

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

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

BALLARD & COMPANY, LTD.

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BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

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

668 HIGHWAY 62 EAST
MOUNTAIN HOME, AR 72653
870-425-6256

416 N. E. MAIN STREET
MOUNTAIN VIEW, AR 72560
870-269-2390

980 ASH FLAT DRIVE
ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Mountain Home, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the water and wastewater department of the City of Mountain Home, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the water and wastewater department of the City of Mountain Home, Arkansas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the City of Mountain Home water and wastewater department as of December 31, 2023, and the changes in financial position and cash flows thereof for the year 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mountain Home water and wastewater department 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.

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 Mountain Home water and wastewater department'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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City of Mountain Home water and wastewater department'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 no conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain Home water and wastewater department'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and wastewater department of the City of Mountain Home, Arkansas, and do not purport to, and do not present fairly the financial position of the City of Mountain Home as of December 31, 2023, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Department's Proportionate Share of the Net Pension Liability and the Schedule of Department Contributions 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.

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 basic financial statements. Such missing information, 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. Our opinion of the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mountain Home water and wastewater department's basic financial statements. The Schedule of Operating Expenses, Schedule of Revenue Bonds Outstanding, and the Schedules of Water and Wastewater Usage Rates and Consumption are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses, the Schedule of Revenue Bonds Outstanding, and the Schedules of Water and Wastewater Usage Rates and Consumption are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2023, on our consideration of the City of Mountain Home, Arkansas water and wastewater department'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 Mountain Home water and wastewater department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mountain Home, Arkansas water and wastewater department's internal control over financial reporting and compliance.

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
April 30, 2023

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,450,312
Accounts receivable	891,548
Inventory	<u>483,678</u>
Total current assets	<u>3,825,538</u>
Restricted assets - cash and cash equivalents	<u>15,524,250</u>
Capital assets:	
Nondepreciable assets	9,673,422
Depreciable assets, net of accumulated depreciation	<u>33,797,160</u>
Total capital assets	<u>43,470,582</u>
Total assets	<u>62,820,370</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	1,102,892
Deferred outflows related to bonds	<u>96,685</u>
Total deferred outflows of resources	<u>1,199,577</u>

LIABILITIES

Current liabilities - payable from current assets:	
Accounts payable	58,380
Payroll liabilities	103,903
Sanitation fees payable	250,585
Compensated absences	149,411
Other current liabilities	<u>16,144</u>
Total from current assets	<u>578,423</u>
Current liabilities - payable from restricted assets:	
Meter deposits	714,229
Current maturities - refunding bonds payable	<u>1,217,000</u>
Total from restricted assets	<u>1,931,229</u>
Long-term liabilities:	
Compensated absences	277,477
Revenue and refunding bonds payable, net of current maturities, discounts and premium	15,682,712
Unspent proceeds - ARPA funds	1,924,888
Net pension liability	<u>3,349,091</u>
Total long-term liabilities	<u>21,234,168</u>
Total liabilities	<u>23,743,820</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>30,188</u>
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NET POSITION

Net investment in capital assets	36,677,722
Restricted:	
Debt service	38,158
Capital projects	1,532,829
Other	17,425
Unrestricted	<u>1,979,805</u>
Total net position	<u>\$ 40,245,939</u>

The accompanying notes are an integral part of these statements.

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUES

Water service	\$ 5,553,122
Wastewater service	3,587,140
New service charges	119,217
Billing fees	50,244
Penalties	99,637
Expansion charges	41,150
Other	<u>23,356</u>
 Total operating revenue	 <u>9,473,866</u>

OPERATING EXPENSES

Water department	3,756,290
Wastewater department	2,926,547
Depreciation expense	<u>2,402,499</u>
 Total operating expenses	 <u>9,085,336</u>
 Operating income (loss)	 <u>388,530</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	749,848
Gain on disposal of assets	69,070
Interest expense	(527,471)
Fiscal agent fees	<u>(3,600)</u>
 Total nonoperating revenues (expenses)	 <u>287,847</u>
 Income (loss) before capital contributions and transfers	 <u>676,377</u>

Capital contributions	719,561
Transfers in	<u>350,000</u>
 Total capital contributions and transfers	 <u>1,069,561</u>

CHANGE IN NET POSITION 1,745,938

Net Position - Beginning of Year 38,500,001

NET POSITION - END OF YEAR \$ 40,245,939

The accompanying notes are an integral part of these statements.

