

**HOLIDAY ISLAND SUBURBAN
IMPROVEMENT DISTRICT #1**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

**HOLIDAY ISLAND SUBURBAN
IMPROVEMENT DISTRICT #1
DECEMBER 31, 2017 AND 2016
CONTENTS**

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	11
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Paid Firemen.....	37
Schedule of Contributions – Paid Firemen.....	38
Schedule of the District’s Proportionate Share of the Net Pension Liability – Volunteer Firemen	39
Schedule of Contributions – Volunteer Firemen	40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position – Water and Sewer Operations Only.....	43
Miscellaneous Supplementary Information.....	44



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Holiday Island Suburban Improvement District #1
Holiday Island, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **Holiday Island Suburban Improvement District #1** (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the District as December 31, 2017 and 2016, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 and pension schedules on pages 37 through 40 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 audits 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the Arkansas Natural Resource Commission and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued a report dated December 19, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Landmark PLC

**LANDMARK PLC
CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas
December 19, 2018

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015**

Using This Annual Report

This annual report consists of management's discussion and analysis (this section), basic financial statements, and notes to the financial statements. The basic financial statements are comprised of a series of financial statements: The Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide information about the Suburban Improvement District's activities and present an overview of the Suburban Improvement District's finances. The notes to financial statements will explain some of the information presented in the basic financial statements and provide more detailed data. Since Suburban Improvement Districts are special purpose governments, they are able to combine the government-wide and fund financial statements into single presentations. The Holiday Island Suburban Improvement District has elected to present in this format.

Discussion and Analysis

The purpose of the Management's discussion and analysis (MD&A) is to introduce the basic financial statements and provide an analytical overview of the government's financial activities. This discussion and analysis of the financial performance of the Holiday Island Suburban Improvement District provides an overview of the District's financial activities for the year ending December 31, 2017.

The Holiday Island Suburban Improvement District was organized in 1970 for the purposes of providing water and sewer utility services, roads, fire and EMS emergency services, and recreational opportunities for the primary benefit and enjoyment of Holiday Island property owners. The management of Holiday Island utilities, public facilities, emergency services, and recreational amenities are overseen by a District Manager who answers to an elected five-member Board of Commissioners. The ability to sustain Holiday Island's utilities, public facilities, emergency services, and recreational amenities as well as the District's long-term financial health is the principal concern of the District Manager and Board of Commissioners.

The District continues to invest back into Holiday Island through purchasing vital equipment, developing new amenities and capital improvements to renew our roads and sanitation infrastructure. The Fire Department procured a new fire engine to replace one that entered service in 1974. The Road Department resurfaced over two miles of roads. The Sewer Department renewed several sewer lift stations by updating them with new electronic controls. The Water Department completely rehabilitated three drinking water storage tanks. The tanks were repaired, stripped and recoated inside and out. All the tanks were inspected and had outdated safety equipment removed and replaced to meet current regulations. The hiking committee completed the trails master plan and began construction on the community's third hiking trail.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015**

The District faced several financial challenges in 2017, most notably was the April and May storms that did considerable damage to our roads, facilities, and grounds over a two week period. The storm's heavy rains caused landslides and flooding. The most significant damages were landslides and washouts on Hawk Drive and Haddock Creek Lift Station access road. The storm produced a tornado and straight line winds that damaged infrastructure over a wide area. Several District buildings suffered roof damage from wind and falling trees. Recreation facilities were damaged and the tornado uprooted over 85 large trees, mostly along the golf course and surrounding roads, resulting in significant expense to remove and dispose of the downed trees and storm debris. The storm events were very taxing on District personnel and equipment, but fortunately, much of the storm damage and related expenses were either covered by insurance or disaster assistance from FEMA which helped to relieve some of the unexpected financial burden.

Despite the unforeseen weather events, the District is financially stronger now than we were in prior years. For the second year in a row, the District has realized a net profit; this has much to do with the Board adopting a balanced and realistic budget and every department actively looking for ways to increase revenues and cut costs while providing a greater quality of service. The Board of Commissioners made key financial decisions and took decisive actions to effectively cope with 2017's unexpected challenges and ended the year in a healthy position.

- The board increased all annual assessments by 2.5% in 2017. Examples of the 2.5% increase are: an improved R1 paved property's annual assessment increased \$18.20 and an unimproved R1 paved property's annual assessment increased \$11.20.
- Marina slip rentals have a planned 5% annual rate increase effective through 2019.
- Golf activity cards have a planned 5% annual rate increase effective through 2019.

Financial Highlights for Holiday Island Suburban Improvement District

- The Suburban Improvement District reduced its total liabilities and deferred inflows of resources by \$353,819 or 7.06% from 2016.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015

- The Suburban Improvement District's 2017 operating revenues exceeded its 2017 operating expenses and depreciation. Operating revenues increased by \$270,679 while total operating expenses increased by only \$212,584 from 2016. The District experienced net operating income of \$208,230 for 2017.
- The Suburban Improvement District's end of year net position increased by \$141,176 or 0.79% from 2016.
- Assessment of Benefits 2017 net revenue increased by \$14,410 or 0.82% compared to 2016.
- The Suburban Improvement District's net cash from operating activities decreased by \$33,345 or 2.58% compared to 2016.
- Water and Sewer 2017 operating revenues exceeded 2017 operating expenses by \$205,579. 2017 revenues increased by \$31,317, while expenses increased by only \$22,584 compared to 2016.
- 2017 operating expenses for streets and roads maintenance decreased by \$2489 or 0.82% compared to 2016.
- 2017 operating expenses for Law Enforcement, Fire, and Emergency Medical Services increased by \$37,106 or 17.04% compared to 2016.
- 2017 Recreational Activity Card revenue decreased by \$5,136 or 5.42% compared to 2016.
- 2017 operating expenses for recreational activities and facilities, including: 18-hole and 9-hole golf courses, recreation center, clubhouse, restaurant, marina and pro shop increased by \$22,502 or 3.49% compared to 2016.
- 2017 operating expenses for general administration increased by \$99,280 or 13.52% compared to 2016.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015**

