

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
FINANCIAL STATEMENTS
December 31, 2023

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SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of the
Montgomery County Regional Public Water Authority

We have performed the procedures enumerated below for the Montgomery County Regional Public Water Authority, ("the Organization"), the year ended December 31, 2023. The Organization's management is responsible for accounting records.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: No findings identified.

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: No findings identified.

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Findings: *No findings identified.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

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

Findings: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Searcy & Associates, LLC
Monticello, Arkansas
July 3, 2025

SEARCY & ASSOCIATES, LLC
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To the Board of Directors of the
Montgomery County Regional Public Water Authority

Management is responsible for the accompanying financial statements of the Montgomery County Regional Public Water Authority, ("the Organization"), which comprised the statement of net position as of December 31, 2023, and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the years then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has omitted the Management's Discussion and Analysis and Budget to Actual Comparison required by accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context.

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management, the supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Monticello, Arkansas
July 3, 2025

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
STATEMENT OF NET POSITION

December 31, 2023

	2023
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 354,323
Accounts receivable (net)	80,037
Prepaid expenses	3,453
Total current assets	437,813
 <u>Restricted cash and investments</u>	
Debt reserve funds	350,978
Total restricted cash and investments	350,978
Fixed assets, net of accumulated depreciation	3,854,344
Deferred outflow of resources related to pension	32,035
Total assets	\$ 4,675,170
 <u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 15,167
Accrued interest	9,003
Accrued payroll	4,443
Current portion of notes payable	105,613
Total current liabilities	134,226
 <u>Long term liabilities</u>	
Notes payable, net of current amount	2,126,554
Pension liability	101,841
Total long term liabilities	2,228,395
Deferred inflow of resources related to pension	6,089
 <u>Net position</u>	
Invested in capital assets, net of related debt	1,622,177
Restricted	350,978
Unrestricted	333,305
Total net position	2,306,460
Total liabilities and net position	\$ 4,675,170

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

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	2023
<u>Operating revenues</u>	
Water and waste water services	\$ 551,502
Other operating revenue	118
Total operating revenue	551,620
 <u>Operating expenses</u>	
Plant operations and distribution	266,341
General and administrative	43,209
Depreciation	120,634
Total operating expenses	430,184
Income / (loss) from operations	121,436
 <u>Other revenue / (expenses)</u>	
Interest income	9,507
Pension expense	(18,653)
Interest expense	(99,853)
Total other revenue / (expenses)	(108,999)
Change in net position	12,437
 <u>Net position, beginning of year</u>	2,294,023
Change in net invested in capital assets	(16,157)
Change in restricted assets	-
Change in unrestricted assets	28,594
Change in net position	12,437
 <u>Net position, end of year</u>	\$ 2,306,460

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

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 551,620
Payments for salaries and benefits	(125,084)
Payments for operating and administrative expenses	(180,759)
Net cash provided by (used for) operating activities	245,777
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(3,316)
Interest income	9,507
Net cash provided by (used for) investing activities	6,191
<u>Cash flows from financing activities</u>	
Principal payments on debt	(101,161)
Interest payments	(99,853)
Change in pension liability	4,860
Pension expense	(18,653)
Change in deferred outflows / inflows	1,704
Net cash provided by (used for) financing activities	(213,103)
<u>Change in cash and cash equivalents</u>	38,865
<u>Cash and cash equivalents, beginning of year</u>	666,436
<u>Cash and cash equivalents, end of year</u>	\$ 705,301
<u>Cash and cash equivalents</u>	\$ 354,323
<u>Restricted cash and cash equivalents</u>	350,978
	\$ 705,301

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

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2023

	2023
<u>Reconciliation of operating income to net cash from operating activities:</u>	
Operating income (loss)	\$ 121,436
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	120,634
Changes in assets and liabilities:	
Accounts receivable	-
Accounts payable	3,000
Accrued interest	(1,286)
Accrued payroll	1,993
Total adjustments	124,341
Net cash provided by (used for) operating activities	\$ 245,777

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

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Montgomery County Regional Public Water Authority (the “Organization”) has been designated a public water authority by the state of Arkansas. The Organization is operated by an independent board of directors for the purpose of distributing water to customers in the rural areas of Montgomery County. The Organization has adopted the provisions of Statement 14 of the Governmental Accounting Standards Board (“GASB”) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Organization. Under the criteria specified in Statement No. 14, the Organization is not a component unit of another entity. The Organization is not financially accountable for any other organization.

B. Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Organization. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Organization.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Organization applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

C. Use of Estimate

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Income Taxes

The Organization is a political subdivision of the State of Arkansas and is exempt from federal and state income taxes.

E. Compensated Absences

The Organization’s policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Unused vacation and sick leave benefits are not rolled over into the following fiscal year. Vacation and sick leave benefits are recognized as an expense when incurred.

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023

NOTE 1 (continued)

F. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months 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.

Accounts Receivable

Accounts receivable relate to water service billings to two city water departments. The Organization does not have a policy of writing off these receivable amounts as there is minimal risk of loss based on the credit worthiness and historical experience with the Organization's two customers.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant & Lines	20-40 years
Furniture & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$1,000.

Deferred Outflow / Inflow of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources(expense) until then. The Organization has qualifying items for reporting in this category. Deferred outflows of resources include those related to pension changes for the Organization.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is recognized as an inflow of resources (revenue) until that time. The Organization has qualifying items for reporting in this category. Deferred inflows of resources include those related to pension changes for the Organization.

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 1 (continued)

Pension

The Organization maintains one cost-sharing, multiple employer, defined benefit retirement plan. The plan is sponsored by the Arkansas Public Employee Retirement System.

For purposes of measuring the net pension asset or liability, deferred outflow of resources and deferred inflow of resources related to pension, and pension expense have been determined on the same basis as they are reported by the actuary. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the Organization and are not reimbursed by the plan.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

G. Date of Management’s Review

The Organization evaluated its December 31, 2023, financial statements for subsequent events through July 3, 2025, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. 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 schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2023.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 2 (continued)

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust department in the Organization's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Organization's name, or collateralized with no written or approved collateralized agreement.

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

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 708,592	\$ 250,000	\$ 458,592	\$ -

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Organization's general ledger balances.

The Organization has certain amounts of its cash accounts restricted at December 31, 2023 as follows:

Debt reserve requirements \$ 350,978

The debt reserve cash requirements are restricted for use of replacement of certain equipment securing the bonded indebtedness or for their repairs during the term of the debt and for the use of annual debt service payments for the Organization's indebtedness.

It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

NOTE 3 – CHANGES IN FIXED ASSETS

	Balance December 31, 2022	Transfers	Additions	Disposals	Balance December 31, 2023
Land	\$ 12,500	\$ -	\$ -	\$ -	\$ 12,500
Water plant & lines	5,688,283	-	-	-	5,688,283
Furniture and equipment	37,166	-	3,316	-	40,482
	<u>5,737,949</u>	<u>-</u>	<u>3,316</u>	<u>-</u>	<u>5,741,265</u>
Accumulated depreciation	(1,766,287)	-	(120,634)	-	(1,886,921)
	<u>\$ 3,971,662</u>	<u>\$ -</u>	<u>\$ (117,318)</u>	<u>\$ -</u>	<u>\$ 3,854,344</u>

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 4 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2023:

Note payable to the Arkansas Natural Resource Commission for the purchase of property and equipment, payable in 20 annual installments of \$16,530, including principal and interest through June 2035; interest at 5.0%, secured by property and equipment	\$ 146,509
Note payable to the Arkansas Natural Resource Commission for the purchase of property and equipment, payable in 20 annual installments of \$18,596, including principal and interest through December 2036; interest at 5.0%, secured by property and equipment	\$ 174,685
Note payable to the USDA for the purchase of property and equipment, payable in 455 monthly installments of \$4,453, including principal and interest through February 2046; interest at 4.25%, secured by property and equipment	\$ 767,657
Note payable to the USDA for the purchase of property and equipment, payable in 455 monthly installments of \$4,871, including principal and interest through February 2046; interest at 4.25%, secured by property and equipment	\$ 839,772
Note payable to the USDA for the purchase of property and equipment, payable in 275 monthly installments of \$4,497, including principal and interest through May 2030; interest at 4.125%, secured by property and equipment	\$ 303,544
Total	\$ 2,232,167
(Less) short term debt	(105,613)
Total long term debt	\$ 2,126,554

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

	Principal	Interest
2024	\$ 105,613	\$ 95,364
2025	110,262	90,715
2026	115,117	85,860
2027	120,186	80,791
2028	125,480	75,497
2029-2033	509,952	303,799
2034-2038	451,324	196,941
2039-2043	457,364	102,051
2044-2048	236,869	12,066
	\$ 2,232,167	\$ 1,043,084