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 9,395,391
Payments for employee services	(3,300,374)
Payments to other funds	(440,112)
Payments for supplies and services	<u>(2,857,471)</u>
Net Cash Provided by (Used in) Operating Activities	<u>2,797,434</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in from other funds	<u>350,000</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bonds payable	(1,202,000)
Interest paid on bonds payable and deposit	(508,819)
Fiscal agent fees paid	(3,600)
Cash received from grant proceeds	40,392
Cash received from sale of assets	64,714
Cash paid to purchase and construct assets	<u>(4,471,526)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(6,080,839)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash received from interest earned	<u>749,848</u>
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NET INCREASE (DECREASE) IN CASH (2,183,557)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 20,158,119

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 17,974,562

Reconciliation of Operating Income (Loss) to Net Cash Provided

<u>(Used In) Operating Activities</u>	
Operating income (loss)	\$ 388,530
Depreciation expense	2,402,499
<u>(Increase) Decrease in Assets and Increase (Decrease) in Liabilities</u>	
Accounts receivable	(95,412)
Inventory	24,093
Deferred outflows of resources	(40,246)
Accounts payable	(47,412)
Accrued salaries and compensated absence	(1,362)
Other accrued liabilities	4,275
Deferred inflows of resources	(66,543)
Net pension liability	212,075
Meter deposits refundable	<u>16,937</u>
Net Cash Flows from Operating Activities	<u><u>\$ 2,797,434</u></u>

Reconciliation of Total Cash and Cash Equivalents - End of Year

Current assets - cash and cash equivalents	\$ 2,450,312
Restricted assets - cash and cash equivalents	<u>15,524,250</u>
	<u><u>\$ 17,974,562</u></u>

Reconciliation of Total Cash and Cash Equivalents - Beginning of Year

Current assets - cash and cash equivalents	\$ 2,682,924
Restricted assets - cash and cash equivalents	<u>17,475,195</u>
	<u><u>\$ 20,158,119</u></u>

The accompanying notes are an integral part of these statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Mountain Home, Arkansas, (the City) was incorporated in 1888 and operates under a Mayor - Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water supply, treatment and distribution system as well as its wastewater treatment system.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Mountain Home, Arkansas. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operation and cash flows of the City of Mountain Home, Arkansas as a whole.

Basis of Accounting

The water and wastewater department is used to account for the operations of the City of Mountain Home, Arkansas' proprietary fund and is an enterprise fund. Enterprise funds are for operations which 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 services to the general public be financed or recovered primarily through user charges.

The financial statements of the Department are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Basis of Presentation

The presentation of the Department's financial statements follows the requirement of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34) – applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the Department's net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable. In addition, operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for water, wastewater, and related services. Principal operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

Budget and Budgetary Accounting

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash is considered to be cash on hand, demand deposits, and cash with fiscal agents. Cash equivalents consist of money market funds investing in U.S. Treasury Securities and are stated at cost.

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the Department. These consumers are substantially all local residents and business, as well as other municipalities and public water authorities that purchase treated water for resale to their residents.

Management closely monitors outstanding balances and evaluates collectability of its accounts receivable on a per-customer basis. Customer accounts are typically collected within a short period of time, and based on its assessment of current conditions, management believes realization losses on the amount outstanding at the end of 2023 will be immaterial. Accordingly, the account balance is reported at the full amount outstanding.

Inventories

Inventories held by the water and wastewater department are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. Contributed assets are reported at fair market value as of the date received. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

Structures and Improvements	20-50 Years
Water and Wastewater System	20-50 Years
Machinery and Equipment	5-20 Years

Accounts Payable

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

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Department's deferred outflows and inflows of resources consist of deferred outflows and inflows of resources related to the Department's pension plan activities, as further discussed in Note 10, and the deferred loss on refunding of bonds payable. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding bonds.