Basic Financial Statements

One of the most important questions asked about the Holiday Island Suburban Improvement District's finances is, "Is the Suburban Improvement District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows report information about the Suburban Improvement District's activities in a way that helps answer this question.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015**

Financial Highlights

Assets, Liabilities and Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Total current assets	\$ 4,492,076	\$ 4,255,081	\$ 3,876,057
Restricted cash and investments	60,843	61,054	60,960
Other noncurrent assets	<u>19,383,461</u>	<u>19,860,107</u>	<u>20,421,871</u>
Total assets	<u>\$ 23,936,380</u>	<u>\$ 24,176,242</u>	<u>\$ 24,358,888</u>
Deferred Outflows of Resources			
Pension costs	<u>\$ 70,965</u>	<u>\$ 67,962</u>	<u>\$ 36,648</u>
Liabilities			
Total current liabilities	\$ 420,779	\$ 470,703	\$ 446,488
Noncurrent liabilities	<u>4,214,514</u>	<u>4,535,073</u>	<u>4,804,616</u>
Total liabilities	<u>\$ 4,635,293</u>	<u>\$ 5,005,776</u>	<u>\$ 5,251,104</u>
Deferred Inflows of Resources			
Pension Costs	<u>\$ 20,492</u>	<u>\$ 3,828</u>	<u>\$ 2,013</u>
Net Position			
Contributed capital, net	\$ 1,283,493	\$ 1,307,709	\$ 1,331,925
Reserved for debt service	1,181,580	1,137,812	1,086,024
Designated	1,400,851	1,357,708	1,434,988
Undesignated	<u>15,485,636</u>	<u>15,431,371</u>	<u>15,289,482</u>
Total net position	<u>\$ 19,351,560</u>	<u>\$ 19,234,600</u>	<u>\$ 19,142,419</u>
Operating Results and Changes in Net Position			
Operating revenues	<u>\$ 4,282,405</u>	<u>\$ 4,011,726</u>	<u>\$ 3,723,077</u>
Operating expenses			
Depreciation	1,123,720	1,080,653	1,059,109
Other operating expenses	<u>2,950,455</u>	<u>2,737,871</u>	<u>2,797,122</u>
Total operating expenses	<u>4,074,175</u>	<u>3,818,524</u>	<u>3,856,231</u>
Operating income (loss)	<u>208,230</u>	<u>193,202</u>	<u>(133,154)</u>
Other revenues (expenses)			
Interest, net	(97,174)	(110,227)	(116,977)
Other income	<u>5,904</u>	<u>9,206</u>	<u>675</u>
Total other revenues (expenses)	<u>(91,270)</u>	<u>(101,021)</u>	<u>(116,302)</u>
Change in Net Position	<u>116,960</u>	<u>92,181</u>	<u>(249,456)</u>
Net Position, Beginning of Year	<u>19,234,600</u>	<u>19,142,419</u>	<u>19,531,700</u>
Net Position, End of Year	<u>\$ 19,351,560</u>	<u>\$ 19,234,600</u>	<u>\$ 19,282,244</u>
Implementation of GASB 68			<u>(139,825)</u>
Net Position, Restated			<u>\$ 19,142,419</u>

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015

Statement of Net Position

The Statement of Net Position reports assets, deferred inflow and outflow of resources and liabilities to obtain the District's net position. Net Position is calculated by using the following formula; assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position.

The Suburban Improvement District's 2017 cash and cash equivalents increased \$167,092 or 6.74% and the District's certificates of deposits increased by \$11,209 or 0.78%. The District also increased its assets in the form of assessments receivable, accrued interest receivable, and pro shop inventory. Due to the above mentioned factors, the District's current assets increased by \$236,995 or 5.57% from the prior year. The net book value for the District's property, wastewater treatment plant, and equipment decreased by \$476,646 or 2.40%. The increase in assets, offset by the loss of value for property, wastewater treatment plant, and equipment contributed to the District's total assets and deferred outflows of resources to decrease by \$236,859 or 0.98% from the prior year. The Suburban Improvement District's current liabilities decreased by \$49,924 or 10.61% while its long-term debt also decreased by \$320,559 or 7.07% from 2016.

Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position outline the sources and uses of funds and report any changes in net position from operating activities.

The Suburban Improvement District's 2017 operating revenues exceeded its 2017 operating expenses and depreciation. Operating revenues increased by \$270,679 or 6.75% while total operating expenses, increased by only \$212,584, or 7.76% from 2016. The District experienced a net operating profit of \$208,230 for 2017. The end of year net position from operating activities increased \$141,176 or 0.79% from 2016.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about cash receipts, cash payments, and the net change in cash resulting from the operating, investing, and financing activities.

The Suburban Improvement District's net cash from operating activities of \$1,259,335 decreased \$33,345 or 2.58% from 2016. The Net Cash used for capital of \$1,103,598 increased by \$148,502 or 15.55% from 2016. The above mentioned factors resulted in the District's Cash and Cash equivalents increasing by \$166,881.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017, 2016 AND 2015**

Economic Factors and Next Year's Budgets and Rates

The Suburban Improvement District's Board of Commissioners and District Manager considered many factors when setting the fiscal-year 2018 budget, including, Assessment of Benefits and fees that will be charged for utilities and amenities.

Assessments and User Fees for 2018

- The Board increased the Assessment of Benefits for all zones by 5% for 2018
- The Board increased Marina slip rentals by 5% for 2018 as part of a planned 5% annual rate increase effective through 2019
- The Board increased golf activity cards by 5% for 2018 as part of a planned 5% annual rate increase effective through 2019.

