

**CITY OF MOUNTAIN HOME, ARKANSAS**

**AUDITED FINANCIAL STATEMENTS –  
REGULATORY BASIS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**BALLARD & COMPANY, LTD.**

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# **BALLARD & COMPANY, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of City Council  
City of Mountain Home, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

We have audited the accompanying regulatory basis financial statements of the general fund, street fund and other funds in the aggregate of the City of Mountain Home, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Mountain Home, Arkansas, as of December 31, 2023,, and regulatory basis receipts, disbursements, and changes in fund balance, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. 10-4-412 described in Note 1.

#### ***Basis for Unmodified Opinions on Regulatory Basis of Accounting***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mountain Home, Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Adverse Opinions on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph below, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Mountain Home, Arkansas, as of December 31, 2023, or the changes in financial position and, where applicable, cash flows thereof for the year then ended.

#### ***Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain Home, Arkansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City of Mountain Home, Arkansas' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are no conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain Home, Arkansas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis 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 supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Capital Assets but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of the City of Mountain Home, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mountain Home, Arkansas' 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 City of Mountain Home, Arkansas' internal control over financial reporting and compliance.

*Ballard & Company, Ltd.*

Certified Public Accountants  
Mountain Home, Arkansas  
October 30, 2024

**CITY OF MOUNTAIN HOME, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2023**

	General	Street	Other Funds In The Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,949,422	\$ 3,748,253	\$ 42,618,917
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll related	\$ 29,995	\$ 7,596	\$ 1,082
Settlements pending	-	-	201,782
Total Liabilities	29,995	7,596	202,864
 Fund balances:			
Restricted	95,334	3,740,657	42,023,874
Assigned	145,641	-	392,179
Unassigned	3,678,452	-	-
Total Fund Balances	3,919,427	3,740,657	42,416,053
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 3,949,422</b>	 <b>\$ 3,748,253</b>	 <b>\$ 42,618,917</b>

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

**CITY OF MOUNTAIN HOME, ARKANSAS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General	Street	Other Funds In The Aggregate
<b>RECEIPTS</b>			
State and federal aid	\$ 246,312	\$ 1,497,089	\$ 18,992
Property taxes	590,677	398,776	-
Sales taxes	6,328,189	3,460,268	7,783,999
Franchise fees	1,274,622	-	-
Fines, forfeitures and costs	227,298	-	39,036
Local permits and fees	495,311	-	-
Advertising and promotion fees	-	-	132,752
Public safety services - fire district millage	174,725	-	-
Park and recreation fees	173,785	-	-
Administrative fees	539,581	-	-
Court costs and supplies reimbursements	404,421	-	-
Interest	149,821	163,780	1,982,579
Donations and other receipts	412,505	58,128	116,852
<b>TOTAL RECEIPTS</b>	<b>11,017,247</b>	<b>5,578,041</b>	<b>10,074,210</b>
<b>DISBURSEMENTS</b>			
Current:			
General government	2,082,740	-	-
Law enforcement - police and courts	3,796,581	-	1,335,306
Highways and streets	-	5,474,528	-
Public safety - fire protection	2,821,708	-	522,893
Recreation and culture	2,079,229	-	4,119,872
Cemetery maintenance	-	-	16,859
Advertising and promotion	-	-	74,496
Debt Service:			
Principal	-	-	2,650,000
Interest and fiscal fees	-	-	775,581
Trustee fees	-	-	4,308
<b>TOTAL DISBURSEMENTS</b>	<b>10,780,258</b>	<b>5,474,528</b>	<b>9,499,315</b>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<b>236,989</b>	<b>103,513</b>	<b>574,895</b>
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers in	-	-	40,422
Transfers out	40,422	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>40,422</b>	<b>-</b>	<b>40,422</b>
<b>EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES AND USES OVER DISBURSEMENTS</b>	<b>196,567</b>	<b>103,513</b>	<b>615,317</b>
FUND BALANCES - JANUARY 1	3,722,860	3,637,144	41,800,735
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 3,919,427</b>	<b>\$ 3,740,657</b>	<b>\$ 42,416,052</b>