Pensions

For 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 (APERS) have been determined on the same basis as they are reported by APERS.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Debt

Long-term debt is reported net of any applicable discounts and premiums. Discounts and premiums are deferred and amortized over the life of the bonds.

Compensated Absences

Based on the City's personnel policies, employees are allowed to accumulate earned but unused vacation, compensatory time, and sick leave benefits. In the event of termination, an employee is paid for accumulated vacation leave, compensatory time, and vested accumulated sick leave. The maximum number of hours that can be accumulated for vacation and sick leave and vesting of sick leave by employees are dependent upon an employee's years of service. A liability has been recorded for the value of accumulated vacation leave, compensatory time and sick leave payable.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- * *Net Investment in Capital Assets* - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- * *Restricted net position* – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- * *Unrestricted net position* - consists of all other net position that does not meet the definition of the above two components and is available for general use of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

NOTE 2: CASH AND INVESTMENTS

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

The carrying amount of the Department's cash deposits was \$17,974,562 and the respective bank balances totaled \$18,285,201. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and wastewater department of the City of Mountain Home, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Department's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2023, all bank balances of the Department were fully insured or collateralized.

Cash equivalents consist of funds invested in the Northern Institutional Treasury Portfolio Money Market Fund, and are held by First Security Bank, trustee for the Series 2017 and 2020 Revenue Refunding Bonds and the Series 2022 Revenue Bonds. The funds as of December 31, 2023 totaled \$11,296,718.

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

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 257,857	\$ -	\$ -	\$ 257,857
Construction in progress	7,294,167	2,571,593	(646,595)	9,219,165
Water storage rights	196,400	-	-	196,400
	<u>7,748,424</u>	<u>2,571,593</u>	<u>(646,595)</u>	<u>9,673,422</u>
<i>Capital assets, being depreciated:</i>				
Structures and improvements	31,223,005	-	-	31,223,005
Mains and lines	30,480,589	1,704,058	-	32,184,647
Machinery and equipment	8,577,543	830,364	(76,604)	9,331,303
	<u>70,281,137</u>	<u>2,534,422</u>	<u>(76,604)</u>	<u>72,738,955</u>
<i>Less accumulated depreciation for:</i>				
Structures and improvements	(15,415,878)	(905,257)	-	(16,321,135)
Mains and lines	(15,101,841)	(832,313)	-	(15,934,154)
Machinery and equipment	(6,091,038)	(664,929)	69,461	(6,686,506)
	<u>(36,608,757)</u>	<u>(2,402,499)</u>	<u>69,461</u>	<u>(38,941,795)</u>
Total capital assets, being depreciated, net	<u>33,672,380</u>	<u>131,923</u>	<u>(7,143)</u>	<u>33,797,160</u>
Capital assets, net	<u>\$ 41,420,804</u>	<u>\$ 2,703,516</u>	<u>\$ (653,738)</u>	<u>\$ 43,470,582</u>

Depreciation expense was charged to the water and wastewater departments as follows:

Water department	\$ 1,384,569
Wastewater department	<u>1,017,930</u>
	<u>\$ 2,402,499</u>

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

NOTE 4: RESTRICTED ASSETS

Restricted assets consist of cash and equivalents restricted by various bond ordinances and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2023 were as follows:

Debt service funds	\$	38,158
Depreciation funds		1,090,121
Expansion funds		330,139
Meter deposit fund		731,654
Capital project funds		<u>13,334,178</u>
Total restricted assets		<u>\$ 15,524,250</u>

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2023 are as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING</u> <u>BALANCE</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Bonds Payable:					
2017 refunding bonds	\$ 252,000	\$ 0	\$ (252,000)	\$ 0	\$ 0
2020 refunding bonds	7,904,000	0	(950,000)	6,954,000	1,217,000
2022 revenue bonds	<u>10,000,000</u>	<u>0</u>	<u>0</u>	<u>10,000,000</u>	<u>0</u>
Total long-term debt	<u>\$ 18,156,000</u>	<u>\$ 0</u>	<u>\$ (1,202,000)</u>	<u>\$ 16,954,000</u>	<u>\$ 1,217,000</u>
Other Liabilities:					
Compensated absences	<u>\$ 425,901</u>	<u>\$ 292,929</u>	<u>\$ (291,942)</u>	<u>\$ 426,888</u>	<u>\$ 149,411</u>

