

**NORTH LITTLE ROCK WASTE WATER UTILITY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

(With independent auditor's report thereon.)

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## INTRODUCTION

The North Little Rock Waste Water Utility, hereafter referred to as the “Utility” is pleased to present its financial report for the years ending December 31, 2020 and 2019 developed in compliance with Governmental Accounting Standards.

### **Mission**

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

### **Summary of Organization**

The Utility was established by the North Little Rock City Council in 1962. The City Council appointed a five member commission to oversee its operations. Each commissioner is appointed for a five year period, with any reappointment approved by the City Council. The commission meets in open public session on the second Tuesday of each month. The Utility’s day to day operations are managed by a professional Director with assistance from the senior management. The Utility has no taxing power. Operational and maintenance costs are funded from customer fees and charges. At the end of 2020, the utility provided service to approximately 41,000 customers. The acquisition and construction of capital assets are funded by customer revenues, contributions from developers and sewer improvement districts and from construction loans. The Utility maintains and operates four treatment plants, 74 pump stations and hundreds of miles of sewer lines. As of December 31, 2020, the Utility had 90 full time employees dedicated to providing sewer service to the customer base.

### **Responsibility and Controls**

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

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

### **Audit Assurance**

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

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of North Little Rock Waste Water Utility (a component unit of the City of North Little Rock, Arkansas), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years ended December 31, 2020 and 2019, and the related notes to the 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.

### **Opinion**

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

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not, present fairly the financial position of the City of North Little Rock, Arkansas, as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents on pages 5 through 10 and 30 through 33 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*

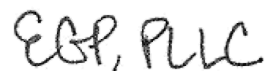
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Little Rock Waste Water Utility's financial statements as a whole. The introductory section, schedule of operating expenses and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 1, 34 and 39, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2021 on our consideration of North Little Rock Waste Water Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Little Rock Waste Water Utility, internal control over financial reporting.



April 13, 2021

Certified Public Accountants & Consultants  
North Little Rock, Arkansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **Financial Highlights**

Our current rate ordinance was adopted on October 26, 2015 and it includes rate adjustments effective on January 1<sup>st</sup> of the years 2016 through 2020. The rate of \$18.05 for a minimum usage of 400 cubic feet and \$5.64 per 100 cubic feet of usage after 400 was effective for the January, 2020 usage which was billed in February. The rate which was in effect for the January, 2020 billing for the December, 2019 usage was \$5.27 per 100 cubic feet with a minimum amount of \$17.52 for 400 cubic feet. There is a minimum charge of four 100 cubic feet for all customers.

The Utility realized a decrease in its cash and certificates of deposit balance by around \$800,000 during 2020. The Utility did not have to cash any certificates during the year.

The Statement of Net Position as of 12/31/20 includes an FEMA receivable in the amount of \$1,132,643. In May of 2019, the Utility suffered flood damage at two of its treatment plants. This flood was declared a major disaster by the federal government on June 8, 2019. The FEMA receivable is the amount for one project which had not been received by the end of the year. In 2020, the Utility received an amount of \$321,925 as reimbursement for project costs relating to the flood damage. Also, relating to the 2019 flood, the Utility received a \$150,000 grant from the Arkansas Department of Emergency Management for hazard mitigation projects.

The Utility increased its property value less depreciation by around \$5,600,000 during 2020. This increase was mainly due to construction in progress projects.

The Arkansas Natural Resources Commission approved loan funds from the Arkansas Clean Water State Revolving Loan Fund in the amount of \$30,000,000 on October 15, 2016. The interest rate is 1.25 percent with an annual servicing fee of 1.00 percent. The Utility will pay interest only on the loan funds received until April, 2021 at which time principal payments commence. At the end of December, 2020, the Utility had been disbursed the total amount of \$11,410,084 for this bond issue.

### **Overview of Annual Financial Report**

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

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

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

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

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

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

The financial statements were prepared by the Utility's staff from its detailed transactions for the years ending December 31, 2020 and 2019. The financial statements were audited and adjusted, if material, during the independent external audit process.

### **Financial Analysis**

The comparative financial statements provide information about the financial activities of the North Little Rock Waste Water Utility. The following information is an analysis of the comparison between the two years presented in the financial statements. The amounts for the year ending December 31, 2018 are also shown for reference purposes.



**Statement of Net Position:**

This statement indicates that the Utility had an adequate amount of liquid assets as of the end of the year and a reasonable level of unrestricted net position. The increase in the property value is mainly due to the completion of projects during the year. The other non-current assets include the deferred outflow related to pension account, which increased from 2019 to 2020. The increase in current liabilities is due to the current portion of long term debt being higher. The other non-current liability total amount for 2020 includes an amount of \$1,685,690 for the reserve for bio-solid removal. This reserve account was set up to accrue a liability for the cost of removing sludge from the lagoons at all of the treatment plants. The current ratio is an indication of short-term liability and is calculated by dividing current assets by current liabilities. A resulting number greater than one indicates current assets in excess of current needs which can be applied to future periods. The current ratio as of December 31, 2010 was 2.96 and the ratio for 2019 and 2018 was 4.17 and 2.81, respectively. Another ratio which is shown on this statement is the debt utilization ratio which indicates what percentage the total debt is to total assets. This ratio is calculated by dividing total notes payable by total assets and was 31% for the year ended December 31, 2020. The debt utilization ratio for 2019 and 2018 was 32% and 31%, respectively.

**Analysis of Statement of Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current Assets	\$ 16,130,414	\$ 17,001,304	\$ 15,274,710
Net Property & Equipment	\$ 128,203,154	\$ 122,603,668	\$ 117,665,611
Other Non-Current Assets	\$ 5,929,151	\$ 4,797,796	\$ 4,611,331
Current Liabilities	\$ 5,443,531	\$ 4,079,669	\$ 5,438,903
Bonds Payable	\$ 42,721,590	\$ 43,724,708	\$ 40,514,451
Other Non-Current Liabilities	\$ 4,895,507	\$ 5,302,207	\$ 6,116,099
Invested in Capital Assets, net of related debt	\$ 82,051,561	\$ 76,712,415	\$ 75,043,661
Restructed Net Assets	\$ 3,502,244	\$ 3,027,798	\$ 1,869,461
Unrestricted Net Assets	\$ 11,648,286	\$ 11,555,971	\$ 8,569,077

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

For the year ending December 31, 2020 the Utility had an operating income of \$5,450,002 with an overall increase in net position of \$5,905,907 after the non-operating income and expenses were accounted for.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 23,087,092	\$ 22,979,810	\$ 22,091,555
Operating Expenses	<u>\$(17,637,090)</u>	<u>\$(17,030,792)</u>	<u>\$(15,747,436)</u>
Operating Income	\$ 5,450,002	\$ 5,949,018	\$ 6,344,119
Non-Operating Revenue	\$ 1,662,243	\$ 965,831	\$ 1,273,454
Non-Operataing Expenses	\$ (1,206,338)	\$ (1,100,864)	\$ (970,313)
Increase in Net Position	<u><b>\$ 5,905,907</b></u>	<u><b>\$ 5,813,985</b></u>	<u><b>\$ 6,647,260</b></u>

Of the total operating revenue for 2020, 96% comes from the rates that the customer base pays for their sewer service.

