

MENA WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF MENA, ARKANSAS
AUDITED FINANCIAL STATEMENTS
OCTOBER 31, 2024 AND 2023



MENA WATER UTILITIES
OCTOBER 31, 2024 AND 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Net Position.....	4
Statements of Revenue, Expenses, and Changes in Net Position.....	5
Statements of Cash Flows.....	6-7
Notes to Financial Statements.....	8-27
Required Supplementary Information	
Required Supplemental Information for Cost-Sharing Employer Plans.....	28
Notes to Required Supplemental Information for Cost-Sharing Employer Plans.....	29
Supplemental Information	
Schedule of Revenues and Expenses - Sewer Only (Unaudited).....	30
Additional Report	
Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31-32



Independent Auditor's Report

To the Commissioners
Mena Water Utilities
Mena, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mena Water Utilities, as of and for the years ended October 31, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mena Water Utilities as of October 31, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on 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 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 Mena Water Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City's water and sewer component unit and do not purport to, and do not, present fairly the financial position of the City Mena, Arkansas, as of October 31, 2024 and 2023, the changes in its 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 Mena Water Utilities 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.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information for cost-sharing pension plans on pages 28-29 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of revenues and expenses – sewer only, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of Mena Water Utilities 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 Mena Water Utilities 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 Mena Water Utilities internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 26, 2025

FINANCIAL STATEMENTS

MENA WATER UTILITIES

STATEMENTS OF NET POSITION

AS OF OCTOBER 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 772,817	\$ 433,561
Restricted cash	1,217,180	1,032,109
Certificate of deposit	210,885	200,000
Accounts receivable, net	404,641	313,274
Inventory	464,106	255,030
Prepaid expenses	26,910	10,396
Total Current Assets	3,096,539	2,244,370
Net Capital Assets	16,413,134	12,143,199
Total Assets	19,509,673	14,387,569
Deferred Outflows		
Deferred loss on refunding, net of amortization	77,785	88,583
Deferred outflows of resources related to pension	178,356	299,912
Total Deferred Outflows	256,141	388,495
Total Assets and Deferred Outflows of Resources	\$ 19,765,814	\$ 14,776,064
Liabilities		
Current Liabilities		
Accounts payable	\$ 676,443	\$ 111,827
Sales tax payable	17,587	16,321
Payroll taxes payable	1,627	5,458
Wages payable	41,203	46,241
Accrued interest	93,143	89,613
Customer meter deposits	64,010	64,863
Current portion of long-term debt	2,425,050	486,285
Total Current Liabilities	3,319,063	820,608
Noncurrent liabilities:		
Long-term debt, net of unamortized bond discounts	7,950,009	6,370,983
Net pension liability	847,069	938,889
Total Noncurrent Liabilities	8,797,078	7,309,872
Total Liabilities	12,116,141	8,130,480
Deferred Inflows		
Deferred inflows of resources related to pension	39,177	15,792
Total Deferred Inflows	39,177	15,792
Net Position		
Net investment in capital assets	6,316,293	5,374,514
Restricted	1,057,989	876,469
Unrestricted	236,214	378,809
Total Net Position	7,610,496	6,629,792
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,765,814	\$ 14,776,064

See accompanying notes to financial statements.

MENA WATER UTILITIES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED OCTOBER 31,	2024	2023
Operating Revenue		
Metered water	\$ 2,606,616	\$ 2,219,679
Measured sewer	1,330,727	886,118
Other	233,437	190,864
Total Operating Revenue	4,170,780	3,296,661
Operating Expenses		
Salaries	792,940	727,233
Employee benefits	302,265	308,179
Payroll taxes	59,701	55,916
Chemicals	246,358	339,962
Lab expense	31,471	58,370
Utilities and telephone	248,076	286,011
Repairs and maintenance	155,788	181,047
Vehicle	35,189	39,532
Insurance	80,167	77,785
Dues and fees	66,557	60,430
Office	23,592	24,841
Professional fees	59,142	60,176
Billing	33,073	32,762
Contractual services	5,899	10,255
Information technology	12,108	9,153
Education and safety	15,529	22,237
Supplies	10,703	10,633
Advertising	1,578	1,918
Depreciation	783,724	836,514
Other operating expenses	2,563	3,018
Total Operating Expenses	2,966,423	3,145,972
Net Income From Operations	1,204,357	150,689
Other Income (Expenses)		
Interest income	51,008	20,747
Gain (loss) on disposition of equipment	25,470	-
Interest expense, inclusive of amortization of bond discounts and amortization of deferred amount on advance refunding	(245,204)	(225,166)
Total Net Other Income (Expenses)	(168,726)	(204,419)
Net Income (Loss) Before Transfers	1,035,631	(53,730)
Operating Transfers	(54,927)	1,000
Change in Net Position	980,704	(52,730)
Net Position at Beginning of Year	6,629,792	6,682,522
Net Position at End of Year	\$ 7,610,496	\$ 6,629,792

See accompanying notes to financial statements.