The foremost financial concern for the District is with the declining number of residential and commercial lots in private hands. There are currently 5,204 residential and commercial lots within the Holiday Island boundaries, of which, 3,405 are in private ownership. During the 1980s and again in the 2000s, aggressive marketing of Holiday Island resulted in many individuals purchasing lots for the purposes of speculative investment, primary or vacation home building, or to obtain property owner access to recreational amenities. The properties in private hands provide the District with a substantial revenue source through the annual Assessment of Benefits. Beginning in the late 2000s, primarily the vacant and undeveloped lots started returning to the District through either quit claim or foreclosure on delinquent assessments. The trend of vacant and undeveloped lots falling out of private ownership is steady and will remain a significant financial concern until an efficient way of marketing and selling these lots back to private individuals is accomplished.

**CONTACTING THE SUBURBAN IMPROVEMENT DISTRICT 'S FINANCIAL
MANAGEMENT**

This financial report is designed to provide our property owners, residents, customers, and creditors with a general overview of the Suburban Improvement District's finances and to show the Suburban Improvement District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Suburban Improvement District's District Manager at (479) 253-9700.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,646,220	\$ 2,479,128
Certificates of deposit	51,679	83,613
Certificates of deposit - designated	1,400,851	1,357,708
Assessments receivable, net	187,740	126,515
Accounts receivable	98,707	103,276
Accrued interest receivable	1,583	1,126
Inventory - pro shop	45,911	41,306
Prepaid expenses	<u>59,385</u>	<u>62,409</u>
 Total Current Assets	 <u>4,492,076</u>	 <u>4,255,081</u>
 RESTRICTED CASH AND CASH EQUIVALENTS	 <u>60,843</u>	 <u>61,054</u>
 PROPERTY, PLANT, AND EQUIPMENT, NET	 <u>19,383,461</u>	 <u>19,860,107</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	<u>70,965</u>	<u>67,962</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 24,007,345</u></u>	 <u><u>\$ 24,244,204</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 130,297	\$ 143,219
Current portion of bonds payable	251,344	244,572
Current portion of note payable	-	32,514
Current portion of capital lease	39,138	50,398
Total Current Liabilities	<u>420,779</u>	<u>470,703</u>
LONG-TERM LIABILITIES		
Bonds payable	3,972,177	4,222,264
Note payable	-	5,788
Capital lease	24,365	73,932
Net pension liability	217,972	233,089
Total Long-Term Liabilities	<u>4,214,514</u>	<u>4,535,073</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	<u>20,492</u>	<u>3,828</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,655,785</u>	<u>5,009,604</u>
NET POSITION		
Contributed capital, net	<u>1,283,493</u>	<u>1,307,709</u>
Retained earnings		
Reserved for debt service	1,181,580	1,137,812
Designated	1,400,851	1,357,708
Undesignated	15,485,636	15,431,371
	<u>18,068,067</u>	<u>17,926,891</u>
Total Net Position	<u>19,351,560</u>	<u>19,234,600</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,007,345</u>	<u>\$ 24,244,204</u>

See Independent Auditor's Report and Notes to Financial Statements.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Assessments, net	\$ 1,769,345	\$ 1,754,935
Water and sewer	823,473	792,156
Fees, sales, and rental	808,752	737,340
Debt service assessments	415,718	426,148
Activity cards	89,609	94,745
Other	375,508	206,402
	<u>4,282,405</u>	<u>4,011,726</u>
OPERATING EXPENSES		
Water and sewer	617,894	595,310
Streets and roads	300,270	302,759
Fire and security protection	254,856	217,750
Recreation	113,327	133,317
18 hole golf course	354,177	284,370
9 hole golf course	15,995	52,201
Clubhouse, restaurant, marina and pro shop	554,828	512,336
General and administrative	739,108	639,828
	<u>2,950,455</u>	<u>2,737,871</u>
Net operating income before depreciation	1,331,950	1,273,855
Less: depreciation	(1,123,720)	(1,080,653)
Net operating income	<u>208,230</u>	<u>193,202</u>
OTHER NONOPERATING REVENUES (EXPENSES)		
Gain on disposal of property and equipment	5,904	9,206
Interest income	22,810	16,467
Interest expense	(119,984)	(126,694)
Total other nonoperating (expenses)	<u>(91,270)</u>	<u>(101,021)</u>
Change in net position	116,960	92,181
Depreciation on fixed assets acquired by contributed capital	24,216	24,216
Net position - beginning of year	<u>17,926,891</u>	<u>17,810,494</u>
Net position - end of year	<u>\$ 18,068,067</u>	<u>\$ 17,926,891</u>

See Independent Auditor's Report and Notes to Financial Statements.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers for:		
Assessments	\$ 1,710,654	\$ 1,743,404
Water and sewer	828,042	781,970
Fees, sales, and rental	808,752	737,340
Debt service assessments	413,184	425,233
Activity cards and other revenue	465,117	301,147
Payments for:		
Water and sewer	(621,748)	(596,390)
Streets and roads	(302,847)	(302,084)
Fire and security protection	(254,992)	(216,885)
Recreation	(115,296)	(131,863)
18 hole golf course	(353,411)	(282,532)
9 hole golf course	(18,020)	(52,218)
Clubhouse, restaurant, marina and pro shop	(557,126)	(504,431)
General and administrative	(742,974)	(610,011)
Net Cash From Operating Activities	<u>1,259,335</u>	<u>1,292,680</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bond payable and note payable	(281,617)	(269,330)
Principal payments on capital lease	(60,827)	(49,389)
Proceeds from sale of property, plant, and equipment	5,904	9,206
Acquisition of property, plant, and equipment	(647,074)	(518,889)
Interest paid	(119,984)	(126,694)
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,103,598)</u>	<u>(955,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposit	(11,209)	(6,333)
Interest received	22,353	16,284
Net Cash From Investing Activities	<u>11,144</u>	<u>9,951</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	166,881	347,535
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,540,182</u>	<u>2,192,647</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,707,063</u>	<u>\$ 2,540,182</u>
CASH AND CASH EQUIVALENTS	\$ 2,646,220	\$ 2,479,128
RESTRICTED CASH AND CASH EQUIVALENTS	<u>60,843</u>	<u>61,054</u>
	<u>\$ 2,707,063</u>	<u>\$ 2,540,182</u>

See Independent Auditor's Report and Notes to Financial Statements.