BONDS PAYABLE

2017 Revenue Refunding Bonds

Under the authority of Ordinance 2017-16, dated September 21, 2017, the City issued revenue refunding bonds in the amount of \$3,463,000, bearing interest at 2.10% per annum through April 15, 2023, to refund the 2013 Series Bonds. The net proceeds of \$3,394,803 (after discount and the payment of bond issuance costs), were deposited with an escrow agent to immediately refund the outstanding principal, plus accrued interest, of the Series 2013 Bonds. As a result, the 2013 Series Bonds were considered defeased and the funds and all related liabilities were removed from the accounts of the water and wastewater department.

The City refunded the 2013 Bonds to reduce its total debt service requirements over the next 6 years. The refunding resulted in a difference in the amount of \$47,678 between the reacquisition price and the net carrying amount of the old debt. This difference was being amortized over the life of the bonds.

The Series 2017 bonds were secured by a pledge of the system revenues and were issued at a discount of \$31,167 with total issuance costs of \$37,000. The discount were being amortized over the life of the bonds. The issuance costs were expensed during the year ended December 31, 2017.

The Series 2017 bonds were retired during the year ended December 31, 2023.

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

NOTE 5: LONG-TERM LIABILITIES - Continued

BONDS PAYABLE – Continued

2020 Revenue Refunding Bonds

Under the authority of Ordinance 2020-14, dated October 01, 2020, the City issued revenue refunding bonds in the amount of \$8,809,000, bearing interest at varying rates through June 15, 2029, to refund the 2004 and 2019 Series Bonds. The net proceeds of \$8,632,257 (after discount and the payment of bond issuance costs), were deposited with an escrow agent to immediately refund the outstanding principal, plus accrued interest, of the Series 2004 and Series 2019 Bonds. As a result, the 2004 and 2019 Series Bonds were considered defeased and the funds and all related liabilities were removed from the accounts of the water and wastewater department.

The City refunded the 2004 and 2019 Bonds to reduce its total debt service requirements over the next 9 years. The refunding resulted in a difference in the amount of \$63,328 between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized over the life of the bonds.

The Series 2020 bonds are payable from and secured by a lien on the system revenues on a parity basis with the lien securing the City's Series 2017 Bonds. The 2020 Bonds were issued at a discount of \$128,666 with total issuance costs of \$45,265. The discount is being amortized over the life of the bonds. The issuance costs were expensed during the year ended December 31, 2020.

2022 Revenue Improvement Bonds

Under the authority of Ordinance 2022-24, dated May 19, 2022, the City issued revenue improvement bonds in the amount of \$10,000,000, bearing interest at varying rates through June 01, 2042, for the purpose of financing the upgrading and improving the City's wastewater treatment plant. The net proceeds of \$9,779,758 (after premium and the payment of bond issuance costs), were deposited into the 2022 bond construction project fund.

The Series 2022 bonds are payable from and secured by a lien on the system revenues on a parity basis with the lien securing the City's Series 2017 and the 2020 Bonds. The 2022 Bonds were issued at a premium of \$29,585, which will be amortized over the life of the bonds. A portion of the bond proceeds, totaling \$61,077, was used to purchase a municipal bond insurance policy and a municipal bond debt service reserve insurance policy. These prepaid insurance policies will be written off over the life of the bonds. The remaining issuance costs, in the amount of \$187,231, were expensed during the year ended December 31, 2022.

Combined redemption requirements of all the bonds payable subsequent to December 31, 2023 are as follows:

	Principal	Interest
12-31-2024	\$ 1,217,000	\$ 490,329
12-31-2025	1,237,000	474,315
12-31-2026	1,260,000	456,417
12-31-2027	1,278,000	436,225
12-31-2028	1,301,000	413,749
2029 – 2033	3,226,000	1,778,927
2034 – 2038	3,790,000	1,147,594
2039 – 2042	3,645,000	308,652
Total	\$ 16,954,000	\$ 5,506,208

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

NOTE 6: DEBT SERVICE COVERAGE

Various debt covenants require that the net revenues of the system shall equal not less than a certain percentage of the maximum annual debt service requirements of all outstanding bonds including any additional bonds proposed.