MENA WATER UTILITIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 3,847,242	\$ 3,088,168
Other receipts	233,437	190,864
Cash payments to suppliers for goods and services	(1,590,983)	(1,703,307)
Cash payments to employees for services	(797,978)	(730,980)
Net Cash Provided By Operating Activities	1,691,718	844,745
Cash Flows From Non-Capital and Related Financing Activities		
Transfers (to) from the City of Mena	(54,927)	1,000
Net Cash Provided (Used) By Non-Capital and Related Financing Activities	(54,927)	1,000
Cash Flows From Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(4,484,502)	(1,168,707)
Proceeds received from the sale of land	45,000	-
Repayment of debt	(652,893)	(473,241)
Proceeds from debt issuance	4,165,036	
Interest paid on debt	(225,228)	(219,077)
Transfers from the City of Mena for asset acquisition	-	1,088,094
Net Cash Used In Capital and Related Financing Activities	(1,152,587)	(772,931)
Cash Flows From Investing Activities		
Reinvestment of certificate of deposit earnings	(10,885)	-
Purchase of certificate of deposit	-	(200,000)
Interest income	51,008	20,747
Net Cash Provided (Used) By Investing Activities	40,123	(179,253)
Net Increase In Cash, Cash Equivalents and Restricted Cash	524,327	(106,439)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,465,670	1,572,109
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 1,989,997	\$ 1,465,670
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 772,817	\$ 433,561
Restricted cash	1,217,180	1,032,109
Total Cash, Cash Equivalents and Restricted Cash	\$ 1,989,997	\$ 1,465,670
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed asset additions	\$ 5,073,189	\$ 1,168,707
Less: Construction payables	(588,687)	-
Total cash used to acquire fixed assets	\$ 4,484,502	\$ 1,168,707

See accompanying notes to financial statements.

MENA WATER UTILITIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31,	2024	2023
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 1,204,357	\$ 150,689
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	783,724	836,514
(Increase) decrease in:		
Trade accounts receivable	(91,367)	(18,483)
Inventory	(209,076)	(33,934)
Prepaid expenses	(16,514)	(286)
Deferred outflows related to pension	121,556	(40,299)
Increase (decrease) in:		
Accounts payable	(24,071)	(146,807)
Sales tax payable	1,266	854
Payroll taxes payable	(3,831)	828
Wages payable	(5,038)	(3,747)
Customer meter deposits	(853)	(8,382)
Net pension liability	(91,820)	126,425
Deferred inflows related to pension	23,385	(18,627)
Net Cash Provided By Operating Activities	\$ 1,691,718	\$ 844,745

See accompanying notes to financial statements.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

NATURE OF BUSINESS

Mena Water Utilities (the Utility) renders services on a user charge basis to the general public of Polk County, Arkansas, for the handling of domestic sewage, commercial/industrial waste, and domestic and commercial water. Under accounting principles generally accepted in the United States of America, the Utility is a discretely presented component unit of the City of Mena, Arkansas, (the City) for financial reporting purposes.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Utility's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Utility accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Utility. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Tax Status

The Utility is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Utility extends unsecured credit for services provided to its customers for a limited period of time. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance is estimated based on professional judgement and historical information and is \$22,646 and \$17,534 on October 31, 2024 and 2023, respectively. Interest is not charged on past due accounts.

Inventory

Inventories consist of miscellaneous parts, accessories, pipe and chemicals. The amount recorded in the accompanying financial statements is estimated at cost, which approximates market, using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Utility plant in service	5 - 40 years
Machinery and equipment	3 - 20 years

The Utility capitalizes all fixed assets with a useful life greater than one year.

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The Utility also recognizes deferred outflows of resources related to pensions.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows / Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility recognizes deferred inflows of resources related to pensions.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. After eighteen consecutive months of timely payments, these deposits are refundable to residential customers. For commercial/industrial customers, the deposits are refundable when the Utility no longer services the customer. The Utility uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Utility. Vacation must be used by the employees year-end anniversary date or it is lost. Employees can carryforward a maximum of forty-five unused sick days from year to year. Upon termination from the Utility, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination.

