

ALPINE PUBLIC WATER AUTHORITY
APRIL 30, 2018



ECHOLS, THOMPSON & KNEEBONE^{LTD}

— CERTIFIED PUBLIC ACCOUNTANTS —

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Alpine Public Water Authority

We have performed the procedures enumerated below. These procedures are provided by the Arkansas Joint Auditing Committee and agreed to by the Alpine Public Water Authority and its board of directors, solely to assist you with respect to the financial information of Alpine Public Water Authority for the year ended April 30, 2018. Management is responsible for the financial information of Alpine Public Water Authority. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Cash and Investments:

- 1) We performed a proof of cash for the year and reconciled year-end bank balances to book balance.
- 2) We confirmed with depository institutions the cash on deposit and investments.
- 3) We agreed the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We had no findings with respect to the procedures performed.

Receipts:

- 1) We agreed the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- 2) We agreed ten customer payments on the accounts receivable sub ledger to deposit and billing documents.

We had no findings with respect to the procedures performed.

Accounts Receivable:

- 1) We agreed ten customer billings to the accounts receivable sub ledger.
- 2) We determined that five customer adjustments were properly authorized.

We had no findings with respect to the procedures performed.

Independent Accountant's Report
On Applying Agreed-Upon Procedures (Continued)
Page 2

Disbursements:

- 1) We agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- 2) We analyzed all property, plant, and equipment disbursements and acquisitions.
- 3) We selected ten disbursements and determine that they were adequately documented.

We had no findings with respect to the procedures performed.

Property, Plant, and Equipment:

- 1) We determined that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We had no findings with respect to the procedures performed.

Long-Term Debt:

- 1) We reviewed long-term debt and verified changes in all balances for the year.
- 2) We confirmed loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- 3) We determined that the appropriate debt service accounts have been established and maintained.

We had no findings with respect to the procedures performed.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Alpine Public Water Authority, Arkansas Natural Resources Commission, and the Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

Echols, Thompson & Kneebone, Ltd. _____
Echols, Thompson & Kneebone, LTD.

September 28, 2018

**ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS**

ALPINE, ARKANSAS

APRIL 30, 2018

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
ALPINE, ARKANSAS

TABLE OF CONTENTS
APRIL 30, 2018

	<u>PAGE NO.</u>
Accountants' Compilation Report	1
Statements of Financial Position - April 30, 2018 and 2017	2 - 3
Statements of Activities - For Years Ended April 30, 2018 and 2017	4
Statements of Functional Expenses - For Years Ended April 30, 2018 and 2017	5
Statements of Cash Flows - For Years Ended April 30, 2018 and 2017	6 - 7
Notes to Financial Statements	8 - 15
SUPPLEMENTARY INFORMATION	
SCHEDULE I Required Supplemental Information for Cost-Sharing Plans	16

TURNER, RODGERS, MANNING & PLYLER, PLLC

Certified Public Accountants

Page 1

To the Board of Directors
Alpine Public Water Authority of the State of Arkansas
Alpine, Arkansas

Management is responsible for the accompanying financial statements of Alpine Public Water Authority of the State of Arkansas (a nonprofit organization), which comprise the statements of financial position as of April 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Alpine Public Water Authority of the State of Arkansas.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, AR 71923
June 13, 2018

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2018 AND 2017

Page 2

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash - Interest Bearing	\$ 30,731	\$ 62,156
Certificates of Deposit	-	174,955
Accrued Interest Receivable	-	147
Accounts Receivable	16,681	18,867
Deposits	1,800	1,800
TOTAL CURRENT ASSETS	<u>49,212</u>	<u>257,925</u>
RESTRICTED FUNDS:		
Cash - Interest Bearing	4,977	4,667
Certificates of Deposit	46,997	46,903
Accrued Interest Receivable	19	19
TOTAL RESTRICTED FUNDS	<u>51,993</u>	<u>51,589</u>
PLANT AND EQUIPMENT:		
Land Lease	1,000	1,000
Water Plant	1,455,804	1,325,000
Equipment	906	906
	<u>1,457,710</u>	<u>1,326,906</u>
Less Accumulated Depreciation	(731,167)	(695,273)
TOTAL PLANT AND EQUIPMENT	<u>726,543</u>	<u>631,633</u>
TOTAL ASSETS	<u>827,748</u>	<u>941,147</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	12,320	10,796
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 840,068</u>	<u>\$ 951,943</u>