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	<u>\$ 208,230</u>	<u>\$ 193,202</u>
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	1,123,720	1,080,653
Net change in pension liability	(1,456)	29,130
Change in:		
Assessments receivable, net	(61,225)	(12,446)
Accounts receivable	4,569	(10,186)
Inventory - pro shop	(4,605)	(2,064)
Prepaid expenses	3,024	(371)
Accounts payable and accrued expenses	<u>(12,922)</u>	<u>14,762</u>
Total Adjustments	<u>1,051,105</u>	<u>1,099,478</u>
Net Cash From Operating Activities	<u><u>\$ 1,259,335</u></u>	<u><u>\$ 1,292,680</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holiday Island Suburban Improvement District #1 (the District) is a public corporation organized July 2, 1970 under the Arkansas Suburban Improvement District Law to provide Holiday Island, Arkansas, with a public road system, waterworks system, sewage system, fire protection services and facilities, and recreational facilities. Substantially all revenues are derived from the provision of the services described above to the property owners of Holiday Island, Arkansas.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) of accounting principles for pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District does not apply FASB Codification of accounting principles for pronouncements whose provisions are limited to not-for-profit organizations or address issues concerning primarily such organizations.

The most significant of the District's accounting policies are described below.

Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14 "*The Financial Reporting Entity*," the District includes all funds over which the District Commissioners exercise financial accountability. Financial accountability as defined by GASB Statement No. 14 was determined based on the District's ability to impose its will on operations, to select the governing authority, and on the District Commissioners' potential to provide financial benefits or to impose financial burdens on the District.

Fund Types

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position, revenues, and expenses.

The various funds are grouped in the financial statements into one fund type as follows:

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2017 and 2016, the District had no cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash consists of amounts held in a trust account for the purpose of debt service. At December 31, 2017 and 2016, the District had restricted cash balances of \$60,843 and \$61,054, respectively.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statements of Net Position. Net position is segregated into contributed capital and retained earnings components.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Inventory – Pro Shop

Inventory consists of merchandise held for sale and is stated at the lower of cost or market, on a first in, first out basis. Merchandise held for sale primarily consists of golf-related items.

Income Taxes

Income of the District is derived from the exercise of essential governmental functions and accrues to the District, a political subdivision of the State of Arkansas. It is, therefore, not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Property, Plant, and Equipment

Property, plant, and equipment is carried at cost or fair market value at date of donation if the asset was contributed. Depreciation has been computed on the straight-line basis over the estimated useful lives of the assets. The District capitalizes all expenditures for property, plant, and equipment with a useful life greater than one year and with an initial cost of greater than \$5,000. Fully depreciated assets still in use by the District totaled approximately \$7,286,000 and \$7,072,000 at December 31, 2017 and 2016, respectively. See Notes 11 and 12 for more information regarding property, plant, and equipment.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

The estimated useful lives of assets are as follows:

ASSETS	USEFUL LIVES IN YEARS
9 hole golf course	7 - 50
18 hole golf course	5 - 50
19 th hole restaurant	15 - 20
Buildings	10 - 50
Fire department equipment	5 - 20
Public works	5 - 20
Recreational facilities	5 - 20
Resource management	3 - 10
Sewer system	10 - 50
Streets and roads	10 - 75
Water system	3 - 50

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 and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assessments, Assessments Receivable, and Uncollectible Accounts

Assessments are recorded as revenues in the year levied. The assessments are levied on January 1 and are due by October 15th for the current year. Assessments receivable relate to assessments on property and related debt service assessments. Uncollectible accounts for assessments receivable have been provided for using the allowance method. The allowance is based on management's estimate of the overall collectability of assessments receivable based on historical experience and identification of specific accounts which management believes may be uncollectible. Based on these same factors, individual accounts are charged off against the allowance when management forecloses on the lots. Past-due accounts are charged a 25% penalty. The allowance for uncollectible accounts for assessments receivable amounted to \$101,091 and \$120,603 as of December 31, 2017 and 2016, respectively.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Local Police and Fire Retirement System ("LOPFI") and additions to or deductions from the LOPFI fiduciary net position have been determined on the same basis as they are reported by LOPFI. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. This amount was created as a result of the implementation of GASB 68. See Note 15 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. This amount was created as a result of the implementation of GASB 68. See Note 15 for additional information.

Accounts Receivable

Accounts receivable relate to water and sewer billings and related debt service charges. Based on historical data, over 95% of water and sewer billings are collected within 60 days, thus an allowance for uncollectible accounts is not considered necessary. In the event accounts become uncollectible, they will be charged to operations when that determination is made. Determination of uncollectibility is made by management based on knowledge of individual customers and consideration of such factors as current economic conditions. Credit extended to customers is generally uncollateralized, however, \$100 deposits are required for opening new accounts. Past-due status is based on contractual terms. Past-due accounts are charged interest monthly. The interest rate is based on the federal discount rate. A past-due account continues to draw interest charges until it is either paid or written off.

Long-Lived Assets

FASB Codification Topic Property, Plant and Equipment, Section Subsequent Measurement requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the District's reported earnings, financial condition or cash flows.

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditor's Report.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2: ASSESSMENTS

The District's Board of Commissioners approves the amount of the yearly assessment of property owners based on the category. This assessment, due October 15th, reflects the projected cash requirements of the District, taking into consideration the revenues received through the sale of water and sewer services and rental and interest income.

NOTE 3: STATE ASSISTANCE

During the years ended December 31, 2017 and 2016, the District received state assistance of \$15,541 and \$14,991, respectively, from the Fire Protection Services Program, founded by Arkansas Act 833 and administered by the Arkansas Department of Finance and Administration. These amounts are reported as "Other Operating Revenues" in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 4: NET POSITION

Reservations of fund balance of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

NOTE 5: DEPOSITS IN FINANCIAL INSTITUTIONS

State law generally requires that District funds be deposited in federally insured banks located in the State of Arkansas. The District deposits may be in the form of checking accounts, savings accounts, and time deposits. District funds may also be invested in direct obligations of the United States of America and obligations, the principal and interest of which are fully guaranteed by the United States of America.