The actual percentage at December 31, 2023 was 206%, computed as follows:

Operating Income	\$ 388,530
Plus Depreciation Expense	2,402,499
Plus Other Income	<u>749,848</u>
 Funds Available for Debt Service	 <u>\$ 3,540,877</u>
 Maximum Annual Debt Service Requirement on on the 2020 and 2022 Bonds	 <u>\$ 1,716,417</u>
 Debt Service Coverage Percentage	 <u>206%</u>

NOTE 7: FUND REQUIREMENTS

The Series 2017, 2020, and 2022 Bond documents established certain funds and the manner in which revenues are to be deposited and transferred between the various funds. Cash funds were deposited and transferred as required.

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposits reserves at December 31, 2023 were \$731,654, a surplus in the amount of \$17,425 from the total customer deposits of \$714,229.

NOTE 8: TRANSFERS FROM OTHER FUNDS

Authorized through a general election by the vote of the electors of the City of Mountain Home, \$350,000 per year is distributed from the City's sales tax monies for the water and wastewater department. Transfers and payments within the City of Mountain Home's funds are substantially for the purposes of subsidizing operating functions.

NOTE 9: RISK MANAGEMENT

The water and wastewater department of the City of Mountain Home, Arkansas has purchased insurance coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the Arkansas Municipal League Program for its workers' compensation coverage. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission. The Department also participates in the Arkansas Municipal League Program for its building and contents, vehicle, and general liability coverage. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

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

NOTE 10: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)

Plan Description

The water and wastewater department of the City of Mountain Home, Arkansas provides pension benefits for its eligible employees through the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit plan that covers municipal employees whose municipalities have elected coverage under this system. 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 City of Mountain Home, Arkansas elected to commence retirement coverage through APERS on August 1, 2003. Actual plan participation began with the eligible wages reported for September 2003.

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 five state and five non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are established by state law 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.

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 01, 2005), or
- at age 55 with 35 credited service for local elected officials and public safety members.

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

APERS Fiduciary Net Position

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

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 of percentage of their salary, currently 5.50%. 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% for the fiscal year ended June 30, 2023. The Department contributed 15.32% of compensation for the year ended December 31, 2023, which totaled \$383,012.

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

NOTE 10: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) – Continued

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

As of December 31, 2023, the Department reported a liability of \$3,349,091 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources - Continued

For the year ended December 31, 2023, the Department recognized pension expense of \$463,814. As of December 31, 2023, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 189,049	\$ (18,399)
Changes of assumptions	157,449	0
Net difference between projected and actual earnings on pension plan investments	416,842	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	154,625	(11,789)
Department contributions subsequent to the measurement date	184,927	0
Total	\$ 1,102,892	\$ (30,188)

\$184,927 reported as deferred outflows of resources related to pensions resulting from the Department's contributions subsequent to the measurement date of June 30, 2023 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending December 31,	Net Deferred Outflows
2024	263,089
2025	119,349
2026	533,469
2027	(28,130)
Total	887,777

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

NOTE 10: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) – Continued

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
Discount Rate	7.00%
Wage Inflation Rate	3.25%
Investment Rate of Return (net of investment and administrative expenses)	7.00%
Salary Increases	3.25 – 11.00%, including inflation
Mortality Table	See Below

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114% and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables for males and females, respectively. The disabled retiree mortality tables, for post-retirement disabled mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above-described tables.

All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Long-term Rate of Return

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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2023 – 2032 were based upon capital market assumptions provided by the plant's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	<u>100%</u>	

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

NOTE 10: ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS) - Continued

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 fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net pension liability	5,338,150	3,349,091	1,710,295

NOTE 11: ARKANSAS DIAMOND DEFERRED COMPENSATION PLAN

Plan Description

The City elected to become a participating employer in the Arkansas Diamond Deferred Compensation Plan, a Section 457B defined contribution pension plan. The City adopted the plan on October 27, 2022 and elected to commence this retirement option for all active employees on January 01, 2023. Voya Financial is the administrator of the plan.

