

**CITY OF MAMMOTH SPRING WATER
AND SEWER SYSTEM**

**(A Proprietary Fund of the City of
Mammoth Spring, Arkansas)**

**Independent Auditor's Report
and Financial Statements**

December 31, 2023 and 2022

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Financial Statements	
Statements of Net Position	9-10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-26
Required Supplementary Information	
Schedule of Department's Proportionate Share of the Net Pension Liability	27
Schedule of Department Contributions	28-29
Supplementary Information	
Schedules of Users and Consumption	30-31
Schedules of Current Usage Rates	32-35
Schedules of Insurance in Force	36
Schedules of City Officials	37
Other Required Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of Findings and Management Responses	40



Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mayor Danny Busch and Members of the City Council
City of Mammoth Spring Water and Sewer System
Mammoth Spring, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mammoth Spring Water and Sewer System, (a proprietary fund of the City of Mammoth Spring, Arkansas) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City of Mammoth Spring Water and Sewer System's basic 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 respective financial position of the business-type activities of the City of Mammoth Spring Water and Sewer System, as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Mammoth Spring Water and Sewer System and to meet our 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Mammoth Spring Water and Sewer System are intended to present the financial position, the changes in the financial position, and cash flows of only that portion of the business-type activities of the City of Mammoth Spring, Arkansas that is attributable to the transactions of the Water and Sewer System. They do not purport to, and do not, present fairly the financial position of the City of Mammoth Spring, Arkansas, as of December 31, 2023 and 2022, the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Batesville: PO Box 2094 | Batesville, AR 72503 | P: 870.793.5231 | F: 870.793.7788

Salem: PO Box 647 | Salem, AR 72576 | P: 870.895.3212 | F: 870.895.2998

West Plains: 1386 Bill Virdon Blvd. | West Plains, MO 65775 | P: 417.256.6624 | F: 417.256.1171

Little Rock: 1501 N. University, Suite 268 | Little Rock, AR 72207 | P: 501.468.0089 | F: 501.557.3929

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and 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 Mammoth Spring Water and Sewer System'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 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 generally accepted auditing standards 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 on the effectiveness of the City of Mammoth Spring Water and Sewer System'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 Mammoth Spring Water and Sewer System'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and required supplementary information on pages 27 through 29 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Management is responsible for the supplementary information on pages 30 through 37. Our opinion on the basic financial statements do not cover the supplementary 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 supplementary information and consider whether a material inconsistency exists between the supplementary information and the basic financial statements, or the supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the supplementary 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 June 27, 2024, on our consideration of the City of Mammoth Spring Water and Sewer System's 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 Mammoth Spring Water and Sewer System'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 Mammoth Spring Water and Sewer System's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
June 27, 2024

City of Mammoth Spring Water and Sewer System
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Management's Discussion and Analysis

Our discussion and analysis of City of Mammoth Spring Water and Sewer System's (the Department) financial performance provides an overview of the Department's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the Department's financial statements, which begin on page 9.

Financial Highlights

- The Department's net position increased by \$151,370 from \$1,332,099 in 2022 to \$1,483,469 in 2023 as a result of this year's operations and capital grants received by the Department. The Department's net position decreased by \$(29,433) from \$1,361,532 in 2021 to \$1,332,099 in 2022 as a result of this year's operations and capital grants received by the Department.
- The Department's operating (loss) was \$(58,050) and \$(21,889) for the years ended December 31, 2023 and 2022, respectively.
- Cash and cash equivalents decreased by \$(4,007) and increased by \$26,769 for the years ended December 31, 2023 and 2022, respectively.
- The Department did not borrow any additional monies in 2023 and 2022. The Department made debt payments of \$16,215 and \$15,893 in 2023 and 2022, respectively.

Using This Annual Report

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements consist of three financial statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The financial statements and related notes focus on the individual parts of the Department, offering short and long term financial information about the activities that the government operates like businesses.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Department's finances is, "Is the Department as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Department's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Department's net position and changes in it. You can think of the Department's net position – assets and deferred outflows of resources minus liabilities and deferred inflows of resources – as one way to measure the Department's financial health or financial position. Over time, increases or decreases in the Department's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other nonfinancial factors.

The Statement of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as:

- Where did cash come from?
- What was cash used for?
- What was the change in cash balance during the reporting period?

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Department's Net Position

The Department's net position represents the difference between its assets and deferred outflows of resources minus its liabilities and deferred inflows of resources reported in the statement of net position on pages 9 and 10. The Department's net position increased during fiscal year 2023 by \$151,370 or 11.36%.