The Utility recognizes its obligation relating to employees' rights to receive compensation for future absences attributable to employees' service already rendered. These rights are accumulated and can be taken as compensation or, with supervisors approval, time and one half off work.

At October 31, 2024 and 2023, the Utility had \$24,892 and \$20,267 accrued for vacation and compensated absences.

Net Position

Net position of the Utility are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, 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 are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Restricted - This component of net position consists of constraints placed on net position use 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.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Utility does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Utility personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts, restricted resources are considered spent before unrestricted.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility consist of water sales, sewage fees and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the Utility's fiscal year.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

Implementation of these standards did not have an effect on the Utility's financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

Reclassifications

In addition, certain 2023 amounts have been reclassified in order to conform with the 2024 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

2. Customers and Rates

a. Classes of Users

All customers whose premises are served in any manner by the Utility are classified as either residential, commercial, or industrial users. Customer classes are determined by the Utility and its Commission

The charges to each customer inside the Mena city limits are determined each month based on a rate schedule based on the volume of water used and treated in accordance with the rates in Schedule A below.

The charges to each customer outside the Mena city limits are determined each month based on the rate schedule based on the volume of water used and treated in accordance with the rates in Schedule B below.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

2. Customers and Rates (continued)

b. Rate Structure

Schedule A - rates effective 1/1/24

Gallons	Water	Sewer
Up to 100	\$21.50 (minimum charge)	\$29.00 (minimum charge)
Next 900	\$3.70 per 1,000 gallons	\$29.00 per 1,000 gallons
Over 1,000	\$3.70 per 1,000 gallons	\$5.30 per 1,000 gallons

Schedule A - rates effective 1/1/23

Gallons	Water	Sewer
Up to 100	\$21.50 (minimum charge)	\$19.00 (minimum charge)
Next 900	\$3.70 per 1,000 gallons	\$19.00 per 1,000 gallons
Over 1,000	\$3.70 per 1,000 gallons	\$5.30 per 1,000 gallons

Schedule B - rates effective 1/1/24

Gallons	Water	Sewer
Up to 100	\$25.50 (minimum charge)	\$39.60 (minimum charge)
Next 900	\$3.70 per 1,000 gallons	\$39.60 per 1,000 gallons
Over 1,000	\$3.70 per 1,000 gallons	\$5.30 per 1,000 gallons

Schedule B - rates effective 1/1/23

Gallons	Water	Sewer
Up to 100	\$25.50 (minimum charge)	\$25.90 (minimum charge)
Next 900	\$3.70 per 1,000 gallons	\$25.90 per 1,000 gallons
Over 1,000	\$3.70 per 1,000 gallons	\$5.30 per 1,000 gallons

The Utility charges \$0.40 each month per water meter in service for the Clean Water Act.

3. Deposits in Financial Institutions

The Utility does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

3. Deposits in Financial Institutions (continued)

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Utility's deposits may not be recovered. At October 31, 2024 and 2023, all of the Utility's deposits were insured and/or uncollateralized. The bank balances and carrying amount of the Utility's deposits held were as follows:

Description	At October 31, 2024		At October 31, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 822,547	\$ 807,038	\$ 809,071	\$ 760,292
Collateralized	1,219,208	1,182,209	704,628	704,628
Cash on hand	-	750	-	750
Total	\$ 2,041,755	\$ 1,989,997	\$ 1,513,699	\$ 1,465,670

Deposits as reported in the following Statement of Net Position captions:

As Of October 31,	2024	2023
Cash and cash equivalents	\$ 772,817	\$ 433,561
Restricted checking and savings accounts	1,217,180	1,032,109
Total	\$ 1,989,997	\$ 1,465,670

Investments

Investments consist of a certificate of deposit which is stated at cost plus interest earned, which approximates market.