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2018 AND 2017

Page 3

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES:		
Notes Payable - Rural Development	\$ 16,566	\$ 21,302
Accounts Payable	3,709	102,240
Sales Tax Payable	1,015	988
Payroll Taxes Payable	944	576
Retirement Payable	494	334
Accrued Interest Payable	81	161
TOTAL CURRENT LIABILITIES	22,809	125,601
LONG-TERM LIABILITIES:		
Notes Payable - Rural Development	4,513	20,734
Net Pension Liability	35,231	31,640
TOTAL LONG-TERM LIABILITIES	39,744	52,374
OTHER LIABILITIES:		
Customers' Meter Deposits	7,950	7,806
TOTAL LIABILITIES	70,503	185,781
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	1,011	1,588
NET ASSETS	768,554	764,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS	\$ 840,068	\$ 951,943

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

**ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED APRIL 30, 2018 AND 2017**

	2018	2017
REVENUE:		
Water Revenue	\$ 163,055	\$ 152,843
Penalties	6,022	7,005
Water Tap Fees	1,000	2,100
Interest Income - Operations	6	865
Interest Income - Restricted Accounts	104	103
Other Revenue	348	424
TOTAL REVENUE	170,535	163,340
EXPENSES:		
Program Services	126,929	103,495
General and Administrative	39,626	32,270
TOTAL EXPENSES	166,555	135,765
INCREASE IN NET ASSETS	3,980	27,575
NET ASSETS - BEGINNING OF YEAR	764,574	736,999
NET ASSETS - END OF YEAR	\$ 768,554	\$ 764,574

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

ALPINE PUBLIC WATER AUTHORITY
 OF THE STATE OF ARKANSAS
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR YEARS ENDED APRIL 30, 2018 AND 2017

	Program Services	General and Admin.	2018	2017
COMPENSATION AND RELATED EXPENSES:				
Salaries	\$ 21,079	\$ 11,350	\$ 32,429	\$ 24,472
Payroll Taxes	-	2,587	2,587	2,001
Employee Benefits	-	4,775	4,775	3,548
GASB 68 Adjustment	-	1,490	1,490	1,279
TOTAL COMPENSATION AND RELATED EXPENSES	21,079	20,202	41,281	31,300
Water Purchases	42,976	-	42,976	37,906
Utilities and Telephone	3,027	-	3,027	1,520
Repairs and Maintenance	14,406	-	14,406	8,116
Depreciation	35,894	-	35,894	29,543
Travel	2,997	-	2,997	2,973
Professional Services	-	17,427	17,427	14,722
Insurance	1,456	-	1,456	2,452
Office Supplies	-	1,997	1,997	2,155
Bad Debts	777	-	777	163
Interest	1,882	-	1,882	2,650
Dues and Subscriptions	653	-	653	824
Seminars	165	-	165	327
Water Public Service Fee	1,087	-	1,087	1,069
Miscellaneous	530	-	530	45
TOTAL EXPENSES	\$ 126,929	\$ 39,626	\$ 166,555	\$ 135,765

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

**ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED APRIL 30, 2018 AND 2017**

Page 6

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 171,834	\$ 159,312
Interest Received	257	968
Cash Paid Suppliers and Employees	(224,488)	(4,255)
Interest Paid	(1,962)	(2,782)
NET CASH FLOW FROM OPERATING ACTIVITIES	(54,359)	153,243
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturities of Certificates of Deposit	174,955	-
Purchases of Certificates of Deposit	(94)	(394)
Acquisition of Capital Assets	(130,804)	(206,587)
NET CASH FLOW FROM INVESTING ACTIVITIES	44,057	(206,981)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Meter Deposits - Net	144	(50)
Principal Payment on Debt	(20,957)	(20,138)
NET CASH FLOW FROM FINANCING ACTIVITIES	(20,813)	(20,188)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,115)	(73,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	66,823	140,749
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,708	\$ 66,823

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

ALPINE PUBLIC WATER AUTHORITY
 OF THE STATE OF ARKANSAS
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED APRIL 30, 2018 AND 2017

Page 7

Reconciliation of net change in net assets to net cash provided by operating activities:

	2018	2017
INCREASE IN NET ASSETS	\$ 3,980	\$ 27,575
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	35,894	29,543
Pension Related Adjustment	1,490	1,279
Change in Assets and Liabilities:		
Accounts Receivable	2,186	(3,203)
Accrued Interest Receivable	147	(37)
Accounts Payable and Accrued Expenses	<u>(98,056)</u>	<u>98,086</u>
TOTAL ADJUSTMENTS	(58,339)	125,668
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (54,359)</u>	<u>\$ 153,243</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

See Accountants' Compilation Report and accompanying Notes to Financial Statements.