The operating revenue besides that amount directly from the customer base includes late fees collected on past due billings, tie-on and permit fees, a treatment fee accessed to another city per a court order agreement and plan review charges. The operating revenue increase between 2020 and 2019 is due to the rate change which was effective with the February 2020 billings. There was also a rate increase between 2019 and 2018.

The total operating expense is comprised of labor, depreciation and other. The labor cost includes benefits (insurance, training, matching FICA, and pension) as well as salary. The other operating expenses include supplies, utilities, routine repair and maintenance, outside services and any other non-labor or depreciation expense. The increase in operating expenses between 2020 and 2019 is mainly due to increases in total labor and depreciation expenses.

The non-operating revenue for 2020 includes \$1,506,807 for funds received from FEMA for the flood damage which occurred in 2019. In 2019, insurance proceeds were received for the fire damage in 2018. In 2018, there was a gain on disposal of assets which related to the fire.

The non-operating expense includes interest expense on all loans and loss on disposal of some assets.

**Capital Asset Information:**

As of December 31, 2020, the Utility had a property value after accumulated depreciation of \$128,203,154. This amount includes construction in progress as well as fixed assets. The major increase in property value before depreciation was the result of various construction in progress projects both completed and in progress. The construction in progress jobs included various projects for lining and pipe bursting of sewer lines, the addition and remodeling of the collections systems and engineering building, generator projects and a solar project. The capital asset additions were funded with both bond proceeds and reserves. An amount of \$260,150 in property value was disposed of during the year. Some items were sold and some were removed due to replacement.

**Debt Information:**

The following schedule shows the debt activity for the year.

**SCHEDULE OF BONDS PAYABLE  
DECEMBER 31, 2020**

<b>DESCRIPTION</b>	<b>1/1/2020 BALANCE</b>	<b>DRAWS RECEIVED</b>	<b>PAYMENTS</b>	<b>12/31/2020 BALANCE</b>
SERIES 2001	\$ 2,841,686		\$ 596,346	\$ 2,245,340
SERIES 2008	\$ 9,295,712		\$ 663,638	\$ 8,632,074
SERIES 2012	\$ 17,590,824		\$ 906,562	\$ 16,684,263
SERIES 2016	\$ 16,163,031	\$ 2,426,885	\$ -	\$ 18,589,916
	<b><u>\$ 45,891,253</u></b>	<b><u>\$ 2,426,885</u></b>	<b><u>\$ 2,166,545</u></b>	<b><u>\$ 46,151,593</u></b>

The payments recorded for the revolving loan funds were the scheduled six-month payments. The Series 2001 loan will be paid off in April, 2024. The Series 2008 loan will be paid off in October, 2031. The Series 2012 loan will be paid off in October, 2035. The Series 2016 loan was issued in October of 2015 for an amount of \$30,000,000. Interest only payments will be made until April, 2021 at which time principal payments will commence until October, 2040.

**Budget to Actual Comparison:**

The budget is prepared by the Utility's Finance Manager and is based on the previous year's dollar amounts. The previous years' amounts are adjusted to reflect the projected activity for the current year. As with any budget, there were differences with the actual amounts recorded for the year.

The total operating revenue was less than the amount budgeted. The actual usage for the customers as a whole was lower than what was budgeted, thus the customer revenue was lower than expected. This decrease was offset some by the connection fees which were received.

The budgeted total operating expense was higher than actual. The budget included the amount of \$1,000,000 for emergency repairs and only around \$449,000 was expensed. The budget also included some new labor positions which were not filled and some repair and maintenance of equipment which did not have to be completed.

The actual non-operating revenue amount is higher than the amount budgeted due to the FEMA receivable.

**Analysis of Planned Activity for 2021:**

There are a number of lining, pipe bursting and interceptor projects planned for various locations within the service area. These projects will increase the life of various sized sewer lines and will be funded through the Series 2016 loan and general revenue. There will also be a contract for another Sewer System Evaluation Survey which will be paid out of general revenue. Also, engineering will continue and construction will start for the Maumelle to White Oak diversion and will be financed by the 2016 loan. The Utility's plan is to divert the flow from the Maumelle service area to the White Oak Treatment Plant and decommission the current Maumelle Treatment Plant. The Utility will start a financial plan study with an outside consultant in anticipation of needing another loan to finance various future projects.

**Contacting the Management:**

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

**North Little Rock Waste Water Utility**  
**Statement of Net Position**  
**December 31, 2020 and 2019**  
(See independent auditor's report.)

	<b>2020</b>	<b>2019</b>
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b>Current Assets</b>		
Cash	\$ 2,269,225	3,477,870
Certificates of deposit	9,716,916	9,554,584
Accrued interest receivable	25,016	95,791
Accounts receivable (net of allowance of \$10,000)	2,874,884	2,641,624
FEMA grant receivable	1,132,643	97,761
Insurance receivable	-	1,045,390
Inventory	30,677	27,069
Prepaid expenses	81,053	61,215
<b>Total Current Assets</b>	<b>16,130,414</b>	<b>17,001,304</b>
<b>Noncurrent Assets</b>		
Restricted assets:		
Cash and cash equivalents	2,232,850	2,028,478
Certificates of deposit	512,108	504,497
Other assets	757,286	494,823
Property, plant and equipment, net	128,203,154	122,603,668
Notes receivable, net of current portion	175,673	176,055
<b>Total Noncurrent Assets</b>	<b>131,881,071</b>	<b>125,807,521</b>
<b>Total Assets</b>	<b>148,011,485</b>	<b>142,808,825</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	2,251,234	1,593,943
<b>Total Deferred Outflows of Resources</b>	<b>2,251,234</b>	<b>1,593,943</b>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <b>\$ 150,262,719</b>	 <b>144,402,768</b>