Table 1 below details the various elements of the statement of net position for 2023, 2022 and 2021:

Table 1			
Statement of Net Position			
	December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total current assets	\$ 124,348	\$ 311,823	\$ 101,030
Restricted cash	141,790	157,008	140,596
Capital assets - net	1,878,787	1,724,641	1,783,284
Deferred outflows of resources	<u>41,719</u>	<u>43,517</u>	<u>22,448</u>
Total assets and deferred outflows of resources	<u>\$ 2,186,644</u>	<u>\$ 2,236,989</u>	<u>\$ 2,047,358</u>
Current liabilities	\$ 38,654	\$ 37,129	\$ 10,362
Current liabilities payable from restricted assets	60,779	58,090	73,040
Noncurrent liabilities	<u>603,048</u>	<u>607,746</u>	<u>541,241</u>
Total liabilities	<u>702,481</u>	<u>702,965</u>	<u>624,643</u>
Deferred inflows of resources	<u>694</u>	<u>201,925</u>	<u>61,183</u>
Net position			
Net investment in capital assets	1,385,477	1,215,115	1,257,865
Restricted	26,008	26,008	26,008
Unrestricted	<u>71,984</u>	<u>90,976</u>	<u>77,659</u>
Total net position	<u>1,483,469</u>	<u>1,332,099</u>	<u>1,361,532</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,186,644</u>	<u>\$ 2,236,989</u>	<u>\$ 2,047,358</u>

Operating Results and Changes in the Department's Net Position

In 2023, the Department's net position increased by \$151,370 or 11.36%. This increase is made up of very different components, as shown in Table 2 below:

Table 2			
Operating Results and Changes in Net Position			
	Years Ended		
	December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Water sales, net	\$ 140,848	\$ 143,771	\$ 143,414
Sanitation fees	69,818	64,951	65,491
Sewer fees	100,263	104,495	102,783
Other revenues	47,664	49,895	47,950
Total operating revenues	<u>358,593</u>	<u>363,112</u>	<u>359,638</u>
Operating expenses:			
Salaries and employee benefits	109,396	105,221	131,291
Repairs, maintenance, and supplies	52,903	59,779	54,354
Utilities	49,275	46,379	42,713
Insurance expense	3,090	4,310	3,212
Office expenses	30,377	22,442	12,056
Sanitation charges	80,269	59,549	68,339
Miscellaneous	13,350	3,018	6,785
Depreciation	71,356	71,120	70,712
Other expenses	6,627	13,183	8,871
Total operating expenses	<u>416,643</u>	<u>385,001</u>	<u>398,333</u>
Operating (loss)	(58,050)	(21,889)	(38,695)
Nonoperating expenses	(5,994)	(7,544)	(8,559)
(Deficit) of revenues over expenses			
before capital grants	(64,044)	(29,433)	(47,254)
Capital grants	215,414	-	-
Change in net position	151,370	(29,433)	(47,254)
Net position - beginning of year	<u>1,332,099</u>	<u>1,361,532</u>	<u>1,408,786</u>
Net position - end of year	<u>\$ 1,483,469</u>	<u>\$ 1,332,099</u>	<u>\$ 1,361,532</u>

Operating Revenues

The Department's total operating revenues decreased by \$(4,519) or (1.24)% from \$363,112 in 2022 to \$358,593 in 2023. The Department's total operating revenues increased by \$3,474 or 0.97% from \$359,638 in 2021 to \$363,112 in 2022.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses primarily consist of interest expense on long-term debt. Interest expense was \$9,370 and \$9,691 in 2023 and 2022, respectively.

The Department's Cash Flows

Changes in the Department's cash flows are consistent with changes in operating (loss) and nonoperating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2023 and 2022, the Department had \$1,878,787 and \$1,724,641, respectively, invested in a broad range of capital assets, including buildings, water tanks and lines, furniture and fixtures. The Department's capital asset acquisition and/or construction totaled \$236,597 in 2023, as compared to \$12,477 in 2022.

Debt

At December 31, 2023 and 2022, the Department had the following outstanding debt:

	Years Ended December 31,	
	<u>2023</u>	<u>2022</u>
Long-term debt payable		
Current	\$ 16,543	\$ 16,214
Long-term	<u>476,767</u>	<u>493,311</u>
Total	<u>\$ 493,310</u>	<u>\$ 509,525</u>

Contacting the Department's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact City of Mammoth Spring, P.O. Box 185, City of Mammoth Spring, Arkansas 72554.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Net Position

December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents - Notes 1 and 5	\$ 95,571	\$ 84,360
Accounts receivable, net of allowance for uncollectible accounts of \$1,102 in 2023 and \$1,102 in 2022 - Note 1	27,755	26,260
Due From General Fund	-	200,181
Accrued interest receivable	34	34
Prepaid expenses	988	988
Total current assets	<u>124,348</u>	<u>311,823</u>
Restricted cash		
Cash and certificates of deposit - Notes 2 and 5	<u>141,790</u>	<u>157,008</u>
Capital assets , net of accumulated depreciation - Note 3	<u>1,878,787</u>	<u>1,724,641</u>
Deferred outflows of resources		
Deferred pension outflows - Note 6	<u>41,719</u>	<u>43,517</u>
Total assets and deferred outflows of resources	<u>\$ 2,186,644</u>	<u>\$ 2,236,989</u>

The notes to financial statements are an integral part of this statement.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Net Position (Cont.)