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note 1. Significant Accounting Policies:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Plant and equipment are stated on the basis of cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Water Plant	40
Equipment	7

Bad debts, which are insignificant in amount, are recognized based on the direct charge-off of individual accounts considered uncollectible.

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

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

Management has evaluated subsequent events through June 13, 2018, the date the financial statements were available for issuance.

The Water Authority held no uncertain tax positions at April 30, 2018. Accordingly, no provision or liability for income taxes or related interest or penalties is included in the accompanying financial statements. Such amounts, if incurred, would be recognized in accrued income taxes and income tax expense. Tax periods for all years ending after April 30, 2014 remain open to examination by the federal and state tax taxing jurisdictions to which the Association is subject.

Note 2. Current Assets:

The revenue fund, operation and maintenance fund, and other current assets are available to meet the existing current liabilities and provide working capital for the Association.

Accounts receivable at April 30, 2018, of \$16,681 are for April billings except for \$3,852 that are accounts in arrears.

Note 3. Restricted Cash:

According to the loan agreement with Rural Development, the Water Authority is required to maintain separate funds for customers' meter deposits and debt service reserve. Monthly transfers are to be made to the reserve fund at the rate of \$191 per month to be accumulated over a period of ten years. When the balance in the reserve fund reaches \$22,909, transfers may be discontinued, except to replace withdrawals. When necessary, with prior written approval, funds may be withdrawn to:

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note 3. Restricted Cash (Continued)

- (1) pay the cost of repairing or replacing any damage to the Facility which may have been caused by catastrophe, or
- (2) make extensions or improvements to the Facility.

Transfers are not required since the reserve fund balance has reached the required level.

Note 4. Land Lease:

On May 16, 1988, the System leased land on which to construct a water storage tank for a one-time fee of \$1,000. The lease is for a term of 99 years and for so long thereafter as lessee shall maintain and use the same in connection with its water distribution system.

Note 5. Notes Payable:

In March, 1989, the System entered into two loan agreements with U.S. Department of Agriculture/Rural Development for a total of \$388,800. The loans are to be repaid to Rural Development over 40 years beginning April, 1991 at \$1,910 per month, including 5.0% interest.

The aggregate maturities of long-term debt are as follows:

Year Ending	Amount
<u>April 30</u>	
2019	\$ 16,566
2020	4,513
	<u>\$ 21,079</u>

The loan agreements are collateralized by a pledge of revenues, accounts receivable and a real estate mortgage.

Note 6. Net Assets:

These accounts represent the value of system additions paid by members, grants received to assist in financing construction of the System and the accumulated earnings (losses) of the Water System since operations began in August, 1989.

**ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018**

Page 10

Note 6. Net Assets (Continued)

The balances are composed of:

Grants - Arkansas Soil and Water Conservation Commission	\$ 40,000
Grant - AIDC	501,675
Grant - Rural Development	72,000
Contributions from Members	18,782
Retained Earnings	<u>136,097</u>
Total	<u>\$768,554</u>

Note 7. Major Supplier:

During the period ended April 30, 2018, the System purchased 100% of its water for resale from City of Amity, Arkansas Water and Sewer System. At April 30, 2018, amount due to that supplier included in accounts payable was \$2,698.

Note 8. General:

The Alpine Water Association, Inc. was established July 14, 1986 as a non-profit corporation, without capital stock, according to provisions of Chapter 19, Title 64, Act 176, 1963 Revised Statutes of Arkansas. The purpose of the Association is to associate its members together for their mutual benefit and to that end to construct, maintain and operate a private water system for the supplying of water to its members. The Association began supplying water to its members in August, 1989.

In November, 2009, the Board of Directors of the Alpine Water Association, Inc. by resolution approved the conversion of the Association to the Alpine Public Water Authority of the State of Arkansas. The by-laws of the Water Authority were adopted in June, 2010 and filed with application for approval with the Arkansas Natural Resources Commission and with the Arkansas Secretary of State.

