CITY OF MOUNTAIN VIEW, ARKANSAS

REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2022

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Arkansas Officials and City Council of
Mountain View, Arkansas

Opinions

We have audited the regulatory basis financial statements of the City of Mountain View, Arkansas (City), which are comprised of the Balance Sheet - Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022, and the related Statements of Revenues, Disbursements, and Changes in Fund Balances and Budget and Actual —- General and Street Funds — Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis 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 View, Arkansas as of December 31, 2022; the regulatory basis revenues, disbursements, and changes in net position; 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.

Adverse Opinion 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 section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Mountain View, Arkansas, as of December 31, 2022, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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 Auditors Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, 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.

Basis for Adverse Opinion 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 and pervasive.

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 misstatements, 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's 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 shortly 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 opinion. 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 generally accepted 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 generally accepted 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 on the effectiveness of the City of Mountain View, Arkansas's 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 conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain View, Arkansas's 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements that collectively comprise the City of Mountain View, Arkansas's basic financial statements. The accompanying combining balance sheet, combining statement of receipts, disbursements, and changes in fund balances, and the schedule of capital assets – general fund are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet, and combining statement of receipts, disbursements, and changes in fund balances are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 taken as a whole on the basis of accounting described in Note 1.

Other Information

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

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 February 19, 2024 on our consideration of the City of Mountain View, Arkansas'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 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 View, Arkansas's 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 View, Arkansas's internal control over financial reporting and compliance.

Searcy & Associates LLC

Monticello, Arkansas
February 19, 2024

CITY OF MOUNTAIN VIEW, ARKANSAS
BALANCE SHEET – REGULATORY BASIS
December 31, 2022

Assets	General Fund	Street Fund	Other Funds in the Aggregate	Total
Cash and cash equivalents	$ 2,426,884	$ 948,374	$ 5,196,489	$ 8,571,747
Investments	-	-	1,471,565	1,471,565
Other miscellaneous receivables	208,402	26,440	114,802	349,644
Interfund receivables	27,545	-	-	27,545
Total assets	$ 2,662,831	$ 974,814	$ 6,782,856	$ 10,420,501
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 71,320	$ -	$ 5,351	$ 76,671
Other miscellaneous payables	-	-	547	547
Interfund payables	-	-	27,545	27,545
Total liabilities	71,320	-	33,443	104,763
Fund Balance				
Restricted	-	-	6,749,413	6,749,413
Assigned	324,763	974,814	-	1,299,577
Unassigned	2,266,748	-	-	2,266,748
Total fund balance	2,591,511	974,814	6,749,413	10,315,738
Total liabilities and fund balance	$ 2,662,831	$ 974,814	$ 6,782,856	$ 10,420,501

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

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS
For the Year Ended December 31, 2022

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Receipts				
State aid	$ 42,920	$ 248,391	$ -	$ 291,311
Property taxes	33,273	21,303	-	54,576
Fines and forfeitures	49,529	-	-	49,529
Franchise taxes	201,710	-	-	201,710
Sales taxes	1,799,218	-	1,346,342	3,145,560
Local permits	4,131	-	-	4,131
Interest	10,099	4,274	7,944	22,317
Federal aid	296,578	-	-	296,578
Grants	221,823	-	31,926	253,749
Sanitation	432,432	-	-	432,432
Recreation	47,074	-	-	47,074
Service fees	6,990	-	-	6,990
Other	26,562	77,482	6,811	110,855
Total receipts	3,172,339	351,450	1,393,023	4,916,812
Disbursements				
Current:				
General government	1,518,472	-	-	1,518,472
Economic development	73,568	-	-	73,568
Law enforcement	817,283	-	9,502	826,785
Highways and streets	-	351,599	-	351,599
Public safety	92,643	-	47,952	140,595
Recreation and culture	28,399	-	-	28,399
City services	15,600	-	-	15,600
Advertising and promotion	12,460	-	-	12,460
Capital projects	87,700	-	3,950	91,650
Total current disbursements	2,646,125	351,599	61,404	3,059,128

The accompanying notes are an integral part of the financial statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2022

