  - 5
  - 6
  - 7
  - 8
  - 9
  - 10
  - 11
  - 12
  - 13
- District**
- 1
  - 2





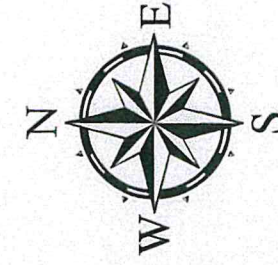
**Faulkner County, Arkansas**  
**Justice of the Peace: District 6**  
**2013**

Created By:  
 Conway Planning and Development  
 &  
 Faulkner County Roads and DEM Offices  
 1201 Oak St  
 Conway, AR 72032  
 Phone: 1-501-450-8105  
 E-Mail: jason.lyon@cityofconway.org  
 Website: www.ConwayPlanning.org

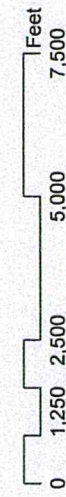
**Legend**

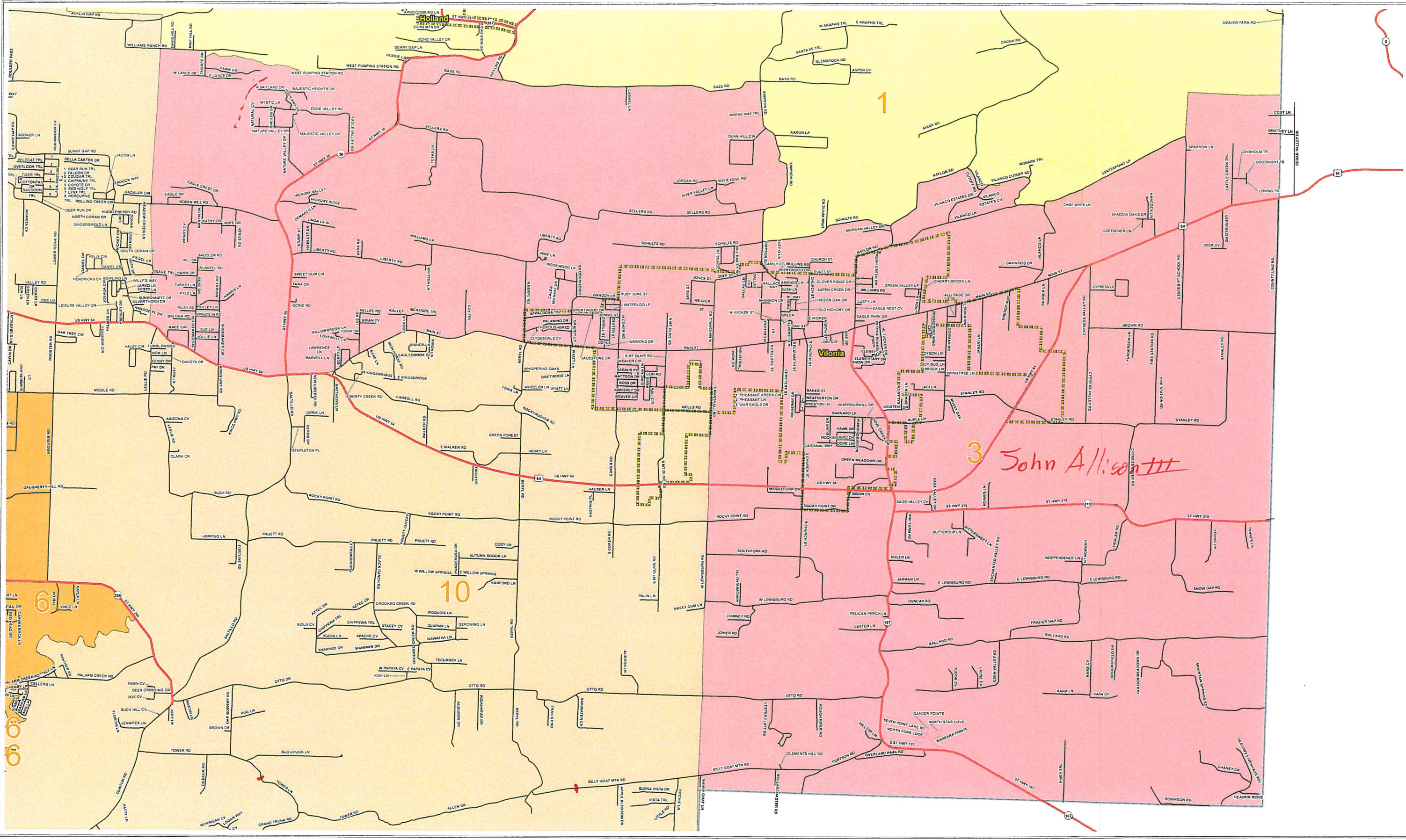
- Interstate
- Highways
- Roads
- Private
- City Limits

- |    |    |    |    |
|----|----|----|----|
| 3  | 4  | 5  | 6  |
| 7  | 8  | 9  | 10 |
| 11 | 12 | 13 |    |



1:18,000





**Faulkner County, Arkansas**  
**Justice of the Peace: District 3**  
**2013**

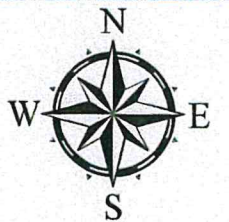
1:27,000



**Legend**

- Interstate
  - Roads
  - Highways
  - Private
  - City Limits
- Justice of the Peace District**
- |   |    |    |
|---|----|----|
| 3 | 7  | 11 |
| 4 | 8  | 12 |
| 5 | 9  | 13 |
| 6 | 10 |    |

Created By:  
**Conway Planning and Development**  
 &  
**Faulkner County Roads and O&M Office**  
 1201 Oak St  
 Conway, AR 72032  
 Phone: 1-901-450-4105  
 E-Mail: jason.hays@conway.org  
 Website: www.conwayplanning.org



UNITED STATES DEPARTMENT OF AGRICULTURE  
**STATEMENT OF BUDGET, INCOME AND EQUITY**

Schedule 1

Name Vilonia Waterworks Association (PFB)

Address PO Box 300  
Vilonia, AR 72173

| (1)<br><u>OPERATING INCOME</u>                                 | PRIOR YEAR<br><u>Actual</u><br>(2) | ANNUAL BUDGET<br>BEG <u>01-01-2022</u><br>END <u>12-31-2022</u><br>(3) | For the <u>Ten</u> Months Ended <u>10-31-2021</u> |                     | Actual YTD<br>(Over) Under Budget<br>Col. 3 - 5 = 6<br>(6) |
|----------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|---------------------|------------------------------------------------------------|
|                                                                |                                    |                                                                        | CURRENT YEAR                                      |                     |                                                            |
|                                                                |                                    |                                                                        | Actual Data                                       |                     |                                                            |
|                                                                |                                    |                                                                        | Current Quarter<br>(4)                            | Year To Date<br>(5) |                                                            |
| 1. <u>Water Sales</u>                                          | 3,806,231                          | 3,825,000                                                              |                                                   | 3,374,435           | 450,565                                                    |
| 2. <u>Water Taps</u>                                           | 89,060                             | 85,000                                                                 |                                                   | 29,712              | 55,288                                                     |
| 3. <u>Water Source Fee</u>                                     | 552,100                            | 550,000                                                                |                                                   | 468,180             | 81,820                                                     |
| 4. _____                                                       |                                    |                                                                        |                                                   |                     | 0                                                          |
| 5. <u>Miscellaneous</u>                                        | 236,363                            | 250,000                                                                |                                                   | 267,793             | -17,793                                                    |
| 6. <u>Less: Allowances and Deductions</u>                      |                                    |                                                                        |                                                   |                     | 0                                                          |
| 7. <u>Total Operating Income</u><br>(Add lines 1 through 6)    | 4,683,754                          | 4,710,000                                                              | 0                                                 | 4,140,120           | 569,880                                                    |
| <u>OPERATING EXPENSES</u>                                      |                                    |                                                                        |                                                   |                     |                                                            |
| 8. <u>Salaries/Benefit</u>                                     | 640,602                            | 645,000                                                                |                                                   | 564,454             | 80,546                                                     |
| 9. <u>Water Purchased</u>                                      | 2,235,216                          | 2,256,750                                                              |                                                   | 1,911,139           | 345,611                                                    |
| 10. <u>Repairs/Maint</u>                                       | 169,602                            | 170,000                                                                |                                                   | 289,170             | -119,170                                                   |
| 11. <u>Utilities</u>                                           | 63,629                             | 64,000                                                                 |                                                   | 55,276              | 8,724                                                      |
| 12. <u>Insurance</u>                                           | 175,697                            | 175,000                                                                |                                                   | 152,695             | 22,305                                                     |
| 13. <u>Bad Debt</u>                                            | 13,214                             | 15,000                                                                 |                                                   | 0                   | 15,000                                                     |
| 14. <u>Other Expenses</u>                                      | 394,239                            | 400,000                                                                |                                                   | 410,493             | -10,493                                                    |
| 15. <u>Interest</u>                                            | 187,335                            | 185,000                                                                |                                                   | 212,544             | -27,544                                                    |
| 16. <u>Depreciation</u>                                        | 598,991                            | 610,090                                                                |                                                   | 507,000             | 103,090                                                    |
| 17. <u>Total Operating Expense</u><br>(Add Lines 8 through 16) | 4,478,525                          | 4,520,840                                                              | 0                                                 | 4,102,771           | 418,069                                                    |
| 18. <u>NET OPERATING INCOME (LOSS)</u><br>(Line 7 less 17)     | 205,229                            | 189,160                                                                | 0                                                 | 37,349              | 151,811                                                    |
| <u>NONOPERATING INCOME</u>                                     |                                    |                                                                        |                                                   |                     |                                                            |
| 19. <u>Interest</u>                                            | 16,025                             | 17,000                                                                 |                                                   | 8,290               | 8,710                                                      |
| 20. <u>Other Income</u>                                        | 36,376                             | 22,000                                                                 |                                                   | 0                   | 22,000                                                     |
| 21. <u>Total Nonoperating Income</u><br>(Add 19 and 20)        | 52,401                             | 39,000                                                                 | 0                                                 | 8,290               | 30,710                                                     |
| 22. <u>NET INCOME (LOSS)</u><br>(Add lines 18 and 21)          | 257,630                            | 228,160                                                                | 0                                                 | 45,639              | 182,521                                                    |
| 23. <u>Equity Beginning of Period</u>                          | 10,536,825                         | 10,582,464                                                             |                                                   | 10,536,825          | 45,639                                                     |
| 24. <u>Contributions</u>                                       | 196,281                            | 150,000                                                                |                                                   | 0                   | 150,000                                                    |
| 25. _____                                                      |                                    |                                                                        |                                                   |                     | 0                                                          |
| 26. <u>Equity End of Period</u><br>(Add lines 22 through 25)   | 10,990,736                         | 10,960,624                                                             | 0                                                 | 10,582,464          | 378,160                                                    |

Budget and Annual Report Approved by Governing Body

Quarterly Reports Certified Correct

*Mick Jertis*

Secretary

*11-17-21*

Date

*Steve Simon*

Appropriate Official

*11-17-21*

Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0572-0137. The time required to complete this information collection is estimated to average 2-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

**SUPPLEMENTAL DATA**

The Following Data Should Be Supplied Where Applicable

Circle One

**1. ALL BORROWERS**

- a. Are deposited funds in institutions insured by the Federal Government? Yes No
- b. Are you exempt from Federal Income Tax? Yes No
- c. Are Local, State and Federal Taxes paid current? Yes No
- d. Is corporate status in good standing with State? Yes No
- e. List kinds and amounts of insurance and fidelity bond: Complete Only when submitting annual budget information:

| <u>Insurance Coverage and Policy Number</u>     | <u>Insurance Company and Address</u>     | <u>Amount of Coverage</u> | <u>Expiration Date of Policy</u> |
|-------------------------------------------------|------------------------------------------|---------------------------|----------------------------------|
| Property Insurance<br>Policy # <u>5a5155420</u> | <u>Employers Mutual Casualty Company</u> | <u>9,727,493</u>          | <u>12-30-2021</u>                |
| Liability<br>Policy # _____                     | _____                                    | _____                     | _____                            |
| Fidelity<br>Policy # <u>1sf025424</u>           | <u>Liberty Mutual Group</u>              | <u>75,000</u>             | <u>08-05-2022</u>                |

**2. RECREATION AND GRAZING ASSOCIATION BORROWERS ONLY**

Current Quarter Year to Date

a. Number of Members \_\_\_\_\_

**3. WATER AND/OR SEWER UTILITY BORROWERS ONLY**

|                                              |             |                    |             |
|----------------------------------------------|-------------|--------------------|-------------|
| a. Water purchased or produced (CU FT - GAL) | <u>gal.</u> | <u>557,081,000</u> | <u>gal.</u> |
| b. Water sold (CU FT - GAL)                  | <u>gal.</u> | <u>407,541,590</u> | <u>gal.</u> |
| c. Treated waste (CU FT - GAL)               | <u>gal.</u> |                    | <u>gal.</u> |
| d. Number of users - water                   |             | <u>9,421</u>       |             |
| e. Number of users - sewer                   |             |                    |             |

**4. OTHER UTILITIES**

a. Number of users \_\_\_\_\_

b. Product purchased \_\_\_\_\_

c. Product sold \_\_\_\_\_

**5. HEALTH CARE BORROWERS ONLY**

a. Number of beds \_\_\_\_\_

b. Patient days of care \_\_\_\_\_

c. Percentage of occupancy \_\_\_\_\_ % \_\_\_\_\_ %

d. Number of outpatient visits \_\_\_\_\_

**6. DISTRIBUTION OF ALL CASH AND INVESTMENTS\***

Indicate balances in the following accounts:

|                         | <u>Construction</u> | <u>Revenue</u>    | <u>Debt Service</u> | <u>Operation &amp; Maintenance</u> | <u>Reserve</u>    | <u>All Others</u>   | <u>Grand Total</u>  |
|-------------------------|---------------------|-------------------|---------------------|------------------------------------|-------------------|---------------------|---------------------|
| Cash                    | \$ _____            | \$ <u>341,981</u> | \$ <u>183,654</u>   | \$ <u>35,972</u>                   | \$ <u>118,204</u> | \$ <u>1,885,298</u> | \$ <u>2,565,109</u> |
| Savings and Investments | \$ _____            | \$ _____          | \$ _____            | \$ _____                           | \$ _____          | \$ _____            | \$ <u>0</u>         |
| Total                   | \$ <u>0</u>         | \$ <u>341,981</u> | \$ <u>183,654</u>   | \$ <u>35,972</u>                   | \$ <u>118,204</u> | \$ <u>1,885,298</u> | \$ <u>2,565,109</u> |

**7. AGE ACCOUNTS RECEIVABLE AS FOLLOWS:**

|                    | <u>Days</u>       |                 |                 |                     | <u>*Total</u>     |
|--------------------|-------------------|-----------------|-----------------|---------------------|-------------------|
|                    | <u>0-30</u>       | <u>31-60</u>    | <u>61-90</u>    | <u>91 and Older</u> |                   |
| Dollar Values      | \$ <u>230,272</u> | \$ <u>5,757</u> | \$ <u>2,878</u> | \$ <u>48,933</u>    | \$ <u>287,840</u> |
| Number of Accounts | _____             | _____           | _____           | _____               | <u>0</u>          |

\*Totals must agree with those on Balance Sheet.