December 31, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 21,655	\$ 20,271
Accrued payroll liabilities	(245)	(57)
Accrued interest payable	701	701
Current portion of long-term debt - Note 4	16,543	16,214
Total current liabilities	<u>38,654</u>	<u>37,129</u>
Other liabilities payable from restricted assets		
Customer meter deposits - Note 4	60,779	58,090
Total current liabilities payable from restricted assets	<u>60,779</u>	<u>58,090</u>
Noncurrent liabilities		
Long-term debt, net of current portion - Note 4	476,767	493,311
Net pension obligation - Note 6	126,281	114,435
Total noncurrent liabilities	<u>603,048</u>	<u>607,746</u>
Total liabilities	<u>702,481</u>	<u>702,965</u>
Deferred inflows of resources		
Deferred revenue	-	200,181
Deferred pension inflows - Note 6	694	1,744
Total deferred inflows of resources	<u>694</u>	<u>201,925</u>
Net position		
Net investment in capital assets	1,385,477	1,215,115
Restricted expendable:		
Debt service	26,008	26,008
Unrestricted	71,984	90,976
Total net position	<u>1,483,469</u>	<u>1,332,099</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,186,644</u>	<u>\$ 2,236,989</u>

The notes to financial statements are an integral part of this statement.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water sales (net of provision for bad debts of \$1,743 in 2023 and \$3,609 in 2022)	\$ 140,848	\$ 143,771
Sanitation fees	69,818	64,951
Sewer fees	100,263	104,495
Special fees	29,767	29,793
Connections and miscellaneous	17,897	20,102
Total operating revenues	<u>358,593</u>	<u>363,112</u>
Operating expenses		
Salaries, wages and employee benefits	109,396	105,221
Repairs and maintenance	14,106	3,208
Insurance expense	3,090	4,310
Utilities	49,275	46,379
Miscellaneous expense	13,350	3,018
Lab fees	5,478	5,746
Maintenance and supplies	38,797	56,571
Sanitation charges	80,269	59,549
Dues and memberships	1,149	7,437
Office expenses	30,377	22,442
Depreciation	71,356	71,120
Total operating expenses	<u>416,643</u>	<u>385,001</u>
Operating (loss)	<u>(58,050)</u>	<u>(21,889)</u>
Nonoperating revenues (expenses)		
Contributions from other funds	215,414	-
Interest income	3,376	2,147
Interest expense	(9,370)	(9,691)
Net nonoperating revenues (expenses)	<u>209,420</u>	<u>(7,544)</u>
Change in net position	151,370	(29,433)
Net position - beginning of year	<u>1,332,099</u>	<u>1,361,532</u>
Net position - end of year	<u>\$ 1,483,469</u>	<u>\$ 1,332,099</u>

The notes to financial statements are an integral part of this statement.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers	\$ 358,841	\$ 366,465
Payments to suppliers	(81,896)	(74,546)
Payments to employees	(109,698)	(106,152)
Other receipts (payments)	76,456	(123,084)
Net cash provided by operating activities	243,703	62,683
Cash flows from capital and related financing activities:		
Acquisition and/or construction of capital assets	(225,502)	(12,477)
Principal payments on long-term debt	(16,214)	(15,893)
Interest payments on long-term debt	(9,370)	(9,691)
Net cash used in capital and related financing activities	(251,086)	(38,061)
Cash flows from investing activities:		
Interest income	3,376	2,147
Net cash provided by investing activities	3,376	2,147
(Decrease)/increase in cash and cash equivalents	(4,007)	26,769
Cash and cash equivalents at beginning of year	241,368	214,599
Cash and cash equivalents at end of year	\$ 237,361	\$ 241,368
Reconciliation of cash to the statements of net position:		
Cash in current assets	\$ 95,571	\$ 84,360
Cash in noncurrent assets	141,790	157,008
Total cash	\$ 237,361	\$ 241,368
<u>Supplemental information</u>		
Interest paid	\$ 9,370	\$ 9,691