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

**CITY OF MOUNTAIN HOME, ARKANSAS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>General</b>		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>			
State and federal aid	\$ 194,995	\$ 246,312	\$ 51,317
Property taxes	590,677	590,677	-
Sales taxes	6,328,189	6,328,189	-
Franchise fees	1,274,622	1,274,622	-
Fines, forfeitures and costs	227,298	227,298	-
Local permits and fees	495,311	495,311	-
Public safety services - fire district millage	174,725	174,725	-
Park and recreation fees	173,785	173,785	-
Administrative fees	539,581	539,581	-
Court costs and supplies reimbursements	404,421	404,421	-
Interest	149,821	149,821	-
Other	22,820	412,505	389,685
<b>TOTAL RECEIPTS</b>	<b>10,576,245</b>	<b>11,017,247</b>	<b>441,002</b>
<b>DISBURSEMENTS</b>			
Current:			
General government	2,065,132	2,123,162	(58,030)
Law enforcement	3,485,935	3,796,581	(310,646)
Public safety - fire protection	2,801,734	2,821,708	(19,974)
Recreation and culture	2,026,877	2,079,229	(52,352)
<b>TOTAL DISBURSEMENTS</b>	<b>10,379,678</b>	<b>10,820,680</b>	<b>(441,002)</b>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>196,567</b>	<b>196,567</b>	<b>-</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>3,722,860</b>	<b>3,722,860</b>	<b>-</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 3,919,427</b>	<b>\$ 3,919,427</b>	<b>\$ -</b>

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

**CITY OF MOUNTAIN HOME, ARKANSAS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - STREET FUND - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Street</b>		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>			
State and federal aid	\$ 1,081,873	\$ 1,497,089	\$ 415,216
Property taxes	398,776	398,776	-
Sales taxes	3,460,268	3,460,268	-
Interest	163,780	163,780	-
Other	56,496	58,128	1,632
	<u>5,161,193</u>	<u>5,578,041</u>	<u>416,848</u>
<b>TOTAL RECEIPTS</b>			
	<u>5,161,193</u>	<u>5,578,041</u>	<u>416,848</u>
<b>DISBURSEMENTS</b>			
Current:			
Highways and streets	5,057,680	5,474,528	(416,848)
	<u>5,057,680</u>	<u>5,474,528</u>	<u>(416,848)</u>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>			
	<u>103,513</u>	<u>103,513</u>	<u>-</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>3,637,144</u>	<u>3,637,144</u>	<u>-</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 3,740,657</u>	<u>\$ 3,740,657</u>	<u>\$ -</u>

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

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The City of Mountain Home, Arkansas, was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Wastewater. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are not included in this report.

**Basis of Presentation – Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code Ann. 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of: a balance sheet; a statement of revenues (receipts), expenditures (disbursements), and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basis financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

The accounting system of the City is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** – The General Fund is used to account for all financial resources not accounted for and reported in another fund. The following funds are reported with the general fund: General, Payroll Fund, Donation Funds.

**Street Fund** – The Street Fund (a Special Revenue Fund) is used to account for the proceeds of specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, property taxes, and sales taxes that are restricted or committed for maintaining and constructing highways and streets.

**Other Funds in the Aggregate** – Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific receipt sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Breathalyzer, Criminal Justice, DWI/Drug Control, Public Safety Sales Tax (including the new Fire Station fund), Court Automation, Court Administration (Amendment 80), Advertising and Promotion, Cemetery, 2021 Bonds Recreation Operations & Maintenance, and the Fire Department Act 833 Fund.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursements for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The following Capital Projects Fund are reported with other funds in the aggregate: Fire Department Apparatus Repair and Replacement Fund and the 2021 Bonds Recreation Improvements (including the 2021A and 2021B Construction accounts).

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed and assigned to disbursements for principal, interest and related costs. The following Debt Service Fund is reported with other funds in the aggregate: 2021 Bonds Debt Service (including the 2021 Debt Service account, the 2021 Redemption account, and the 2021 Expense account).

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The following Custodial Funds are reported with the other funds in the aggregate: District Court (including City Docket, Probation, Small Claims, and Appeals accounts), Police Fees, and Police Seizure.

**Basis of Accounting - Regulatory**

The financial statements are prepared on a regulatory basis of accounting as prescribed or permitted by Arkansas Code Ann. 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for payroll liabilities withheld and settlements pending. As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and certain liabilities (such as accounts payable, interfund payables, and long-term debt) are not recorded in these financial statements.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

**Assets, Liabilities, and Fund Balances**

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all demand accounts. Cash equivalents consist of money market funds investing in U.S. Treasury Securities and are stated at cost.