## PROJECTED CASH FLOW

For the Year BEG. 01-01-2022 END. 12-31-2022  
*(same as schedule 1 column 3)*

|                                                                                                                |              |
|----------------------------------------------------------------------------------------------------------------|--------------|
| A. Line 22 from Schedule 1, Column 3 NET INCOME (LOSS)                                                         | \$ 228,160   |
| <u>Add</u>                                                                                                     |              |
| B. <u>Items in Operations not Requiring Cash:</u>                                                              |              |
| 1. Depreciation (line 16 schedule 1)                                                                           | 610,090      |
| 2. Others: <u>Amortization</u>                                                                                 | \$20,363     |
| C. <u>Cash Provided From:</u>                                                                                  |              |
| 1. Proceeds from Agency loan/grant                                                                             |              |
| 2. Proceeds from others                                                                                        |              |
| 3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities                             | \$18,000     |
| 4. Decrease (Increase) in Accounts Receivable, Inventories and<br>Other Current Assets ( <u>Exclude cash</u> ) | (\$21,000)   |
| 5. Other:                                                                                                      |              |
| 6.                                                                                                             |              |
| D. Total all A, B and C Items                                                                                  | 855,613      |
| E. <u>Less: Cash Extended for:</u>                                                                             |              |
| 1. All Construction, Equipment and New Capital Items (loan & grant funds)                                      | \$500,000    |
| 2. Replacement and Additions to Existing Property, Plant and Equipment                                         | \$50,000     |
| 3. Principal Payment Agency Loan                                                                               | \$17,131     |
| 4. Principal Payment Other Loans                                                                               | \$280,059    |
| 5. Other:                                                                                                      |              |
| 6. Total E 1 through 5                                                                                         | \$847,190    |
| <u>Add</u>                                                                                                     |              |
| F. Beginning Cash Balances                                                                                     | \$2,565,109  |
| G. Ending Cash Balances (Total of D Minus E 6 Plus F)                                                          | \$ 2,573,532 |
| <u>Item G Cash Balances Composed of:</u>                                                                       |              |
| Construction Account                                                                                           | \$0          |
| Revenue Account                                                                                                | \$145,512    |
| Debt Payment Account                                                                                           | \$450,000    |
| O&M Account                                                                                                    | \$36,000     |
| Reserve Account                                                                                                | \$120,000    |
| Funded Depreciation Account                                                                                    | 1,105,520    |
| Others: <u>Money Market - Unrestricted</u>                                                                     | \$716,500    |
|                                                                                                                |              |
| Total - Agrees with Item G                                                                                     | \$ 2,573,532 |



**VILONIA WATERWORKS ASSOCIATION  
(A PUBLIC FACILITIES BOARD)**

**Financial Statements**

**Years Ended December 31, 2019 and 2018**



**ELLIS, TUCKER & ALDRIDGE, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

VILONIA WATERWORKS ASSOCIATION  
(A PUBLIC FACILITIES BOARD)

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Members of the Public Facilities Board  
Vilonia Waterworks Association  
Vilonia, Arkansas

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Vilonia Waterworks Association (a public facilities board) as of, and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the public facilities board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vilonia Waterworks Association as of December 31, 2019 and 2018, 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.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, on our consideration of Vilonia Waterworks Association'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 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 Vilonia Waterworks Association's internal control over financial reporting and compliance.

*Ellis, Tucker & Aldridge, LLP*  
Cabot, Arkansas  
June 12, 2020

# VILONIA WATERWORKS ASSOCIATION

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2019 and 2018

### Introduction

As financial management of Vilonia Waterworks Association, a public facilities board (PFB) we offer readers of these financial statements this narrative overview and analysis of the financial activities of the PFB for the fiscal years ended December 31, 2019 and 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage those using these financial statements to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

Operating revenues for 2019 were \$4,540,444, a decrease of \$7,890 or .17% less than 2018. Operating revenues for 2018 were \$4,548,334, an increase of \$144,079 or 3.27% more than 2017. Operations resulted in an increase in net position of \$400,199 in 2019 and \$486,845 in 2018. The term "net position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. At the close of the fiscal year 2019, the PFB had a net position of \$10,536,825, an increase of \$369,425 compared to the 2018 net position of \$10,167,400. The 2018 net position increased \$601,875 compared to the 2017 net position.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PFB's financial statements, which is comprised of the financial statements and the notes to the financial statements. Since the PFB is comprised of a single enterprise fund, no fund level financial statements are shown.

Financial Statements - The financial statements are designed to provide readers with a broad overview of the PFB's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the PFB's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial condition of the PFB is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates financial improvement.

The statement of revenues, expenses and changes in net position presents information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses may be reported in the financial statement for some items that will only result in cash receipts and disbursements in future fiscal periods, for example, accounts receivable outstanding at year end are collected in the following year and accounts payable outstanding at year end are paid in the following year.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

#### Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the PFB, assets exceeded liabilities by \$10,536,825 at the close of 2019. This represents an increase of \$369,425, or 3.63%, compared to the net position of 2018. Assets exceeded liabilities by \$10,167,400 at the close of 2018. This represents an increase of \$601,875 or 6.29%, compared to the net position of 2017.

A portion of the PFB's net position reflects its investment in land and easements, engineering costs, construction of water storage and the distribution system, work in progress, and office furniture and equipment, less the related outstanding capital debt which provided the funds to acquire those assets. The PFB uses these capital assets to provide services and consequently, these assets are not available to liquidate liabilities or use for other spending.

The net position as of December 31, 2019, 2018 and 2017 is summarized provided below.

|                                                   | 2019                 | 2018                 | Restated<br>2017     |
|---------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |                      |
| Current Assets                                    | \$ 2,523,990         | \$ 2,308,039         | \$ 1,998,347         |
| Capital Assets                                    | 13,010,283           | 13,021,576           | 12,881,295           |
| Other Assets                                      | 496,829              | 529,127              | 551,855              |
| Deferred Outflows of Resources                    | 249,584              | 315,914              | 394,777              |
| Total Assets                                      | <u>\$ 16,280,686</u> | <u>\$ 16,174,656</u> | <u>\$ 15,826,274</u> |
| <b>Liabilities</b>                                |                      |                      |                      |
| Current Liabilities                               | \$ 606,021           | \$ 582,901           | \$ 583,809           |
| Long-Term Debt Outstanding                        | 5,045,512            | 5,328,161            | 5,623,991            |
| Deferred Inflows of Resources                     | 92,328               | 96,194               | 52,948               |
| Total Liabilities                                 | <u>\$ 5,743,861</u>  | <u>\$ 6,007,256</u>  | <u>\$ 6,260,748</u>  |
| <b>Net Position</b>                               |                      |                      |                      |
| Invested in Capital Assets-Net<br>of Related Debt | \$ 8,504,856         | \$ 8,354,747         | \$ 7,940,377         |
| Restricted Net Position                           | 496,829              | 529,127              | 551,855              |
| Unrestricted Net Position                         | <u>1,535,140</u>     | <u>1,283,526</u>     | <u>1,073,293</u>     |
| Total Net Position                                | <u>\$ 10,536,825</u> | <u>\$ 10,167,400</u> | <u>\$ 9,565,525</u>  |

A condensed summary of the PFB's changes in net position for the calendar years of 2019, 2018 and 2017 is provided below:

|                                         | 2019                 | 2018                 | Restated<br>2017    |
|-----------------------------------------|----------------------|----------------------|---------------------|
| Operating Revenues                      | \$ 4,540,444         | \$ 4,548,334         | \$ 4,404,255        |
| Operating Expenses                      | 4,140,245            | 4,061,489            | 3,988,833           |
| Income (Loss) from Operations           | <u>\$ 400,199</u>    | <u>\$ 486,845</u>    | <u>\$ 415,422</u>   |
| <b>Nonoperating Revenues (Expenses)</b> |                      |                      |                     |
| Gain on Sale of Fixed Assets            | \$ 7,876             | \$ 12,147            | \$ 14,174           |
| Interest Income                         | 32,076               | 19,124               | 10,320              |
| Contributions in Aid of Construction    | 170,507              | 283,700              | 156,633             |
| Interest Expense                        | (192,469)            | (199,941)            | (203,414)           |
| Bond Issue Costs                        | (48,764)             | -                    | -                   |
|                                         | <u>\$ (30,774)</u>   | <u>\$ 115,030</u>    | <u>\$ (22,287)</u>  |
| Increase (Decrease) in Net Position     | \$ 369,425           | \$ 601,875           | \$ 393,135          |
| Net Position, Beginning of Year         | <u>10,167,400</u>    | <u>9,565,525</u>     | <u>9,172,390</u>    |
| Net Position, End of Year               | <u>\$ 10,536,825</u> | <u>\$ 10,167,400</u> | <u>\$ 9,565,525</u> |

Cash Flows - Net cash provided by operating activities for 2019 and 2018 were \$975,695 and \$1,030,066 respectively. Net cash used by capital and related financing activities for 2019 and 2018 were \$827,035 and \$730,372 respectively, while net cash provided by investing activities for 2019 and 2018 were \$32,076 and \$19,124 respectively.

Significant Events - Projects completed in 2019 included additional upgrading of water meters and water line extensions at Monark Road, Ridgeview, Church Street, Texas Lane, Sunny Gap, Honor's Place, and North Ridge Subdivision. The PFB issued "2019 Water Revenue Bonds". This bond will be used to upgrade meters in the following two years. Projects completed in 2018 included additional upgrading of water meters and water line extensions at South Church Street, West Lewisburg, Road, and Fire Station road.

#### Capital Asset and Debt Administration

Capital Assets - The PFB's investment in capital assets was \$13,010,283 as of December 31, 2019. This was a decrease of \$11,293 compared to 2018. The PFB's investment in capital assets was \$13,021,576 as of December 31, 2018, an increase of \$140,281 compared to 2017.

Capital Debt - Vilonia Waterworks Association had three outstanding bond issues as of December 31, 2019. One bond series was issued in 2010 in the amount of \$2,480,000 and had outstanding bonds in the amount of \$405,000 as of December 31, 2019. Another bond series was issued in 2013 in the amount of \$3,955,000 and had an outstanding balance of \$3,335,000 as of December 31, 2019. The other bond was issued in 2019 in the amount of \$1,700,000 and had an outstanding balance of \$40,858 as of December 31, 2019. Other long-term debt consisted of a note payable to U.S.D.A. Rural Development, which had an unpaid balance of \$746,120 as of December 31, 2019, and a note payable to First Security Bank, which had an unpaid balance of \$92,465 as of December 31, 2019.

#### Requests for Information

This financial report is designed to provide a general overview of Vilonia Waterworks Association's finances for all those with an interest in the PFB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Cecil McMurty, Manager, Vilonia Waterworks Association, 19 Industrial Dr., P.O. Box 300, Vilonia, AR 72173.



VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF NET POSITION  
December 31, 2019 and 2018

|                                                   | <u>December 31,</u><br>2019 | <u>December 31,</u><br>2018 |
|---------------------------------------------------|-----------------------------|-----------------------------|
| <u>ASSETS</u>                                     |                             |                             |
| <u>Current Assets</u>                             |                             |                             |
| Cash and Cash Equivalents                         | \$ 1,925,920                | \$ 1,712,886                |
| Accounts Receivable, Net                          | 286,183                     | 290,267                     |
| Prepaid Expenses                                  | 16,921                      | 15,447                      |
| Accrued Revenues                                  | 294,966                     | 289,439                     |
|                                                   | <u>\$ 2,523,990</u>         | <u>\$ 2,308,039</u>         |
| <br><u>Capital Assets</u>                         |                             |                             |
| Building                                          | \$ 916,164                  | \$ 916,164                  |
| Office Furniture and Equipment                    | 110,018                     | 105,097                     |
| Water Storage and Distribution Facilities         | 17,586,279                  | 17,271,498                  |
| Shop Building and Equipment                       | 522,873                     | 522,572                     |
| Transportation Equipment                          | 699,099                     | 611,686                     |
|                                                   | <u>\$ 19,834,433</u>        | <u>\$ 19,427,017</u>        |
| Less: Accumulated Depreciation                    | <u>(6,983,282)</u>          | <u>(6,545,333)</u>          |
|                                                   | \$ 12,851,151               | \$ 12,881,684               |
| Land                                              | 139,892                     | 139,892                     |
| Construction in Progress                          | 19,240                      | -                           |
|                                                   | <u>\$ 13,010,283</u>        | <u>\$ 13,021,576</u>        |
| <br><u>Noncurrent Assets</u>                      |                             |                             |
| Restricted Cash                                   | \$ 496,829                  | \$ 529,127                  |
| <br><u>Deferred Outflow of Resources</u>          |                             |                             |
| Bond Reacquisition Costs (Net)                    | \$ 114,006                  | \$ 134,369                  |
| Deferred Pension Outflows                         | 135,578                     | 181,545                     |
|                                                   | <u>\$ 249,584</u>           | <u>\$ 315,914</u>           |
| <br>Total Assets & Deferred Outflows of Resources | <br><u>\$ 16,280,686</u>    | <br><u>\$ 16,174,656</u>    |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF NET POSITION  
December 31, 2019 and 2018

|                                                                         | <u>December 31,</u><br><u>2019</u> | <u>December 31,</u><br><u>2018</u> |
|-------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <u>LIABILITIES</u>                                                      |                                    |                                    |
| <u>Current Liabilities</u>                                              |                                    |                                    |
| Accounts Payable                                                        | \$ 154,123                         | \$ 163,642                         |
| Taxes Payable                                                           | 11,379                             | 9,469                              |
| Accrued Wages                                                           | 60,496                             | 31,585                             |
| Accrued Interest                                                        | 56,192                             | 60,187                             |
| Bonds and Notes Payable Due within One Year                             | <u>323,831</u>                     | <u>318,018</u>                     |
|                                                                         | <u>\$ 606,021</u>                  | <u>\$ 582,901</u>                  |
| <u>Long Term Liabilities</u>                                            |                                    |                                    |
| Bonds and Notes Payable                                                 | \$ 4,619,443                       | \$ 4,896,597                       |
| Less: Amount Due within One Year                                        | <u>(323,831)</u>                   | <u>(318,018)</u>                   |
|                                                                         | <u>\$ 4,295,612</u>                | <u>\$ 4,578,579</u>                |
| Customer Deposits                                                       | 8,238                              | 8,253                              |
| Net Pension Obligation                                                  | <u>741,662</u>                     | <u>741,329</u>                     |
|                                                                         | <u>\$ 5,045,512</u>                | <u>\$ 5,328,161</u>                |
| <br>Total Liabilities                                                   | <br><u>\$ 5,651,533</u>            | <br><u>\$ 5,911,062</u>            |
| <u>Deferred Inflows of Resources</u>                                    |                                    |                                    |
| Deferred Pension Inflows                                                | <u>\$ 92,328</u>                   | <u>\$ 96,194</u>                   |
| <u>NET POSITION</u>                                                     |                                    |                                    |
| Invested in Capital Assets, Net of Related Debt                         | \$ 8,504,856                       | \$ 8,354,747                       |
| Restricted                                                              | 496,829                            | 529,127                            |
| Unrestricted                                                            | <u>1,535,140</u>                   | <u>1,283,526</u>                   |
| Total Net Position                                                      | <u>\$ 10,536,825</u>               | <u>\$ 10,167,400</u>               |
| <br>Total Liabilities, Deferred Inflow of<br>Resources and Net Position | <br><u>\$ 16,280,686</u>           | <br><u>\$ 16,174,656</u>           |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
Years Ended December 31, 2019 and 2018

|                                           | 2019          | 2018          |
|-------------------------------------------|---------------|---------------|
| <u>Operating Revenues</u>                 |               |               |
| Water Sales                               | \$ 3,662,947  | \$ 3,637,835  |
| Water Taps                                | 79,675        | 76,185        |
| Miscellaneous Revenues                    | 797,822       | 834,314       |
|                                           | \$ 4,540,444  | \$ 4,548,334  |
| <u>Operating Expenses</u>                 |               |               |
| Salaries and Wages                        | \$ 648,851    | \$ 611,373    |
| Repairs and Maintenance                   | 147,165       | 128,180       |
| Tools and Supplies                        | 29,654        | 25,101        |
| Truck and Backhoe                         | 51,062        | 62,090        |
| Water Purchased                           | 2,187,159     | 2,157,948     |
| Utilities                                 | 66,302        | 70,659        |
| Office Supplies and Postage               | 87,539        | 86,925        |
| Professional Fees                         | 17,024        | 53,176        |
| Payroll Taxes                             | 48,970        | 49,610        |
| Insurance                                 | 170,612       | 166,043       |
| Bad Debt                                  | 20,107        | 13,645        |
| Depreciation                              | 514,692       | 504,353       |
| Employee Benefit Plan                     | 135,239       | 119,486       |
| Miscellaneous                             | 15,869        | 12,900        |
|                                           | \$ 4,140,245  | \$ 4,061,489  |
| Operating Income                          | \$ 400,199    | \$ 486,845    |
| <u>Nonoperating Revenues and Expenses</u> |               |               |
| Interest Income                           | \$ 32,076     | \$ 19,124     |
| Gain (Loss) on Sale of Fixed Assets       | 7,876         | 12,147        |
| Interest Expense                          | (192,469)     | (199,941)     |
| Bond Issue Costs                          | (48,764)      | -             |
|                                           | \$ (201,281)  | \$ (168,670)  |
| <u>Income before Contributions</u>        | \$ 198,918    | \$ 318,175    |
| Contributions in Aid of Construction      | 170,507       | 283,700       |
| <u>Increase in Net Position</u>           | \$ 369,425    | \$ 601,875    |
| Net Position, Beginning of Year           | 10,167,400    | 9,565,525     |
| <u>Net Position, End of Year</u>          | \$ 10,536,825 | \$ 10,167,400 |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

|                                                                      | 2019                | 2018                |
|----------------------------------------------------------------------|---------------------|---------------------|
| <u>Cash Flows from Operating Activities</u>                          |                     |                     |
| Cash Received-Water Sales and Fees                                   | \$ 3,641,397        | \$ 3,617,615        |
| Other Operating Cash Receipts                                        | 877,497             | 910,499             |
| Payments to Suppliers                                                | (2,830,454)         | (2,792,767)         |
| Payments to Employees                                                | (712,745)           | (705,281)           |
| <u>Net Cash Provided by Operating Activities</u>                     | <u>\$ 975,695</u>   | <u>\$ 1,030,066</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u>      |                     |                     |
| Expansion of Distribution System and Purchase of Equipment           | \$ (332,892)        | \$ (377,275)        |
| Principal Payments on Bonds and Notes Payable                        | (277,154)           | (199,053)           |
| Contributions in Aid of Construction                                 | -                   | 487                 |
| Proceeds From the Sale of Fixed Assets                               | 7,876               | 28,000              |
| Bond Issue Costs                                                     | (48,764)            | -                   |
| Interest and Fees Paid on Debt                                       | (176,101)           | (182,531)           |
| <u>Net Cash Used by Capital and Related Financing Activities</u>     | <u>\$ (827,035)</u> | <u>\$ (730,372)</u> |
| <u>Cash Flows from Investing Activities</u>                          |                     |                     |
| Interest Income                                                      | \$ 32,076           | \$ 19,124           |
| <u>Net Cash Provided (Used) by Investing Activities</u>              | <u>\$ 32,076</u>    | <u>\$ 19,124</u>    |
| <u>Net Increase in Cash, Cash Equivalents and Restricted Cash</u>    | \$ 180,736          | \$ 318,818          |
| <u>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</u> | 2,242,013           | 1,923,195           |
| <u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>       | \$ 2,422,749        | \$ 2,242,013        |
| <u>Reconciliation to Statement of Net Position</u>                   |                     |                     |
| Cash - Unrestricted                                                  | \$ 1,925,920        | \$ 1,712,886        |
| Cash - Restricted                                                    | 496,829             | 529,127             |
| <u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>       | <u>\$ 2,422,749</u> | <u>\$ 2,242,013</u> |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

|                                                                                                                             | <u>2019</u>       | <u>2018</u>         |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| <u>Reconciliation of Income (Loss) from Operations to</u><br><u>Net Cash Provided (Used) by Operating Activities</u>        |                   |                     |
| <u>Operating Income</u>                                                                                                     | \$ 400,199        | \$ 486,845          |
| <u>Adjustments to Reconcile Income (Loss) from Operations</u><br><u>to Net Cash Provided (Used) by Operating Activities</u> |                   |                     |
| Depreciation                                                                                                                | \$ 514,692        | \$ 504,353          |
| (Increase) Decrease in:                                                                                                     |                   |                     |
| Accounts Receivable                                                                                                         | 4,084             | 1,510               |
| Prepaid Expenses                                                                                                            | (1,474)           | 38,429              |
| Accrued Revenues                                                                                                            | (5,527)           | (8,085)             |
| Deferred Pension Outflows                                                                                                   | 45,967            | 58,500              |
| Increase (Decrease) in:                                                                                                     |                   |                     |
| Accounts Payable                                                                                                            | (9,519)           | (13,445)            |
| Taxes Payable                                                                                                               | 1,910             | (5,119)             |
| Accrued Wages                                                                                                               | 28,911            | (2,951)             |
| Customer Deposits                                                                                                           | (15)              | -                   |
| Net Pension Obligation                                                                                                      | 333               | (73,217)            |
| Deferred Pension Outflows                                                                                                   | (3,866)           | 43,246              |
| Total Adjustments                                                                                                           | <u>\$ 575,496</u> | <u>\$ 543,221</u>   |
| <u>Net Cash Provided (Used) by Operating Activities</u>                                                                     | <u>\$ 975,695</u> | <u>\$ 1,030,066</u> |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note A - Significant Accounting Policies

(1) Financial Reporting Entity

Vilonia Waterworks Association was organized as a nonprofit corporation on May 16, 1974. On June 17, 1991, the nonprofit authorized the transfer of assets and operations to a public facilities board to be established by the City of Vilonia. The City created the Public Facilities Board (PFB) bearing the same name as the predecessor organization with the passage of Ordinance No. 91-6 on July 11, 1991. PFBs are authorized by Arkansas Code Annotated Section 14-137-101 et seq, and have such powers as the exercise of eminent domain and issuance of tax exempt bonds. The Vilonia Waterworks Association is governed by a board of five members. The PFB provides water service to individuals and businesses located in the City of Vilonia, Arkansas and surrounding areas.

(2) Proprietary Fund

The PFB's operations are accounted for as a proprietary fund. Proprietary funds are used to account for operations that are (a) 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 goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(3) Basis of Accounting

The PFB's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, rather than when received, and expenses are recognized when they are incurred, rather than when they are paid. All Government Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, are applied unless these pronouncements conflict with or contradict GASB pronouncements.

(4) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the PFB defines cash as cash on hand and in banks, including time certificates of deposit and restricted cash accounts.

(5) Capital Assets

Property and equipment are capitalized at cost. Depreciation is provided by applying the straight-line method over the estimated useful lives of the assets. Useful lives estimated are: 5 to 10 years for office furniture and equipment, 3 to 10 years for transportation equipment, 15 to 50 years for buildings and related improvements, and 20 to 50 years for water storage, distribution lines, and related items.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note A - Significant Accounting Policies (Continued)

(6) Compensated Absences

Liabilities for compensated balances for sick leave benefit and vacation benefits have been accrued in the period in which they were earned by employees. Regular full-time employees accumulate 10 paid six days per year with up to 60 days eligible to be carried forward to the following year. Regular full-time employees are eligible for paid vacation accrued at a rate as follows:

|                         |         |
|-------------------------|---------|
| One to Five Years       | 2 weeks |
| Six to Fifteen Years    | 3 weeks |
| Fifteen to Twenty Years | 4 weeks |
| Twenty Years or more    | 5 weeks |

Regular full-time employees accumulate 10 days of vacation time to be carried over to the next calendar year.

(7) Interest Component of the Cost of Refunding Bonds

When bonds are refunded the difference between the reacquisition cost price and the net carrying amount is recognized as a component of interest using the straight-line method.

(8) Cash and Investments

The PFB is considered an Arkansas governmental entity. Arkansas law requires public funds to be held by financial institutions located in the State of Arkansas and investments to be in obligations of the United States government. Public funds must be insured or secured by pledged collateral.

(9) 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 Plan (APERS Plan) and additions to/deductions from APERS Plan's fiduciary net position have been determined on the same basis as they are reported by the APERS Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(10) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note B - Cash Insured and Collateralized

Cash deposits with any one financial institution not exceeding \$250,000 are insured by the Federal Deposit Insurance Corporation (F.D.I.C.) The PFB's financial institutions have pledged securities as collateral on amounts in excess of the F.D.I.C. limit.

Note C - Restricted Cash

The composition of restricted cash as of December 31, 2019 and 2018 is provided below.

|                                                | <u>2019</u>       | <u>2018</u>       |
|------------------------------------------------|-------------------|-------------------|
| Meter Deposit Fund                             | \$ 4,345          | \$ 4,343          |
| Debt Service Reserve-Rural Development Loan    | 74,520            | 74,520            |
| Bond Fund-2010 and 2013 Bonds                  | 195,498           | 227,795           |
| Debt Service Reserve Funds-2010 and 2013 Bonds | 222,381           | 222,469           |
| ANRC Meter Replacement                         | 85                | -                 |
|                                                | <u>\$ 496,829</u> | <u>\$ 529,127</u> |

On the fifteenth day of each month, the PFB is required to pay into the bond fund an amount equal to the sum of one-sixth of the next installment of interest on the outstanding bonds plus the trustee's and paying agent's fees plus one-twelfth of the next installment of principal on the outstanding bonds.

The two debt service reserve funds above in the total amount of \$296,901 in 2019 and \$296,989 in 2018 are maintained for the payment of principal and interest should the PFB lack adequate funds for these payments. These reserves are to be maintained until all bonds have been retired.

Note D - Accounts Receivable

Accounts receivable consist of unpaid amounts billed to customers for water and related charges. The PFB uses the allowance method to account for bad debts. Management reviews these amounts and increase the allowance as deemed appropriate in the circumstances.