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Debt Services:				
Debt principal	-	-	1,045,000	1,045,000
Debt interest and other charges	-	-	289,141	289,141
Total debt services	-	-	1,334,141	1,334,141
Total disbursements	2,646,125	351,599	1,395,545	4,393,269
Excess (deficiency) of receipts over disbursements	526,214	(149)	(2,522)	523,543
Other Financing Sources (Uses):				
Transfers in from other funds	1,003,986	-	296,578	1,300,564
Transfers out to other funds	(1,300,564)	-	-	(1,300,564)
Contributions to Waterworks	-	-	(325,018)	(325,018)
Total other financing sources (uses)	(296,578)	-	(28,440)	(325,018)
Excess (deficiency) of receipts and other sources over disbursements and other uses	229,636	(149)	(30,962)	198,525
Fund balance, December 31, 2021	2,361,875	974,963	6,780,375	10,117,213
Fund balance, December 31, 2022	$ 2,591,511	$ 974,814	$ 6,749,413	$ 10,315,738

The accompanying notes are an integral part of the financial statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL – GENERAL FUND – REGULATORY BASIS
For the Year Ended December 31, 2022

	Budget	Actual	Variance
Receipts			
State aid	$ 47,426	$ 42,920	$ (4,506)
Property taxes	35,770	33,273	(2,497)
Fines and forfeitures	51,955	49,529	(2,426)
Franchise taxes	215,725	201,710	(14,015)
Sales taxes	1,645,342	1,799,218	153,876
Local permits	5,660	4,131	(1,529)
Interest	6,313	10,099	3,786
Federal aid	-	296,578	296,578
Grants	351,897	221,823	(130,074)
Sanitation	444,168	432,432	(11,736)
Recreation	61,810	47,074	(14,736)
Service fees	522	6,990	6,468
Other	22,361	26,562	4,201
Total receipts	2,888,949	3,172,339	283,390
Disbursements			
Current:			
General government	1,681,673	1,518,472	163,201
Economic development	68,612	73,568	(4,956)
Law enforcement	797,442	817,283	(19,841)
Public safety	100,241	92,643	7,598
Recreation and culture	80,180	28,399	51,781
City services	15,600	15,600	-
Advertising and promotion	11,393	12,460	(1,067)
Capital projects	76,063	87,700	(11,637)
Total current	2,831,204	2,646,125	185,079

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

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND - REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2022

	Budget	Actual	Variance
Excess (deficiency) of receipts over disbursements	57,745	526,214	468,469
Other Financing Sources (Uses):			
Transfers in from other funds	1,009,986	1,003,986	(6,000)
Transfers out to other funds	(1,003,986)	(1,300,564)	(296,578)
Total other financing sources	6,000	(296,578)	(302,578)
Excess (deficiency) of receipts and other sources over disbursements and other uses	63,745	229,636	165,891
Fund balance, December 31, 2021	2,361,875	2,361,875	-
Fund balance, December 31, 2022	$ 2,425,620	$ 2,591,511	$ 165,891

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

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – STREET FUND - REGULATORY BASIS
For the Year Ended December 31, 2022

	Budget	Actual	Variance
Receipts			
State aid	$ 229,522	$ 248,391	$ 18,869
Property taxes	22,849	21,303	(1,546)
Interest	2,803	4,274	1,471
Other	46,249	77,482	31,233
Total receipts	301,423	351,450	50,027
Disbursements			
Current:			
Highways and streets	301,423	351,599	(50,176)
Total current	301,423	351,599	(50,176)
Excess (deficiency) of receipts over disbursements	-	(149)	(149)
Other Financing Sources (Uses):			
Transfers in from other funds	-	-	-
Transfers out to other funds	-	-	-
Total other financing sources	-	-	-
Excess (deficiency) of receipts and other sources over disbursements and other uses	-	(149)	(149)
Fund balance, December 31, 2021	974,963	974,963	-
Fund balance, December 31, 2022	$ 974,963	$ 974,814	$ (149)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Mountain View, 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 fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of 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.

C. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. 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, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to 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 basic 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.

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 the financial resources, except those required to be accounted for in another fund.

Street Fund

The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property 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 included in this column are as follows:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Custodial Funds

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets (other than those financed by Enterprise Funds).

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

The City considers all highly liquid investments with an original maturity of one year or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

Interfund receivables/payables and transfers

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as other outstanding balances between funds are referred to as either "due to/from other funds". Interfund transfers represent subsidies and contributions provided to funds with no corresponding debt or promise to pay.

Liabilities

For the purpose of financial reporting, liabilities include interfund payables, payable to the State of Arkansas, settlements pending, customer meter deposits, and other miscellaneous payables.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

- Restricted Fund Balance – amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

- 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).

- 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.

- 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 and proprietary funds. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

A lien attaches to real property in February 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 10. 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.