Eligibility

Employees are eligible to participate in the plan when they begin employment with the City. Further, the City does not require a minimum number of hours per week that an employee is required to work in order to participate in the plan.

Contributions

Contributions to the plan are to be made by the employees only. The City does not make employer contributions (matching or non-matching) to the plan.

REQUIRED SUPPLEMENTARY INFORMATION

**WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**Arkansas Public Employees Retirement System
Last 9 Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Department's proportion of the net pension liability (asset)	0.1083%	0.1082%	0.1151%	0.1118%	0.1196%	0.1098%	0.1199%	0.1189%	0.1149%
Department's proportionate share of the net pension liability (asset)	\$ 1,993,872	\$ 2,763,965	\$ 2,974,026	\$ 2,465,871	\$ 2,823,739	\$ 3,074,499	\$ 901,948	\$ 3,137,016	\$ 3,349,091
Department's covered payroll	\$ 2,040,802	\$ 2,087,790	\$ 2,081,845	\$ 2,227,922	\$ 2,078,039	\$ 2,277,745	\$ 2,263,973	\$ 2,428,952	\$ 2,500,076
Department's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	97.70%	132.39%	142.86%	110.68%	135.88%	134.98%	39.84%	129.15%	133.96%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.59%	78.55%	75.38%	93.57%	78.31%	77.94%

Ten years worth of data will be presented as it is available. Actuarial assumptions and disclosures can be found in Note 10 of the financial statements.

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS**

**Arkansas Public Employees Retirement System
Last 9 Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 298,508	\$ 302,729	\$ 304,320	\$ 334,620	\$ 317,829	\$ 348,523	\$ 346,841	\$ 372,116	\$ 383,012
Contributions in relation to the contractually required contribution	<u>(298,508)</u>	<u>(302,729)</u>	<u>(304,320)</u>	<u>(334,620)</u>	<u>(317,829)</u>	<u>(348,523)</u>	<u>(346,841)</u>	<u>(372,116)</u>	<u>(383,012)</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 payroll	\$ 2,040,802	\$ 2,087,790	\$ 2,081,845	\$ 2,227,922	\$ 2,078,039	\$ 2,277,745	\$ 2,263,973	\$ 2,428,952	\$ 2,500,076
Contributions as a percentage of covered payroll	14.63%	14.50%	14.62%	15.02%	15.29%	15.32%	15.32%	15.32%	15.32%

Ten years worth of data will be presented as it is available. Actuarial assumptions and disclosures can be found in Note 10 of the financial statements.

SUPPLEMENTARY AND OTHER INFORMATION

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Water Department</u>	<u>Wastewater Department</u>
Administrative Services	\$ 220,234	\$ 219,888
Chemicals	334,896	43,569
Data Processing	111,584	107,618
Dues, Subscriptions, and Publications	1,339	2,267
Fuel, Vehicles and Equipment	54,675	51,425
Insurance - General	59,530	56,980
Insurance - Employees	214,849	200,008
Laboratory Expense	19,477	21,319
Miscellaneous	6,475	6,258
Pension Expense	236,545	227,269
Permits and Fees	50,298	18,396
Postage	2,576	2,473
Professional Fees	111,829	89,224
Repairs and Maintenance	665,377	212,453
Salaries, Net of Capitalized Wages	1,193,158	1,085,679
Supplies - Office	7,810	7,098
Supplies - Operating	36,126	32,426
Taxes	94,116	90,840
Telephone	12,139	12,791
Travel and Training	6,507	10,452
Uncollectible Accounts	13,748	-
Uniforms	13,312	17,252
Utilities	289,690	410,862
	<u>3,756,290</u>	<u>2,926,547</u>
Total Operating Expenses	<u>\$ 3,756,290</u>	<u>\$ 2,926,547</u>

See auditor's report on supplementary information.