A summary of aged accounts receivable is provided below:

|                                       | <u>2019</u>       | <u>2018</u>       |
|---------------------------------------|-------------------|-------------------|
| Due Currently                         | \$ 223,723        | \$ 233,421        |
| Past Due                              |                   |                   |
| 30 Days                               | 11,188            | 11,173            |
| 60 Days                               | 2,921             | 2,248             |
| Over 90 Days                          | 428,279           | 403,246           |
|                                       | <u>\$ 666,111</u> | <u>\$ 650,088</u> |
| Less: Allowance for Doubtful Accounts | <u>(379,928)</u>  | <u>(359,821)</u>  |
|                                       | <u>\$ 286,183</u> | <u>\$ 290,267</u> |



VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note E - Capital Assets

|                                | Balance<br>12/31/18  | Increases          | Decreases          | Balance<br>12/31/19  |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|
| Buildings                      | \$ 916,164           | \$ -               | \$ -               | \$ 916,164           |
| Office Furniture and Equipment | 105,097              | 4,921              | -                  | 110,018              |
| Water Storage and Distribution | 17,271,498           | 314,781            | -                  | 17,586,279           |
| Shop Building and Equipment    | 522,572              | 300                | -                  | 522,873              |
| Transportation Equipment       | 611,686              | 164,156            | (76,743)           | 699,099              |
|                                | <u>\$ 19,427,017</u> | <u>\$ 484,158</u>  | <u>\$ (76,743)</u> | <u>\$ 19,834,433</u> |
| Less: Accumulated Depreciation | (6,545,333)          | (514,691)          | 76,743             | (6,983,282)          |
|                                | <u>\$ 12,881,684</u> | <u>\$ (30,533)</u> | <u>\$ -</u>        | <u>\$ 12,851,151</u> |
| Land                           | 139,892              | -                  | -                  | 139,892              |
| Construction in Progress       | -                    | 19,240             | -                  | 19,240               |
|                                | <u>\$ 13,021,576</u> | <u>\$ (11,293)</u> | <u>\$ -</u>        | <u>\$ 13,010,283</u> |

|                                | Balance<br>12/31/17  | Increases         | Decreases           | Balance<br>12/31/18  |
|--------------------------------|----------------------|-------------------|---------------------|----------------------|
| Buildings                      | \$ 916,164           | \$ -              | \$ -                | \$ 916,164           |
| Office Furniture and Equipment | 198,803              | -                 | (93,706)            | 105,097              |
| Water Storage and Distribution | 16,766,128           | 600,388           | (95,018)            | 17,271,498           |
| Shop Building and Equipment    | 522,572              | -                 | -                   | 522,572              |
| Transportation Equipment       | 636,980              | 62,600            | (87,894)            | 611,686              |
|                                | <u>\$ 19,040,647</u> | <u>\$ 662,988</u> | <u>\$ (276,618)</u> | <u>\$ 19,427,017</u> |
| Less: Accumulated Depreciation | (6,301,745)          | (504,354)         | 260,766             | (6,545,333)          |
|                                | <u>\$ 12,738,902</u> | <u>\$ 158,634</u> | <u>\$ (15,852)</u>  | <u>\$ 12,881,684</u> |
| Land                           | 139,892              | -                 | -                   | 139,892              |
| Construction in Progress       | 2,501                | -                 | (2,501)             | -                    |
|                                | <u>\$ 12,881,295</u> | <u>\$ 158,634</u> | <u>\$ (18,353)</u>  | <u>\$ 13,021,576</u> |

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note F - Bonds and Notes Payable

Long-term revenue bonds and notes payable collateralized by pledge of water revenue consisted of the following at December 31, 2019 and 2018.

|                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>2019</u>         | <u>2018</u>         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2010 with principal payments due each August 1st. The bonds bear interest rates of 1.4% to 3.375% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2021.                                                                                                | \$ 405,000          | \$ 600,000          |
| Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2013 with principal payments due each August 1st. The bonds bear interest rates of 1.0% to 4.0% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2042.                                                                                                  | 3,335,000           | 3,440,000           |
| United States Department of Agriculture, Rural Development 4.25% note payable, due in monthly installments in the amount of \$3,928, including interest. This note matures May 4, 2046.                                                                                                                                                                                                                          | 746,120             | 761,198             |
| First Security Bank 5.295% note payable, due in monthly installments in the amount of \$659, including interest. This note matures March 29, 2038.                                                                                                                                                                                                                                                               | 92,465              | 95,399              |
| Vilonia Waterworks Association Water Revenue Bond, 0% interest, \$1,700,000 bond with a disbursement cut-off date of April 21, 2021. Upon full disbursement, semi-annual installments in the amount of \$87,249 plus a .05% servicing fee will commence. Prior to full disbursement, the servicing fee of .05% on the unpaid principal balance shall be payable semi-annually. This Bond matures April 15, 2031. | 40,858              | -                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>\$ 4,619,443</u> | <u>\$ 4,896,597</u> |
| Less: Amounts Due within One Year                                                                                                                                                                                                                                                                                                                                                                                | <u>(323,831)</u>    | <u>(318,018)</u>    |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>\$ 4,295,612</u> | <u>\$ 4,578,579</u> |

In refunding the 2003 bonds in 2010 and the 2007 bonds in 2013, the PFB's reacquisition prices exceeded the net carrying values of the refunded debt resulting in deferred outflows of resources on the bonds refunded in the amount of \$184,051 and \$106,512 respectively. In accordance with GASB 65, Items Previously Reported as Assets and Liabilities, the deferred outflows of resources due to losses on bond refundings are amortized over the lives of the 2003 and 2007 bonds and are charged to interest expense. The amounts of these deferred outflows of resources charged to interest expense were \$20,363 in both 2019 and 2018.

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note F - Bonds and Notes Payable (continued)

Required future principal payments of the long-term debt and future payments of interest on the long-term debt are provided in the two schedules below:

|           | Future Principal Payments |                     |                         |                     |                  | Total               |
|-----------|---------------------------|---------------------|-------------------------|---------------------|------------------|---------------------|
|           | 2010<br>Bonds             | 2013<br>Bonds       | USDA RD<br>Note Payable | FSB<br>Note Payable | ANRC<br>Bond     |                     |
| 2020      | \$ 200,000                | \$ 105,000          | \$ 15,738               | \$ 3,093            |                  | \$ 323,831          |
| 2021      | 205,000                   | 115,000             | 16,420                  | 3,261               | 40,858           | 380,539             |
| 2022      |                           | 110,000             | 17,131                  | 3,437               |                  | 130,568             |
| 2023      |                           | 110,000             | 17,874                  | 3,624               |                  | 131,498             |
| 2024      |                           | 110,000             | 18,648                  | 3,820               |                  | 132,468             |
| 2025-2029 |                           | 630,000             | 106,089                 | 22,440              |                  | 758,529             |
| 2030-2034 |                           | 735,000             | 131,158                 | 29,218              |                  | 895,376             |
| 2035-2039 |                           | 880,000             | 162,150                 | 23,571              |                  | 1,065,721           |
| 2040-2044 |                           | 540,000             | 200,467                 |                     |                  | 740,467             |
| 2045-2049 |                           |                     | 60,436                  |                     |                  | 60,436              |
|           | <u>\$ 405,000</u>         | <u>\$ 3,335,000</u> | <u>\$ 746,111</u>       | <u>\$ 92,464</u>    | <u>\$ 40,858</u> | <u>\$ 4,619,433</u> |

|           | Future Interest Payments |                     |                         |                     |              | Total               |
|-----------|--------------------------|---------------------|-------------------------|---------------------|--------------|---------------------|
|           | 2010<br>Bonds            | 2013<br>Bonds       | USDA RD<br>Note Payable | FSB<br>Note Payable | ANRC<br>Bond |                     |
| 2019      | \$ 19,269                | \$ 119,798          | \$ 32,052               | \$ 4,976            |              | \$ 176,095          |
| 2020      | 13,419                   | 117,750             | 31,398                  | 4,817               |              | 167,384             |
| 2021      | 6,919                    | 115,493             | 30,716                  | 4,649               |              | 157,777             |
| 2022      |                          | 112,790             | 30,005                  | 4,472               |              | 147,267             |
| 2023      |                          | 109,985             | 29,262                  | 4,286               |              | 143,533             |
| 2024-2028 |                          | 500,058             | 133,998                 | 18,264              |              | 652,320             |
| 2029-2033 |                          | 388,890             | 109,970                 | 11,835              |              | 510,695             |
| 2034-2038 |                          | 247,180             | 80,265                  | 3,571               |              | 331,016             |
| 2039-2043 |                          | 72,400              | 43,540                  |                     |              | 115,940             |
| 2044-2048 |                          |                     | 5,378                   |                     |              | 5,378               |
|           | <u>\$ 39,607</u>         | <u>\$ 1,784,344</u> | <u>\$ 526,584</u>       | <u>\$ 56,870</u>    |              | <u>\$ 2,407,405</u> |

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note F - Bonds and Notes Payable (continued)

Changes in long-term debt for the years ended December 31, 2019 and 2018 were as follows:

|                                    | Balance<br>12/31/18 | Increases        | Decreases         | Balance<br>12/31/19 | Due Within<br>One Year | Due in Excess<br>of One Year |
|------------------------------------|---------------------|------------------|-------------------|---------------------|------------------------|------------------------------|
| Revenue Bonds                      | \$ 4,040,000        | \$ 40,858        | \$ 300,000        | \$ 3,780,858        | \$ 305,000             | 3,475,858                    |
| Notes Payable                      | 856,597             | -                | 18,012            | 838,585             | 18,831                 | 819,754                      |
| Customer Deposits                  | 8,253               | 15               | -                 | 8,238               | -                      | 8,238                        |
| Net Pension Obligation             | 741,329             | -                | 333               | 741,662             | -                      | 741,662                      |
| <b>Total Long-Term Liabilities</b> | <b>\$ 5,646,179</b> | <b>\$ 40,873</b> | <b>\$ 318,345</b> | <b>\$ 5,369,343</b> | <b>\$ 323,831</b>      | <b>\$ 5,045,512</b>          |

|                                    | Balance<br>12/31/17 | Increases        | Decreases         | Balance<br>12/31/18 | Due Within<br>One Year | Due in Excess<br>of One Year |
|------------------------------------|---------------------|------------------|-------------------|---------------------|------------------------|------------------------------|
| Revenue Bonds                      | \$ 4,320,000        | -                | \$ 280,000        | \$ 4,040,000        | \$ 300,000             | 3,740,000                    |
| Notes Payable                      | 775,650             | 87,899           | 6,952             | 856,597             | 18,018                 | 838,579                      |
| Customer Deposits                  | 8,253               | -                | -                 | 8,253               | -                      | 8,253                        |
| Net Pension Obligation             | 814,546             | -                | 73,217            | 741,329             | -                      | 741,329                      |
| <b>Total Long-Term Liabilities</b> | <b>\$ 5,918,449</b> | <b>\$ 87,899</b> | <b>\$ 360,169</b> | <b>\$ 5,646,179</b> | <b>\$ 318,018</b>      | <b>\$ 5,328,161</b>          |

Note G - Schedule of Rates Charged to Customers

Generally, the minimum monthly water rate inside the City of Vilonia is \$12.50 on the first 1,000 gallons and \$5.60 per 1,000 gallons thereafter. In a select area of the City and outside of the City the minimum rate ranges between \$12.50 and \$56.09 (depending upon the cost of extending the distributions lines to those area) and \$5.60 per 1,000 gallons thereafter.

The monthly rates charged to customers receiving sewage disposal range from \$35 to \$57 depending upon the area served.

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note H - Water Source and Water Purchase Contracts

(1) Community Water System - The PFB has a water purchase contract with Community Water System which is located at Greers Ferry, Arkansas on Greers Ferry Lake.

(2) Lonoke/White Public Water Authority - Vilonia Waterworks Association is a member of this PWA which owns water intake, treatment, and storage facilities located in the Cove Creek area of Greers Ferry Lake. The 2011 contract requires minimum daily purchases of 1,000,000 gallons at a rate of \$1.25 per 1,000 gallons. In addition to the purchase of water the members of the PWA are required to pay monthly participation fees of \$5 per contracted meter. Water purchases from the PWA were \$464,881 and \$456,250 for 2019 and 2018. Member participation fees were \$600,540 for 2019 and 2018.

(3) Mid-Arkansas Utilities Public Water Authority - The water purchase agreement with this PWA terminates in January of 2030. The required minimum daily purchase of water is 20,000 gallons.

Note I - Insurance Coverage

The PFB has workers compensation coverage and vehicle and equipment liability and property damage coverage through the respective programs sponsored by Arkansas Municipal League. For 2019 vehicles and equipment valued at \$724,766 were covered, and for 2018 vehicles and equipment valued at \$639,762 were covered. Buildings, contents, water tanks and related structures are insured by Employers Mutual Casualty Company. The limit of the coverage is \$9,444,169.

Note J - Retirement Plan - APERS

The Public Facility Board contributes to the Arkansas Public Employees Retirement System (APERS Plan), which is a cost-sharing multi-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 and 1957. The costs of administering the plan are paid out of investment earnings.

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.

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note J - Retirement Plan - APERS (continued)

(1) Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service.

The percentage used is based upon whether a member is contributory or non-contributory as follows:

|                                    |       |
|------------------------------------|-------|
| Contributory, prior to 7/1/2005    | 2.07% |
| Contributory, on or after 7/1/2005 | 2.03% |
| 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 of actual service
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)
- at age 55 with 35 years of credited service for elected or safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

(2) Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The employer contribution rates applicable were 14.75% (July 1, 2017 to June 30, 2018), 14.75% (July 1, 2018 to June 30, 2019), and 15.32% (July 1, 2019 to December 31, 2019).

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note J - Retirement Plan - APERS (continued)

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report found at <http://www.apers.org/annualreports>.

(3) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pension

At December 31, 2019 and 2018, the PFB reported a liability of \$741,662 and \$741,329, respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2018 and 2017 the PFB's proportions was .0307% and .0336%, respectively.