F. Budget Law

The City prepares an annual budget on the regulatory basis for all funds. In establishing an annual budget for the City, state law stipulates the following:

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposits are in two commercial banks that are insured by the Federal Deposit Insurance Corporation (FDIC) for an amount up to $250,000 for interest bearing funds and an additional $250,000 for non-interest-bearing accounts for each bank in which deposits are held.

The schedule below is designed to disclose the level of custody risk assumed by City based on how its deposits were insured or secured by pledged securities at December 31, 2022.

Category 1 - Insured by the FDIC or collateralized with securities held by the City (or public trust) or by its agent in the City's name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uninsured and uncollateralized or collateralized with securities held by the pledging financial institution with no written or approved collateralized agreement.

The level of security for the City's bank deposits are as follows:

Depository	Category 1	Category 2	Category 3	Total
Bank A	$ 500,000	$ 3,864,475	$ -	$ 2,942,225
Bank B	500,000	6,202,734	-	345,754
	$ 1,000,000	$ 10,067,209	$ -	$ 3,518,877

NOTE 3 – ACCOUNTS RECEIVABLE

The Accounts receivable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other funds in the aggregate	Total
Turnback	$ -	$ 26,440	$ -	$ 26,440
Sales Tax	153,708	-	-	153,708
Sanitation	36,036	-	-	36,036
Other general revenues	18,658	-	114,802	133,460
	$ 208,402	$ 26,440	$ 114,802	$ 349,644

NOTE 4 – LONG TERM DEBT

The City's long-term debt consisted of the following:

Bond Payable

Series 2020 Sales and Use Tax Refunding and Improvement Bonds

In 2020, the City issued $12,800,000 in Sales and Use Tax Bonds (Series 2020) at an average interest rate of 1.375% to 4.00% for the purpose of financing capital improvements of the sewer system and to refund the City's Series 2012 and Series 2014 bond issues. The bonds are special obligations of the City payable solely from receipts from sales and use taxes. The City pledged 1% sales and use taxes to repay the Series 2020 bonds. Principal payments are due annually on November 1. Interest payments are due semiannually on May 1 and November 1.

Changes in bonds payable for the year ended December 31, 2022 were as follows:

	Balance as of December 31, 2021	Additions	Reductions	Balance as of December 31, 2022
Series 2020 bond	$ 12,545,000	$ -	$ (1,045,000)	$ 11,500,000

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

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending December 31:

	Bonds		Notes & Lease Payable		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 285,000	$ 60,926	$ -	$ -	$ 285,000	$ 60,926
2024	295,000	279,700	-	-	295,000	279,700
2025	310,000	267,900	-	-	310,000	267,900
2026	320,000	255,500	-	-	320,000	255,500
2027	335,000	242,700	-	-	335,000	242,700
2028-2032	1,475,000	831,550	-	-	1,475,000	831,550
2033-2037	1,730,000	575,050	-	-	1,730,000	575,050
2038-2042	2,420,000	480,413	-	-	2,420,000	480,413
2043-2047	2,645,000	235,806	-	-	2,645,000	235,806
2048-2052	1,685,000	46,544	-	-	1,685,000	46,544
	$ 11,500,000	$ 3,276,089	$ -	$ -	$ 11,500,000	$ 3,276,089

NOTE 5 – DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications at December 31, 2022 are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Restricted for:			
Act 833	$ -	$ -	$ 17,356
Local area police & fire pension	-	-	-
MVPD equitable sharing	-	-	1,621
Capital projects	-	-	5,352,595
American rescue plan act (ARPA)	-	-	412,899
Debt service	-	-	964,942
Total restricted	-	-	6,749,413
Assigned for:			
Police department	18,764	-	-
Fire department	23,585	-	-
Recreation	50,189	-	
Sanitation	168,295	-	
Animal control	44,097	-	
Prisoner housing	11,218	-	
Stone county pool	-	-	
Planning and zoning	8,615	-	-
Street department	-	974,814	-
Total assigned	324,763	974,814	-
Unassigned	2,266,748	-	-
Total fund balances	$ 2,591,511	$ 974,814	$ 6,749,413

NOTE 6 – FEDERAL AND STATE AWARDS

The City receives federal and state awards. These grant programs are subject to audit by the federal and state governments or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 7 – ACT 15 – ARKANSAS STATUTE 19-4416.1

During the 1985 legislative session, the Legislature passed Act 15 (Codified as Arkansas Statutes 19-4416.1). This act requires an independent accountant to include at a minimum a review and comment on compliance with each of the Arkansas Statutes outlined in the above Act.