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Utility limits its exposure to interest rate risk by investing in certificates of deposit that are short-term in nature. The Utility's certificate of deposit matures within one year.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Utility's investments at October 31, 2024 and 2023 are FDIC insured.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the City or by an agent of the City are in the City's name.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

3. Deposits in Financial Institutions (continued)

Fair Value Measurement

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at October 31, 2024:

	Level 1		Level 2		Level 3		Total
Certificate of deposit	\$	210,885	\$	-	\$	-	210,885
Total	\$	210,885	\$	-	\$	-	210,885

4. Restricted Accounts

Restricted account balances are as follows:

As Of October 31,	2024		2023	
Bond Funds	\$	594,826	\$	573,384
Debt Service Reserves		327,963		318,825
Depreciation Reserve Fund		114,286		73,872
Short-Lived Asset Reserve Fund		114,057		-
Meter Deposit Account		65,322		66,028
Construction account		726		-
Total restricted cash and cash equivalents	\$	1,216,454	\$	1,032,109

Restricted accounts are for the following:

Bond Fund - for the payment of principal, interest and trustee fees on the bonds

Debt Service Reserves - a reserve to pay principal and interest on the bonds if bond fund monies are not available.

Depreciation Reserve / Short-Lived Asset Reserve Funds - for repairs, maintenance, betterments and improvements of the Utility

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

4. Restricted Accounts (continued)

Meter Deposit Account - holds refundable customer deposits

Construction Fund - for capital improvements to the Utility

5. Capital Assets

Activity of capital assets consist of the following:

As Of	November 1, 2023	Additions	Retirements	October 31, 2024
Land	\$ 218,828	\$ -	\$ (19,530)	\$ 199,298
Utility plant in service	28,156,944	364,549	-	28,521,493
Machinery and equipment	1,080,224	3,051	-	1,083,275
Construction in progress	2,020,655	4,710,689	(5,100)	6,726,244
Total capital assets	31,476,651	5,078,289	(24,630)	36,530,310
Less accumulated depreciation				
Utility plant in service	18,367,229	746,749	-	19,113,978
Machinery and equipment	966,223	36,975	-	1,003,198
Total accumulated depreciation	19,333,452	783,724	-	20,117,176
Capital assets, net	\$ 12,143,199	\$ 4,294,565	\$ (24,630)	\$ 16,413,134

As Of	November 1, 2022	Additions	Retirements	October 31, 2023
Land	\$ 218,828	\$ -	\$ -	\$ 218,828
Utility plant in service	27,988,433	168,511	-	28,156,944
Machinery and equipment	1,041,247	38,977	-	1,080,224
Construction in progress	1,059,436	961,219	-	2,020,655
Total capital assets	30,307,944	1,168,707	-	31,476,651
Less accumulated depreciation				
Utility plant in service	17,585,370	781,859	-	18,367,229
Machinery and equipment	911,568	54,655	-	966,223
Total accumulated depreciation	18,496,938	836,514	-	19,333,452
Capital assets, net	\$ 11,811,006	\$ 332,193	\$ -	\$ 12,143,199

MENA WATER UTILITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2024 AND 2023

5. Capital Assets (continued)

Construction in progress at October 31, 2024 is for the following projects:

Project Description	Balance 10/31/2024	Balance 10/31/2023	Estimated/Total Project Cost	Estimated Completion
Wastewater plant replacement and Sanitary Sewer Evaluation Survey (SSES) improvements and replacements	\$ 1,461,002	\$ 1,306,415	\$ 15,000,000	Winter 2026
Iron Forks Water Treatment Plant upgrades	5,101,854	679,066	27,912,500	Fall 2026
Meter system upgrade	163,388	30,074	600,000	2028
Other	-	5,100	5,100	complete
Total	\$ 6,726,244	\$ 2,020,655		

The original plan to replace the wastewater treatment plant came in significantly more than budget so the Utility has decided to redesign and improve the existing system. The Utility secured funding of \$1,490,100 to help finance the planning and development phase of the project (see Note 6). The remaining balance of the project, estimated to cost between \$10 to \$15 million, will be funded American Rescue Plan Act grant funds totaling \$5 million and loans. No loans for the project have yet been secured.

The Iron Forks Water Treatment Plant includes an upgrade of the clearwell as well as several other improvements at the facility. Funding has been approved for the project through loans from the United States Department of Agriculture and Rural Development loans (see Note 6), grant funds of \$1,552,500, and an American Rescue Plan grant totaling \$5 million.

The meter system upgrade will be phasing out the remote radio read system to a drive by system. The meters have been on back-order for over a year and the Utility is waiting to receive the metes to continue. The estimated cost will be \$600,000 and is estimated to be completed in 2028.

6. Long-Term Debt

All of the Utility's bonds have been issued by the City of Mena, Arkansas. The Utility is recording the bond debt as all of the bonds are secured solely from revenues derived from operation of the Utility system.