Liabilities

For purposes of financial reporting, liabilities include payroll-related liabilities withheld but not yet paid and settlements pending. Settlements pending are considered fines, forfeitures, court fees and seized funds that have not been transferred to the appropriate entities.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities, and Fund Balances - Continued**

Fund Balance Classifications

1. Restricted fund balance - amounts are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance)
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed.
4. Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if disbursements incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as receipts on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

**Budget Law**

State law requires that the following procedures be followed in establishing the budgetary data:

- a. Prior to December 1 of each year, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed disbursements and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by action of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted receipts and disbursements represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis of accounting for the General Fund, Street Fund and the other operating funds.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Balance Classification Policies and Procedures**

The City's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established. There were no committed fund balances at year-end.

The City does not have a formal policy addressing whether it considers restricted or unrestricted amounts to have been spent when a disbursement is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The City has a policy addressing which resources to use within the unrestricted fund balance when restricted, assigned or unassigned fund balances are available. The City's policy is that all restricted and assigned accounts are earmarked and will have its own revenue line item within the appropriate department's budget as well as its own purchases line item. The balance in each restricted or assigned account is always readily identified. When funds are no longer available, no further expenditure is made in that account. If there is a balance at year-end, it is identified and carried forward.

**NOTE 2: CASH AND INVESTMENTS**

**Legal Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**Cash Deposits with Financial Institutions**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City of Mountain Home, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The City's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2023, all bank balances of the City were fully insured or collateralized.

**NOTE 3: LEGAL DEBT LIMIT**

**Property Tax Secured Bonded Debt**

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value of real and personal property as determined by the last tax assessment. As of December 31, 2023, the legal debt limit for the City was \$67,690,744. There were no property tax secured bond issues.

**Short-term Financing Obligations**

The City is subject to a constitutional limitation for short-term financing obligation equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. As of December 31, 2023, the legal debt limit for short-term financing obligations was \$16,922,736. There were no short-term financing agreements during the year ending December 31, 2023.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 4: DETAILS OF FUND BALANCE CLASSIFICATIONS**

Fund balance classifications at December 31, 2023 are comprised of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balance:			
Restricted for:			
General government	\$ 18,011	\$ -	\$ -
Law enforcement	1,328	-	93,404
Highways and streets	-	3,740,657	-
Public safety – fire protection	-	-	53,786
Public safety – police and fire	-	-	5,293,012
Recreation and culture	75,995	-	4,030,689
Advertising and promotion	-	-	198,399
Cemetery maintenance	-	-	80,939
Debt service	-	-	1,308,336
Capital outlay	-	-	30,965,309
Total Restricted	<u>95,334</u>	<u>3,740,657</u>	<u>42,023,874</u>
Assigned to:			
Law enforcement	7,469	-	-
Public safety – fire protection	129,447	-	392,179
Recreation and culture	8,725	-	-
Total Assigned	<u>145,641</u>	<u>-</u>	<u>392,179</u>
Unassigned	<u>3,678,452</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,919,427</u>	<u>\$ 3,740,657</u>	<u>\$ 42,416,053</u>

**NOTE 5: COMMITMENTS**

**Long-Term Liabilities**

Long-term liabilities as of December 31, 2023 are comprised of the following:

	December 31, 2023
2021 Sales and Use Tax Bonds, Series 2021A and Series 2021B, dated August 31, 2021	\$ 32,030,000
Unfunded liability balance due to Arkansas Public Employees Retirement System (APERS) for District Court Judge's and Clerk's retirement determined by actuarial valuation as of December 31, 2004, and amortized over a 30-year period. Payment amounts adjusted annually by APERS. Payments are made from the General Fund.	<u>231,089</u>
Total Long-Term Liabilities	<u>\$ 32,261,089</u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 5: COMMITMENTS - Continued**

**2021 Sales and Use Tax Bonds**

On August 31, 2021, the City issued sales and use tax bonds in the amount of \$37,000,000. The Series 2021A bonds, aggregating \$6,000,000, and the Series 2021B bonds, aggregating \$31,000,000 (collectively, "the bonds"), were issued for the purpose of financing the costs of acquiring, constructing, furnishing, and equipping park and recreational facilities and improvements and paying expenses of authorizing and issuing the bonds. The Series 2021A bonds mature through 9/01/2025 with varying rates of interest from .460% - 1.020%. The Series 2021B bonds mature from 9/01/2025 through 9/01/2038 with varying rates of interest from 3.00% - 2.00%.