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

	<u>2020</u>	<u>2019</u>
<b><u>Liabilities, Deferred Inflows of Resources and Net Position</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 587,360	648,442
Other current liabilities	584,998	534,324
Accrued absences	841,170	730,358
Current portion of long-term debt	3,430,003	2,166,545
<b>Total Current Liabilities</b>	<u>5,443,531</u>	<u>4,079,669</u>
<b>Noncurrent Liabilities</b>		
Reserve for bio-solids disposal	1,685,690	2,547,471
Pension liability	2,451,855	1,753,904
OPEB obligation	140,768	299,950
Bonds payable, net of current portion	42,721,590	43,724,708
<b>Total Noncurrent Liabilities</b>	<u>46,999,903</u>	<u>48,326,033</u>
<b>Total Liabilities</b>	<u>52,443,434</u>	<u>52,405,702</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	617,194	700,882
<b>Total Deferred Inflows of Resources</b>	<u>617,194</u>	<u>700,882</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>53,060,628</u>	<u>53,106,584</u>
<b>Net Position</b>		
Net investment in capital assets	82,051,561	76,712,415
Restricted	3,502,244	3,027,798
Unrestricted	11,648,286	11,555,971
<b>Total Net Position</b>	<u>97,202,091</u>	<u>91,296,184</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 150,262,719</u>	<u>144,402,768</u>

**North Little Rock Waste Water Utility**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2020 and 2019**  
(See independent auditor's report)

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Service charges	20,426,491	20,065,939
Service charges - industry	1,738,880	1,930,986
Service charges - violations	218,846	422,784
Service charges - late fees	387,584	382,415
Permits and inspections	53,295	40,770
Other operating income	261,996	136,916
<b>Total Operating Revenues</b>	<u>23,087,092</u>	<u>22,979,810</u>
<b>Operating Expenses</b>		
Cost of sales	10,256,537	9,776,400
Operating expenses	7,380,553	7,254,392
<b>Total Operating Expenses</b>	<u>17,637,090</u>	<u>17,030,792</u>
<b>Operating Income</b>	<u>5,450,002</u>	<u>5,949,018</u>
<b>Non-Operating Income</b>		
Interest income	150,370	216,482
Insurance proceeds	-	649,171
Grant revenue	1,506,807	97,761
Other non-operating income	5,066	2,417
<b>Total Non-Operating Income</b>	<u>1,662,243</u>	<u>965,831</u>
<b>Non-Operating Expenses</b>		
Interest expense	1,153,556	1,060,962
Loss on disposal of assets	52,782	39,902
<b>Total Non-Operating Expenses</b>	<u>1,206,338</u>	<u>1,100,864</u>
<b>Increase in Net Position</b>	5,905,907	5,813,985
Net position - beginning of period	<u>91,296,184</u>	<u>85,482,199</u>
<b>Net Position - End of Period</b>	<u>\$ 97,202,091</u>	<u>91,296,184</u>

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

**North Little Rock Waste Water Utility**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**  
(See independent auditor's report.)

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from:		
Customers	\$ 21,557,336	22,992,257
Other operating income	1,307,386	136,916
Cash payments for:		
Cash paid to suppliers for goods and services	(9,906,541)	(8,342,559)
Cash paid to or on behalf of employees for services	(4,309,049)	(5,440,291)
<b>Net Cash Provided by Operating Activities</b>	<b>8,649,132</b>	<b>9,346,323</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Repayment of long-term debt and bonds payable	(2,166,545)	(2,107,501)
Proceeds from draws on bond	2,426,885	5,376,804
Acquisition and construction of capital assets	(10,337,153)	(9,577,377)
Proceeds from disposal of property, plant and equipment	13,889	55,734
Insurance proceeds from fire damage	-	750,000
Interest paid	(1,153,556)	(1,060,962)
<b>Net Cash (Required) by Capital and Related Financing Activities</b>	<b>(11,216,480)</b>	<b>(6,563,302)</b>
<b>Cash Flows From Investing Activities:</b>		
Investment in certificates of deposit	(10,229,024)	(10,059,081)
Proceeds from maturity of certificates of deposit	10,059,081	8,034,114
Interest and other income received	1,733,018	273,287
<b>Net Cash Provided (Required) by Investing Activities</b>	<b>1,563,075</b>	<b>(1,751,680)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,004,273)</b>	<b>1,031,341</b>
Cash and cash equivalents at beginning of year	5,506,348	4,475,007
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,502,075</b>	<b>5,506,348</b>
<b>Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 2,269,225	3,477,870
Restricted cash and cash equivalents	2,232,850	2,028,478
<b>Total Cash and Cash Equivalents</b>	<b>\$ 4,502,075</b>	<b>5,506,348</b>

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



	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 5,450,002	5,949,018
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	4,670,996	4,543,684
(Increase) decrease in assets:		
Accounts receivable	(232,878)	247,124
Inventory	(3,608)	(2,224)
Insurance receivable	1,045,390	-
Grant receivable	(1,034,882)	(97,761)
Other assets	(282,301)	(33,218)
Deferred outflows	(657,291)	971,872
Increase (decrease) in liabilities:		
Accounts payable	(61,082)	(1,548,765)
Accrued absences	110,812	87,811
Other liabilities	(272,338)	(658,123)
Deferred inflows	(83,688)	(113,095)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 8,649,132</u>	<u>9,346,323</u>

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

Principles of Operation

The North Little Rock Waste Water Utility (the “Utility”) (a component unit of the City of North Little Rock) is financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The financial statements present only the North Little Rock Waste Water Utility and do not purport to, and do not, present fairly the financial position of the City of North Little Rock, Arkansas, as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Utility follows Government Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

Use of Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management’s estimates. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from estimates.

Cash and Cash Equivalents

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

Certificates of Deposit

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

Accounts Receivable

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

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reserve for potential uncollectible accounts based on historical bad debts. Amounts are written off at the point when collection attempts have been exhausted, which is usually 120 days after the account is past due. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While management believes the Utility's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to the allowance recorded by the Utility. Accounts receivable are net of an allowance for doubtful accounts of \$10,000 at both December 31, 2020 and 2019.

Inventory

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

Property, Plant and Equipment

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

Long-Lived Assets

The Utility reviews long-lived assets and certain identifiable intangibles held and used by the Utility for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended December 31, 2020 and 2019, no impairment has been identified.