In July 2024, the City issued City of Mena, Arkansas Water and Sewer Revenue Bonds, Series 2024, totaling \$7,000,000, City of Mena, Arkansas Water and Sewer Revenue Bonds, Series 2024A, totaling \$6,610,000, and City of Mena, Arkansas Water and Sewer Revenue Bonds, Series 2024B totaling \$7,750,000. All of the bonds were issued to fund the Iron Forks water treatment plant upgrades.

In September 2022, the City of Mena issued \$1,490,100 in Water and Sewer Revenue Bonds that were purchased by a local bank. The bonds were issued to finance a portion of the cots of the planning and design phase of the construction of betterments and improvements to the sewer facilities.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

Long-term debt of the Utility consists of:

As of October 31,	2024	2023
Water and Sewer Refunding Revenue Bonds, Series 2017, in the amount of \$3,285,000. Payments are made in annual installments ranging from \$160,000 in 2017 to \$310,000 in 2029. Semi-annual interest payments are made with rates varying from 2.00% to 3.625%. The bonds are secured by revenues of the system.	\$ 1,690,000	\$ 1,945,000
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018, in the amount of \$4,040,000. Payments are made in annual installments ranging from \$135,000 in 2019 to \$285,000 in 2037. Interest rates vary from 3.00% to 3.750% and are secured by revenues of the system.	3,215,000	3,395,000
2022 Bond payable - dated September 20, 2022 in the amount of \$1,490,100 for pre-construction expenses for the wastewater plant replacement project. Monthly payments of interest only at 2.5% until September 30, 2025 when the entire principal payment is due. The bonds are secured by revenues of the system.	1,490,100	1,478,658
Arkansas Development Finance Authority 2024 Bonds - dated July 22, 2024 allows for borrowings up to \$7,000,000. Funds are for Iron Forks wastewater treatment plant upgrades. Semi-annual payments of \$208,165 commence in April 2026 and include interest and a servicing fee of 0.75% and 1.00%, respectively. The bonds mature in October 2045 and are secured by revenues of the system.	809,717	-
2024A Bonds Payable - dated July 24, 2024 allows for borrowings up to \$6,610,000. Funds are for Iron Forks water treatment plant upgrades. Payments are made monthly in the amount of \$17,517 including interest at 1.25%. The bonds mature in June 2064 and are secured by revenues of the system.	2,893,003	-
2024B Bonds Payable - dated July 24, 2024 allows for borrowings up to \$7,750,000. Funds are for Iron Forks water treatment plant upgrades. Payments are made monthly in the amount of \$26,660 including interest at 2.75%. The bonds mature in June 2064 and are secured by revenues of the system.	322,337	-

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

6. Long-Term Debt (continued)

As of October 31,	2024	2023
John Deere Financial - Loan in the amount of \$55,000 for the purchase of a backhoe. Payments are made monthly in the amount of \$1,035 including interest at 4.5%. The note matures in November 2024 and is secured by the backhoe that has a carrying value of \$22,917 at October 31, 2022.	-	12,121
Note payable - dated October 15, 2020 in the amount of \$190,000 for land for the new waste water treatment plant. 36 monthly payments commence November 15, 2020 in the amount of \$3,417 including interest at 2.99%. The remaining 23 payments will be adjusted using prevailing Prime Rate minus .25%, floating daily, with a floor of 2.99%. The note matures on October 15, 2025 and is secured by the property.	-	77,235
Total long-term debt	\$ 10,420,157	\$ 6,908,014
Less current maturities	2,425,050	486,285
Long-term debt	7,995,107	6,421,729
Less unamortized discounts	45,098	50,746
Long-term debt, net	\$ 7,950,009	\$ 6,370,983

Debt is scheduled to be repaid as follows:

October 31,	Bonds		Direct Borrowing Bonds		Total
	Principal	Interest	Principal	Interest	
2025	\$ 445,000	\$ 160,519	\$ 1,980,050	\$ 74,322	\$ 2,659,891
2026	455,000	146,362	479,593	154,290	1,235,245
2027	475,000	131,683	479,675	146,859	1,233,217
2028	490,000	115,867	395,926	85,162	1,086,955
2029	500,000	98,906	183,910	26,294	809,110
2030-2034	1,460,000	306,894	954,821	96,199	2,817,914
2035-2039	1,080,000	82,219	1,016,368	34,651	2,213,238
2040	-	-	24,814	50	24,864
Total	\$ 4,905,000	\$ 1,042,450	\$ 5,515,157	\$ 617,827	\$ 12,080,434