Deposits include funds invested in commercial money market accounts and certificates of deposit. These funds bear interest at rates ranging from 0.35% to 1.14% at December 31, 2017.

The amounts of deposits are displayed on the Statements of Net Position as "Cash and cash equivalents" and "Certificates of deposit." Also included in "Cash and cash equivalents" on the Statements of Net Position is petty cash amounting to \$1,350 at December 31, 2017 and 2016. At December 31, 2017, bank balances insured and collateralized with a letter of credit from the Federal Home Loan Bank of Dallas are \$250,000 and \$3,017,929, respectively. As of December 31, 2017, the District had approximately \$950,000 in uninsured deposits.

NOTE 6: DEFERRED COMPENSATION PLAN

The District sponsors a deferred compensation plan under Internal Revenue Code Section 457 covering eligible employees who have completed three months of continuous service. The District matches 100% of employee contributions up to 5% of the employee's compensation. The cost of such contributions by the District was \$31,678 and \$24,142 respectively, during the years ended December 31, 2017 and 2016 on participant salaries of \$638,716 and \$482,827, respectively.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7: CERTIFICATES OF DEPOSIT – DESIGNATED

The District's Commissioners have designated certificates of deposits for the following reserve funds:

Undesignated Reserve Fund

The Undesignated Reserve Fund was approved by the Board of Commissioners of Holiday Island during 2003. The purpose of the Undesignated Reserve Fund is to secure and maintain investment-grade credit ratings, generate interest income, meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures or to revenue shortfalls. The balance in the Undesignated Reserve Fund shall not be less than 35 percent and no more than 45 percent of operating expenditures. It shall not be used to fund operating expenditures in the adopted budget. The balance at December 31, 2017 and 2016 was \$1,095,152 and \$1,052,009, respectively. The Undesignated Reserve Fund as a percentage of operating expenditures was 37% and 39% at December 31, 2017 and 2016, respectively.

Equipment Reserve Fund

The Equipment Reserve Fund was approved by the Board of Commissioners of Holiday Island during 2003. It will be maintained in an amount adequate to finance the scheduled replacement of vehicles and equipment. The Equipment Reserve Fund will, at the end of each fiscal year, have a minimum balance of \$100,000, or 5 percent of the book value of the District's vehicle and equipment inventory, whichever is greater. The depreciation amount assigned to the vehicle and equipment inventory shall be budgeted annually and that amount transferred to the Equipment Reserve Fund. During 2005, the regulation that created the equipment reserve fund was amended to clarify the equipment and vehicles from which the reserve fund is calculated should be those vehicles and equipment placed in service since 2000. During 2011, the regulation was again amended to allow the Board of Commissioners to elect to suspend the transfer of annual depreciation of vehicles and equipment placed in service since 2000 to that account in the event no equipment reserve purchases are budgeted for the fiscal year. The balance at December 31, 2017 and 2016 was \$305,699. The District was in compliance with the requirements of the Equipment Reserve Fund as of December 31, 2017 and 2016.

NOTE 8: BONDS PAYABLE

In October 2008, the District authorized the issuance of Holiday Island Suburban Improvement District Special Assessment and Sewer Revenue Bonds, Series 2008, in an amount not to exceed \$5,600,000 for the purpose of financing the costs of acquisition, construction, and equipping of an expansion and upgrade to the District's wastewater treatment plant. Interest is payable semiannually in April and October of each year starting in 2009. The bonds bear interest at a rate of 1.75% and are subject to a servicing fee of 1%. Principal payments commenced in 2012 and are also payable semiannually. The maturity date of the bonds is October 15, 2031. The bonds are secured by a pledge of and are payable from, special assessments and sewer system revenues. The purchaser of these bonds has pledged the bonds as collateral against the Arkansas Development Finance Authority Revolving Loan Fund.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Annual requirements to amortize outstanding bonded debt are shown in the schedule below.

	<u>Principal</u>	<u>Interest</u>	<u>Servicing Fee</u>	<u>Total</u>
2018	\$ 251,344	\$ 72,896	\$ 41,656	\$ 365,896
2019	258,303	68,468	39,125	365,896
2020	265,456	63,917	36,523	365,896
2021	272,806	59,239	33,851	365,896
2022	280,360	54,432	31,104	365,896
2023-2027	1,522,632	195,267	111,581	1,829,480
2028-2031	<u>1,372,620</u>	<u>55,084</u>	<u>31,476</u>	<u>1,459,180</u>
	<u>\$ 4,223,521</u>	<u>\$ 569,303</u>	<u>\$ 325,316</u>	<u>\$ 5,118,140</u>

A summary of changes in bonds payable follows:

	December 31, 2016	Additions	Retirements	December 31, 2017	Due within one year
Special Assessment and Sewer Revenue Bond, Series 2008	<u>\$ 4,466,836</u>	<u>\$ -</u>	<u>\$243,315</u>	<u>\$ 4,223,521</u>	<u>\$ 251,344</u>
	December 31, 2015	Additions	Retirements	December 31, 2016	Due within one year
Special Assessment and Sewer Revenue Bond, Series 2008	<u>\$ 4,704,763</u>	<u>\$ -</u>	<u>\$237,927</u>	<u>\$ 4,466,836</u>	<u>\$ 244,572</u>

NOTE 9: OPERATING LEASES

The District leases golf carts under a noncancelable operating lease. Rental expense under this operating lease was \$24,204 for each of the years ended December 31, 2017 and 2016. The lease expires in the year ending December 31, 2018. Minimum lease payments due in 2018 are \$24,204.