For the years ended June 30, 2019 and 2018, the PFB recognized pension expense of \$135,239 and \$119,486, respectively. At June 30, 2019 and 2018, the PFB's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                | Deferred Outflows |                   | Deferred Inflows   |                    |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|--------------------|
|                                                                                                | 2019              | 2018              | 2019               | 2018               |
| Difference between expected and actual experience                                              | \$ 20,185         | \$ 11,790         | \$ (1,102)         | \$ (7,782)         |
| Net difference between projected and actual investment earnings on pension plan investments    | -                 | -                 | (5,633)            | (18,759)           |
| Changes of assumptions                                                                         | 40,255            | 84,348            | (28,511)           | (45,845)           |
| Changes in proportion and difference between employer contributions and share of contributions | 22,179            | 35,128            | (57,082)           | (23,808)           |
| Contributions subsequent to the measurement date                                               | 52,959            | 50,271            | -                  | -                  |
|                                                                                                | <u>\$ 135,578</u> | <u>\$ 181,537</u> | <u>\$ (92,328)</u> | <u>\$ (96,194)</u> |

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note J - Retirement Plan - APERS (continued)

Amounts of \$52,959 and \$50,271 reported as deferred outflows of resources related to pensions resulting from the PFB's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and December 31, 2019, respectively. 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 Ended</u><br><u>12/31</u> | <u>Amount</u>     |
|-----------------------------------|-------------------|
| 2020                              | \$ (13,780)       |
| 2021                              | 7,689             |
| 2022                              | 342               |
| 2023                              | (3,960)           |
| 2024                              | -                 |
| Thereafter                        | -                 |
|                                   | <u>\$ (9,709)</u> |

(4) Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level of Percent Payroll, Closed

Actuarial Assumptions

Investment Rate of Return: 7.15%

Salary Increases: 3.25% to 9.85% including inflation

Inflation Rate: 3.25% wage inflation, 2.50% price inflation

Mortality rates were based on the RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward two years for males and one year for females.



VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note J - Retirement Plan - APERS (continued)

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 target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the APERS Plan's target asset allocation as of June 30, 2019 are summarized in the table below:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|-----------------------------------------------|
| Broad domestic equity | 37%                      | 6.20%                                         |
| International equity  | 24%                      | 6.33%                                         |
| Real assets           | 16%                      | 3.32%                                         |
| Absolute return       | 5%                       | 3.56%                                         |
| Domestic fixed        | 18%                      | 1.54%                                         |
| <br>Total             | <br><u>100%</u>          |                                               |

The target allocation for the June 30, 2018 measurement date was as follows:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|-----------------------------------------------|
| Broad domestic equity | 37%                      | 5.97%                                         |
| International equity  | 24%                      | 6.82%                                         |
| Real assets           | 16%                      | 4.59%                                         |
| Absolute return       | 5%                       | 3.15%                                         |
| Domestic fixed        | 18%                      | 0.83%                                         |
| <br>Total             | <br><u>100%</u>          |                                               |

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

Note J - Retirement Plan - APERS (continued)

(5) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and 2018, was 7.15% for both periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the 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 pension liability.

(6) Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the PFB's net pension liability as of June 30, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what the PFB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

|                       | 1% Lower<br>6.15%   | Current Rate<br>7.15% | 1% Higher<br>8.15% |
|-----------------------|---------------------|-----------------------|--------------------|
| Net pension liability | <u>\$ 1,188,699</u> | <u>\$ 741,662</u>     | <u>\$ 372,836</u>  |

Note K - Concentrations of Risk

While the operations of the PFB are always subject to the availability of a quality source of water, adequate water storage, and disruption of supply lines, as well as the risk of public safety in the event of contamination of the water, management does not consider these, or any other risks, to be significant concentrations of risks at this time.

Note L - Officers and Members of the Board of Directors

Howard Williams, Chairman  
Steve Simon, Vice-Chairman  
Mickey Fortner, Secretary  
Ronnie Fowlkes, Director  
Brian Presley, Director

Note M - Date of Management's Review

Subsequent events have been evaluated through June 20, 2020, which is the date the financial statements were available to be issued.

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
APERS Fiscal Years Ended June 30, 2019 through 2015

|                                                                                       | <u>June 30,</u><br><u>2019</u> | <u>June 30,</u><br><u>2018</u> | <u>June 30,</u><br><u>2017</u> | <u>June 30,</u><br><u>2016</u> | <u>June 30,</u><br><u>2015</u> |
|---------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Proportion of the Net Pension Liability                                               | <u>.0307%</u>                  | <u>.0336%</u>                  | <u>0.0315%</u>                 | <u>0.0327%</u>                 | <u>0.0344%</u>                 |
| Proportionate Share of the Net Pension Liability                                      | <u>741,662</u>                 | <u>741,329</u>                 | <u>814546</u>                  | <u>782658</u>                  | <u>633767</u>                  |
| Covered-Employee Payroll                                                              | <u>664296</u>                  | <u>616416</u>                  | <u>586234</u>                  | <u>604467</u>                  | <u>623758</u>                  |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered Employees | <u>111.65%</u>                 | <u>120.30%</u>                 | <u>138.95%</u>                 | <u>129.48%</u>                 | <u>101.60%</u>                 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                | <u>78.55%</u>                  | <u>79.59%</u>                  | <u>75.65%</u>                  | <u>75.50%</u>                  | <u>80.39%</u>                  |

This schedule represents Vilonia Waterworks Association's proportionate share of the Arkansas Public Employee Retirement Plan System. In the future ten years of data will be presented as the data becomes available.

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF CONTRIBUTIONS TO ARKANSAS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

APERS Fiscal Years Ended June 30, 2019 through 2015

|                                                              | <u>June 30,</u><br><u>2019</u> | <u>June 30,</u><br><u>2018</u> | <u>June 30,</u><br><u>2017</u> | <u>June 30,</u><br><u>2016</u> | <u>June 30,</u><br><u>2015</u> |
|--------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Contractually Required Contributions                         | \$ 118,522                     | \$ 101,123                     | \$ 80,326                      | \$ 84,964                      | \$ 90,617                      |
| Contractually Required Contribution                          | <u>(118,522)</u>               | <u>(101,123)</u>               | <u>(80,326)</u>                | <u>(84,964)</u>                | <u>(90,617)</u>                |
| Contribution Deficiency                                      | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    |
| Covered Employee Payroll                                     | <u>\$ 664,296</u>              | <u>\$ 616,416</u>              | <u>\$ 586,234</u>              | <u>\$ 604,467</u>              | <u>\$ 623,758</u>              |
| Contributions as a Percentage of Covered<br>Employee Payroll | <u>16.21%</u>                  | <u>16.40%</u>                  | <u>13.70%</u>                  | <u>14.06%</u>                  | <u>14.53%</u>                  |

This schedule represents Vilonia Waterworks Association's historical contributions and covered payroll to the Arkansas Public Employee Retirement Plan System. In the future ten years of data will be presented as the data becomes available.



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MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## 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

Members of the Public Facilities Board  
Vilonia Waterworks Association  
Vilonia, 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 Vilonia Waterworks Association, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Vilonia Waterworks Associations' basic financial statements and have issued our report thereon dated June 12, 2020.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Ellis, Tucker & Aldridge, LLP*

Cabot, Arkansas  
June 12, 2020

**VILONIA WATERWORKS ASSOCIATION  
(A PUBLIC FACILITIES BOARD)**

**Financial Statements**

**Years Ended December 31, 2020 and 2019**



**ELLIS, TUCKER & ALDRIDGE, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

VILONIA WATERWORKS ASSOCIATION  
(A PUBLIC FACILITIES BOARD)

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Members of the Public Facilities Board  
Vilonia Waterworks Association  
Vilonia, Arkansas

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Vilonia Waterworks Association (a public facilities board) as of, and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the public facilities board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages 4-7 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vilonia Waterworks Association's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. 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 expenditures of federal awards is 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 June 30, 2021, on our consideration of Vilonia Waterworks Association'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 Vilonia Waterworks Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vilonia Waterworks Association's internal control over financial reporting and compliance.

*Ellis, Jackson & Aldridge, LLP*

Cabot, Arkansas

June 30, 2021

# VILONIA WATERWORKS ASSOCIATION

19 Industrial Drive/P.O. Box 300

Vilonia, Arkansas 72173

(501) 796-2711

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2020 and 2019

### Introduction

As financial management of Vilonia Waterworks Association, a public facilities board (PFB) we offer readers of these financial statements this narrative overview and analysis of the financial activities of the PFB for the fiscal years ended December 31, 2020 and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage those using these financial statements to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

Operating revenues for 2020 were \$4,683,754, a increase of \$143,310 or 3.16% more than 2019. Operating revenues for 2019 were \$4,540,444, a decrease of \$7,890 or .17% less than 2018. Operations resulted in an increase in net position of \$397,793 in 2020 and \$400,202 in 2019. The term "net position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. At the close of the fiscal year 2020, the PFB had a net position of \$10,990,736, an increase of \$453,911 compared to the 2019 net position of \$10,536,825. The 2019 net position increased \$369,425 compared to the 2018 net position.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PFB's financial statements, which is comprised of the financial statements and the notes to the financial statements. Since the PFB is comprised of a single enterprise fund, no fund level financial statements are shown.

Financial Statements - The financial statements are designed to provide readers with a broad overview of the PFB's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the PFB's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial condition of the PFB is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates financial improvement.

The statement of revenues, expenses and changes in net position presents information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses may be reported in the financial statement for some items that will only result in cash receipts and disbursements in future fiscal periods, for example, accounts receivable outstanding at year end are collected in the following year and accounts payable outstanding at year end are paid in the following year.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

#### Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the PFB, assets exceeded liabilities by \$10,990,736 at the close of 2020. This represents an increase of \$453,911, or 4.31%, compared to the net position of 2019. Assets exceeded liabilities by \$10,536,825 at the close of 2019. This represents an increase of \$369,425, or 3.63%, compared to the net position of 2018.

A portion of the PFB's net position reflects its investment in land and easements, engineering costs, construction of water storage and the distribution system, work in progress, and office furniture and equipment, less the related outstanding capital debt which provided the funds to acquire those assets. The PFB uses these capital assets to provide services and consequently, these assets are not available to liquidate liabilities or use for other spending.

The net position as of December 31, 2020, 2019 and 2018 is summarized provided below.

|                                                   | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |                      |
| Current Assets                                    | \$ 2,678,837         | \$ 2,523,990         | \$ 2,308,039         |
| Capital Assets                                    | 14,705,070           | 13,010,283           | 13,021,576           |
| Other Assets                                      | 502,905              | 496,829              | 529,127              |
| Deferred Outflows of Resources                    | 298,549              | 249,584              | 315,914              |
| Total Assets                                      | <u>\$ 18,185,361</u> | <u>\$ 16,280,686</u> | <u>\$ 16,174,656</u> |
| <b>Liabilities</b>                                |                      |                      |                      |
| Current Liabilities                               | \$ 690,376           | \$ 606,021           | \$ 582,901           |
| Long-Term Debt Outstanding                        | 6,454,398            | 5,045,512            | 5,328,161            |
| Deferred Inflows of Resources                     | 49,851               | 92,328               | 96,194               |
| Total Liabilities                                 | <u>\$ 7,194,625</u>  | <u>\$ 5,743,861</u>  | <u>\$ 6,007,256</u>  |
| <b>Net Position</b>                               |                      |                      |                      |
| Invested in Capital Assets-Net<br>of Related Debt | \$ 8,843,952         | \$ 8,504,856         | \$ 8,354,747         |
| Restricted Net Position                           | 502,905              | 496,829              | 529,127              |
| Unrestricted Net Position                         | <u>1,643,879</u>     | <u>1,535,140</u>     | <u>1,283,526</u>     |
| Total Net Position                                | <u>\$ 10,990,736</u> | <u>\$ 10,536,825</u> | <u>\$ 10,167,400</u> |

A condensed summary of the PFB's changes in net position for the calendar years of 2020, 2019 and 2018 is provided below:

|                                         | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|-----------------------------------------|----------------------|----------------------|----------------------|
| Operating Revenues                      | \$ 4,683,754         | \$ 4,540,444         | \$ 4,548,334         |
| Operating Expenses                      | 4,285,961            | 4,140,245            | 4,061,489            |
| Income (Loss) from Operations           | <u>\$ 397,793</u>    | <u>\$ 400,199</u>    | <u>\$ 486,845</u>    |
| <b>Nonoperating Revenues (Expenses)</b> |                      |                      |                      |
| Gain on Sale of Fixed Assets            | \$ 36,376            | \$ 7,876             | \$ 12,147            |
| Interest Income                         | 16,025               | 32,076               | 19,124               |
| Contributions in Aid of Construction    | 196,281              | 170,507              | 283,700              |
| Interest Expense                        | (187,335)            | (192,469)            | (199,941)            |
| Bond Service Fee                        | (5,229)              | -                    | -                    |
| Bond Issue Costs                        | -                    | (48,764)             | -                    |
|                                         | <u>\$ 56,118</u>     | <u>\$ (30,774)</u>   | <u>\$ 115,030</u>    |
| Increase (Decrease) in Net Position     | \$ 453,911           | \$ 369,425           | \$ 601,875           |
| Net Position, Beginning of Year         | <u>10,536,825</u>    | <u>10,167,400</u>    | <u>9,565,525</u>     |
| Net Position, End of Year               | <u>\$ 10,990,736</u> | <u>\$ 10,536,825</u> | <u>\$ 10,167,400</u> |

Cash Flows - Net cash provided by operating activities for 2020 and 2019 were \$1,067,952 and \$975,695, respectively. Net cash used by capital and related financing activities for 2020 and 2019 were \$897,247 and \$827,035, respectively, while net cash provided by investing activities for 2020 and 2019 were \$16,025 and \$32,076, respectively.