Each of the Utility's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the Utility on behalf of the issuer until all defaults have been cured; and assessing additional interest, penalties and other charges, and foreclose on any security.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

7. Bond Discount Costs and Deferred Loss on Refunding

Bond discount costs incurred in connection with the issuance of the 2017 Series general obligation bonds are being amortized over 12 years. Bond discount costs incurred in connection with the issuance of the 2018 Water and Sewer Revenue Refunding Bonds are being amortized over 20 years. Amortization of the bond discounts totaled \$5,648 for both years ended October 31, 2024 and 2023, and are included in interest expense on the Statement of Revenues, Expenses and Changes in Net Position. The unamortized portion is netted with long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance was \$77,786 and \$88,583 on October 31, 2024 and 2023, respectively, and is reflected on the Statement of Net Position as deferred outflows. Amortization of the deferred loss totaled \$10,798 for the years ended October 31, 2024 and 2023, respectively, and is included in interest on the Statement of Revenues, Expenses and Changes in Net Position.

8. Changes in Long-Term Liabilities

Activity of long-term obligations consists of the following:

As Of	November 1, 2023	Additions	Retirements	October 31, 2024	Due Within One Year
2017 Series Bonds	\$ 1,945,000	\$ -	\$ 255,000	\$ 1,690,000	\$ 260,000
2018 Series Bonds	3,395,000	-	180,000	3,215,000	185,000
WWTP loan	1,478,658	11,442	-	1,490,100	1,490,100
ADFA 2024 Bonds	-	809,717	-	809,717	-
2024A Series Bonds	-	2,944,072	51,069	2,893,003	174,945
2024B Series Bonds	-	399,805	77,468	322,337	315,005
John Deere	12,121	-	12,121	-	-
Land note payable	77,235	-	77,235	-	-
Net pension liability	938,889	-	91,820	847,069	-
Total	\$ 7,846,903	\$ 4,165,036	\$ 744,713	\$ 11,267,226	\$ 2,425,050

As Of	November 1, 2022	Additions	Retirements	October 31, 2023	Due Within One Year
2017 Series Bonds	\$ 2,190,000	\$ -	\$ 245,000	\$ 1,945,000	\$ 255,000
2018 Series Bonds	3,570,000	-	175,000	3,395,000	180,000
WWTP loan	393,208	1,088,094	2,644	1,478,658	-
John Deere	23,708	-	11,587	12,121	12,121
Land note payable	116,245	-	39,010	77,235	39,164
Net pension liability	812,464	126,425	-	938,889	-
Total	\$ 7,105,625	\$ 1,214,519	\$ 473,241	\$ 7,846,903	\$ 486,285

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

9. Commitments and Contingencies

The Trust Indenture of the 2017 and 2018 Series Bonds contains a provision (the Rate Covenant) which requires the Utility to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 120% of the debt service requirements for the current fiscal year of all outstanding Bonds and to meet various other general requirements. The Utility was in compliance with the rate covenant for the years ended October 31, 2024 and 2023. The Utility has not yet set up all of the required reserve accounts for the 2024 bond issues as of October 31, 2024, but has adequate cash reserves to cover the deficiencies. The Utility maintained adequate required reserves for the year ended October 31, 2023.

10. Arkansas Public Employees Retirement System

Plan Description

The Utility participates in the Arkansas Public Employees Retirement Systems (APERS). 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 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 Director of the Department of Finance and Administration, and four additional board positions that were added in Act 868 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 appointed by the Senate.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

10. Commitments and Contingencies (continued)

Summary of Significant Accounting Policies

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

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.

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.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

10. Commitments and Contingencies (continued)

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 both APERS plan fiscal years ended June 30, 2024 and 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Utility were \$120,999 and \$113,045 for the years ended October 31, 2024 and 2023, respectively.

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>.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2024, 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. Based on this information, the Utility's proportionate share as of June 30, 2024 was 0.03404452%

There were also no changes between the measurement date of June 30, 2024 and the Utility's report ending date of October 31, 2024, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.00%
Wage Inflation Rate	3.25%

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

10. Commitments and Contingencies (continued)

Actuarial Assumptions (continued)

Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
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 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Long-Term Expected Return on Plan Assets

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 the 10-year period from 2024 to 2033 were based upon GRS' 2024 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	21%	3.38%
	<u>100%</u>	
Total Real Rate of Return		5.00%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		<u>7.50%</u>

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

10. Commitments and Contingencies (continued)

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2024 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.97% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.00%.