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUE BONDS OUTSTANDING
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>SERIES 2020 BONDS</u>				<u>SERIES 2022 BONDS</u>			
<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COUPON</u>	<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COUPON</u>
2024	\$ 1,217,000	\$ 102,329	1.250%	2024	\$ -	\$ 388,000	
2025	1,237,000	86,315	1.375%	2025	-	388,000	
2026	1,260,000	68,417	1.500%	2026	-	388,000	
2027	1,278,000	48,225	1.700%	2027	-	388,000	
2028	1,301,000	25,749	1.800%	2028	-	388,000	
2029	661,000	3,799	1.970%	2029	-	388,000	
Totals	<u>\$ 6,954,000</u>	<u>\$ 334,834</u>		2030	610,000	378,088	3.250%
				2031	630,000	357,938	3.250%
				2032	650,000	336,731	3.375%
				2033	675,000	314,372	3.375%
				2034	700,000	288,981	4.000%
				2035	725,000	260,481	4.000%
				2036	755,000	230,881	4.000%
				2037	790,000	199,981	4.000%
				2038	820,000	167,269	4.125%
				2039	855,000	132,722	4.126%
				2040	890,000	96,731	4.125%
				2041	930,000	59,194	4.125%
				2042	970,000	20,006	4.125%
				Totals	<u>\$ 10,000,000</u>	<u>\$ 5,171,375</u>	

**CITY OF MOUNTAIN HOME, ARKANSAS
 WATER AND WASTEWATER DEPARTMENT
 SCHEDULE OF WATER USAGE RATES AND CONSUMPTION
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Residential and Commercial Rates

For the first 3 months of the year, the monthly water usage rates were as follows:

Minimum Charge - first 2,000 gallons or less per month.

Excess over 2,000 gallons per month - \$2.87 per 1,000 gallons inside the City; \$5.70 per 1,000 gallons outside the City

<u>Minimum Charges:</u>	<u>Meter Minimums</u>		<u>Demand Charges</u>	
	<u>Per Month</u>		<u>Per Month</u>	
	<u>Inside</u>	<u>Outside</u>	<u>Inside</u>	<u>Outside</u>
Residential Customers: 3/4" meter	\$ 8.04	\$ 16.08	\$ 7.34	\$ 14.71
Commercial Customers:				
3/4" meter	16.08	32.12	11.94	23.86
1" meter	27.54	55.05	22.92	45.89
1 1/4" meter	41.28	82.58	33.50	66.97
1 1/2" meter	56.20	112.38	47.70	95.42
2" meter	113.54	227.08	85.33	170.64
3" meter	228.21	456.43	192.19	384.37
4" meter	342.90	685.78	344.03	688.08
6" meter	672.00	1,344.00	761.53	1,532.09
8" meter	1,394.47	2,753.62	1,362.36	2,724.75

Effective 30 days after the passage of Ordinance 2023-10 approved on March 16, 2023, monthly water usage rates were as follows:

Minimum Charge - first 2,000 gallons or less per month.

Excess over 2,000 gallons per month - \$3.07 per 1,000 gallons inside the City; \$6.10 per 1,000 gallons outside the City

<u>Minimum Charges:</u>	<u>Meter Minimums</u>		<u>Demand Charges</u>	
	<u>Per Month</u>		<u>Per Month</u>	
	<u>Inside</u>	<u>Outside</u>	<u>Inside</u>	<u>Outside</u>
Residential Customers: 3/4" meter	\$ 8.59	\$ 17.21	\$ 7.85	\$ 15.74
Commercial Customers:				
3/4" meter	17.21	34.37	12.78	25.53
1" meter	29.47	58.90	24.52	49.10
1 1/4" meter	44.17	88.36	35.85	71.65
1 1/2" meter	60.13	120.25	51.04	102.10
2" meter	121.49	242.98	91.30	182.58
3" meter	244.18	488.38	205.64	411.28
4" meter	366.90	733.79	368.11	736.25
6" meter	719.04	1,438.08	814.84	1,639.34
8" meter	1,492.08	2,946.37	1,457.73	2,915.48

During the year ended December 31, 2023, the total gallons of treated water billed were 928,432,812.

