

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

with

INDEPENDENT AUDITOR'S REPORT

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033
PHONE 501-327-2834◆FAX 501-327-6663

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Runyan Sanitary Sewer Improvement District No. 211

Report on the Financial Statements

I have audited the accompanying financial statements of Runyan Sanitary Sewer Improvement District No. 211 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Runyan Sanitary Sewer Improvement District No. 211 as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is being presented under separate cover and is not included in this report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 29, 2021, on my consideration of Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of 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 Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting and compliance.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
April 29, 2021

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 313,394
Accounts receivable	<u>62,915</u>
Total current assets	<u>376,309</u>

NON-CURRENT ASSETS

Cash and cash equivalents - restricted	<u>147,051</u>
Total non-current assets	<u>147,051</u>

PROPERTY & EQUIPMENT

Sewer plant and equipment	3,961,229
Construction in progress	1,985,642
Less: accumulated depreciation	<u>(2,761,639)</u>
Total property & equipment	<u>3,185,232</u>

Total assets \$ 3,708,592

LIABILITIES & FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 4,740
Accrued interest payable	764
Current maturities of long-term debt	<u>67,889</u>
Total current liabilities	<u>73,393</u>

NONCURRENT LIABILITIES

Bonds payable	2,787,263
Less: current maturities	<u>(67,889)</u>
Total noncurrent liabilities	<u>2,719,374</u>
Total liabilities	<u>2,792,767</u>

FUND BALANCE

Net investment in capital assets	397,969
With restrictions	147,051
Without restrictions	<u>370,805</u>
Total fund balance	<u>915,825</u>

Total liabilities & fund balance \$ 3,708,592

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF ACTIVITIES
December 31, 2020

UTILITY REVENUE	<u>\$ 759,482</u>
 OPERATING EXPENSES	
Depreciation and amortization	94,154
Repairs and maintenance	63,469
Management fees	240,100
Revenue collection fees	27,320
Utilities and telephone	32,296
Licenses and permits	9,289
Legal and professional	32,764
Supplies	1,386
Other expense	<u>17,773</u>
Total operating expenses	<u>518,551</u>
 OPERATING INCOME	 240,931
 OTHER INCOME/EXPENSE	
Interest and dividend income	260
Interest expense	<u>(30,940)</u>
Total other income/expense	<u>(30,680)</u>
 NET PROFIT	 210,251
 FUND BALANCE, BEGINNING OF YEAR	 <u>705,574</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ 915,825</u></u>

See Independent Auditor's Report and
accompanying notes to financial statements.

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
STATEMENT OF CASH FLOWS
December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit	\$ 210,251
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and amortization	94,154
Increase in:	
Accounts receivable	(10,079)
Increase (decrease) in:	
Accounts payable	(18,473)
Other accrued liabilities	<u>(449)</u>
Total adjustments	<u>65,153</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>275,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(12,500)
Construction in progress	(1,886,740)
Change in restricted cash and cash equivalents	<u>(77,968)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,977,208)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	2,223,561
Principal payments on loans	<u>(233,936)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,989,625</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	287,821
Cash and cash equivalents, beginning of year	<u>25,573</u>
Cash and cash equivalents, end of year	<u>\$ 313,394</u>
SUPPLEMENTAL DISCLOSURE:	
Cash paid for interest	<u>\$ 31,389</u>

See Independent Auditor's Report and accompanying notes to financial statements.

RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Runyan Sanitary Sewer Improvement District No. 211 (the District), a political subdivision of Pulaski County, Arkansas, provides sewer service to the Runyan Acres, Arbor Oaks, Cardinal Valley, Stone, Oak Shadows, Bent Tree, Village East and Pleasant Valley subdivisions, all existing west of Gravel Ridge, Arkansas.

Basis of Accounting

The District's accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net assets. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Cash and Cash Equivalents

The District considers all highly liquid investments, with a maturity of 90 days or less when purchased, to be cash equivalents. As required by law, all funds are deposited in approved banks. The deposited funds are insured by Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the District's name. As of December 31, 2020, deposited funds were adequately insured and collateralized.

Property and Equipment

Acquisitions of property, plant and equipment are recorded at cost. Depreciation is provided in these financial statements using the straight-line method over the lives of the assets, which is generally seven to twenty-five years. Expenditures for maintenance and repairs are charged against income as incurred. Depreciation expense was \$94,154 for the year ended December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following components:

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted”.