The notes to financial statements are an integral part of this statement.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Statements of Cash Flows (Cont.)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (58,050)	\$ (21,889)
Adjustments to reconcile operating (loss) to net cash flows provided by operating activities:		
Depreciation	71,356	71,120
Provision for bad debts	1,743	3,609
Contributions from other funds	215,414	-
Net changes in:		
Accounts receivable	(3,238)	(3,864)
Due from General Fund	200,181	(200,181)
Accounts payable	1,384	11,484
Accrued expenses	(188)	(931)
Meter deposits	2,689	940
Deferred outflows of resources	1,798	(21,069)
Deferred inflows of resources	(201,233)	140,742
Net pension obligation	11,847	82,722
	<u>\$ 243,703</u>	<u>\$ 62,683</u>
Net cash provided by operating activities	\$ 243,703	\$ 62,683

The notes to financial statements are an integral part of this statement.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The City of Mammoth Spring Water and Sewer System (the Department) is considered to be a proprietary fund of the City of Mammoth Spring, Arkansas. Proprietary funds are used to account for operations in a manner similar to business enterprises. With a proprietary fund, it is the inherent intent of the governing body to recover all costs of operations through user charges.

Financial Reporting Entity

These financial statements present only the City of Mammoth Spring Water and Sewer System funds, accounts and balances, and are not intended to present the financial position, results of operations, and cash flows of the City of Mammoth Spring, Arkansas.

Proprietary Fund Accounting

The Department utilizes proprietary fund accounting through which revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and certificates of deposits with original maturities of three months or less.

Accounts Receivable

The Department grants credit to its residents for water and sewer sales. The collectability of the Department's receivables is dependent upon the residents' ability to honor their obligations for their water and sewer bills. However, each resident has a deposit with the Department which is held as security for up to \$150 of their unpaid balance. Accounts receivable is shown net of an allowance for uncollectible accounts. The allowance is based on 4% of the outstanding accounts receivable balance.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

Capital Assets

Capital assets costing more than \$1,000 and that have useful lives of more than one year are recorded at historical cost. Contributed capital assets are recorded at their estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 50 years for the various assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged against earnings when incurred.

Accounts Payable

Accounts payable consist of various trade accounts which are generally payable within thirty (30) days.

Accrued Interest Payable

Accrued interest payable consists of interest due to the United States Department of Agriculture on notes payable at December 31, 2023 and 2022.

Meter Deposits

Meter deposits are liabilities payable to water and sewer customers as a requirement to obtain services.

Deferred Revenue

Deferred revenue consists of ARPA funds unexpended at December 31, 2022.

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

Restricted Resources

When the Department has both restricted and unrestricted resources available to finance a particular program, it is the Department's policy to use restricted resources before unrestricted resources.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

Net Position

Net position classifications are defined as follows:

Net investment in capital assets – this component of net position consists of capital assets, including any restricted 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted:

Restricted expendable net position – this component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Restricted nonexpendable net position – this component of net position is noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Department such as permanent endowments.

Unrestricted net position – this component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets,” as defined above.

Grants and Contributions

From time to time, the Department may receive grants and contributions. Revenue from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses.

Operating Revenues and Expenses

The Department’s statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing water utility and sewer services. Operating expenses are all expenses incurred to provide water utility and sewer services, other than financing costs.

Income Taxes

The Department is considered a political subdivision of the State of Arkansas and is exempt from federal income taxes under Section 115 of the Internal Revenue Code and a similar provision under state law and therefore the accompanying financial statements do not reflect a provision or liability for federal or state income taxes.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 2 – Restricted Cash

Restricted funds are established to ensure the Department meets the requirements of the U.S. Department of Agriculture long-term debt obligations. The Department also maintains separate accounts for meter deposits that may be refunded to customers.

The balances in the restricted accounts at December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Meter deposits - checking	\$ 54,476	\$ 50,999
Meter deposits - C.D.	17,135	37,151
Depreciation fund - checking	23,910	22,590
Debt reduction - checking	20,261	20,260
USDA debt reserve - C.D.	9,063	9,063
USDA debt reserve - C.D.	16,945	16,945
 Total noncurrent cash	\$ 141,790	\$ 157,008

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Capital Assets and Depreciation

Capital asset additions, retirements and balances for the years ended December 31, 2023 and 2022 were as follows:

	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass</u>	Balance December 31, <u>2023</u>
Capital assets being depreciated:					
Construction in progress	\$ 11,095	\$ -	\$ -	\$ (11,095)	\$ -
Office equipment	4,673	-	-	-	4,673
Equipment under capital lease	14,000	-	-	-	14,000
Water and sewer plant and equipment	3,088,409	236,597	-	-	3,325,006
Total capital assets being depreciated	<u>3,118,177</u>	<u>236,597</u>	<u>-</u>	<u>(11,095)</u>	<u>3,343,679</u>
Less accumulated depreciation for:					
Office equipment	(4,673)	-	-	-	(4,673)
Equipment under capital lease	(14,000)	-	-	-	(14,000)
Water and sewer plant and equipment	(1,374,863)	(71,356)	-	-	(1,446,219)
Total accumulated depreciation	<u>(1,393,536)</u>	<u>(71,356)</u>	<u>-</u>	<u>-</u>	<u>(1,464,892)</u>
Total capital assets being depreciated, net	<u>1,724,641</u>	<u>165,241</u>	<u>-</u>	<u>(11,095)</u>	<u>1,878,787</u>
Capital assets, net	<u>\$ 1,724,641</u>	<u>\$ 165,241</u>	<u>\$ -</u>	<u>\$ (11,095)</u>	<u>\$ 1,878,787</u>
	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass</u>	Balance December 31, <u>2022</u>
Capital assets being depreciated:					
Construction in progress	\$ -	\$ 11,095	\$ -	\$ -	\$ 11,095
Office equipment	4,673	-	-	-	4,673
Equipment under capital lease	14,000	-	-	-	14,000
Water and sewer plant and equipment	3,087,027	1,382	-	-	3,088,409
Total capital assets being depreciated	<u>3,105,700</u>	<u>12,477</u>	<u>-</u>	<u>-</u>	<u>3,118,177</u>
Less accumulated depreciation for:					
Office equipment	(4,673)	-	-	-	(4,673)
Equipment under capital lease	(14,000)	-	-	-	(14,000)
Water and sewer plant and equipment	(1,303,743)	(71,120)	-	-	(1,374,863)
Total accumulated depreciation	<u>(1,322,416)</u>	<u>(71,120)</u>	<u>-</u>	<u>-</u>	<u>(1,393,536)</u>
Total capital assets being depreciated, net	<u>1,783,284</u>	<u>(58,643)</u>	<u>-</u>	<u>-</u>	<u>1,724,641</u>
Capital assets, net	<u>\$ 1,783,284</u>	<u>\$ (58,643)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,724,641</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$71,356 and \$71,120, respectively.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 – Long-Term Debt and Other Noncurrent Liabilities

A schedule of changes in the Department's long-term debt and other noncurrent liabilities for December 31, 2023 and 2022 follows:

	Balance at December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2023</u>	Amount Due Within <u>One Year</u>
Long-term debt					
USDA (A)	\$ 96,411	\$ -	\$ (6,868)	\$ 89,543	\$ 7,033
USDA (B)	413,114	-	(9,347)	403,767	9,510
Total long-term debt	<u>509,525</u>	<u>-</u>	<u>(16,215)</u>	<u>493,310</u>	<u>16,543</u>
Other liabilities					
Meter deposits	58,090	8,400	(5,711)	60,779	-
Total other liabilities	<u>58,090</u>	<u>8,400</u>	<u>(5,711)</u>	<u>60,779</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 567,615</u>	<u>\$ 8,400</u>	<u>\$ (21,926)</u>	<u>\$ 554,089</u>	<u>\$ 16,543</u>
	Balance at December 31, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2022</u>	Amount Due Within <u>One Year</u>
Long-term debt					
USDA (A)	\$ 103,121	\$ -	\$ (6,710)	\$ 96,411	\$ 6,868
USDA (B)	422,297	-	(9,183)	413,114	9,346
Total long-term debt	<u>525,418</u>	<u>-</u>	<u>(15,893)</u>	<u>509,525</u>	<u>16,214</u>
Other liabilities					
Meter deposits	57,150	10,200	(9,260)	58,090	-
Total other liabilities	<u>57,150</u>	<u>10,200</u>	<u>(9,260)</u>	<u>58,090</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 582,568</u>	<u>\$ 10,200</u>	<u>\$ (25,153)</u>	<u>\$ 567,615</u>	<u>\$ 16,214</u>

The terms and due dates of the Department's long-term debt at December 31, 2023 and 2022 follow:

- (A) **U.S. Department of Agriculture** – Original balance, \$166,000, monthly payments of \$757 started April 2011, including 2.375% interest, maturing March 2035, secured by revenues of the Department.
- (B) **U.S. Department of Agriculture** – Original balance, \$474,000, monthly payments of \$1,375 starting May 2017, including 1.75% interest, maturing April 2057, secured by revenues of the Department.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2024	16,543	9,041
2025	16,880	8,704
2026	17,224	8,360
2027	17,574	8,010
2028	17,933	7,651
2029 - 2033	95,302	32,618
2034 - 2038	69,773	24,004
2039 - 2043	64,032	18,468
2044 - 2048	69,882	12,618
2049 - 2053	76,267	6,232
2054 - 2055	31,900	576
Total	\$ 493,310	\$ 136,282

As of the years ended December 31, 2023 and 2022, the Department's debt reserve was fully funded by two CDs included in restricted cash.