Significant Events - Projects completed in 2020 included water line extensions at Herring Lane, Wicker Way Subdivision, Matthews Lane, Weaver Farm Road, RidgeView Subdivision, and Newton Road. The PFB issued "2019 Water Revenue Bonds" in 2019. This bond was used to upgrade meters in 2020. The first payment on this bond is due in 2021. Projects completed in 2019 included additional upgrading of water meters and water line extensions at Monark Road, Ridgeview, Church Street, Texas Lane, Sunny Gap, Honor's Place, and North Ridge Subdivision.

#### Capital Asset and Debt Administration

Capital Assets - The PFB's investment in capital assets was \$14,705,070 as of December 31, 2020. This was an increase of \$1,694,787 compared to 2019. The PFB's investment in capital assets was \$13,010,283 as of December 31, 2019, a decrease of \$11,293 compared to 2018.

Capital Debt - Vilonia Waterworks Association had three outstanding bond issues as of December 31, 2020. One bond series was issued in 2010 in the amount of \$2,480,000 and had outstanding bonds in the amount of \$205,000 as of December 31, 2020. Another bond series was issued in 2013 in the amount of \$3,955,000 and had an outstanding balance of \$3,230,000 as of December 31, 2020. The other bond was issued in 2019 in the amount of \$1,700,000 and had an outstanding balance of \$1,700,000 as of December 31, 2020. Other long-term debt consisted of a note payable to U.S.D.A. Rural Development, which had an unpaid balance of \$730,389 as of December 31, 2020, and a note payable to First Security Bank, which had an unpaid balance of \$89,372 as of December 31, 2020.

#### Requests for Information

This financial report is designed to provide a general overview of Vilonia Waterworks Association's finances for all those with an interest in the PFB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Cecil McMurty, Manager, Vilonia Waterworks Association, 19 Industrial Dr., P.O. Box 300, Vilonia, AR 72173.

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF NET POSITION  
December 31, 2020 and 2019

|                                                   | <u>December 31,</u><br>2020 | <u>December 31,</u><br>2019 |
|---------------------------------------------------|-----------------------------|-----------------------------|
| <u>ASSETS</u>                                     |                             |                             |
| <u>Current Assets</u>                             |                             |                             |
| Cash and Cash Equivalents                         | \$ 2,106,574                | \$ 1,925,920                |
| Accounts Receivable, Net                          | 263,925                     | 286,183                     |
| Prepaid Expenses                                  | 10,877                      | 16,921                      |
| Accrued Revenues                                  | 297,461                     | 294,966                     |
|                                                   | <u>\$ 2,678,837</u>         | <u>\$ 2,523,990</u>         |
| <br><u>Capital Assets</u>                         |                             |                             |
| Building                                          | \$ 916,164                  | \$ 916,164                  |
| Office Furniture and Equipment                    | 71,422                      | 110,018                     |
| Water Storage and Distribution Facilities         | 19,822,653                  | 17,586,279                  |
| Shop Building and Equipment                       | 522,873                     | 522,873                     |
| Transportation Equipment                          | 565,523                     | 699,099                     |
|                                                   | <u>\$ 21,898,635</u>        | <u>\$ 19,834,433</u>        |
| Less: Accumulated Depreciation                    | <u>(7,402,881)</u>          | <u>(6,983,282)</u>          |
|                                                   | \$ 14,495,754               | \$ 12,851,151               |
| Land                                              | 139,892                     | 139,892                     |
| Construction in Progress                          | 69,424                      | 19,240                      |
|                                                   | <u>\$ 14,705,070</u>        | <u>\$ 13,010,283</u>        |
| <br><u>Noncurrent Assets</u>                      |                             |                             |
| Restricted Cash                                   | <u>\$ 502,905</u>           | <u>\$ 496,829</u>           |
| <br><u>Deferred Outflow of Resources</u>          |                             |                             |
| Bond Reacquisition Costs (Net)                    | \$ 93,643                   | \$ 114,006                  |
| Deferred Pension Outflows                         | 204,906                     | 135,578                     |
|                                                   | <u>\$ 298,549</u>           | <u>\$ 249,584</u>           |
| <br>Total Assets & Deferred Outflows of Resources | <br><u>\$ 18,185,361</u>    | <br><u>\$ 16,280,686</u>    |

See Independent Auditor's Report & Notes to Financial Statements



VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF NET POSITION  
December 31, 2020 and 2019

|                                                                         | <u>December 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|-------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <u>LIABILITIES</u>                                                      |                                    |                                    |
| <u>Current Liabilities</u>                                              |                                    |                                    |
| Accounts Payable                                                        | \$ 143,088                         | \$ 154,123                         |
| Taxes Payable                                                           | 10,271                             | 11,379                             |
| Accrued Wages                                                           | 57,388                             | 60,496                             |
| Accrued Interest                                                        | 56,949                             | 56,192                             |
| Bonds and Notes Payable Due within One Year                             | <u>422,680</u>                     | <u>323,831</u>                     |
|                                                                         | <u>\$ 690,376</u>                  | <u>\$ 606,021</u>                  |
| <u>Long Term Liabilities</u>                                            |                                    |                                    |
| Bonds and Notes Payable                                                 | \$ 5,954,761                       | \$ 4,619,443                       |
| Less: Amount Due within One Year                                        | <u>(422,680)</u>                   | <u>(323,831)</u>                   |
|                                                                         | \$ 5,532,081                       | \$ 4,295,612                       |
| Customer Deposits                                                       | 8,238                              | 8,238                              |
| Net Pension Obligation                                                  | <u>914,079</u>                     | <u>741,662</u>                     |
|                                                                         | <u>\$ 6,454,398</u>                | <u>\$ 5,045,512</u>                |
| <br>Total Liabilities                                                   | <br><u>\$ 7,144,774</u>            | <br><u>\$ 5,651,533</u>            |
| <u>Deferred Inflows of Resources</u>                                    |                                    |                                    |
| Deferred Pension Inflows                                                | <u>\$ 49,851</u>                   | <u>\$ 92,328</u>                   |
| <u>NET POSITION</u>                                                     |                                    |                                    |
| Invested in Capital Assets, Net of Related Debt                         | \$ 8,843,952                       | \$ 8,504,856                       |
| Restricted                                                              | 502,905                            | 496,829                            |
| Unrestricted                                                            | <u>1,643,879</u>                   | <u>1,535,140</u>                   |
| Total Net Position                                                      | <u>\$ 10,990,736</u>               | <u>\$ 10,536,825</u>               |
| <br>Total Liabilities, Deferred Inflow of<br>Resources and Net Position | <br><u>\$ 18,185,361</u>           | <br><u>\$ 16,280,686</u>           |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
Years Ended December 31, 2020 and 2019

|                                           | <u>2020</u>          | <u>2019</u>          |
|-------------------------------------------|----------------------|----------------------|
| <u>Operating Revenues</u>                 |                      |                      |
| Water Sales                               | \$ 3,806,231         | \$ 3,662,947         |
| Water Taps                                | 89,060               | 79,675               |
| Miscellaneous Revenues                    | 788,463              | 797,822              |
|                                           | <u>\$ 4,683,754</u>  | <u>\$ 4,540,444</u>  |
| <u>Operating Expenses</u>                 |                      |                      |
| Salaries and Wages                        | \$ 640,602           | \$ 648,851           |
| Repairs and Maintenance                   | 169,048              | 147,165              |
| Tools and Supplies                        | 17,777               | 29,654               |
| Truck and Backhoe                         | 40,047               | 51,062               |
| Water Purchased                           | 2,235,216            | 2,187,159            |
| Utilities                                 | 63,629               | 66,302               |
| Office Supplies and Postage               | 88,553               | 87,539               |
| Professional Fees                         | 25,629               | 17,024               |
| Payroll Taxes                             | 48,545               | 48,970               |
| Insurance                                 | 175,697              | 170,612              |
| Bad Debt                                  | 13,214               | 20,107               |
| Depreciation                              | 598,991              | 514,692              |
| Employee Benefit Plan                     | 155,242              | 135,239              |
| Miscellaneous                             | 13,771               | 15,869               |
|                                           | <u>\$ 4,285,961</u>  | <u>\$ 4,140,245</u>  |
| Operating Income                          | <u>\$ 397,793</u>    | <u>\$ 400,199</u>    |
| <u>Nonoperating Revenues and Expenses</u> |                      |                      |
| Interest Income                           | \$ 16,025            | \$ 32,076            |
| Gain (Loss) on Sale of Fixed Assets       | 36,376               | 7,876                |
| Interest Expense                          | (187,335)            | (192,469)            |
| Bond Service Fee                          | (5,229)              | -                    |
| Bond Issue Costs                          | -                    | (48,764)             |
|                                           | <u>\$ (140,163)</u>  | <u>\$ (201,281)</u>  |
| <u>Income before Contributions</u>        | <u>\$ 257,630</u>    | <u>\$ 198,918</u>    |
| Contributions in Aid of Construction      | 196,281              | 170,507              |
| <u>Increase in Net Position</u>           | <u>\$ 453,911</u>    | <u>\$ 369,425</u>    |
| Net Position, Beginning of Year           | <u>10,536,825</u>    | <u>10,167,400</u>    |
| <u>Net Position, End of Year</u>          | <u>\$ 10,990,736</u> | <u>\$ 10,536,825</u> |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2020 and 2019

|                                                                      | <u>2020</u>         | <u>2019</u>         |
|----------------------------------------------------------------------|---------------------|---------------------|
| <u>Cash Flows from Operating Activities</u>                          |                     |                     |
| Cash Received-Water Sales and Fees                                   | \$ 3,812,780        | \$ 3,641,397        |
| Other Operating Cash Receipts                                        | 877,523             | 877,497             |
| Payments to Suppliers                                                | (2,884,010)         | (2,830,454)         |
| Payments to Employees                                                | (738,341)           | (712,745)           |
| <u>Net Cash Provided by Operating Activities</u>                     | <u>\$ 1,067,952</u> | <u>\$ 975,695</u>   |
| <u>Cash Flows from Capital and Related Financing Activities</u>      |                     |                     |
| Expansion of Distribution System and Purchase of Equipment           | \$ (2,125,996)      | \$ (332,892)        |
| Principal Payments on Bonds and Notes Payable                        | (323,824)           | (277,154)           |
| Contributions in Aid of Construction                                 | 21,814              | -                   |
| Proceeds From the Sale of Fixed Assets                               | 43,061              | 7,876               |
| Proceeds from Bond Issue                                             | 1,659,142           | (48,764)            |
| Interest and Fees Paid on Debt                                       | (171,444)           | (176,101)           |
| <u>Net Cash Used by Capital and Related Financing Activities</u>     | <u>\$ (897,247)</u> | <u>\$ (827,035)</u> |
| <u>Cash Flows from Investing Activities</u>                          |                     |                     |
| Interest Income                                                      | \$ 16,025           | \$ 32,076           |
| <u>Net Cash Provided (Used) by Investing Activities</u>              | <u>\$ 16,025</u>    | <u>\$ 32,076</u>    |
| <u>Net Increase in Cash, Cash Equivalents and Restricted Cash</u>    | <u>\$ 186,730</u>   | <u>\$ 180,736</u>   |
| <u>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</u> | <u>2,422,749</u>    | <u>2,242,013</u>    |
| <u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>       | <u>\$ 2,609,479</u> | <u>\$ 2,422,749</u> |
| <u>Reconciliation to Statement of Net Position</u>                   |                     |                     |
| Cash - Unrestricted                                                  | \$ 2,106,574        | \$ 1,925,920        |
| Cash - Restricted                                                    | 502,905             | 496,829             |
| <u>Cash, Cash Equivalents and Restricted Cash, End of Year</u>       | <u>\$ 2,609,479</u> | <u>\$ 2,422,749</u> |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2020 and 2019

|                                                                                                                             | <u>2020</u>         | <u>2019</u>       |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| <u>Reconciliation of Income (Loss) from Operations to</u><br><u>Net Cash Provided (Used) by Operating Activities</u>        |                     |                   |
| <u>Operating Income</u>                                                                                                     | \$ 397,793          | \$ 400,199        |
| <u>Adjustments to Reconcile Income (Loss) from Operations</u><br><u>to Net Cash Provided (Used) by Operating Activities</u> |                     |                   |
| Depreciation                                                                                                                | \$ 598,991          | \$ 514,692        |
| (Increase) Decrease in:                                                                                                     |                     |                   |
| Accounts Receivable                                                                                                         | 22,258              | 4,084             |
| Prepaid Expenses                                                                                                            | 6,044               | (1,474)           |
| Accrued Revenues                                                                                                            | (2,495)             | (5,527)           |
| Deferred Pension Outflows                                                                                                   | (69,328)            | 45,967            |
| Increase (Decrease) in:                                                                                                     |                     |                   |
| Accounts Payable                                                                                                            | (11,034)            | (9,519)           |
| Taxes Payable                                                                                                               | (1,108)             | 1,910             |
| Accrued Wages                                                                                                               | (3,109)             | 28,911            |
| Customer Deposits                                                                                                           | 0                   | (15)              |
| Net Pension Obligation                                                                                                      | 172,417             | 333               |
| Deferred Pension Outflows                                                                                                   | (42,477)            | (3,866)           |
| Total Adjustments                                                                                                           | <u>\$ 670,159</u>   | <u>\$ 575,496</u> |
| <u>Net Cash Provided (Used) by Operating Activities</u>                                                                     | <u>\$ 1,067,952</u> | <u>\$ 975,695</u> |
| <u>Non-Cash Capital and Related Financing Activities</u>                                                                    |                     |                   |
| System Improvements Paid for and Contributed by Developers                                                                  | <u>\$ 174,467</u>   | <u>\$ 170,507</u> |

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note A - Significant Accounting Policies

(1) Financial Reporting Entity

Vilonia Waterworks Association was organized as a nonprofit corporation on May 16, 1974. On June 17, 1991, the nonprofit authorized the transfer of assets and operations to a public facilities board to be established by the City of Vilonia. The City created the Public Facilities Board (PFB) bearing the same name as the predecessor organization with the passage of Ordinance No. 91-6 on July 11, 1991. PFBs are authorized by Arkansas Code Annotated Section 14-137-101 et seq, and have such powers as the exercise of eminent domain and issuance of tax exempt bonds. The Vilonia Waterworks Association is governed by a board of five members. The PFB provides water service to individuals and businesses located in the City of Vilonia, Arkansas and surrounding areas.