The 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Utility's proportionate share of the net pension liability, calculated using a single discount rate of 7.00%, as well as what the Utility's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

<u>Sensitivity of the Net Pension Liability to the Single Discount Rate</u>			
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 1,445,405	\$ 847,067	\$ 353,785

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

10. Commitments and Contingencies (continued)

Accrued Pension, Pension Expense and Deferred Outflows/Inflows of Resources

The Utility's proportionate share of pension expense was \$174,189 and \$180,542 for the years ended October 31, 2024 and 2023, respectively. At October 31, 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,873	\$ 34,633
Changes in assumptions	29,520	-
Net difference between projected and actual earnings on pension plan investments	24,573	-
Changes in proportion and differences between employer contribution and proportionate share of contributions	50,221	4,544
Utility contributions subsequent to the measurement date	41,169	-
Total	\$ 178,356	\$ 39,177

\$41,169 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended October 31, 2025, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended October 31,	Net Increase (Decrease) in Pension Expense
2025	\$ 11,161
2026	136,839
2027	(29,717)
2028	(20,273)
	\$ 98,010

11. Interfund Transfers

The Utility received (paid) transfers from the City for the following:

Year Ending October 31,	2024	2023
2024 Bond issuance costs and other fees	\$ (63,724)	\$ -
Wastewater project costs	8,797	-
Lease income received on behalf of Utility	-	1,000
Total transfers (to) from City	\$ (54,927)	\$ 1,000

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

12. Rental Income

The Utility has signed two operating lease agreements allowing the rental of space on its water tower for the purpose of installing and maintaining wireless communications equipment. One of the leases renews annually and can be terminated at any time. Rental income received under this lease was \$1,200 for both years ended October 31, 2024 and 2023. The other lease is for a term of 10 years expiring in December 2025, and can be renewed for an additional 10 years. Rental income received under this lease was \$1,200 for both years ended October 31, 2024 and 2023.

Because the second lease is a contract that conveys the control of the right to use a nonfinancial asset of the Utility for a period of time in an exchange transaction, the lease falls under the scope of GASB No. 87, *Leases*. Under the lease standard the District would need to record a lease receivable and related deferred inflow of resources for the remaining contract period, which is just over one year at October 31, 2024. Total rental income remaining on the term of the lease is approximately \$1,200 at October 31, 2024. As this amount is not material to the financial statements, the Utility will not record the lease receivable or related deferred inflow of resources in the accompanying financial statements. The Utility will continue to evaluate all leases going forward to ensure compliance with the accounting standard.

13. Concentrations Of Credit Risk

Financial instruments that potentially subject the Utility to credit risk consist primarily of accounts receivable. The Utility sells only to businesses and individuals within the same geographic region.

14. Risk Management

The Utility is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption. There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

15. Subsequent Events

The Utility has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended October 31, 2024 through March 26, 2025, the date the financial statements were available to be issued. Other than significant commitments for projects as discussed in Note 5, there were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MENA WATER UTILITIES

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED OCTOBER 31, 2024

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	APERS at June 30, 2024	APERS at June 30, 2023	APERS at June 30, 2022	APERS at June 30, 2021	APERS at June 30, 2020	APERS at June 30, 2019	APERS at June 30, 2018	APERS at June 30, 2017	APERS at June 30, 2016	APERS at June 30, 2015
Utility's proportion of the net pension liability	0.03404452%	0.03221789%	0.03013163%	0.03113396%	0.02865261%	0.03009257%	0.02663172%	0.02945749%	0.02924532%	0.02906117%
Utility's proportionate share of the net pension liability	\$ 847,069	\$ 938,889	\$ 812,464	\$ 239,368	\$ 820,492	\$ 725,992	\$ 587,478	\$ 761,223	\$ 699,357	\$ 535,229
Utility's covered-employee payroll	\$ 771,522	\$ 713,498	\$ 629,836	\$ 621,707	\$ 559,062	\$ 565,750	\$ 498,841	\$ 530,916	\$ 529,874	\$ 515,482
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.79%	131.59%	129.00%	38.50%	146.76%	128.32%	117.77%	143.38%	131.99%	103.83%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Schedule of Required Contributions