NOTE 10: NOTE PAYABLE

During 2015, the District has entered into a note payable with Arvest Bank, which is secured by equipment. The note bears interest at 2.98% with payments of \$2,768, including principal and interest, due monthly. The District paid the remaining balance on the note payable during the year ended December 31, 2017.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11: CAPITAL LEASE

During the year ended December 31, 2014, the District entered into leases for golf course maintenance equipment that are classified as capital leases. The cost of equipment under the capital leases is included as a component of the 18 hole golf course at a cost of \$264,919 with accumulated depreciation of \$119,951 and \$64,022 as of December 31, 2017 and 2016, respectively. Amortization of the assets under capital lease is included in depreciation expense. See Note 12.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2017, are as follows:

<u>Years ending December 31,</u>		
	2018	\$ 40,397
	2019	<u>24,580</u>
	Total minimum lease payments	64,977
	Less amount representing interest	<u>1,474</u>
	Present value of minimum lease payments	<u><u>\$ 63,503</u></u>

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 12: PROPERTY, PLANT, AND EQUIPMENT

A summary of changed in property and equipment follows:

YEAR ENDED DECEMBER 31, 2017

	December 31, 2016	Additions	Disposals	December 31, 2017
9 hole golf course	\$ 1,143,917	\$ -	\$ -	\$ 1,143,917
18 hole golf course	1,310,786	7,080	-	1,317,866
19th hole restaurant	50,445	17,532	-	67,977
Buildings	4,180,378	-	-	4,180,378
Fire department equipment	1,086,099	166,900	(85,000)	1,167,999
Land	1,499,173	-	-	1,499,173
Public works	980,355	12,052	-	992,407
Recreational facilities	1,028,466	26,092	-	1,054,558
Resource management	89,007	-	-	89,007
Sewer system	18,243,630	42,220	-	18,285,850
Streets and roads	8,414,231	238,890	-	8,653,121
Water system	<u>7,695,785</u>	<u>136,308</u>	<u>-</u>	<u>7,832,093</u>
 Total	 45,722,272	 647,074	 (85,000)	 46,284,346
 Less:				
Accumulated depreciation	<u>(25,862,165)</u>	<u>(1,123,720)</u>	<u>85,000</u>	<u>(26,900,885)</u>
	 <u>\$ 19,860,107</u>	 <u>\$ (476,646)</u>	 <u>\$ -</u>	 <u>\$ 19,383,461</u>

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

YEAR ENDED DECEMBER 31, 2016

	December 31, 2015	Additions	Disposals	December 31, 2016
9 hole golf course	\$ 1,165,917	\$ -	\$ (22,000)	\$ 1,143,917
18 hole golf course	1,343,547	44,998	(77,759)	1,310,786
19th hole restaurant	50,445	-	-	50,445
Buildings	4,180,378	-	-	4,180,378
Fire department equipment	1,014,900	80,750	(9,551)	1,086,099
Land	1,499,173	-	-	1,499,173
Public works	974,780	12,075	(6,500)	980,355
Recreational facilities	1,014,126	14,340	-	1,028,466
Resource management	89,007	-	-	89,007
Sewer system	18,206,180	37,450	-	18,243,630
Streets and roads	8,213,160	201,071	-	8,414,231
Water system	<u>7,567,580</u>	<u>128,205</u>	<u>-</u>	<u>7,695,785</u>
 Total	 45,319,193	 518,889	 (115,810)	 45,722,272
Less:				
Accumulated depreciation	<u>(24,897,322)</u>	<u>(1,080,653)</u>	<u>115,810</u>	<u>(25,862,165)</u>
	 <u>\$ 20,421,871</u>	 <u>\$ (561,764)</u>	 <u>\$ -</u>	 <u>\$ 19,860,107</u>

NOTE 13: MARINA LEASES

During the year ended December 31, 2000, the District entered into a lease with the United States Secretary of the Army for a marina on Table Rock Lake. The lease expires in 2019. Rental payments under the lease are calculated as a percentage of gross receipts of the marina, ranging from 2% to 4.6%. For the years ended December 31, 2017 and 2016, the rate was 2.2% of gross receipts. The District paid approximately \$3,800 and \$3,700, respectively, under this lease during the years ended December 31, 2017 and 2016.

During the year ended December 31, 2015, the District began subleasing the marina on Table Rock Lake to KP's Dock Service, LLC. The lease expires December 31, 2019. Payments under the lease are as follows: \$1 per year for rent, plus KP's Dock Service can retain 37.5% of all boat slip rental payments collected up to \$85,000. The remaining amount is remitted to the District. During the years ended December 31, 2017 and 2016, rental payments received by the District under sublease totaled approximately \$170,000, and are included in "Fees, sales, and rental" operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position, net of rental payments to the United States Secretary of the Army.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 14: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Operating revenues	\$ 4,282,405	\$ 4,011,726
Operating expenses	2,950,455	2,737,871
Depreciation	1,123,720	1,080,653
Operating income	208,230	193,202
Nonoperating (expenses)	(91,270)	(101,021)
Net income	116,960	92,181
Property, plant and equipment:		
Additions	647,074	518,889
Disposals	85,000	115,810
Total assets and deferred outflows of resources	24,007,345	24,244,204
Bonds and other long-term liabilities payable from operating revenues	4,504,996	4,862,557
Total liabilities and deferred inflows of resources	4,655,785	5,009,604
Total net position	19,351,560	19,234,600

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 15: RETIREMENT PLANS

Local Police and Fire Retirement System

Plan Description

The Arkansas Local Police and Fire Retirement System (“LOPFI”) is a statewide cost-sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West Third Street, Suite 200, Little Rock, Arkansas 72201, by calling 1-501-682-1745, or online at www.lopfi-prb.com.

Paid Firemen

Benefits Provided

LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member’s lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

Contributions

During the 2011 Session of the Arkansas General Assembly, Arkansas Code related to LOPFI was modified so that all LOPFI paid service employers would contribute based on a uniform rate for their members participating in LOPFI. An actuarial valuation is performed to determine the uniform rate. Individual employer valuations will no longer be prepared. Instead, a compiled report is accessible via the LOPFI’s website. The uniform rate for the 2016 calendar year was computed to be 20.39% of active member payroll. The District’s applicable rate for 2016 is 18.59% of active member payroll. It is anticipated that the District’s applicable rate will increase by the maximum allowed of 1% of active member payroll each year until all or most employers can be merged into a single uniform paid service employer rate. At the December 31, 2016 valuation and measurement date, there were 6 retired members covered by benefit terms and 2 active members.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Net Pension Liability

The collective net pension liability of \$570,530,522 was measured as of December 31, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the total collective net pension liability attributable to paid firemen of the District was \$137,235 at December 31, 2017. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was based on the ratio of the District's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period.