(1) Arkansas Municipal Accounting Law of 1973, Code 14-59-101 et seq. We have reviewed the City's compliance with the municipal accounting law. It is our opinion that the City has complied, in all material respects, with the law.

(2) Arkansas District Courts and City Courts Accounting Law, Code 16-10-201 et seq. We have reviewed the City's compliance with the laws for the District Court. It is our opinion that the City has complied, in all material respects, with the law.

(3) Improvement Contracts, Code 22-9-202 – 22-9-204. We have reviewed the City's compliance with the laws for improvement contracts. It is our opinion that the City has complied, in all material respects, with the law.

(4) Budgets, Purchases, and Payments of Claims, etc., Code 14-58-201 et seq. and 14-58-301 et seq. We have reviewed the City's compliance with the law for budgets, purchases, and payments for claims, etc. It is our opinion that the City has complied, in all material respects, with the law.

(5) Investment of Public Funds, Code 19-1-501 et seq. We have reviewed the City's compliance with the law for investments of public funds. It is our opinion that the City has complied, in all material respects, with the law.

(6) Deposit of Public Funds, Code 19-8-101 – 19-8-107. We have reviewed the City's compliance with the law for deposit of federal funds. It is our opinion that the City has complied, in all material respects, with the law.

NOTE 8 – 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; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program. provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: $25,000 because of bodily injury to or death of one person in any one accident; $50,000 because of bodily injury to or death of two or more persons in any one accident; and $25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self- propelled mobile equipment owned or leased by the City.

B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of $1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for, covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of $5,000, or in the case of flood or earthquake, $100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or $1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first $3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of $300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a $2,500 deductible per occurrence.

NOTE 9 – PENSION PLANS

Local Police and Fire Retirement System (LOPFI)

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 public financial report that includes financial statements and required supplementary information for the LOPFI. That report may be obtained by writing to the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, AR 72203 or by calling 1-501-682-1745.

Member contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different member contribution rates required by State law are:

- Paid service not covered by Social Security: 8.5% of gross pay
- Paid service also covered by Social Security: 2.5% of gross pay
- Volunteer fire 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.

Arkansas Public Employees Retirement System

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, administered by a Board of Trustees, 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, 124W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org. I

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5.25% of their salary. 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.

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN VIEW, ARKANSAS
COMBINING BALANCE SHEET – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS
December 31, 2022

	Special Revenue				Debt Service	Capital Project	Custodial Funds		
Assets	Local Police and Fire Retirement	Fire (Act 833)	Police Equitable Sharing	ARPA	Sales and Use Tax	Sewer Construction	Planning & Zoning Transfer	Payroll	Total
Cash and cash equivalents	$ -	$ 17,356	$ 1,621	$ 412,899	$ 850,140	$ 3,881,030	$ 1,319	$ 32,124	$ 5,196,489
Investments	-	-	-	-	-	1,471,565	-	-	1,471,565
Other miscellaneous receivables	-	-	-	-	114,802	-	-	-	114,802
Interfund receivables	-	-	-	-	-	-	-	-	-
Total assets	$ -	$ 17,356	$ 1,621	$ 412,899	$ 964,942	$ 5,352,595	$ 1,319	$ 32,124	$ 6,782,856
Liabilities and Fund Balance									
Liabilities									
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,351	$ 5,351
Other miscellaneous payables	-	-	-	-	-	-	547	-	547
Interfund payables	-	-	-	-	-	-	772	26,773	27,545
Total liabilities	-	-	-	-	-	-	1,319	32,124	33,443
Fund Balance									
Restricted	-	17,356	1,621	412,899	964,942	5,352,595	-	-	6,749,413
Assigned	-	-	-	-	-	-	-	-	-
Total fund balance	-	17,356	1,621	412,899	964,942	5,352,595	-	-	6,749,413
Total liabilities and fund balance	$ -	$ 17,356	$ 1,621	$ 412,899	$ 964,942	$ 5,352,595	$ 1,319	$ 32,124	$ 6,782,856

See independent auditor's report.