The bonds are special obligations of the City, payable from (a) 0.5% sales and use tax levied by the City under the authority of authorizing legislation and Ordinance 2021-3 adopted on January 7, 2021 (the "bond tax") and (b) 0.25% sales and use tax levied by the City under Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated and Ordinance 2021-1 adopted on January 7, 2021 (the "permanent tax"). The voters approved the taxes at a special election held on March 9, 2021. Collections of the bond tax may only be used to pay obligations with respect to the bonds. Collections of the permanent tax may only be used to pay obligations with respect to the bonds and to acquire, construct, improve, expand, equip, furnish, operate, and maintain new or existing park and recreational facilities.

Combined principal maturities of the Series A and Series B bonds payable subsequent to December 31, 2023, are as follows:

<u>Year</u>	<u>Principal Amount</u>
2024	\$ 1,865,000
2025	1,880,000
2026	1,925,000
2027	1,985,000
2028	2,045,000
2029-2033	11,150,000
2034-2038	<u>11,180,000</u>
	<u>\$ 32,030,000</u>

**Compensated Absences**

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

**NOTE 6: JOINTLY GOVERNED ORGANIZATIONS**

Ozark Mountain Solid Waste District

The City is a member of the Ozark Mountain Solid Waste District (the District). The District is a jointly governed organization comprised of representatives from Baxter, Boone, Marion, Newton, and Searcy counties and participating cities within the aforementioned counties. Representatives are the participating county judges and mayors unless some other representative is appointed by the participating entity. The City made no payments to the District during the year.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 6: JOINTLY GOVERNED ORGANIZATIONS - Continued**

Fourteenth Judicial Drug Task Force

The Prosecuting Attorney of the Fourteenth Judicial District, the Sheriff's Departments of Baxter, Boone, Marion, and Newton Counties, and the Police Departments of Harrison and Mountain Home entered into an agreement to establish the Fourteenth Judicial Drug Task Force. Funding was provided through the Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fourteenth Judicial District. Financial statements of the Fourteenth Judicial Drug Task Force are not available.

**NOTE 7: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased through the Arkansas Municipal League Program, a public entity risk pool. The Arkansas Municipal League provides the City with workers' compensation, municipal property and vehicle, general liability, and legal defense coverage. The City also participates in the Self-Insured Fidelity Bond Program administered by the Government Bonding Board. The amount of settlements, if any, has not exceeded the insurance coverage in the past three years and there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

**NOTE 8: LOCAL POLICE AND FIRE RETIREMENT SYSTEM (LOPFI)  
(A Defined Benefit Pension Plan)**

**Plan Description**

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to the Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling (866) 859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

**Funding Policy**

The employee contribution rate depends on the type of service being rendered and whether the service is also covered by Social Security. The different employee contribution rates, as required by state law, are as follows:

1. Paid service not covered by Social Security – 8.5% of gross pay
2. Paid service also covered by Social Security – 2.5% of gross pay
3. Volunteer service - no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$774,848 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$342,875 for the year ended December 31, 2023.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 8: LOCAL POLICE AND FIRE RETIREMENT SYSTEM (LOPFI) - Continued  
(A Defined Benefit Pension Plan)**

**Net Pension Liability**

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability as of December 31, 2023 (actuarial valuation date and measurement date) was \$8,169,469.

**NOTE 9: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)**

**Plan Description**

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling (800) 682-7377, or on their website [www.apers.org](http://www.apers.org).

**Funding Policy**

APERS has contributory and non-contributory plans. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. For the first six months of the year, contributory members were required by State law to contribute 5.25% of their salary. Effective July 01, 2023, contributory members are required to contribute 5.50% of their salary. The City's contribution to the plan was \$621,173 for the year ended December 31, 2023.

**Net Pension Liability**

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability as of June 30, 2023 (actuarial valuation date and measurement date) was \$4,624,936.

**NOTE 10: MAYOR'S RETIREMENT BENEFITS**

**Plan Description**

Ark. Code Ann. 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1) upon reaching the age of 60 with a minimum of 10 years of service or 2) upon serving 20 years regardless of age. The City paid former Mayor Joe Dillard \$35,843 for the year ended December 31, 2023.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 11: CITY CLERK RETIREMENT BENEFITS**

Plan Description

Ark. Code Ann 24-12-121 establishes retirement benefits for city clerks in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid monthly from the City's General Fund. A clerk may retire: 1. upon reaching the age of 60 with a minimum of ten years of service or 2) upon serving 20 years regardless of age. The City paid former clerks Deborah Pyle and Cindy Wynn \$10,325 and \$19,122, respectively, for the year ended December 31, 2023.