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 – PENSION

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Organization of Finance and Administration and four additional board positions that were added in Act 686 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

Benefits Provided

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

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

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

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

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability of \$2,914,186,564 was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for your employer are as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 5,749	\$ (559)
Changes in proportion and differences between employer contributions and proportionate share of contribution	1,942	(5,530)
Changes of assumptions	4,788	-
Contributions subsequent to measurement date	6,880	-
Net difference between projected and actual earnings on pension plan investments	12,676	-
Total	\$ 32,035	\$ (6,089)

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in your financial statements as follows:

2024	2025	2026	2027	2028	Thereafter
\$ 4,562	\$ 338	\$ 15,021	\$ (855)	\$ -	\$ -

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7241

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	
Total Real Rate of Return		4.94%
Plus: Price Inflation- Actuary Assumption		2.50%
Net Expected Return		7.44%

Discount Rate

A single discount rate of 7% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

Sensitivity of Discount Rate		
1% Lower 6%	Discount Rate 7%	1% Higher 8%
\$ 162,326	\$ 101,841	\$ 52,008

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2023

NOTE 6 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 7 – CONCENTRATIONS / RELATED PARTIES

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. The Organization's revenues from water service billings are received from two customers, the City of Mount Ida and the City of Oden, which accounted for 99% of total revenues. The City of Mount Ida and the City of Oden also appoint the members of the Board of Director's for the Organization as they are the primary users of the Organization's water services.

The City of Mount Ida's Mayor currently serves as the Board President for the Organization. The City of Mount Ida currently accounts for 90% of the revenue recorded for water services. The City of Mount Ida also accounts for 90% of the receivable balance recorded as of December 31, 2023.

NOTE 8 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Organization from the financial statements which are required by GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Years Ended December 31, 2023 through 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Proportion of the net pension liability	0.003%	0.004%	0.004%	0.004%	0.004%	0.003%	0.003%	0.003%	0.003%
Proportionate share of the net pension liability	\$101,841	\$ 96,981	\$ 30,633	\$105,112	\$ 89,334	\$ 77,084	\$ 86,650	\$ 82,725	\$ 61,361
Covered - employee payroll	\$ 87,395	\$ 81,863	\$ 79,577	\$ 80,164	\$ 70,474	\$ 68,392	\$ 67,943	\$ 66,482	\$ 63,284
Proportionate share of the net pension liability as percentage of covered - employee payroll	116.53%	118.47%	38.49%	131.12%	126.76%	112.71%	127.53%	124.43%	96.96%
Plan's fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

* Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2014, therefore only nine years are shown.

**MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
SCHEDULE OF CONTRIBUTIONS**

For the Years Ended December 31, 2023 through 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Contractually required contribution	\$ 11,866	\$ 11,158	\$ 12,189	\$ 10,972	\$ 10,856	\$ 9,654	\$ 8,763	\$ 9,088	\$ 8,725
Contributions in relation to the contractually required contribution	\$(11,866)	\$(11,158)	\$(12,189)	\$(10,972)	\$(10,856)	\$(9,654)	\$(8,763)	\$(9,088)	\$(8,725)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Organization's covered - employee payroll	\$ 87,395	\$ 81,863	\$ 79,577	\$ 80,164	\$ 70,474	\$ 69,392	\$ 67,943	\$ 66,482	\$ 63,284
Contributions as a percentage of covered - employee payroll	13.58%	13.63%	15.32%	13.69%	15.40%	14.12%	12.90%	13.67%	13.79%

* Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown. Information in this schedule has been determined as of the most recent fiscal year-end.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY REGIONAL PUBLIC WATER AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2023

	<u>2023</u>
<u>Plant operations and distributions</u>	
Salaries, wages, and benefits	\$ 91,750
Repairs and maintenance	19,148
Utilities	56,911
Payroll taxes	9,912
Operating supplies and other	<u>88,620</u>
Total plant operations and distributions	266,341
<u>General and administrative</u>	
Salaries, wages, and benefits	22,937
Office supplies	4,256
Professional fees	5,500
Payroll taxes	2,478
Other expenses	<u>8,038</u>
Total general and administrative	43,209
<u>Depreciation</u>	<u>120,634</u>
Total operating expenses	<u><u>\$ 430,184</u></u>

See independent auditor's report.