Net Position

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

*Net investment in capital assets*

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted for debt service*

This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are

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both restricted and unrestricted net position available, it is the Utility's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

*Unrestricted*

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

Accrued Absences

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

Reserve for Bio-Solids Disposal

The Utility provides annually for the estimated cost of bio-solids removal from the treatment plant lagoons, which occurs every five to fifteen years for each lagoon.

Budgets and Budgetary Accounting

Budgeted revenues and expenses are prepared using the economic resources measurement focus and the accrual basis of accounting. The original budgets adopted by the Utility were not amended during the years ended December 31, 2020 and 2019.

Deferred Outflows/Inflows of Resources

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

Recently Adopted Accounting Standards

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions. GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, is now effective for periods beginning on or after December 15, 2020 and GASB Statement No. 87, *Leases* is now effective for periods beginning on or after June 15, 2021. Based on review of GASB Statements 87 and 89, neither will have a significant impact on the Utility's financial statements.

**2. Description of Funds**

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

Sewer Fund

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

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Operating and Maintenance Fund

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

Sewer Depreciation Fund

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

Rehabilitation Fund

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

2001 Revolving Loan Fund

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

2008 Revolving Loan Fund

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

2012 Revolving Loan Fund

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

2016 Revolving Loan Fund

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

**3. Cash and Certificates of Deposit**

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

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

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Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to the Utility. At December 31, 2020 and 2019, the Utility's deposits with two financial institutions were fully insured or collateralized and totaled \$16,352,054 and \$15,717,901, respectively.

**4. Restricted Funds**

The Utility has certain debt services funds with the Arkansas Development Finance Authority ("ADFA"), which are restricted to various uses. The Utility is required to deposit monthly with the ADFA, to be held in trust, an amount equal to 1/6 of the interest to become due on the next ensuing interest payment plus 1/6 of the next installment of principal next due on the Bonds. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which a deposit is required to be made. The total deposits, held in trust as of December 31, 2020 and 2019, were \$757,286 and \$494,823, respectively.

In addition, certain funds included in cash and cash equivalents and certificates of deposit are restricted to construction, rehabilitation or capital improvements. Those funds totaled \$2,744,958 and \$2,532,975 as of December 31, 2020 and 2019, respectively.

**5. Property, Plant and Equipment**

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

	<b>2019</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>2020</b>
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	187,345,462	301,947	8,006,352	(260,150)	195,393,611
Construction in process	9,101,623	10,035,206	(8,006,352)	-	11,130,477
	<u>199,586,894</u>	<u>10,337,153</u>	<u>-</u>	<u>(260,150)</u>	<u>209,663,897</u>
Less accumulated depreciation	(76,983,226)	(4,670,996)	-	193,479	(81,460,743)
	<u>\$ 122,603,668</u>	<u>5,666,157</u>	<u>-</u>	<u>(66,671)</u>	<u>128,203,154</u>
	<b>2018</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>2019</b>
Land	\$ 3,139,809	-	-	-	3,139,809
Plant and equipment	182,107,148	544,187	5,400,466	(706,339)	187,345,462
Construction in process	5,468,899	9,033,190	(5,400,466)	-	9,101,623
	<u>190,715,856</u>	<u>9,577,377</u>	<u>-</u>	<u>(706,339)</u>	<u>199,586,894</u>
Less accumulated depreciation	(73,050,245)	(4,543,684)	-	610,703	(76,983,226)
	<u>\$ 117,665,611</u>	<u>5,033,693</u>	<u>-</u>	<u>(95,636)</u>	<u>122,603,668</u>

**6. Long-Term Debt**

In 2001, the Utility received a \$10,000,000 program award available for approved construction. The interest rate on the 2001 revolving loan fund is at 2.25% and a financing fee at 1% of the outstanding principal.

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Repayment of principal, interest and financing fee of the 2001 loan began in October 2005 with payments to be made semi-annually over twenty years.

In 2008, the Utility received a \$14,000,000 program award available for approved construction. The interest rate on the 2008 revolving loan fund is at 1.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2008 loan began in April 2012 with payments to be made semi-annually over twenty years.

In 2012, the Utility received a \$21,000,000 program award available for approved construction. The interest rate on the 2012 revolving loan fund is at 1.5% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2012 loan will begin in April 2016 with payments to be made semi-annually over twenty years.

In 2016, the Utility received a \$30,000,000 program award available for approved construction. The interest rate on the 2016 revolving loan fund is at 1.25% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2016 loan will begin in April 2021 with payments to be made semi-annually over twenty years. As of December 31, 2020, \$11,410,084 was left to be drawn on this loan.

The Utility has outstanding revenue bonds from direct borrowings totaling \$46,151,593 and \$45,891,253 for the years ending December 31, 2020 and 2019, respectively. The Utility has specifically pledged the revenues of the utility system for the repayment of the bonds. The above notes payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Take possession of the collateralized properties, (3) Gain access to other assets of the Utility to protect the lender's interest, and (4) Use any remedy allowed by state or federal law. The Utility is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, to pay the principal of and premium, if any, and interest on all outstanding bonds to which system revenues are pledged as they become due and make required deposits into the Sewer Depreciation Fund. The Utility also covenants that the rates shall, from time to time be increased to such an amount as will provide revenues at least sufficient for the above purposes. The Utility was in compliance with all debt covenants for the years ended .

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

	<u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>2020</u>
Bonds payable	\$ 45,891,253	2,426,885	(2,166,545)	46,151,593
	<u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019</u>
Bonds payable	\$ 42,621,950	5,376,804	(2,107,501)	45,891,253

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



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	<b>2001</b>	<b>2008</b>	<b>2012</b>	<b>2016</b>	<b>Total</b>
<b>Principal:</b>					
2021	\$ 615,884	682,015	929,366	1,202,738	3,430,003
2022	636,063	700,900	952,745	1,229,951	3,519,659
2023	656,904	720,307	976,713	1,257,780	3,611,704
2024	336,489	740,252	1,001,283	1,286,239	3,364,263
2025	-	760,748	1,026,471	1,315,344	3,102,563
2026-2030	-	4,131,616	5,532,931	7,036,829	16,701,376
2031-2035	-	896,236	6,264,754	7,869,788	15,030,778
Thereafter	-	-	-	8,801,331	8,801,331
	<u>\$ 2,245,340</u>	<u>8,632,074</u>	<u>16,684,263</u>	<u>30,000,000</u>	<u>57,561,677</u>
<b>Interest:</b>					
2021	68,010	148,098	411,334	668,272	1,295,714
2022	47,831	136,080	387,955	641,059	1,212,925
2023	26,990	123,730	363,987	613,230	1,127,937
2024	5,468	111,038	339,417	584,771	1,040,694
2025	-	97,995	314,229	555,664	967,888
2026-2030	-	281,328	1,170,569	2,318,211	3,770,108
2031-2035	-	11,790	438,725	1,485,262	1,935,777
Thereafter	-	-	-	553,718	553,718
	<u>\$ 148,299</u>	<u>910,059</u>	<u>3,426,216</u>	<u>7,420,187</u>	<u>11,904,761</u>