**SUPPLEMENTARY AND OTHER INFORMATION**

**CITY OF MOUNTAIN HOME, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2023**

Schedule 1

	<b>SPECIAL REVENUE FUNDS</b>									
	Breathalyzer	Criminal Justice	DWI/Drug Control	Public Safety Sales Tax	Court Automation	Amendment 80	Advertising and Promotion	Cemetery	2021 Bonds Recreation Operations & Maintenance	Act 833 Fund
<b>ASSETS</b>										
Cash and cash equivalents	<u>\$ 10,787</u>	<u>\$ 31,142</u>	<u>\$ 8,876</u>	<u>\$ 5,294,094</u>	<u>\$ 1,216</u>	<u>\$ 41,382</u>	<u>\$ 198,399</u>	<u>\$ 80,939</u>	<u>\$ 4,030,689</u>	<u>\$ 53,786</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Payroll related	\$ -	\$ -	\$ -	\$ 1,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Settlements pending	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	1,082	-	-	-	-	-	-
Fund balances:										
Restricted	10,787	31,142	8,876	5,293,012	1,216	41,382	198,399	80,939	4,030,689	53,786
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>10,787</u>	<u>31,142</u>	<u>8,876</u>	<u>5,293,012</u>	<u>1,216</u>	<u>41,382</u>	<u>198,399</u>	<u>80,939</u>	<u>4,030,689</u>	<u>53,786</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,787</u>	<u>\$ 31,142</u>	<u>\$ 8,876</u>	<u>\$ 5,294,094</u>	<u>\$ 1,216</u>	<u>\$ 41,382</u>	<u>\$ 198,399</u>	<u>\$ 80,939</u>	<u>\$ 4,030,689</u>	<u>\$ 53,786</u>

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS**  
**COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -**  
**REGULATORY BASIS**  
**DECEMBER 31, 2023**

Schedule 1

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUNDS</u>	<u>CUSTODIAL FUNDS</u>		Totals
	Fire Department Apparatus	2021 Bonds Recreation Improvements	2021 Bonds Debt Service	District Court	Police Seizure/ Fees/Warrant	
<b>ASSETS</b>						
Cash and cash equivalents	<u>\$ 392,179</u>	<u>\$ 30,965,309</u>	<u>\$ 1,308,475</u>	<u>\$ 115,709</u>	<u>\$ 85,935</u>	<u>\$ 42,618,917</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Payroll related	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,082
Settlements pending	-	-	-	115,709	85,935	201,644
Total Liabilities	-	-	-	115,709	85,935	202,726
Fund balances:						
Restricted	-	30,965,309	1,308,475	-	-	42,024,012
Assigned	392,179	-	-	-	-	392,179
Unassigned	-	-	-	-	-	-
Total Fund Balances	392,179	30,965,309	1,308,475	-	-	42,416,191
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 392,179</u>	<u>\$ 30,965,309</u>	<u>\$ 1,308,475</u>	<u>\$ 115,709</u>	<u>\$ 85,935</u>	<u>\$ 42,618,917</u>