For the years ended December 31, 2017 and 2016, the District recognized pension expense of \$27,395 and \$27,341, related to this plan, respectively. At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources as of December 31, 2017 and 2016, related to pensions from the following sources:

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,781	\$ 32
Changes of assumptions	7,314	-
Changes in proportion and differences between employer contributions and proportionate share	733	16,146
Net difference between projected and actual earnings on pension plan investments	21,792	-
Contributions subsequent to measurement date	14,922	-
	<u>\$ 49,542</u>	<u>\$ 16,178</u>

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,618	\$ 60
Changes of assumptions	11,948	-
Changes in proportion and differences between employer contributions and proportionate share	988	-
Net difference between projected and actual earnings on pension plan investments	27,296	-
Contributions subsequent to measurement date	10,207	-
	\$ 52,057	\$ 60

Contributions made subsequent to the measurement date will be reversed in fiscal year ending December 31, 2018, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the District's financial statements as follows:

Years ended December 31,	
2017	\$ (6,679)
2018	(6,682)
2019	(5,830)
2020	749
2021	-
Thereafter	-

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Actuarial Assumptions

The total pension liability in the December 31, 2016 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 Percentage of Payroll, Closed
Remaining Amortization Method	16.8 years beginning January 1, 2018
Asset Valuation Method	5-year smoothed market; 20% corridor
Price Inflation	3.00%
Wage Inflation	4.00%
Salary Increases	4.50% to 19.00%, including inflation
Investment rate of return	8.00%

Retirement Age

Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.

Mortality

RP-2000 Combined Healthy Mortality Table Projected to 2017 Table, set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years.

General Note

There were no method, assumption, or benefit changes during the year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Allocation- Weighted Long- Term Expected Real Rate of Return</u>
Broad Domestic Equity	30%	2.97%	0.89%
International Equity	6%	1.50%	0.09%
Domestic Equity	33%	5.88%	1.94%
Foreign Equity	7%	6.25%	0.44%
Index	11%	6.73%	0.74%
Alternative Investments	10%	6.13%	0.61%
Cash	3%	-0.40%	-0.01%
Total	<u>100%</u>		<u>4.70%</u>
Expected Inflation			<u>3.00%</u>
Total Return			<u>7.70%</u>

Discount Rate

A single discount rate of 7.75% 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 7.75%. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.75%	Discount Rate 7.75%	1% Higher 8.75%
\$ 214,894	\$ 137,235	\$ 73,618

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Volunteer Firemen

Benefits Provided

LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the Member provides for a different calculation based on these factors. As of December 31, 2017, there was one member currently covered by the pension plan.

Contributions

Active firefighters who do not contribute to social security are required to contribute 8.5% of their annual covered salary. The District contributes the remaining amounts necessary to finance its employees' participation; the rate was 19.59% and 18.59% of annual covered payroll for the years ended December 31, 2017 and 2016, respectively. For the calendar year ended December 31, 2017, the District's contribution rate is 20.59%. During the years ended December 31, 2017 and 2016, the District contributed \$5.60 per month for volunteer firefighters. Volunteer firefighters are not required to contribute to the plan. For the calendar year ended December 31, 2017, the District is required to contribute \$5.60 per member per month. The contribution requirements of plan members and the District are established and may be amended by the LOPFI Board of Trustees. At the December 31, 2016 valuation and measurement date, there was one retired member covered by benefit terms and no active members.

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

Net Pension Liability

The collective net pension liability of \$37,033,790 was measured as of December 31, 2017, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the total collective net pension liability attributable to volunteer firemen of the District was \$80,737 at December 31, 2017. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was based on the ratio of the District's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period.

For the years ended December 31, 2017 and 2016, the District recognized pension expense of \$15,416 and \$9,912 related to this plan, respectively. At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources as of December 31, 2016 and 2015, related to pensions from the following sources:

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,314
Changes of assumptions	2,287	-
Changes in proportion and differences between employer contributions and proportionate share	8,507	-
Net difference between projected and actual earnings on pension plan investments	8,408	-
Contributions subsequent to measurement date	2,221	-
	<u>\$ 21,423</u>	<u>\$ 4,314</u>

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

<u>2016</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,768
Changes of assumptions	2,909	-
Changes in proportion and differences between employer contributions and proportionate share	139	-
Net difference between projected and actual earnings on pension plan investments	7,949	-
Contributions subsequent to measurement date	<u>4,908</u>	<u>-</u>
	<u>\$ 15,905</u>	<u>\$ 3,768</u>

Contributions made subsequent to the measurement date will be reversed in fiscal year ending December 31, 2018, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the District's financial statements as follows:

Years ended December 31,	
2017	\$ (4,605)
2018	(5,362)
2019	(4,436)
2020	(485)
2021	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Actuarial Cost Method	Entry Age Normal
Amortization Method	Increasing Dollar, Closed
Remaining Amortization Method	18.5 years beginning January 1, 2018
Asset Valuation Method	5-year smoothed market; 20% corridor
Price Inflation	3.00%
Wage Inflation	4.00%
Salary Increases	N/A
Investment rate of return	8.00%

Retirement Age

Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.

Mortality

RP-2000 Combined Healthy Mortality Table Projected to 2017 Table set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years.

General Note

There were no method, assumption, or benefit changes during the year.