CITY OF MOUNTAIN VIEW, ARKANSAS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS
For the Year Ended December 31, 2022

	Special Revenue				Debt Service	Capital Project	Custodial Funds		
	Local Police and Fire Retirement	Fire (Act 833)	Police Equitable Sharing	ARPA	Sales and Use Tax	Sewer Construction	Planning & Zoning Transfer	Payroll	Total
Receipts									
Sales taxes	$ -	$ -	$ -	$ -	$ 1,346,342	$ -	$ -	$ -	$ 1,346,342
Interest	2	52	-	715	9,422	(2,247)	-	-	7,944
Grants	-	31,926	-	-	-	-	-	-	31,926
Other	(2)	6,813	-	-	-	-	-	-	6,811
Total receipts	-	38,791	-	715	1,355,764	(2,247)	-	-	1,393,023
Disbursements									
Current:									
Law enforcement	9,502	-	-	-	-	-	-	-	9,502
Public safety	-	47,952	-	-	-	-	-	-	47,952
Capital projects	-	-	-	-	3,950	-	-	-	3,950
Total current	9,502	47,952	-	-	3,950	-	-	-	61,404
Debt Services:									
Debt principal	-	-	-	-	1,045,000	-	-	-	1,045,000
Debt interest and other charges	-	-	-	-	289,141	-	-	-	289,141
Total debt services	-	-	-	-	1,334,141	-	-	-	1,334,141
Total disbursements	9,502	47,952	-	-	1,338,091	-	-	-	1,395,545
Excess (deficiency) of receipts over disbursements	(9,502)	(9,161)	-	715	17,673	(2,247)	-	-	(2,522)
Other financing sources (uses):									-
Transfers in from other funds	-	-	-	296,578	-	-	-	-	296,578
Contributions to Waterworks	-	-	-	-	-	(325,018)	-	-	(325,018)
Total other financing sources (uses)	-	-	-	296,578	-	(325,018)	-	-	(28,440)
Excess (deficiency) of receipts and other sources over disbursements and other uses	(9,502)	(9,161)	-	297,293	17,673	(327,265)	-	-	(30,962)
Fund balance, December 31, 2021	9,502	26,517	1,621	115,606	947,269	5,679,860	-	-	6,780,375
Fund balance, December 31, 2022	$ -	$ 17,356	$ 1,621	$ 412,899	$ 964,942	$ 5,352,595	$ -	$ -	$ 6,749,413

See independent auditor's report.

CITY OF MOUNTAIN VIEW, ARKANSAS
SCHEDULE OF CAPITAL ASSETS – GENERAL FUND – UNAUDITED
December 31, 2022

	Balance as of December 31, 2021	Transfers	Additions	Disposals	Balance as of December 31, 2022
Land	$ 1,005,604	$ -	$ -	$ -	$ 1,005,604
Buildings & improvements	4,642,373	-	147,800	-	4,790,173
Machinary and equipment	2,027,684	-	83,066	-	2,110,750
Vehicles	-	-	64,656	-	64,656
Sewer improvements (CIP)	-	(325,018)	325,018	-	-
	7,675,661	-	620,540	-	7,971,183
Accumulated depreciation	(3,717,958)	-	(392,611)	-	(4,110,569)
	$ 3,957,703	$ -	$ 227,929	$ -	$ 3,860,614

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

To the Arkansas Officials and City Council of
Mountain View, 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 accompanying regulatory basis financial statements of the general fund, street fund, the statements of budgetary comparison for the general fund and street fund, and other funds in the aggregate of the City of Mountain View, Arkansas, (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 19, 2024. We have issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code Section 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects of the financial statement 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Searcy & Associates LLC

Monticello, Arkansas
February 19, 2024

No Findings Identified

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON CITY'S COMPLIANCE WITH STATE LAWS

To the Arkansas Officials and City Council of
Mountain View, Arkansas

We have examined management's assertions that the City of Mountain View, Arkansas (the City) complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2022.

- Municipal Accounting Law, §14-59-101 et seq.
- District Courts and City Courts, §§16-10-201 et seq.
- Improvement Contracts, §§22-9-202- 22-9-204;
- Budgets, Purchases, Payments of Claims, Etc., §§14-58-201 —- 14—58-203, 14-58-301 — 14-58-309;
- Investment of Public Funds, §§19-1-501 — 19-1-504
- Deposit of Public Funds, §§19-8-101 — 19-8-107
- Review of Audit Report by Governing Body, §§10-4-418
- Procurement law, §§19-11-201 - 19-11-259

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Mountain View, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

These conditions were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated February 19, 2024 on those financial statements.

This report is intended solely for the information and use of management, the City Council, the Mayor, Arkansas Division of Legislative Audit, and applicable bonding agencies and funding sources and is not intended to be and should not be used by anyone other than these specified parties.

Searcy & Associates LLC

Monticello, Arkansas
February 19, 2024

Member of the Arkansas Society of Certified Public Accountants
Member American Institute of Certified Public Accountants
Private Companies Practice Section