With Restrictions – This component of net assets 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.

Net Investment in Capital Assets – Consists of capital assets including restricted 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.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for sewer service sales and other ancillary services, such as connection fees. Accounts receivable are written off when the possibility of collection is unlikely. No allowance is made on the financial statements for potential future bad debts since the District considers them immaterial.

NOTE 3: CONSTRUCTION IN PROGRESS

In 2019, the Arkansas Department of Environmental Quality required the District to perform a study concerning necessary capital improvements for license renewal in November 2022. The District spent \$98,902 in engineering fees to complete the study which assessed the capital improvements to be made. These amounts have been capitalized to construction in progress.

NOTE 4: BONDS PAYABLE

	<u>Total Debt</u>	<u>Current Maturities</u>
5.3% Arkansas Soil and Water Conservation bond issue dated July 22, 2002 in the amount of \$1,071,320, payable in semi-annual installments of principal and interest, secured by system revenues	\$563,702	\$62,100
.75% Arkansas Natural Resources Commission bond issue dated July 22, 2020 in the amount of \$2,500,000, when fully disbursed, payable in semi-annual installments of principal and interest, secured by system revenues	\$2,223,561	

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4: BONDS PAYABLE (CONTINUED)

Maturities of bonds payable in the years subsequent to December 31, 2020 are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$67,889	\$24,611	\$92,500
2022	123,448	42,397	165,845
2023	180,529	60,661	241,190
2024	185,774	55,416	241,190
2025	191,207	49,983	241,190
2026-2042	2,038,416	291,267	2,329,683
	<u>\$2,787,263</u>	<u>\$524,335</u>	<u>\$3,311,598</u>

Bond liability for the year ended December 31, 2020 is as follows:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/20</u>	<u>Due Within One Year</u>
Bonds Payable	<u>\$797,638</u>	<u>2,223,561</u>	<u>(\$233,936)</u>	<u>2,787,263</u>	<u>\$67,889</u>

The bonds have restrictive covenants, including the requirement to accumulate a debt service reserve in the amount of \$40,000 and to begin accumulating a depreciation reserve in annual installments of 1% of the gross revenues of the District for the 2002 bond issue and 3% of the gross revenues of the District for the 2020 bond issue in monthly installments to be accumulated to \$250,000. This fund is for the replacement or repair of the system and may not be used without the prior written consent of the Commission. When funds are withdrawn, the monthly deposits will resume until the depreciation fund again reaches the required level.

The District has pledged future revenues, net of specified operating expenses to repay \$2,787,263 in bond debt. Proceeds from the loans were used for building and improving the District's sewer systems. Principal and interest on the bonds are payable through April 2042, solely from customer net revenues. Principal and interest paid in the year ended December 31, 2020 were \$233,936 and \$30,940, respectively.

NOTE 5: RESTRICTED ASSETS

Restricted assets consist of debt service reserves and bond funds held at Regions Bank and Arvest Bank. The following is a list of the restricted cash at December 31, 2020:

Debt service reserves	\$130,092
Bond funds	16,959
Total restricted assets	<u>\$147,051</u>

**RUNYAN SANITARY SEWER IMPROVEMENT DISTRICT NO. 211
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6: CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2020 are as follows:

	Balance <u>12/31/2019</u>	Additions	Disposals	Balance <u>12/31/2020</u>
Sewer System	\$3,948,729	\$12,500		\$3,961,229
Construction in progress	98,902	1,886,740		1,985,642
	<u>\$4,047,631</u>	<u>\$1,899,240</u>	<u>-</u>	<u>\$5,946,871</u>
Less: accumulated Depreciation	<u>2,667,485</u>			<u>2,761,639</u>
Total capital assets	<u>\$1,380,146</u>			<u>\$3,185,232</u>

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2021, the date which the financial statements were available for issue.

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033
PHONE 501-327-2834◆FAX 501-327-6663

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

To the Commissioners of
Runyan Sanitary Sewer Improvement District No. 211

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Runyan Sanitary Sewer Improvement District No. 211 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated April 29, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Runyan Sanitary Sewer Improvement District No. 211's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Runyan Sanitary Sewer Improvement District No. 211'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 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.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I 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 Runyan Sanitary Sewer Improvement District No. 211's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
April 29, 2021