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -**  
**OTHER FUNDS IN THE AGGREGATE -**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>SPECIAL REVENUE FUNDS</b>									
	Breathalyzer	Criminal Justice	DWI/Drug Control	Public Safety Sales Tax	Court Automation	Amendment 80	Advertising and Promotion	Cemetery	2021 Bonds Recreation Operations & Maintenance	Act 833 Fund
<b>RECEIPTS</b>										
State and federal aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,992
Sales taxes	-	-	-	2,595,201	-	-	-	-	1,730,134	-
Fines, forfeitures and costs	1,784	6,673	2,675	-	25,025	2,878	-	-	-	-
Advertising and promotion taxes	-	-	-	-	-	-	132,752	-	-	-
Interest	383	1,156	349	197,263	581	1,631	558	3,305	129,326	1,580
Other	44	-	-	-	-	-	-	16,808	-	-
<b>TOTAL RECEIPTS</b>	<b>2,211</b>	<b>7,829</b>	<b>3,024</b>	<b>2,792,464</b>	<b>25,606</b>	<b>4,509</b>	<b>133,310</b>	<b>20,113</b>	<b>1,859,460</b>	<b>20,572</b>
<b>DISBURSEMENTS</b>										
Current:										
Law enforcement - police and courts	523	-	1,961	1,287,922	44,901	-	-	-	-	-
Public safety - fire protection	-	-	-	515,685	-	-	-	-	-	7,208
Cemetery maintenance	-	-	-	-	-	-	-	16,859	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	74,496	-	-	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>523</b>	<b>-</b>	<b>1,961</b>	<b>1,803,607</b>	<b>44,901</b>	<b>-</b>	<b>74,496</b>	<b>16,859</b>	<b>-</b>	<b>7,208</b>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>1,688</b>	<b>7,829</b>	<b>1,063</b>	<b>988,857</b>	<b>(19,295)</b>	<b>4,509</b>	<b>58,814</b>	<b>3,254</b>	<b>1,859,460</b>	<b>13,364</b>
<b>OTHER FINANCING SOURCES AND USES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers in	-	-	-	-	-	-	-	-	-	40,422
<b>EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES AND USES OVER DISBURSEMENTS</b>	<b>1,688</b>	<b>7,829</b>	<b>1,063</b>	<b>988,857</b>	<b>(19,295)</b>	<b>4,509</b>	<b>58,814</b>	<b>3,254</b>	<b>1,859,460</b>	<b>53,786</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>9,099</b>	<b>23,313</b>	<b>7,813</b>	<b>4,304,155</b>	<b>20,511</b>	<b>36,873</b>	<b>139,585</b>	<b>77,685</b>	<b>2,171,229</b>	<b>-</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 10,787</b>	<b>\$ 31,142</b>	<b>\$ 8,876</b>	<b>\$ 5,293,012</b>	<b>\$ 1,216</b>	<b>\$ 41,382</b>	<b>\$ 198,399</b>	<b>\$ 80,939</b>	<b>\$ 4,030,689</b>	<b>\$ 53,786</b>

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
 OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>Totals</u>
	<u>Fire Department Apparatus</u>	<u>2021 Bonds Recreation Improvements</u>	<u>2021 Bonds Debt Service</u>	
<b>RECEIPTS</b>				
State and federal aid	\$ -	\$ -	\$ -	\$ 18,992
Sales taxes	-	-	3,458,803	7,784,138
Fines, forfeitures and costs	-	-	-	39,035
Advertising and promotion taxes	-	-	-	132,752
Interest	15,193	1,570,843	60,412	1,982,580
Other	100,000	-	-	116,852
<b>TOTAL RECEIPTS</b>	<u>115,193</u>	<u>1,570,843</u>	<u>3,519,215</u>	<u>10,074,349</u>
<b>DISBURSEMENTS</b>				
Current:				
Law enforcement - police and courts	-	-	-	1,335,307
Public safety - fire protection	-	-	-	522,893
Cemetery maintenance	-	-	-	16,859
Recreation and culture	-	4,119,872	-	4,119,872
Advertising and promotion	-	-	-	74,496
Debt Service:				
Principal	-	-	2,650,000	2,650,000
Interest	-	-	775,581	775,581
Agent fees	-	-	4,308	4,308
<b>TOTAL DISBURSEMENTS</b>	<u>-</u>	<u>4,119,872</u>	<u>3,429,889</u>	<u>9,499,316</u>
<b>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>115,193</u>	<u>(2,549,029)</u>	<u>89,326</u>	<u>575,033</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers out	-	-	-	40,422
<b>EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES AND USES OVER DISBURSEMENTS</b>	<u>115,193</u>	<u>(2,549,029)</u>	<u>89,326</u>	<u>615,455</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>276,986</u>	<u>33,514,338</u>	<u>1,219,149</u>	<u>41,800,736</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 392,179</u>	<u>\$ 30,965,309</u>	<u>\$ 1,308,475</u>	<u>\$ 42,416,191</u>