## 7. **Pension Plan**

### Plan Description

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

### Benefits Provided

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



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

As of the measurement date on July 1, 2020, the Plan had 78 active employees, 35 inactive employees entitled to, but not yet receiving benefits and 46 inactive employees or beneficiaries currently receiving benefits. As of July 1, 2019, the Plan had 79 active employees, 35 inactive employees entitled to, but not yet receiving benefits and 46 inactive employees or beneficiaries currently receiving benefits.

Contributions

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

Contributions are based on the employee's annual covered salary. The Utility's contribution rate and actuarially determined contribution for the years ended December 31, 2020 and 2019, were 17.01 and 14.9 percent and \$657,970 and \$575,971, respectively. Actual contributions for the years ended December 31, 2020 and 2019, equaled \$750,000 and \$750,000, or 113.9 and 234.9 percent of required contributions, respectively.

Net Pension Liability

The Utility's 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. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, as of June 30, 2020 and 2019:

The assumptions used were as follows:

Cost Method:	The "entry age normal cost method" has been used in determining retirement cost. The method used for the July 1, 2013, and previous valuations was the aggregate funding method.
Amortization Method:	The entry age normal cost method also requires an amortization method to be used in calculating the range of recommended contributions. The Unfunded Liabilities are amortized on a level of percentage of salary method and a range of 10 to 20 years is shown.
Pre-Retirement Mortality:	RP 2000 table.
Post-Retirement Mortality:	RP 2000 table. The mortality table used for the July 1, 2013, and previous valuation was the Unisex Pensioner 1984 table (UP84).
Mortality Projection:	Future mortality improvements were not considered in developing the suggested contribution for this report. The liabilities are significantly more volatile with regards to the other assumptions (i.e., investment return, retirement age, and turnover) than with mortality improvement.
Voluntary Terminations:	T-2 table.
Investment Rate of Return:	6.5%, net of Plan investment expense, including inflation
Inflation:	3.0%

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Expected Retirement Pattern: Retirement was assumed to occur on the Normal Retirement Date.  
 Assumed Investment Return: 6.50% beginning with July 1, 2017 (7.50% for prior years).  
 Salary Growth: 3.50% annually starting in 2017 (4.50% for prior years), including inflation

The target allocation and best estimates of arithmetic real rates of return for each major asset class as both of December 31, 2020 and 2019, are summarized in the following table:

**2020**

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

**2019**

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Single Discount Rate**

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

**Changes in Net Pension Liability**

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Changes in the net pension liability for the year ended December 31, 2020, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2019	\$ 14,919,069	13,165,165	1,753,904
Changes for the year:			
Service cost	359,055	-	359,055
Interest	972,926	-	972,926
Difference between expected and actual experience	(141,901)	-	(141,901)
Contributions—employer	-	750,000	(750,000)
Net investment income	-	(261,577)	261,577
Benefit payments including refunds of employee contributions	(620,051)	(620,051)	-
Administrative expense	-	-	-
Change in assumptions	-	-	-
Other charges	-	3,706	(3,706)
Net changes	<u>570,029</u>	<u>(127,922)</u>	<u>697,951</u>
Balance, June 30, 2020	<u>\$ 15,489,098</u>	<u>13,037,243</u>	<u>2,451,855</u>

Changes in the net pension liability for the year ended December 31, 2019, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, July 1, 2018	\$ 14,296,995	11,611,424	2,685,571
Changes for the year:			
Service cost	372,460	-	372,460
Interest	934,150	-	934,150
Difference between expected and actual experience	(88,707)	-	(88,707)
Contributions—employer	-	1,353,100	(1,353,100)
Net investment income	-	798,804	(798,804)
Benefit payments including refunds of employee contributions	(595,829)	(595,829)	-
Administrative expense	-	-	-
Changes in assumptions	-	-	-
Other charges	-	(2,334)	2,334
Net changes	<u>622,074</u>	<u>1,553,741</u>	<u>(931,667)</u>
Balance, June 30, 2019	<u>\$ 14,919,069</u>	<u>13,165,165</u>	<u>1,753,904</u>

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

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The following presents the net pension liability calculated using the discount rate of 6.5 and 7.5 percent for the year ended December 31, 2020 and 2019, respectively. Furthermore, the following represent the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>		
	<u>Discount Rate</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 17,195,250	4,158,007	\$ 16,582,380	3,417,215
Current discount rate	6.50%	15,489,098	2,451,855	14,919,069	1,753,904
1% increase	7.50%	14,025,795	988,552	13,492,115	326,950

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

For the year ended December 31, 2020 and 2019, the Utility recognized pension expense of \$706,972 and \$677,110, respectively. At December 31, 2020 and 2019, the deferred outflows and inflows of resources were as follows:

<b>2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 33,814	593,789
Changes of assumptions	509,866	-
Net difference between projected and actual earnings on Plan investments	957,554	23,405
	<u>1,501,234</u>	<u>617,194</u>
Employer contributions subsequent to measurement	750,000	-
Total	<u>\$ 2,251,234</u>	<u>617,194</u>
<b>2019</b>		
Differences between expected and actual experience	\$ 47,341	656,021
Changes of assumptions	655,542	-
Net difference between projected and actual earnings on Plan investments	141,060	44,861
	<u>843,943</u>	<u>700,882</u>
Employer contributions subsequent to measurement	750,000	-
Total	<u>\$ 1,593,943</u>	<u>700,882</u>

The \$750,000 in 2020 and 2019, respectively, that are reported as deferred outflows of resources related to pensions result from contributions by the Utility made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Notes to Financial Statements**  
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	2021	\$	186,434
	2022		259,343
	2023		278,133
	2024		229,474
	2025		(35,052)
	Thereafter		(34,292)
		<u>\$</u>	<u>884,040</u>

Components of Net Pension Liability

The components of the net pension liability at June 30, 2020, were as follows:

	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 15,489,098	14,919,069
Plan's fiduciary net position	13,037,243	13,165,165
Net pension liability	<u>\$ 2,451,855</u>	<u>1,753,904</u>
Plan fiduciary net position as a percentage of total pension liability	84.17%	88.24%

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

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

Plan Description

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

Benefits Provided

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

As the measurement date of December 31, 2020, the Plan had 84 active employees with no inactive employees entitled to, but not yet receiving benefits and no inactive employees or beneficiaries currently receiving benefits.