	October 31, 2024	October 31, 2023	October 31, 2022	October 31, 2021	October 31, 2020	October 31, 2019	October 31, 2018	October 31, 2017	October 31, 2016	October 31, 2015
Contractually required contribution	\$ 120,999	\$ 113,045	\$ 99,923	\$ 95,338	\$ 88,232	\$ 88,849	\$ 78,049	\$ 74,414	\$ 76,785	\$ 75,822
Contributions in relation to the contractually required contribution	(120,999)	(113,045)	(99,923)	(95,338)	(88,232)	(88,849)	(78,049)	(74,414)	(76,785)	(75,822)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered-employee payroll	\$ 788,637	\$ 736,669	\$ 652,230	\$ 622,310	\$ 575,929	\$ 579,953	\$ 522,421	\$ 510,429	\$ 525,549	\$ 516,899
Contributions as a percentage of covered-employee payroll	15.34%	15.35%	15.32%	15.32%	15.32%	15.32%	14.94%	14.58%	14.61%	14.67%

See independent auditor's report.

MENA WATER UTILITIES

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED OCTOBER 31, 2024

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. Changes in benefits:	None: June 30, 2022 through June 30, 2024			
	June 30, 2021 valuation			
	<ul style="list-style-type: none"> • Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021 • Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022 • For members hired on or after July 1, 2022: <ul style="list-style-type: none"> • Change the final average compensation period from 3 to 5 years • COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index 			
	None: June 30, 2015 through June 30, 2020			
2. Changes in actuarial assumptions:				
Single Discount Rate:	June 30, 2023 and 2024	7.00%		
	June 30, 2022 through June 30, 2017	7.15%		
	June 30, 2016 through June 30, 2015	7.50%		
Investment Rate of Return:	June 30, 2024 through June 30, 2017	7.15%		
	June 30, 2016 through June 30, 2015	7.50%		
Municipal Bond Rate	June 30, 2024	3.97%	June 30, 2019	3.13%
Source:	June 30, 2023	3.86%	June 30, 2018	3.62%
20-Bond GO Index	June 30, 2022	3.69%	June 30, 2017	3.56%
	June 30, 2021	1.92%	June 30, 2016	2.85%
	June 30, 2020	2.45%	June 30, 2015	3.80%
Inflation	June 30, 2025 through June 30, 2015	3.25% wage 2.50% price		
Salary Increases	June 30, 2023 through June 30, 2015	3.25% - 9.85%		
Mortality Table	June 30, 2024 through June 30, 2018	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017		
	June 30, 2017 through June 30, 2015	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females		

See independent auditor's report.

SUPPLEMENTAL INFORMATION

MENA WATER UTILITIES

SCHEDULE OF REVENUES, EXPENSES - SEWER ONLY

FOR THE YEARS ENDED OCTOBER 31,	2024	2023
Operating Revenue		
Measured sewer	\$ 1,322,945	\$ 882,707
Other	1,345	930
Total Operating Revenue	1,324,290	883,637
Operating Expenses		
Salaries	295,899	258,825
Employee benefits	116,377	106,648
Payroll taxes	22,875	19,663
Chemicals	69,634	96,146
Lab expense	24,816	55,164
Utilities and telephone	87,938	105,234
Repairs and maintenance	79,464	63,495
Vehicle	14,029	13,302
Insurance	23,935	30,807
Dues and fees	23,962	17,579
Office	4,907	6,759
Professional fees	19,810	19,020
Billing	9,922	10,663
Contractual services	3,683	3,755
Information technology	4,569	2,026
Education and safety	6,357	10,839
Supplies	4,128	6,547
Advertising	473	628
Depreciation	252,423	269,999
Other operating expenses	1,412	1,492
Total Operating Expenses	1,066,613	1,098,591
Net Income (Loss) From Operations	257,677	(214,954)
Other Income (Expenses)		
Interest income	25,504	10,374
Interest expense	(58,135)	(28,761)
Total Net Other Income (Expenses)	(32,631)	(18,387)
Net Loss Before Transfers	225,046	(233,341)
Operating Transfers	(54,927)	-
Change in Net Assets	\$ 170,119	\$ (233,341)

See independent auditor's report.

ADDITIONAL REPORT



Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On an Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Commissioners
Mena Water Utilities
Mena, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mena Water Utilities, as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated March 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mena Water Utilities 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 Mena Water Utilities internal control. Accordingly, we do not express an opinion on the effectiveness of Mena Water Utilities 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

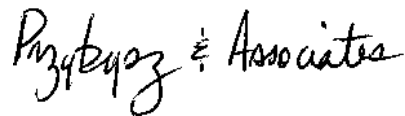
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mena Water Utilities 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*.

Purpose of This Report

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



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 26, 2025