The Certificate of Existence of the Public Water Authority was received from the Arkansas Natural Resources Commission on January 17, 2012, and the Alpine Water Association, Inc. ceased to exist on that date.

Note 9. Related Party Transaction:

Brian Kirksey, manager of Alpine Public Water Authority of the State of Arkansas owns Spring Creek Nursery which provides a service to Alpine Public Water Authority of the State of Arkansas of repairing water lines. Total dollar amount of business between the two parties amounted to \$5,625 for the year ended April 30, 2018.

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Page 11

Note 10. Concentration of Risk:

Alpine Public Water Authority of the State of Arkansas operates in Clark County, Arkansas. The Organization is located in Alpine, Arkansas. The majority of the Organization's income is dependent upon customer water usage. The Organization's customer base ranges from Alpine, Arkansas to Amity, Arkansas and communities in between.

Note 11. Public Fund Deposits and Investments:

State law generally requires that Public funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the Association are deposited in accounts in the name of Alpine Water Association in financial institutions permitted by law. As of April 30, 2018, all of the System's cash deposits were fully insured by the FDIC.

Note 12. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which became effective for fiscal years beginning after June 15, 2015. The Statement establishes standards for public pension plan obligations for participating employers.

Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

Plan Description

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (The Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note 12. Arkansas Public Employees Retirement System: (Continued)

Plan Description (Continued)

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 14.50 – 14.75% of annual covered payroll for the year ending April 30, 2018. Contributions made by the Utility were \$3,548 and \$3,484 for the years ended April 30, 2018 and 2017, respectively.

Benefits Provided

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

Contributory, prior to 07/01/2005	2.07%
Contributory, on or after 07/01/2005 but prior to 07/01/2007	2.03%
Contributory, on or after 07/01/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service.
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note 12. Arkansas Public Employees Retirement System: (Continued)

Contributions (Continued)

future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-703(c)(3)). Employers contributed 14.50% of compensation for the fiscal year ended June 30, 2017. The contribution rate for the fiscal year beginning July 1, 2017 is 14.75%.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

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

The collective Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	21 years (12 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)

ALPINE PUBLIC WATER AUTHORITY
 OF THE STATE OF ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2018

Note 12. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions (Continued)

Mortality Table Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.54%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
Total	100%	

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on

ALPINE PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note 12. Arkansas Public Employees Retirement System: (Continued)

Discount Rate (Continued)

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

At April 30, 2018, the Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 683	\$ (693)
Changes in proportion and differences between employer contributions and proportionate share of contribution	583	(318)
Changes in assumptions	5,669	-
Net difference between projected and actual earnings on pension plan investments	1,476	-
Utility contributions subsequent to the measurement date	3,909	-
Total	\$ 12,320	\$ (1,011)

\$3,909 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2018, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended April 30,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2019	\$ (2)	\$ 1,233	\$ 295	\$ 58	\$ 1,584
2020	(2)	1,233	295	58	1,584
2021	(2)	1,233	295	58	1,584
2022	(2)	1,233	295	58	1,584
2023	(2)	737	296	33	1,064
	\$ (10)	\$ 5,669	\$ 1,476	\$ 265	\$ 7,400

SUPPLEMENTARY INFORMATION

ALPINE PUBLIC WATER AUTHORITY
 OF THE STATE OF ARKANSAS
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR COST-SHARING PLANS
 FOR THE YEAR ENDED APRIL 30, 2018

SCHEDULE I
 Page 16

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios Last Fiscal Year

System's proportion of the net pension liability (asset) per APERS at 6/30/2017	0.136337%
System's proportion of the net pension liability (asset) per APERS at 6/30/2016	0.132309%
System's proportionate share of the net pension liability - per APERS at 6/30/2017	\$ 35,231
System's proportionate share of the net pension liability - per APERS at 6/30/2016	31,640
System's covered-employee payroll	24,260
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.22%
Plan fiduciary net position as a percentage of the total pension liability	75.65%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 3,548
Contributions in relation to the contractually required contribution	(3,548)
Contribution deficiency (excess)	<u>-</u>
System's covered-employee payroll	24,260
Contributions as a percentage of covered-employee payroll	14.62%

See Accountants' Compilation Report.