Annual OPEB Cost and Net OPEB Liability

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

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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As of both December 31, 2020 and 2019, the actuarial accrued liability for benefits was \$140,768 and \$299,950, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2020 and 2019, was \$4,800,377 and \$4,490,198, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.14% and 6.87%, respectively. The actuarial assumptions included a 1.93% investment rate of return and projected annual salary increases of 3.0%.

*Health Insurance Premiums*

Health insurance premiums are paid monthly and are the same for both pre-age 65 and ages 65 or older. Benefits pay secondary to medicare. For the year ended December 31, 2020, annual retiree health insurance premiums were \$5,376 for a single coverage and \$11,910 for family coverage.

*Healthcare Cost Trend Rate*

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

*Actuarial Cost Methods and Assumptions*

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

The following represent the key actuarial assumptions:

Age Adjustment Factor:	1.979964
Average Retirement Age:	63
Employer Future Premium Contribution:	Remain a level percentage of the total cost over time
Actuarial Cost Method:	Entry Age Normal
Amortization: Method:	Level Percentage of Payroll
Assets Backing OPEB Liability:	None
Plan Asset Return:	None
Bond Yield:	1.93%
Discount Rate:	1.93% (3.26% in prior year)
Measurement Date:	December 31, 2020 and 2019
Projected Salary Increases:	3.0%
Amortization Period:	20 years, if applicable
Percentage Participation:	2.00%
Healthcare Cost Trend:	Healthcare costs are expected to increase annually 4.3% to 4.9% for medical, 4.3% to 5.9% for pharmacy, 3.0% to 3.5% for dental and 3.0% for vision.
NOL and ADC:	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table:	Pub-2010 Public Retirement Mortality Table with mortality

**North Little Rock Waste Water Utility**  
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Turnover Assumption improvement projected for 10 years.  
Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of employee group covered by the Federal Employees Retirement System.

**Changes in Net OPEB Liability**

Changes in the net pension liability were as follows:

<b>2020</b>	<b>Total OPEB Liability</b>	<b>Total Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance, January 1, 2020	\$ 299,950	-	299,950
Changes for the year:			
Service cost	13,772	-	13,772
Interest on OPEB liability	10,227	-	10,227
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(216,695)	-	(216,695)
Effect of assumption changes or inputs	33,514	-	33,514
Net changes	(159,182)	-	(159,182)
Balance, December 31, 2020	\$ 140,768	-	140,768
<b>2019</b>			
Balance, January 1, 2019	\$ 285,680	-	285,680
Changes for the year:			
Service cost	15,645	-	15,645
Interest on OPEB liability	10,968	-	10,968
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(33,223)	-	(33,223)
Effect of assumption changes or inputs	20,880	-	20,880
Net changes	14,270	-	14,270
Balance, December 31, 2019	\$ 299,950	-	299,950

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

The following presents the OPEB liability calculated using the discount rate of 0.93 and 2.93 percent for the year ended December 31, 2020. Furthermore, the following represent the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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	<u>Discount Rate</u>	<u>Net OPEB Liability</u>	<u>Changes from Baseline</u>
1% decrease	0.93%	\$ 175,508	34,740
Current discount rate	1.93%	140,768	-
1% increase	2.93%	114,493	(26,275)

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

	<u>Baseline Trend - 1%</u>	<u>Baseline Trend</u>	<u>Baseline Tend + 1%</u>
Net OPEB Liability	\$109,506	\$140,768	\$183,031
Change from Baseline	(\$31,262)	\$0	\$42,263

**9. Average Number of Sewer Users**

The average number of residential, commercial, and industrial customers for the year ended December 31, 2020, was 37,013; 3,638; and 19, respectively. The average number of residential, commercial, and industrial customers for the year ended December 31, 2019, was 36,688; 3,591; and 19, respectively.

**10. Insurance Coverage**

The Utility was insured at December 31, 2020 and 2019, for general liability, automobile liability and all risk replacement cost except worker's compensation with the Arkansas Municipal League with claims administered by Alliant Insurance Services Inc. of Little Rock. The Utility was insured with the Municipal League Workers' Compensation Trust for worker's compensation. The policy effective dates are for a calendar year for all aforementioned insurance policies. The Utility was insured at December 31, 2020 and 2019, with RSUI Indemnity Co. for blanket property coverage.

The following schedule lists the coverage and limits:

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



**North Little Rock Waste Water Utility**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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**11. Current Sewer Rates**

The current sewer rates were established by Ordinance No. 8768 by the City Council of the City of North Little Rock on October 26, 2015. The classes of users include residential, commercial, and significant industrial customers. The rates for each residential customer are computed based on the average monthly usage for the billing months of October, November, December, January, February and March. The rates for each commercial customer are computed based on the actual usage. In the case of new residential customers for whom records are not available for the entire six-month period, the rates are computed on actual water usage until an average monthly usage can be calculated. The minimum monthly charge for the first four hundred cubic feet or less of the average monthly usage is a rate equal to \$18.05. For each one hundred cubic feet, or fraction thereof, the monthly rate for residential, commercial and industrial customers is equal to \$5.64 per one hundred cubic feet charged with a minimum of \$18.05 per four hundred cubic feet for existing users. Existing users are defined as users physically located within the city limits of North Little Rock or when they are physically located within the now existing territorial boundaries of an improvement district that received services from the system on the date of the enactment of ordinance 8768. Any user not deemed to be an existing user shall be deemed to be an outside user, but will have the same monthly rate as an existing user.

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

**12. Total Annual Billable Water**

The total annual billable water for the year ended December 31, 2020, was 3,609,800 one-hundred cubic feet, comprised of 2,318,274 one-hundred cubic feet annual billable water for residential customers and 1,291,526 one-hundred cubic feet annual billable water for commercial customers. The total annual billable water for the year ended December 31, 2019, was 3,741,664 one-hundred cubic feet comprised of 2,363,678 one-hundred cubic feet annual billable water for residential customers and 1,377,986 one-hundred cubic feet annual billable water for commercial customers.