Note 5 – Significant Concentration of Credit Risk

Credit risk for trade accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region. The Department grants unsecured credit to its customers, subject to a meter deposit.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies of instrumentalities or the State of Arkansas; bonds of any city, county, school district or special district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provision of state law. At December 31, 2023, the Department's carrying amount of deposits was \$237,361. The bank balances totaled \$255,644 and were fully covered by Federal Depository Insurance.

Interest rate risk – the Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – the Department does not have a formal policy that limits exposure to credit risk.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 – Significant Concentration of Credit Risk (Cont.)

Concentration of credit risk – the Department places no limit on the amount it may invest in any one issuer.

The carrying amounts of deposits are included in the Department's balance sheets as follows:

	<u>2023</u>	<u>2022</u>
Deposits	\$ 237,361	\$ 241,368
Total	\$ 237,361	\$ 241,368
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 95,571	\$ 84,360
Restricted cash and certificates of deposit	141,790	157,008
Total	\$ 237,361	\$ 241,368

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 3,376	\$ 2,147

Note 6 – Retirement Plan – APERS

The Department 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. 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 or by calling 1-800-682-7377.

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 thirteen 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, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Secretary of the Department of Finance and Administration, two members who retired from the system appointed by the President Pro Tempore of the Senate and two members who retired from the system appointed by the Speaker of the House of Representatives.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 6 – Retirement Plan – APERS (Cont.)

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	2.03%
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 55 with 35 years of credited service for elected or public safety officials.

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(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.

The Department's contributions to APERS for the years ending December 31, 2023 and 2022, was \$14,714 and \$13,591, respectively, equal to the required contribution for the year.

**CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)**

Notes to Financial Statements

December 31, 2023 and 2022

Note 6 – Retirement Plan – APERS (Cont.)

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

At December 31, 2023 and 2022, the Department reported a liability of \$126,281 and \$114,435 respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2023 and 2022, 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. As of June 30, 2023 and 2022, the Department's proportion was 0.0122% and 0.0115%, respectively.

For the years ended December 31, 2023 and 2022, the Department recognized pension expense of \$14,714 and \$13,591, respectively. At December 31, 2023 and 2022, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Difference between expected and actual experience	\$ 7,129	\$ 2,747	\$ (694)	\$ (1,382)
Net difference between projected and actual investment earnings on pension plan investments	15,718	24,140	-	-
Changes of assumptions	5,937	-	-	-
Changes in proportion and differences between employer contributions and share of contributions	9,100	13,249	-	(362)
Contributions subsequent to measurement date	3,835	3,381	-	-
Total	\$ 41,719	\$ 43,517	\$ (694)	\$ (1,744)

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Notes to Financial Statements
December 31, 2023 and 2022

Note 6 – Retirement Plan – APERS (Cont.)

\$3,835 reported as deferred outflows of resources related to pension resulting from the Department’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 12,621
2025	5,444
2026	20,185
2027	(1,060)
	<u>\$ 37,190</u>

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
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Salary Increases	3.25% – 11.00%
Wage Inflation Rate	3.25%
Discount Rate	7.00%
Mortality rate table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 114% for males and 132% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

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

The following presents the participating employers’ net pension liability, calculated using the current discount rate, as well as what the participating employers’ net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Notes to Financial Statements
December 31, 2023 and 2022

Note 6 – Retirement Plan – APERS (Cont.)

	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Net pension liability	\$ 201,282	\$ 126,281	\$ 64,489

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 weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 – Risk Management

The City of Mammoth Spring Water and Sewer System 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 an independent third party and participation in public entity risk pools. The amount of claim settlements has not exceeded the insurance coverage for 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 Department participates in the Arkansas Municipal League program (public entity risk pool) for coverage on building and contents. This program is a blanket policy with varying coverage on each separate property with a \$5,000 deductible.

Note 8 – Compensated Absences

It is the Department's policy to accumulate earned but unused vacation benefits. Because the number of Department employees is small, the accrued vacation is not expected to be material and is not recorded.

Note 9 – Subsequent Event

Management has evaluated subsequent events through June 27, 2024, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

**Schedule of Department's Proportionate Share
of the Net Pension Liability
Last Nine State Fiscal Years**

	June 30, <u>2023</u>	June 30, <u>2022</u>	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2019</u>	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
Department's proportion of the net pension liability (asset)	0.0122%	0.0115%	0.0111%	0.0010%	0.0080%	0.0093%	0.0108%	0.0106%	0.0109%
Department's proportionate share of the net pension liability (asset)	\$ 126,281	\$ 114,435	\$ 31,713	\$ 101,920	\$ 74,114	\$ 78,448	\$ 103,357	\$ 91,814	\$ 72,596
Department's covered-employee payroll	\$ 96,044	\$ 88,714	\$ 82,369	\$ 69,445	\$ 58,786	\$ 66,612	\$ 69,919	\$ 69,563	\$ 69,945
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.48%	128.99%	38.50%	146.76%	126.07%	117.77%	147.83%	131.31%	104.36%
Plan 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%

Ten years worth of data will be presented as it is available.