The long-term expected rate of return on pension plan investments is 7.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Allocation- Weighted Long- Term Expected Real Rate of Return</u>
Broad Domestic Equity	30%	2.97%	0.89%
International Equity	6%	1.50%	0.09%
Domestic Equity	33%	5.88%	1.94%
Foreign Equity	7%	6.25%	0.44%
Index	11%	6.73%	0.74%
Alternative Investments	10%	6.13%	0.61%
Cash	3%	-0.40%	-0.01%
Total	<u>100%</u>		<u>4.70%</u>
Expected Inflation			<u>3.00%</u>
Total Return			<u>7.70%</u>

Discount Rate

A single discount rate of 7.75% 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 7.75%. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Sensitivity of Discount Rate

1% Lower <u>6.75%</u>	Discount Rate <u>7.75%</u>	1% Higher <u>8.75%</u>
\$ 117,295	\$ 80,737	\$ 51,206

REQUIRED SUPPLEMENTARY INFORMATION

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY – PAID FIREMEN
DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
Proportion of the net pension liability	0.02%	0.03%	0.03%
Proportionate share of the net pension liability	\$ 137,235	\$ 152,937	\$ 104,018
Covered - employee payroll	\$ 105,595	\$ 86,800	\$ 102,140
Proportionate share of the net pension liability as percentage of covered-employee payroll	129.96%	176.19%	101.84%
Plan's fiduciary net position	\$ 137,235	\$ 152,937	\$ 104,098
Plan's fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	100.00%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the District will only present available information.

See Independent Auditor's Report.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
SCHEDULE OF CONTRIBUTIONS – PAID FIREMEN
DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
Contractually required contribution	\$ 14,922	\$ 10,207	\$ 17,051
Contributions in relation to the contractually required contribution	\$ (14,922)	\$ (10,207)	\$ (17,051)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 105,595	\$ 86,800	\$ 102,140
Contributions as a percentage of covered-employee payroll	14.13%	11.76%	16.69%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the District will only present available information.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY – VOLUNTEER FIREMEN
DECEMBER 31, 2017, 2016 AND 2015**

	2017	2016	2015
Proportion of the net pension liability	0.02%	0.02%	0.02%
Proportionate share of the net pension liability	\$ 80,737	\$ 80,152	\$ 70,442
Covered - employee payroll	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as percentage of covered-employee payroll	N/A	N/A	N/A
Plan's fiduciary net position	\$ 80,737	\$ 80,152	\$ 70,442
Plan's fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	100.00%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the District will only present available information.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
SCHEDULE OF CONTRIBUTIONS – VOLUNTEER FIREMEN
DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
Contractually required contribution	\$ 2,221	\$ 2,319	\$ 2,335
Contributions in relation to the contractually required contribution	\$ (2,221)	\$ (2,319)	\$ (2,335)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the District will only present available information.

See Independent Auditor's Report.



**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**

Board of Commissioners
Holiday Island Suburban Improvement District #1
Holiday Island, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Holiday Island Suburban Improvement District #1 (the “District”) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Landmark PLC

**LANDMARK PLC
CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas
December 19, 2018

SUPPLEMENTARY INFORMATION

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – WATER AND SEWER OPERATIONS ONLY
YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUES

Charges for services \$ 823,473

OPERATING EXPENSES

Operations and maintenance \$ 402,063

Salaries and related benefits and taxes 215,831

617,894

Net operating income (loss) before depreciation 205,579

Less: depreciation (623,704)

NET OPERATING INCOME (LOSS) (418,125)

INTEREST EXPENSE (119,984)

NET (LOSS) (538,109)

NET POSITION, BEGINNING OF YEAR 6,307,713

NET POSITION, END OF YEAR \$ 5,769,604

See Independent Auditor's Report.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MISCELLANEOUS SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

1. Monthly Water/Sewer Rates: All water and sewer charges shall be based on water consumption, and the amount to be paid by each customer shall be computed on the basis of the following schedule of rates at December 31, 2017:

Water Services:

Minimum charge for first 1,500 gallons	\$	13.10
Rate for next 28,500 gallons, per 1,000 gallons		7.70
Rate for 30,001 gallons and above, per 1,000 gallons		3.85

Sewer Services:

Minimum charge for first 1,500 gallons	\$	10.50
Rate per 1,000 gallons thereafter		4.85

Debt Service Charges:

Minimum charge for first 1,500 gallons	\$	9.25
Rate per 1,000 gallons thereafter		2.47

2. The total number of water/sewer customers billed during the year ended December 31, 2017 averaged 1,741 per month.
3. Total gallons billed to water/sewer customers during the year ended December 31, 2017 amounted to 66,453,240.
4. Total dollars billed to water/sewer customers during the year ended December 31, 2017 amounted to \$1,239,191, which includes charges for service and debt assessments.
5. There is 376% debt service coverage for all debt service requirements.
6. There is no restricted account holding the tax revenues pledged as a revenue source for repayment of Arkansas Development Finance Authority debt. This obligation is payable solely from the revenues derived from the operation of the water and sewer system and special assessments.
7. At December 31, 2017, reserved assets in enterprise funds consisted of one reserved cash account for the repayment of debt service. The balance of the account at December 31, 2017 was \$1,120,737. At December 31, 2017, restricted assets consisted of one cash account held in trust for the repayment of debt service. The balance of the account at December 31, 2017 was \$60,843.

See Independent Auditor's Report.

**HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT #1
MISCELLANEOUS SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

8. A schedule of insurance policies in effect at December 31, 2017 is as follows:

<u>Insurance Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Great American Insurance Group	Commercial Property, Equipment and Other	\$20,890,057	5-10-18
Great American Insurance Group	Earthquake	\$5,000,000	5-10-18
Great American Insurance Group	Flood	\$5,000,000	5-10-18
Arkansas Municipal Vehicle Program	Vehicles Liability	\$25,000/\$30,000	8-24-18
	Physical Damage	\$1,475,598	8-24-18
Travelers	General Liability	\$1,000,000	5-10-18
Travelers	Employee Benefit, Employee Practices	\$2,000,000	5-10-18
Travelers	Public Entity Management	\$1,000,000	5-10-18
Travelers	Crime	\$100,000	5-10-18
Philadelphia Insurance	Volunteer Accident	\$100,000	5-10-18

See Independent Auditor's Report.