**13. Uncertainty**

During the year ended December 31, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Utility as of April 13, 2021, management believes that a material impact on the Utility's financial position and results of future operations is reasonably possible.

**North Little Rock Waste Water Utility**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2020**  
(See independent auditor's report.)

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Operating Revenues</b>			
Service charges	\$ 21,059,700	20,426,491	(633,209)
Service charges - industry	2,061,000	1,738,880	(322,120)
Service charges - violations	367,600	218,846	(148,754)
Service charges - late fees	358,800	387,584	28,784
Permits and inspections	39,700	53,295	13,595
Other operating income	8,200	261,996	253,796
<b>Total Operating Revenues</b>	<u>23,895,000</u>	<u>23,087,092</u>	<u>(807,908)</u>
<b>Operating Expenses</b>			
Cost of sales	11,921,800	10,256,537	(1,665,263)
Operating expenses	7,324,000	7,380,553	56,553
<b>Total Operating Expenses</b>	<u>19,245,800</u>	<u>17,637,090</u>	<u>(1,608,710)</u>
<b>Operating Income</b>	<u>4,649,200</u>	<u>5,450,002</u>	<u>800,802</u>
<b>Non-Operating Income</b>			
Interest and other income	210,800	1,662,243	1,451,443
<b>Total Non-Operating Income</b>	<u>210,800</u>	<u>1,662,243</u>	<u>1,451,443</u>
<b>Non-Operating Expenses</b>			
Interest expense	1,210,600	1,206,338	(4,262)
<b>Total Non-Operating Expenses</b>	<u>1,210,600</u>	<u>1,206,338</u>	<u>(4,262)</u>
<b>Increase in Net Position</b>	3,649,400	5,905,907	2,256,507
Net position - beginning of period	91,296,184	91,296,184	-
<b>Net Position - End of period</b>	<u>\$ 94,945,584</u>	<u>97,202,091</u>	<u>2,256,507</u>

**North Little Rock Waste Water Utility**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Six Years Ended December 31, 2020**  
(See independent auditor's report.)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>			
Service cost	\$ 359,055	\$ 372,460	364,770
Interest	972,926	934,150	893,838
Benefit changes	-	-	-
Differences between expected and actual experience	(141,901)	(88,707)	(64,567)
Assumption change	-	-	-
Benefit payments	<u>(620,051)</u>	<u>(595,829)</u>	<u>(566,646)</u>
Net change in total pension liability	570,029	622,074	627,395
Total pension liability - beginning	<u>14,919,069</u>	<u>14,296,995</u>	<u>13,669,600</u>
<b>Total Pension Liability - Ending</b>	<u>15,489,098</u>	<u>14,919,069</u>	<u>14,296,995</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employee	-	-	-
Contributions - employer	750,000	1,353,100	702,970
Net investment income	(261,577)	798,804	577,978
Benefit payments	(620,051)	(595,829)	(566,646)
Administrative expense	-	-	-
Other	<u>3,706</u>	<u>(2,334)</u>	<u>13,615</u>
Net change in plan net position	(127,922)	1,553,741	727,917
Plan fiduciary net position - beginning	<u>13,165,165</u>	<u>11,611,424</u>	<u>10,883,507</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u>13,037,243</u>	<u>13,165,165</u>	<u>11,611,424</u>
Net pension liability	<u>\$ 2,451,855</u>	<u>\$ 1,753,904</u>	<u>2,685,571</u>
Plan fiduciary net position as a percentage of total pension liability	84.17%	88.24%	81.22%
Covered employee payroll	3,867,031	3,856,063	3,675,206
Net pension liability as a percentage of covered employee payroll	63.40%	45.48%	73.07%
Annual money-weighted rate of return	-2.0%	6.6%	5.3%

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

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
325,043	289,654	273,092
927,980	871,343	881,729
-	-	-
(449,454)	101,449	(786,365)
1,092,570	-	-
<u>(549,127)</u>	<u>(536,212)</u>	<u>(510,798)</u>
1,347,012	726,234	(142,342)
<u>12,322,588</u>	<u>11,596,354</u>	<u>11,738,696</u>
<u>13,669,600</u>	<u>12,322,588</u>	<u>11,596,354</u>
-	-	-
625,000	600,000	642,000
858,710	416,717	94,153
(549,127)	(536,212)	(510,798)
-	-	-
<u>14,211</u>	<u>(2,632)</u>	<u>(558)</u>
948,794	477,873	224,797
<u>9,934,713</u>	<u>9,456,840</u>	<u>9,232,043</u>
<u>10,883,507</u>	<u>9,934,713</u>	<u>9,456,840</u>
<u>2,786,093</u>	<u>2,387,875</u>	<u>2,139,514</u>
79.62%	80.62%	81.55%
3,621,125	3,288,939	3,125,501
76.94%	72.60%	68.45%
8.6%	4.4%	1.0%

**North Little Rock Waste Water Utility**  
**Schedule of Contributions**  
**For the Six Years Ended December 31, 2020**  
(See independent auditor's report.)

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

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

Key assumptions for actuarially determined contribution:

Cost method:	Entry Age Normal
Amortization method:	Level Percent of Salary
Remaining amortization:	10 years
Asset valuation:	Market Value
Investment rate of return:	6.5% (7.5% for 2016 and prior)
Mortality:	RP 2000 Combined Healthy Lives

**North Little Rock Waste Water Utility**  
**Schedule of Changes in the Other Post-Retirement Benefit Liability and Related Ratios**  
**For the Four Years Ended December 31, 2020**  
(See independent auditor's report.)

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 13,772	\$ 15,645
Interest	10,227	10,968
Benefit changes	-	-
Differences between expected and actual experience	-	-
Effect of economic/demographic gains or losses	(216,695)	(33,223)
Assumption change	33,514	20,880
Benefit payments	-	-
Net change in total pension liability	<u>(159,182)</u>	<u>14,270</u>
Total OPEB liability - beginning	<u>299,950</u>	<u>285,680</u>
<b>Total OPEB Liability - Ending</b>	<u>140,768</u>	<u>299,950</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employee	-	-
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expense	-	-
Other	-	-
Net change in plan net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u>-</u>	<u>-</u>
 Net OPEB liability	 <u>\$ 140,768</u>	 <u>\$ 299,950</u>
 Plan fiduciary net position as a percentage of total pension liability	 0.00%	 0.00%
 Covered employee payroll	 4,490,198	 4,367,587
 Net OPEB liability as a percentage of covered employee payroll	 3.14%	 6.87%

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

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

<u>2018</u>	<u>2017</u>
\$ 15,645	14,453
9,047	5,951
-	-
-	-
31,724	-
58,671	-
-	-
115,087	20,404
170,593	150,189
285,680	170,593
-	-
-	-
-	-
-	-
-	-
-	-
-	-
\$ 285,680	170,593
0.00%	0.00%
4,051,934	4,312,328
7.05%	3.96%

**North Little Rock Waste Water Utility**  
**Schedule of Operating Expenses**  
**For the Years Ended December 31, 2020 and 2019**  
(See independent auditor's report on other supplementary information.)