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Department Contributions
Last Nine State Fiscal Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contributions	\$ 14,714	\$ 13,591	\$ 12,619	\$ 10,639	\$ 9,006	\$ 9,825	\$ 10,453	\$ 10,087	\$ 10,324
Contributions in relation to the contractually required contribution	<u>(14,714)</u>	<u>(13,591)</u>	<u>(12,619)</u>	<u>(10,639)</u>	<u>(9,006)</u>	<u>(9,825)</u>	<u>(10,453)</u>	<u>(10,087)</u>	<u>(10,324)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 96,044	\$ 88,714	\$ 82,369	\$ 69,445	\$ 58,786	\$ 66,612	\$ 69,919	\$ 69,563	\$ 69,945
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.95%	14.50%	14.76%

Ten years worth of data will be presented as it is available.

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Department Contributions
Last Nine State Fiscal Years (Cont.)

Methods and assumptions used to determine fiscal year 2023 contribution rates:

Actual Cost Method	Entry Age Normal
Inflation	3.25% wage inflation
Salary Increases	3.25% to 11.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 114% for males and 132% for females and are adjusted for fully generational mortality improvements using Scale MP-2021.

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Users and Consumption
For the Year Ended December 31, 2023

<u>Month</u>	<u>Consumption (In Gallons)</u>	<u>Active Users</u>
January	3,301,830	676
February	2,860,040	678
March	2,804,160	682
April	2,647,072	680
May	2,566,929	679
June	3,163,573	677
July	3,203,816	682
August	3,653,340	681
September	3,545,444	693
October	3,893,556	699
November	2,914,830	703
December	2,563,280	700
Total consumption	37,117,870	
Monthly averages	3,093,156	686

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Users and Consumption
For the Year Ended December 31, 2022

<u>Month</u>	<u>Consumption (In Gallons)</u>	<u>Active Users</u>
January	3,790,170	672
February	2,405,880	670
March	4,391,321	670
April	2,728,249	677
May	3,663,490	675
June	2,652,060	688
July	4,938,550	689
August	4,151,910	680
September	3,618,960	677
October	3,190,700	682
November	2,841,520	680
December	3,418,320	678
Total consumption	<u>41,791,130</u>	
Monthly averages	<u>3,482,594</u>	<u>678</u>

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Current Usage Rates

December 31, 2023

Water Rates

City Water Rates

From 0 to 1,500 Gallons	\$13.00 Minimum
Over 1,500 Gallons	\$1.50 Per 1,000 Gallons

Rural Water Rates

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Mammoth Spring Housing Authority

Minimum Charge	\$286.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Spring Creek Apartments

Minimum Charge	\$312.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Mammoth Spring Estates

Minimum Charge	\$260.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Sewer Rates

City Water Rates

From 0 to 1,500 Gallons	\$13.00 Minimum
Over 1,500 Gallons	\$1.50 Per 1,000 Gallons

Rural Water Rates

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Out of State

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Mammoth Spring Housing Authority

Minimum Charge	\$286.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Current Usage Rates (Cont.)

December 31, 2023

Sewer Rates (Cont.)

Spring Creek Apartments

Minimum Charge	\$312.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Mammoth Spring Estates

Minimum Charge	\$260.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Other Services

Trash Pickup

City Rates	\$10.00
Rural Rates	\$12.00

Debt Reduction Fee

\$4.00

Meter Deposit

\$150.00

Penalty

10%

Reconnect Fee

\$25.00

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Current Usage Rates

December 31, 2022

Water Rates

City Water Rates

From 0 to 1,500 Gallons	\$13.00 Minimum
Over 1,500 Gallons	\$1.50 Per 1,000 Gallons

Rural Water Rates

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Mammoth Spring Housing Authority

Minimum Charge	\$286.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Spring Creek Apartments

Minimum Charge	\$312.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Mammoth Spring Estates

Minimum Charge	\$260.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Sewer Rates

City Water Rates

From 0 to 1,500 Gallons	\$13.00 Minimum
Over 1,500 Gallons	\$1.50 Per 1,000 Gallons

Rural Water Rates

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Out of State

From 0 to 1,500 Gallons	\$21.00 Minimum
Over 1,500 Gallons	\$3.00 Per 1,000 Gallons

Mammoth Spring Housing Authority

Minimum Charge	\$286.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Current Usage Rates (Cont.)
December 31, 2022

Sewer Rates (Cont.)