(2) Proprietary Fund

The PFB's operations are accounted for as a proprietary fund. Proprietary funds are used to account for operations that are (a) 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 goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(3) Basis of Accounting

The PFB's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, rather than when received, and expenses are recognized when they are incurred, rather than when they are paid. All Government Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, are applied unless these pronouncements conflict with or contradict GASB pronouncements.

(4) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the PFB defines cash as cash on hand and in banks, including time certificates of deposit and restricted cash accounts.

(5) Capital Assets

Property and equipment are capitalized at cost. Depreciation is provided by applying the straight-line method over the estimated useful lives of the assets. Useful lives estimated are: 5 to 10 years for office furniture and equipment, 3 to 10 years for transportation equipment, 15 to 50 years for buildings and related improvements, and 20 to 50 years for water storage, distribution lines, and related items.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note A - Significant Accounting Policies (Continued)

(6) Compensated Absences

Liabilities for compensated balances for sick leave benefit and vacation benefits have been accrued in the period in which they were earned by employees. Regular full-time employees accumulate 10 paid six days per year with up to 60 days eligible to be carried forward to the following year. Regular full-time employees are eligible for paid vacation accrued at a rate as follows:

|                         |         |
|-------------------------|---------|
| One to Five Years       | 2 weeks |
| Six to Fifteen Years    | 3 weeks |
| Fifteen to Twenty Years | 4 weeks |
| Twenty Years or more    | 5 weeks |

Regular full-time employees accumulate 10 days of vacation time to be carried over to the next calendar year.

(7) Interest Component of the Cost of Refunding Bonds

When bonds are refunded the difference between the reacquisition cost price and the net carrying amount is recognized as a component of interest using the straight-line method.

(8) Cash and Investments

The PFB is considered an Arkansas governmental entity. Arkansas law requires public funds to be held by financial institutions located in the State of Arkansas and investments to be in obligations of the United States government. Public funds must be insured or secured by pledged collateral.

(9) 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 Plan (APERS Plan) and additions to/deductions from APERS Plan's fiduciary net position have been determined on the same basis as they are reported by the APERS Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(10) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note B - Cash Insured and Collateralized

Cash deposits with any one financial institution not exceeding \$250,000 are insured by the Federal Deposit Insurance Corporation (F.D.I.C.) The PFB's financial institutions have pledged securities as collateral on amounts in excess of the F.D.I.C. limit.

Note C - Restricted Cash

The composition of restricted cash as of December 31, 2020 and 2019 is provided below.

|                                                | <u>2020</u>       | <u>2019</u>       |
|------------------------------------------------|-------------------|-------------------|
| Meter Deposit Fund                             | \$ 4,362          | \$ 4,345          |
| Debt Service Reserve-Rural Development Loan    | 74,520            | 74,520            |
| Bond Fund-2010 and 2013 Bonds                  | 202,818           | 195,498           |
| Debt Service Reserve Funds-2010 and 2013 Bonds | 221,205           | 222,381           |
| ANRC Meter Replacement                         | -                 | 85                |
|                                                | <u>\$ 502,905</u> | <u>\$ 496,829</u> |

On the fifteenth day of each month, the PFB is required to pay into the bond fund an amount equal to the sum of one-sixth of the next installment of interest on the outstanding bonds plus the trustee's and paying agent's fees plus one-twelfth of the next installment of principal on the outstanding bonds.

The two debt service reserve funds above in the total amount of \$295,725 in 2020 and \$296,901 in 2019 are maintained for the payment of principal and interest should the PFB lack adequate funds for these payments. These reserves are to be maintained until all bonds have been retired.

Note D - Accounts Receivable

Accounts receivable consist of unpaid amounts billed to customers for water and related charges. The PFB uses the allowance method to account for bad debts. Management reviews these amounts and increase the allowance as deemed appropriate in the circumstances.

A summary of aged accounts receivable is provided below:

|                                       | <u>2020</u>       | <u>2019</u>       |
|---------------------------------------|-------------------|-------------------|
| Due Currently                         | \$ 203,373        | \$ 223,723        |
| Past Due                              |                   |                   |
| 30 Days                               | 10,861            | 11,188            |
| 60 Days                               | 2,626             | 2,921             |
| Over 90 Days                          | 440,206           | 428,279           |
|                                       | <u>\$ 657,066</u> | <u>\$ 666,111</u> |
| Less: Allowance for Doubtful Accounts | <u>(393,141)</u>  | <u>(379,928)</u>  |
|                                       | <u>\$ 263,925</u> | <u>\$ 286,183</u> |

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note E - Capital Assets

|                                | Balance              |                     | Increases         | Decreases            | Balance    |
|--------------------------------|----------------------|---------------------|-------------------|----------------------|------------|
|                                | 12/31/19             |                     |                   |                      | 12/31/20   |
| Buildings                      | \$ 916,164           | \$ -                | -                 | -                    | \$ 916,164 |
| Office Furniture and Equipment | 110,018              | -                   | -                 | 38,596               | 71,422     |
| Water Storage and Distribution | 17,586,279           | 2,247,322           | -                 | 10,948               | 19,822,653 |
| Shop Building and Equipment    | 522,873              | -                   | -                 | -                    | 522,873    |
| Transportation Equipment       | 699,099              | 2,958               | -                 | 136,534              | 565,523    |
|                                | <u>\$ 19,834,433</u> | <u>\$ 2,250,280</u> | <u>\$ 186,078</u> | <u>\$ 21,898,635</u> |            |
| Less: Accumulated Depreciation | <u>(6,983,282)</u>   | <u>(598,991)</u>    | <u>179,392</u>    | <u>(7,402,881)</u>   |            |
|                                | <u>\$ 12,851,151</u> | <u>\$ 1,651,289</u> | <u>\$ 365,470</u> | <u>\$ 14,495,754</u> |            |
| Land                           | 139,892              | -                   | -                 | -                    | 139,892    |
| Construction in Progress       | 19,240               | 69,424              | -                 | 19,240               | 69,424     |
|                                | <u>\$ 13,010,283</u> | <u>\$ 1,720,713</u> | <u>\$ 384,710</u> | <u>\$ 14,705,070</u> |            |

|                                | Balance              |                    | Increases          | Decreases            | Balance    |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|------------|
|                                | 12/31/18             |                    |                    |                      | 12/31/19   |
| Buildings                      | \$ 916,164           | \$ -               | -                  | -                    | \$ 916,164 |
| Office Furniture and Equipment | 105,097              | 4,921              | -                  | -                    | 110,018    |
| Water Storage and Distribution | 17,271,498           | 314,781            | -                  | -                    | 17,586,279 |
| Shop Building and Equipment    | 522,572              | 300                | -                  | -                    | 522,873    |
| Transportation Equipment       | 611,686              | 164,156            | -                  | (76,743)             | 699,099    |
|                                | <u>\$ 19,427,017</u> | <u>\$ 484,158</u>  | <u>\$ (76,743)</u> | <u>\$ 19,834,433</u> |            |
| Less: Accumulated Depreciation | <u>(6,545,333)</u>   | <u>(514,691)</u>   | <u>76,743</u>      | <u>(6,983,282)</u>   |            |
|                                | <u>\$ 12,881,684</u> | <u>\$ (30,533)</u> | <u>\$ -</u>        | <u>\$ 12,851,151</u> |            |
| Land                           | 139,892              | -                  | -                  | -                    | 139,892    |
| Construction in Progress       | -                    | 19,240             | -                  | -                    | 19,240     |
|                                | <u>\$ 13,021,576</u> | <u>\$ (11,293)</u> | <u>\$ -</u>        | <u>\$ 13,010,283</u> |            |



VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note F - Long-Term Liabilities

Long-term revenue bonds and notes payable collateralized by pledge of water revenue consisted of the following at December 31, 2019 and 2018.

|                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>2020</u>         | <u>2019</u>         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2010 with principal payments due each August 1st. The bonds bear interest rates of 1.4% to 3.375% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2021.                                                                                                | \$ 205,000          | \$ 405,000          |
| Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2013 with principal payments due each August 1st. The bonds bear interest rates of 1.0% to 4.0% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2042.                                                                                                  | 3,230,000           | 3,335,000           |
| United States Department of Agriculture, Rural Development 4.25% note payable, due in monthly installments in the amount of \$3,928, including interest. This note matures May 4, 2046.                                                                                                                                                                                                                          | 730,389             | 746,120             |
| First Security Bank 5.295% note payable, due in monthly installments in the amount of \$659, including interest. This note matures March 29, 2038.                                                                                                                                                                                                                                                               | 89,372              | 92,465              |
| Vilonia Waterworks Association Water Revenue Bond, 0% interest, \$1,700,000 bond with a disbursement cut-off date of April 21, 2021. Upon full disbursement, semi-annual installments in the amount of \$87,249 plus a .05% servicing fee will commence. Prior to full disbursement, the servicing fee of .05% on the unpaid principal balance shall be payable semi-annually. This Bond matures April 15, 2031. | <u>1,700,000</u>    | <u>40,858</u>       |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ 5,954,761        | \$ 4,619,443        |
| Less: Amounts Due within One Year                                                                                                                                                                                                                                                                                                                                                                                | <u>(422,680)</u>    | <u>(323,831)</u>    |
|                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>\$ 5,532,081</u> | <u>\$ 4,295,612</u> |

In refunding the 2003 bonds in 2010 and the 2007 bonds in 2013, the PFB's reacquisition prices exceeded the net carrying values of the refunded debt resulting in deferred outflows of resources on the bonds refunded in the amount of \$184,051 and \$106,512 respectively. In accordance with GASB 65, Items Previously Reported as Assets and Liabilities, the deferred outflows of resources due to losses on bond refundings are amortized over the lives of the 2003 and 2007 bonds and are charged to interest expense. The amounts of these deferred outflows of resources charged to interest expense were \$20,363 in both 2020 and 2019.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note F - Long-Term Liabilities (continued)

Required future principal payments of the long-term debt and future payments of interest on the long-term debt are provided in the two schedules below:

|           | Future Principal Payments |               |                         |                     |              | Total        |
|-----------|---------------------------|---------------|-------------------------|---------------------|--------------|--------------|
|           | 2010<br>Bonds             | 2013<br>Bonds | USDA RD<br>Note Payable | FSB<br>Note Payable | ANRC<br>Bond |              |
| 2021      | \$ 205,000                | \$ 115,000    | \$ 16,420               | \$ 3,261            | \$ 82,999    | \$ 422,680   |
| 2022      |                           | 110,000       | 17,131                  | 3,437               | 166,621      | 297,189      |
| 2023      |                           | 110,000       | 17,874                  | 3,624               | 167,455      | 298,953      |
| 2024      |                           | 110,000       | 18,648                  | 3,820               | 168,294      | 300,762      |
| 2025      |                           | 120,000       | 19,457                  | 4,027               | 169,136      | 312,620      |
| 2026-2030 |                           | 645,000       | 110,686                 | 23,657              | 858,465      | 1,637,808    |
| 2031-2035 |                           | 765,000       | 136,842                 | 30,802              | 87,030       | 1,019,674    |
| 2036-2040 |                           | 885,000       | 169,178                 | 16,744              |              | 1,070,922    |
| 2041-2045 |                           | 370,000       | 209,155                 |                     |              | 579,155      |
| 2046-2050 |                           |               | 14,998                  |                     |              | 14,998       |
|           | \$ 205,000                | \$ 3,230,000  | \$ 730,389              | \$ 89,372           | \$ 1,700,000 | \$ 5,954,761 |

|           | Future Interest Payments |               |                         |                     |              | Total        |
|-----------|--------------------------|---------------|-------------------------|---------------------|--------------|--------------|
|           | 2010<br>Bonds            | 2013<br>Bonds | USDA RD<br>Note Payable | FSB<br>Note Payable | ANRC<br>Bond |              |
| 2020      | \$ 6,919                 | \$ 115,492    | \$ 30,716               | \$ 4,649            |              | \$ 157,776   |
| 2021      |                          | 112,790       | 30,005                  | 4,473               |              | 147,268      |
| 2022      |                          | 109,985       | 29,262                  | 4,286               |              | 143,533      |
| 2023      |                          | 106,960       | 28,488                  | 4,090               |              | 139,538      |
| 2024      |                          | 103,770       | 27,679                  | 3,883               |              | 135,332      |
| 2025-2029 |                          | 459,968       | 124,994                 | 15,894              |              | 600,856      |
| 2030-2034 |                          | 336,380       | 98,838                  | 8,749               |              | 443,967      |
| 2035-2039 |                          | 179,250       | 66,502                  | 1,054               |              | 246,806      |
| 2040-2044 |                          | 22,200        | 26,525                  |                     |              | 48,725       |
| 2045-2049 |                          |               | 125                     |                     |              | 125          |
|           | \$ 6,919                 | \$ 1,546,795  | \$ 463,134              | \$ 47,078           | \$           | \$ 2,063,926 |

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

Note F - Long-Term Liabilities (continued)

Changes in long-term debt for the years ended December 31, 2020 and 2019 were as follows:

|                                    | Balance<br>12/31/19 | Increases           | Decreases         | Balance<br>12/31/20 | Due Within<br>One Year | Due in Excess<br>of One Year |
|------------------------------------|---------------------|---------------------|-------------------|---------------------|------------------------|------------------------------|
| Revenue Bonds                      | \$ 3,780,858        | \$ 1,659,142        | \$ 305,000        | \$ 5,135,000        | \$ 402,999             | \$ 4,732,001                 |
| Notes Payable                      | 838,585             | -                   | 18,824            | 819,761             | 19,681                 | 800,080                      |
| Customer Deposits                  | 8,238               | -                   | -                 | 8,238               | -                      | 8,238                        |
| Net Pension Obligation             | 741,662             | 172,417             | -                 | 914,079             | -                      | 914,079                      |
| <b>Total Long-Term Liabilities</b> | <b>\$ 5,369,343</b> | <b>\$ 1,831,559</b> | <b>\$ 323,824</b> | <b>\$ 6,877,078</b> | <b>\$ 422,680</b>      | <b>\$ 6,454,398</b>          |

|                                    | Balance<br>12/31/18 | Increases        | Decreases         | Balance<br>12/31/19 | Due Within<br>One Year | Due in Excess<br>of One Year |
|------------------------------------|---------------------|------------------|-------------------|---------------------|------------------------|------------------------------|
| Revenue Bonds                      | \$ 4,040,000        | \$ 40,858        | \$ 300,000        | \$ 3,780,858        | \$ 305,000             | \$ 3,475,858                 |
| Notes Payable                      | 856,597             | -                | 18,012            | 838,585             | 18,831                 | 819,754                      |
| Customer Deposits                  | 8,253               | 15               | -                 | 8,238               | -                      | 8,238                        |
| Net Pension Obligation             | 741,329             | -                | 333               | 741,662             | -                      | 741,662                      |
| <b>Total Long-Term Liabilities</b> | <b>\$ 5,646,179</b> | <b>\$ 40,873</b> | <b>\$ 318,345</b> | <b>\$ 5,369,343</b> | <b>\$ 323,831</b>      | <b>\$ 5,045,512</b>          |

Note G - Schedule of Rates Charged to Customers

Generally, the minimum monthly water rate inside the City of Vilonia is \$12.50 on the first 1,000 gallons and \$5.60 per 1,000 gallons thereafter. In a select area of the City and outside of the City the minimum rate ranges between \$12.50 and \$56.09 (depending upon the cost of extending the distributions lines to those area) and \$5.60 per 1,000 gallons thereafter.