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Breathalyzer	Ark. Code Ann. 16-10-308 authorized a portion of district court costs to be used to purchase and maintain alcohol testing devices.
Criminal Justice	Ark. Code Ann. 16-17-129 and Mountain Home Ordinance 2010-12 (April 15, 2010) established fund for the purpose of helping defray the cost of incarcerating prisoners in the Baxter County jail. Ark. Code Ann. 16-10-308 established fund to receive the City's share of uniform court cost and filing fees levied by state law to be used to defray a part of the expense of administration of justice in the City.
DWI/Drug Control	Mountain Home Ordinance 2006-11 (May 18, 2006) designated a portion of each fine collected due to driving while intoxicated and drug convictions be designated for the purpose of each fine collected due to driving while intoxicated and drug convictions be designated for the purpose of maintaining and implementing educational programs concerning alcohol abuse and implementing programs or purchasing equipment to be used toward preventing or reducing the number of driving while intoxicated offenses and enforcement of the driving while intoxicated and drug statutes. Ark. Code Ann. 16-10-308 established fund to receive the City's share of uniform court cost and filing fees levied by state law to be used to defray a part of the expense of administration of justice in the City.
Public Safety Sales Tax	Ordinance 2017-13, under the authority of Ark. Code Title 26, Subtitle 6, called for the levy of a three-eighths of one percent (.375%) Citywide sales and use tax to be used solely for the purpose of public safety.
Court Automation	Ark. Code Ann. 16-13-704 established fund to receive district court installment fees of ½ of \$5 per month on each person to be used for court-related technology.
Court Administration (Amendment 80)	Ark. Code Ann. 16-17-126 authorizes district court filing fees for writs of garnishments and executions to be appropriated for any permissible use in the administration of the district court.
Advertising and Promotion	Ark. Code Ann. 26-75-606 and Mountain Home Ordinance 2013-14 (October 17, 2013) established fund to account for the tax levied on gross receipts of hotels, motels, and short-term rental accommodations. The tax shall be used for promoting and encouraging tourism.
Cemetery	Funds used to open this account were received from the Mountain Home Cemetery Association with the stipulation that the funds, along with any future donations, were to be used solely to provide maintenance of the Mountain Home cemetery grounds.
2021 Bonds - Recreation Operations and Maintenance	Established to receive the .25% sales tax authorized by Ordinance 2021-1. The sales tax funds may only be used to pay obligations with respect to the 2021 Sales and Use Tax Bonds and to acquire, construct, improve, expand, equip, furnish, operate and maintain new or existing park and recreational facilities.
Fire Department Act 833	Ark. Code Ann. 14-284-403, 404 requires insurance premium tax funds to be distributed to fire departments for training, purchase and improvement of firefighting equipment, initial capital improvements of fire departments, insurance for buildings, and utility costs.
American Rescue Plan Funds	During 2022, the City received federal aid for the coronavirus disease 2019 (COVID-19) under the American Rescue Plan Act of 2021.
Fire Department Apparatus Repair and Replacement	Established to receive monies to be used for the purchase of fire equipment.

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Fund Name</u>	<u>Fund Description</u>
2021 Bonds – Recreation Improvements	Established to pay the construction costs of betterments and improvements for the City's park and recreation system from the proceeds of the 2021 Sales and Use Tax Bonds.
2021 Bonds – Debt Service	Established to receive the .50% sales tax authorized by Ordinance 2021-3. The sales tax funds may only be used to pay obligations with respect to the 2021 Sales and Use Tax Bonds.
District Court	Ark. Code Ann. 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Police Fee	Established to account for revenues generated from the Police Department.
Police Seizure	Consists of evidence awaiting disposition from the Circuit Court.

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2023  
(Unaudited)**

**Schedule 3**

Land	\$ 2,970,771
Buildings and Improvements	5,113,363
Equipment	<u>13,755,842</u>
Total	<u>\$ 21,839,976</u>

See auditor's report on supplementary information.



# **BALLARD & COMPANY, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants  
Member of the Arkansas Society of Certified Public Accountants

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ASH FLAT, AR 72513  
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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council  
City of Mountain Home, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Mountain Home, Arkansas as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2024. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting as described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Mountain Home, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mountain Home, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mountain Home, Arkansas' 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.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mountain Home, Arkansas' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Other Issues**

The commentary contained in this section relates to the following officials that held office during 2023:

Mayor: Hillrey Adams  
Treasurer: Alma Clark  
District Court Clerk: Debra Jeffery  
Police Chief: Eddie Griffin

We reviewed the City's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Our audit procedures indicated that the above offices were in substantial compliance with Arkansas fiscal and financial laws.

## **Purpose of This Report**

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

*Ballard & Company, Ltd.*

Certified Public Accountants  
Mountain Home, Arkansas  
October 30, 2024