Spring Creek Apartments

Minimum Charge	\$312.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Mammoth Spring Estates

Minimum Charge	\$260.00 Minimum
Over 1 Gallon	\$0.00 Per 1,000 Gallons

Other Services

Trash Pickup

City Rates	\$10.00
Rural Rates	\$12.00

Debt Reduction Fee

\$4.00

Meter Deposit

\$150.00

Penalty

10%

Reconnect Fee

\$25.00

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedules of Insurance in Force

December 31, 2023 and 2022

For the Year Ended December 31, 2023

<u>Company</u>	<u>Description of Policy</u>	<u>Period Covered</u>	<u>Amount of Coverage</u>
Arkansas Municipal League	Buildings, Contents, Equipment, Sewer Plant, Wells and Lift Stations	7/20/23 - 7/19/24	\$841,633
Arkansas Municipal League	Auto	7/2/23 - 7/1/24	\$53,982
Arkansas Municipal League	Workers' Compensation	1/1/23 - 12/31/23	Statutory
Arkansas Fidelity Bond Trust Program - Arkansas Insurance Department	Blanket Fidelity Bond	1/1/23 - 12/31/23	\$250,000

For the Year Ended December 31, 2022

<u>Company</u>	<u>Description of Policy</u>	<u>Period Covered</u>	<u>Amount of Coverage</u>
Arkansas Municipal League	Buildings, Contents, Equipment, Sewer Plant, Wells and Lift Stations	7/20/22 - 7/19/23	\$827,249
Arkansas Municipal League	Auto	7/02/22 - 7/01/23	\$123,201
Arkansas Municipal League	Workers' Compensation	1/1/22 - 12/31/22	Statutory
Arkansas Fidelity Bond Trust Program - Arkansas Insurance Department	Blanket Fidelity Bond	1/1/22 - 12/31/22	\$250,000

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedules of City Officials
December 31, 2023 and 2022

December 31, 2023

Term Expires

Mayor:	Danny Busch	December 31, 2026
Recordder/Traeasurer	June Grant	December 31, 2024
Council Members:	Robby Bennet	December 31, 2024
	Thomas Owsley	December 31, 2024
	Barry O'Dell	December 31, 2024
	Adam Davis	December 31, 2024

December 31, 2022

Term Expires

Mayor:	Charles Vaughn	December 31, 2023
Recordder/Traeasurer	June Grant	December 31, 2024
Council Members:	Danny Busch	December 31, 2022
	Thomas Owsley	December 31, 2022
	Joan Baker	December 31, 2022
	Adam Davis	December 31, 2022

See Independent Auditor's Report



Welch, Couch & Company, PA
Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA

Members of American Institute of Certified Public Accountants

**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**

Mayor Danny Busch and Members of the City Council
City of Mammoth Spring Water and Sewer System
Mammoth Spring, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Mammoth Spring Water and Sewer System, a proprietary fund of the City of Mammoth Spring, Arkansas, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City of Mammoth Spring Water and Sewer System's basic financial statements, and have issued our report thereon dated June 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mammoth Spring Water and Sewer System's 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and management responses as item #2023-01, that we consider to be a significant deficiency.

Batesville: PO Box 2094 | Batesville, AR 72503 | P: 870.793.5231 | F: 870.793.7788

Salem: PO Box 647 | Salem, AR 72576 | P: 870.895.3212 | F: 870.895.2998

West Plains: 1386 Bill Virdon Blvd. | West Plains, MO 65775 | P: 417.256.6624 | F: 417.256.1171

Little Rock: 1501 N. University, Suite 268 | Little Rock, AR 72207 | P: 501.468.0089 | F: 501.557.3929

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mammoth Spring Water and Sewer System'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 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*.

City of Mammoth Spring Water and Sewer System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Mammoth Spring Water and Sewer System's response to the finding identified in our audit and described it in the accompanying schedule of findings and management responses. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
June 27, 2024

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Findings and Management Responses
For the Year Ended December 31, 2023

Financial Statement Findings

Significant Deficiency

2023-01 – Segregation of Duties

Condition: Our review of the City of Mammoth Spring Water and Sewer System's internal control structure disclosed that primarily due to the limited number of accounting personnel which effectively precludes an adequate segregation of duties, there are inherent limitations in the Department's controls in this regard. While we realize that the Department does not presently have the staff necessary to achieve a complete segregation of duties, and the employment of additional personnel for the purpose of segregating duties may not be practicable from a cost/benefit standpoint, we are required as a part of our professional responsibilities to report this condition.

Criteria: Internal controls should be in place to eliminate the simultaneous functions of authorization, physical custody of assets and recording of transactions.

Cause: There are a small number of people responsible for the financial transactions of the Department.

Effect: Inadequate segregation of duties could allow errors or irregularities in the accounting records to go undetected for extended periods of time.

Recommendation: When possible, such activities should be split between employees with reconciliations and other key accounting data verified by management.

Management Response: City of Mammoth Spring Water and Sewer System has a limited number of accounting personnel available to perform its accounting and reporting responsibilities. We will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.