The monthly rates charged to customers receiving sewage disposal range from \$37 to \$57 depending upon the area served.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note H - Water Source and Water Purchase Contracts

(1) Community Water System - The PFB has a water purchase contract with Community Water System which is located at Greers Ferry, Arkansas on Greers Ferry Lake.

(2) Lonoke/White Public Water Authority - Vilonia Waterworks Association is a member of this PWA which owns water intake, treatment, and storage facilities located in the Cove Creek area of Greers Ferry Lake. The 2011 contract requires minimum daily purchases of 1,000,000 gallons at a rate of \$1.25 per 1,000 gallons. In addition to the purchase of water the members of the PWA are required to pay monthly participation fees of \$5 per contracted meter. Water purchases from the PWA were \$496,984 and \$464,881 for 2020 and 2019. Member participation fees were \$600,540 for 2020 and 2019.

(3) Mid-Arkansas Utilities Public Water Authority - The water purchase agreement with this PWA terminates in January of 2030. The required minimum daily purchase of water is 20,000 gallons.

Note I - Insurance Coverage

The PFB has workers compensation coverage and vehicle and equipment liability and property damage coverage through the respective programs sponsored by Arkansas Municipal League. For 2020 vehicles and equipment valued at \$589,500 were covered, and for 2019 vehicles and equipment valued at \$724,766 were covered. Buildings, contents, water tanks and related structures are insured by Employers Mutual Casualty Company. The limit of the coverage is \$9,272,493.

Note J - Retirement Plan - APERS

The Public Facility Board contributes to the Arkansas Public Employees Retirement System (APERS Plan), which is a cost-sharing multi-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 and 1957. The costs of administering the plan are paid out of investment earnings.

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.

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

Note J - Retirement Plan - APERS (continued)

(1) Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service.

The percentage used to determine benefits 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 | 2.03% |
| 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 of actual service
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)
- at age 55 with 35 years of credited service for elected or safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

(2) Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The employer contribution rates applicable were 14.75% (July 1, 2018 to June 30, 2019), 15.32% (July 1, 2019 to June 30, 2020), and 15.32% (July 1, 2020 to December 31, 2020).

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note J - Retirement Plan - APERS (continued)

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report which is accessible online at <http://www.apers.org/annualreports>.

(3) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pension

At December 31, 2020 and 2019, the PFB reported a liability of \$914,079 and \$741,662, respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2019 and 2018 the PFB's proportions was .0319% and .0307%, respectively.

For the years ended June 30, 2020 and 2019, the PFB recognized pension expense of \$155,242 and \$135,239, respectively. At June 30, 2020 and 2019, the PFB's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                | Deferred Outflows |                   | Deferred Inflows   |                 |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|-----------------|
|                                                                                                | 2020              | 2019              | 2020               | 2019            |
| Difference between expected and actual experience                                              | \$ 12,135         | \$ 20,185         | (605) \$           | (1,102)         |
| Net difference between projected and actual investment earnings on pension plan investments    | 96,721            | -                 | -                  | (5,633)         |
| Changes of assumptions                                                                         | 11,453            | 40,255            | (15,661)           | (28,511)        |
| Changes in proportion and difference between employer contributions and share of contributions | 32,427            | 22,179            | (33,585)           | (57,082)        |
| Contributions subsequent to the measurement date                                               | 52,170            | 52,959            | -                  | -               |
|                                                                                                | <u>\$ 204,906</u> | <u>\$ 135,578</u> | <u>(49,851) \$</u> | <u>(92,328)</u> |

VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

Note J - Retirement Plan - APERS (continued)

Amounts of \$52,170 and \$52,959 reported as deferred outflows of resources related to pensions resulting from the PFB's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and December 31, 2019, respectively. 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 Ended</u><br><u>12/31</u> | <u>Amount</u>     |
|-----------------------------------|-------------------|
| 2021                              | \$ 7,984          |
| 2022                              | 27,560            |
| 2023                              | 39,021            |
| 2024                              | 28,320            |
| 2025                              | -                 |
| Thereafter                        | -                 |
|                                   | <u>\$ 102,885</u> |

(4) Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level of Percent Payroll, Closed

Actuarial Assumptions

Investment Rate of Return: 7.15%

Salary Increases: 3.25% to 9.85% including inflation

Inflation Rate: 3.25% wage inflation, 2.50% price inflation

Mortality rates were based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note J - Retirement Plan - APERS (continued)

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 target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the APERS Plan's target asset allocation as of June 30, 2020 are summarized in the table below:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|-----------------------------------------------|
| 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                 | <u>100%</u>              |                                               |

The target allocation for the June 30, 2019 measurement date was as follows:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|-----------------------------------------------|
| Broad domestic equity | 37%                      | 6.20%                                         |
| International equity  | 24%                      | 6.33%                                         |
| Real assets           | 16%                      | 3.32%                                         |
| Absolute return       | 5%                       | 3.56%                                         |
| Domestic fixed        | 18%                      | 1.54%                                         |
| Total                 | <u>100%</u>              |                                               |



VILONIA WATERWORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

Note J - Retirement Plan - APERS (continued)

(5) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019, was 7.15% for both periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the 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 pension liability.

(6) Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the PFB's net pension liability as of June 30, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what the PFB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

|                       | 1% Lower<br>6.15% | Current Rate<br>7.15% | 1% Higher<br>8.15% |
|-----------------------|-------------------|-----------------------|--------------------|
| Net pension liability | \$ 1,392,209      | \$ 917,079            | \$ 519,512         |

Note K - Concentrations of Risk

While the operations of the PFB are always subject to the availability of a quality source of water, adequate water storage, and disruption of supply lines, as well as the risk of public safety in the event of contamination of the water, management does not consider these, or any other risks, to be significant concentrations of risks at this time.

Note L - Officers and Members of the Board of Directors

Howard Williams, Chairman  
Steve Simon, Vice-Chairman  
Mickey Fortner, Secretary  
Ronnie Fowlkes, Director  
Brian Presley, Director

VILONIA WATERWORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note M - Schedule of Water Customers

The PFB had an average of 294 and 301 commercial customers in the years 2020 and 2019, respectively. The PFB had an average of 8,909 and 8,810 residential customers in the years 2020 and 2019, respectively.

Note N - Date of Management's Review

Subsequent events have been evaluated through June 30, 2021, which is the date the financial statements were available to be issued.

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
APERS Fiscal Years Ended June 30, 2020 through 2015

|                                                                                              | <u>June 30,</u><br><u>2020</u> | <u>June 30,</u><br><u>2019</u> | <u>June 30,</u><br><u>2018</u> | <u>June 30,</u><br><u>2017</u> | <u>June 30,</u><br><u>2016</u> | <u>June 30,</u><br><u>2015</u> |
|----------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Proportion of the Net Pension Liability                                                      | <u>.0319%</u>                  | <u>.0307%</u>                  | <u>.0336%</u>                  | <u>0.0315%</u>                 | <u>0.0327%</u>                 | <u>0.0344%</u>                 |
| Proportionate Share of the Net Pension Liability                                             | <u>914,079</u>                 | <u>741,662</u>                 | <u>741,329</u>                 | <u>814,546</u>                 | <u>782,658</u>                 | <u>633,767</u>                 |
| Covered-Employee Payroll                                                                     | <u>640,895</u>                 | <u>664,296</u>                 | <u>616,416</u>                 | <u>586,234</u>                 | <u>604,467</u>                 | <u>623,758</u>                 |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll | <u>142.63%</u>                 | <u>111.65%</u>                 | <u>120.30%</u>                 | <u>138.95%</u>                 | <u>129.48%</u>                 | <u>101.60%</u>                 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                       | <u>75.35%</u>                  | <u>78.55%</u>                  | <u>79.59%</u>                  | <u>75.65%</u>                  | <u>75.50%</u>                  | <u>80.39%</u>                  |

This schedule represents Vilonia Waterworks Association's proportionate share of the Arkansas Public Employee Retirement Plan System. Ten years of data will be presented in future years as the data becomes available.

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF CONTRIBUTIONS TO ARKANSAS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

APERS Fiscal Years Ended June 30, 2020 through 2015

|                                                           | <u>June 30,</u><br><u>2020</u> | <u>June 30,</u><br><u>2019</u> | <u>June 30,</u><br><u>2018</u> | <u>June 30,</u><br><u>2017</u> | <u>June 30,</u><br><u>2016</u> | <u>June 30,</u><br><u>2015</u> |
|-----------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Contractually Required Contributions                      | \$ 113,732                     | \$ 118,522                     | \$ 101,123                     | \$ 80,326                      | \$ 84,964                      | \$ 90,617                      |
| Contractually Required Contribution                       | <u>(113,732)</u>               | <u>(118,522)</u>               | <u>(101,123)</u>               | <u>(80,326)</u>                | <u>(84,964)</u>                | <u>(90,617)</u>                |
| Contribution Deficiency                                   | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    | <u>\$ 0</u>                    |
| Covered Employee Payroll                                  | <u>\$ 640,895</u>              | <u>\$ 664,296</u>              | <u>\$ 616,416</u>              | <u>\$ 586,234</u>              | <u>\$ 604,467</u>              | <u>\$ 623,758</u>              |
| Contributions as a Percentage of Covered Employee Payroll | <u>17.75%</u>                  | <u>17.84%</u>                  | <u>16.40%</u>                  | <u>13.70%</u>                  | <u>14.06%</u>                  | <u>14.53%</u>                  |

This schedule represents Vilonia Waterworks Association's historical contributions and covered payroll to the Arkansas Public Employee Retirement Plan System. In the future ten years of data will be presented as the data becomes available.

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2020

| <u>Federal Grantor/Program Title</u>                                                       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------|---------------------------------|
| Environmental Protection Agency Passed through the<br>Arkansas Natural Resource Commission |                                    |                                                           |                                 |
| Capitalization Grants for Drinking Water SRF                                               | 66.468                             | 01187-DWSRF-L                                             | <u>\$ 1,659,142</u>             |
| Total Expenditures of Federal Awards                                                       |                                    |                                                           | <u><u>\$ 1,659,142</u></u>      |

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Vilonia Waterworks Association under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of operations of Vilonia Waterworks Association. It is not intended to, nor does it present the financial position, changes in net position, or cash flows of Vilonia Waterworks Association.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Vilonia Waterworks Association has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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## 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

Members of the Public Facilities Board  
Vilonia Waterworks Association  
Vilonia, 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 Vilonia Waterworks Association, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Vilonia Waterworks Associations' basic financial statements and have issued our report thereon dated June 30, 2021.

### *Internal Control Over Financial Reporting*

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Ellis, Tucker & Aldridge, LLP*

Cabot, Arkansas  
June 30, 2021



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Public Facilities Board  
Vilonia Waterworks Association  
Vilonia, Arkansas

### *Report on Compliance for Each Major Federal Program*

We have audited Vilonia Waterworks Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vilonia Waterworks Association's major federal programs for the year ended December 31, 2020. Vilonia Waterworks Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Vilonia Waterworks Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vilonia Waterworks Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vilonia Waterworks Association's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the federal programs of Vilonia Waterworks Association, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### ***Report on Internal Control over Compliance***

Management of Vilonia Waterworks Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vilonia Waterworks Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vilonia Waterworks Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ellis, Tumber & Aldridge, LLP*

Cabot, Arkansas  
June 30, 2021

VILONIA WATERWORKS ASSOCIATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2020

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion.
2. There were no significant deficiencies or material weaknesses in internal control disclosed by the audit of the financial statements as required to be reported in accordance with *Government Auditing Standards*.
3. The audit did not disclose any noncompliance which is material to the financial statements as required to be reported in accordance with *Government Auditing Standards*.
4. There were no significant deficiencies or material weaknesses in internal control over major programs disclosed by the audit.
5. The auditor's report on compliance for the major program was unmodified.
6. Audit findings related to major programs are disclosed below.
7. The sole program, Capitalization Grants for Drinking Water State Revolving Funds, (CFDA No. 66.468), was tested as a major program.
8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. Vilonia Waterworks Association does not qualify as a low-risk auditee.

Current Year Findings - Financial Statement Audit

No findings were noted during the audit.

Current Year Findings and Questioned Costs - Major Federal Award Program Audit

No findings were noted during the audit.