	<u>2020</u>	<u>2019</u>
<b>Administrative and General</b>		
Advertising	\$ 3,657	5,832
Audit and other professional fees	37,500	33,500
Contributions	-	750
Employee physicals expense	1,748	409
Equipment repair and maintenance	9,909	10,906
Executive salary	167,517	137,968
Gas - transportation equipment	372	91
Holiday pay	22,095	20,347
Insurance - general	14,164	7,900
Insurance - group	56,407	73,032
Insurance - transportation equipment	624	2,889
Janitorial	3,908	4,380
Labor expense - office	324,664	260,203
Legal	43,963	45,354
Longevity pay	65,100	65,507
Master plan study	39,891	27,767
Miscellaneous	209,857	242,174
Miscellaneous leave pay	-	2,263
OPEB expense	(159,182)	14,270
Payroll taxes	42,803	45,209
Postage expense	1,671	1,812
Rent/lease expense	2,162	1,536
Sick leave expense	23,800	28,202
Subscription and dues	6,868	6,896
Supplies expense	34,605	13,504
Telephone	12,979	16,492
Training	2,245	14,049
Travel, meetings, and conventions	5,796	5,158
Uniform	149	351
Utilities	10,180	9,699
Vacation	50,021	45,535
Workers' compensation insurance	6,153	6,568
<b>Total Administrative and General</b>	<u>1,041,626</u>	<u>1,150,553</u>



	<u>2020</u>	<u>2019</u>
<b>Undistributed Expense</b>		
Depreciation - nonfunded	4,134,208	4,016,058
Employee pension	706,972	677,110
Pension plan administration	11,020	10,975
<b>Total Undistributed Expense</b>	<u>4,852,200</u>	<u>4,704,143</u>
<b>Utilities Accounting</b>		
Billing and collecting - North Little Rock district	884,119	682,480
Billing and collecting - other districts	34,828	33,879
Depreciation	536,788	527,626
Gas - transportation equipment	575	1,854
Holiday pay	979	5,859
Insurance - transportation equipment	176	1,685
Labor expense	23,132	120,123
Maintenance and repairs - transportation equipment	1,556	1,842
Sick pay	535	5,736
Supplies expense	351	2,340
Telephone expense	2,664	7,967
Vacation pay	1,024	8,305
<b>Total Utilities Accounting</b>	<u>1,486,727</u>	<u>1,399,696</u>
<b>Total Operating Expenses</b>	<u>\$ 7,380,553</u>	<u>7,254,392</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of North Little Rock Waste Water Utility as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise North Little Rock Waste Water Utility's basic financial statements, and have issued our report thereon dated April 13, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered North Little Rock Waste Water Utility's internal control over financial reporting (internal control) as a basis for designing 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 North Little Rock Waste Water Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of North Little Rock Waste Water Utility's internal control.

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether North Little Rock Waste Water Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

April 13, 2021

EGP, PLLC

Certified Public Accountants & Consultants  
North Little Rock, Arkansas

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

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

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

We have audited North Little Rock Waste Water Utility'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 North Little Rock Waste Water Utility's major federal programs for the year ended December 31, 2020. North Little Rock Waste Water Utility'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 North Little Rock Waste Water Utility'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* (CFR) 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 North Little Rock Waste Water Utility'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 North Little Rock Waste Water Utility's compliance.

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

In our opinion, North Little Rock Waste Water Utility 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 North Little Rock Waste Water Utility 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 North Little Rock Waste Water Utility'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 North Little Rock Waste Water Utility'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.

April 13, 2021

EGP, PLLC

Certified Public Accountants & Consultants  
North Little Rock, Arkansas

**North Little Rock Waste Water Utility  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

<u>Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amount Expended</u>
Clean Water State Revolving Fund	Environmental Protection Agency/Arkansas Natural Resource Commission	66.458	01068-CWSRF-L	\$ 359,375
Disaster Grants- Public Assistance	United States Department of Homeland Security/State of Arkansas Department of Emergency Management	97.036	FEMA 4441- DR Arkansas	<u>1,506,807</u>
Total Expenditures of Federal Awards				<u>\$ 1,866,182</u>

**Note to Schedule of Expenditures of Federal Awards**

**1. Basis of Presentation**

The above schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of North Little Rock Waste Water Utility 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). Because the Schedule presents only a selected portion of the operations of North Little Rock Waste Water Utility, it is not intended to and does not present the financial position, changes in net assets, or cash flows of North Little Rock Waste Water Utility.

**2. 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

North Little Rock Waste Water Utility has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**North Little Rock Waste Water Utility  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020**

**Summary of Auditor's Results**

*Financial Statements*

1. The opinion expressed in the independent accountants' report was:

Unmodified       Qualified       Adverse       Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

Material weakness(es)?  Yes       No

Significant deficiency(s) noted that are not considered to be a material weakness(es)?  Yes       None reported

3. Noncompliance considered material to the financial statements was disclosed by the audit:

Yes       No

*Federal Awards*

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Material weakness(es)?  Yes       No

Significant deficiency(s) noted that are not considered to be a material weakness(es)?  Yes       None reported

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

Unmodified       Qualified       Adverse       Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516?

Yes       No

7. The Utility's major program was the Disaster Grants-Public Assistance Program 97.036.

8. The threshold used to distinguish between Type A and Type B programs as defined in OMB 2 CFR 200.501 was \$750,000.

9. The Utility qualified as a low-risk auditee as that term is defined in 2 CFR 200.520?

Yes       No

**North Little Rock Waste Water Utility  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**Findings Required to be Reported by 2 CFR 200.500**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.



**North Little Rock Waste Water Utility  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2019**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**Findings Required to be Reported by 2 CFR 200.500**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.