**CITY OF MOUNTAIN HOME, ARKANSAS
 WATER AND WASTEWATER DEPARTMENT
 SCHEDULE OF WATER USAGE RATES AND CONSUMPTION
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Wholesale Water Rates

Effective with water metered after July 15, 2022, rates charged to wholesale water purchasers were established by Ordinance 2021-21 as follows:

Purchases from the water plant	\$4.49 per 1,000 gallons
Purchases from the 960-elevation system	\$5.01 per 1,000 gallons
Purchases from the 1,080-elevation system	\$5.24 per 1,000 gallons

Effective with water metered after September 15, 2023, rates charged to wholesale water purchasers were established by Ordinance 2022-25 as follows:

Purchases from the water plant	\$4.82 per 1,000 gallons
Purchases from the 960-elevation system	\$5.30 per 1,000 gallons
Purchases from the 1,080-elevation system	\$5.51 per 1,000 gallons

Water Usage by Class

During the year ended December 31, 2023, usage by class of water users was as follows:

<u>Customer Type</u>	<u>Average Users in Each Class Per Month</u>	<u>Water Usage by Each Class</u>
Residential	6,664	350,348,369
Commercial	979	291,120,977
Industrial/Other	36	9,830,496
Wholesale	4	277,132,970

**CITY OF MOUNTAIN HOME, ARKANSAS
 WATER AND WASTEWATER DEPARTMENT
 SCHEDULE OF WASTEWATER USAGE RATES AND CONSUMPTION
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Wastewater Rates

For the first three months of the year, monthly wastewater usage rates were as follows:

Minimum Charge - first 2,000 gallons or less per month.

Excess over 2,000 gallons per month - \$3.68 per 1,000 gallons for residential, commercial and industrial users; \$5.33 per 1,000 gallons for all Baxter County Industrial Park users.

<u>Customer Minimum Charges:</u>	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Baxter County Industrial Park</u>
3/4" meter	\$ 19.74	\$ 29.40	\$ 42.14
1" meter	24.65	43.08	55.81
1 1/2" meter		73.82	86.53
2" meter		120.48	133.21
3" meter		252.55	
4" meter		441.54	
6" meter		965.25	
8" meter		1,705.27	

Effective 30 days after the passage of Ordinance 2023-11, approved on March 16, 2023, monthly wastewater usage rates were as follows:

Minimum Charge - first 2,000 gallons or less per month.

Excess over 2,000 gallons per month - \$4.12 per 1,000 gallons for residential, commercial and industrial users; \$5.97 per 1,000 gallons for all Baxter County Industrial Park users.

<u>Customer Minimum Charges:</u>	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Baxter County Industrial Park</u>
3/4" meter	\$ 22.11	\$ 32.93	\$ 47.20
1" meter	31.04	48.25	62.51
1 1/2" meter		82.68	96.91
2" meter		134.94	149.20
3" meter		282.86	
4" meter		494.52	
6" meter		1,081.08	
8" meter		1,909.90	

During the year ended December 31, 2023, usage by class of wastewater users was as follows:

<u>Customer Type</u>	<u>Average Users in Each Class Per Month</u>	<u>Water Usage by Each Class</u>
Residential	5,343	272,767,797
Commercial	848	250,472,082
Industrial Park	17	1,876,273

Residential wastewater users for the six months of January, February, March, October, November and December averaged 5,345 per month. Residential water gallons for those months totaled 132,951,192, an average of 22,158,532 gallons per month.

**CITY OF MOUNTAIN HOME, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Position</u>	<u>Official</u>
Ward 1, Pos. 1	Bob Van Haaren
Ward 1, Pos. 2	Susan Stockton
Ward 2, Pos. 1	Jennifer Baker
Ward 2, Pos. 2	Wayne Almond
Ward 3, Pos. 1	Paige Evans
Ward 3, Pos. 2	Carry Manuel
Ward 4, Pos. 1	Jim Bodenhamer
Ward 4, Pos. 2	Nick Reed
Mayor	Hillrey Adams

OTHER REPORTS



BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

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

668 HIGHWAY 62 EAST
MOUNTAIN HOME, AR 72653
870-425-6256

416 N. E. MAIN STREET
MOUNTAIN VIEW, AR 72560
870-269-2390

980 ASH FLAT DRIVE
ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of City Council
City of Mountain Home, 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 water and wastewater department of the City of Mountain Home, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Mountain Home, Arkansas water and wastewater department's basic financial statements, and have issued our report thereon dated April 30, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the water and wastewater department of the City of Mountain Home, Arkansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
April 30, 2024