CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

Welch, Couch & Company, PA
Certified Public Accountants

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Mountain View, Arkansas Water and Wastewater Department
City of Mountain View, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mountain View, Arkansas Water and Wastewater Department (a proprietary fund of the City of Mountain View, Arkansas) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise City of Mountain View, Arkansas Water and Wastewater Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Mountain View, Arkansas Water and Wastewater Department, as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 View, Arkansas 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Mountain View, Arkansas Water and Wastewater Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mountain View, Arkansas that is attributable to the transactions of the City of Mountain View, Arkansas Water and Wastewater Department. They do not purport to, and do not, present fairly the financial position of the City of Mountain View, Arkansas, as of December 31, 2025 and 2024, 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.

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 View, Arkansas 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 shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mountain View, Arkansas 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 conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain View, Arkansas 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.

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 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 on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the historical pension information on pages 23 and 24 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Management is responsible for the other supplementary information on pages 25 to 27. Our opinion on the basic financial statements does not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2026, on our consideration of the City of Mountain View, 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 View, Arkansas 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 View, Arkansas Water and Wastewater Department's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 31, 2026

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Net Position

December 31, 2025 and 2024

Assets and Deferred Outflows of Resources

	2025	2024
Current assets		
Cash and cash equivalents - Notes 1 and 2	$ 1,982,731	$ 2,259,052
Accounts receivable, net of allowance - Note 4	180,926	179,238
Interfund receivables - Note 6	1,390	1,390
Inventories	108,937	108,937
Prepaid expenses	30,083	30,083
Total current assets	2,304,067	2,578,700
Restricted cash		
Customer meter deposit funds - Note 3	203,753	191,661
Capital replacement and repair funds - Note 3	317,990	387,200
Meter replacement fund - Note 3	4,998	8,268
Total restricted cash	526,741	587,129
Capital assets		
Nondepreciable assets - Note 5	6,843,706	6,616,752
Depreciable assets, net of accumulated depreciation - Note 5	7,154,418	7,722,276
Total capital assets	13,998,124	14,339,028
Deferred outflows of resources		
Deferred pension outflows - Note 10	111,060	101,774
Total assets and deferred outflows of resources	**$ 16,939,992**	**$ 17,606,631**

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Net Position (Cont.)
December 31, 2025 and 2024

Liabilities, Deferred Inflows of Resources and Net Position

	2025	2024
Current liabilities		
Accounts payable	$ 11,860	$ 52,756
Interfund payables - Note 6	25,807	30,875
Sales tax payable	7,692	7,692
Accrued payroll and related liabilities	47,499	32,360
Total current liabilities	92,858	123,683
Other liabilities payable from restricted cash		
Meter deposits - Note 3	191,718	183,468
Total other liabilities payable from restricted cash	191,718	183,468
Noncurrent liabilities		
Net pension liability - Note 10	493,742	517,316
Total liabilities	778,318	824,467
Deferred inflows of resources		
Deferred pension inflows - Note 10	58,747	41,856
Net position		
Net investment in capital assets	13,998,124	14,339,028
Restricted expendable:		
Capital replacement and repair	317,990	387,200
Unrestricted	1,786,813	2,014,080
Total net position	16,102,927	16,740,308
Total liabilities, deferred inflows of resources, and net position	**$ 16,939,992**	**$ 17,606,631**

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

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Water sales	$ 1,013,763	$ 989,791
Wastewater user fees	381,540	357,047
Sanitation fees	607,184	597,227
Penalties	34,316	27,185
Tie-on and reconnect fees	49,300	54,430
Billing fees	21,806	24,046
Miscellaneous	53,648	26,920
Total operating revenues	2,161,557	2,076,646
Operating expenses		
Analysis and monitoring	9,715	7,809
Bank charges	2,292	2,396
Contract services	60,254	130,696
Custodian services	5,693	5,693
Depreciation	671,247	667,126
Education, travel and mileage	6,815	4,468
Insurance	51,002	45,424
Miscellaneous	6,460	10,612
Payroll taxes and employee benefits	115,600	99,525
Permits and fees	35,269	33,553
Postage, printing, office expense	43,899	40,893
Repairs and maintenance	12,903	336
Retirement expense	66,912	90,404
Salaries	473,452	419,877
Sanitation fee remittance	576,340	565,993
Supplies and materials	140,076	208,301
Telephone and utilities	92,410	89,743
Vehicle and equipment expense	67,376	44,257
Water purchases	382,259	332,978
Total operating expenses	2,819,974	2,800,084
Operating (loss)	(658,417)	(723,438)
Nonoperating revenues		
Interest income	21,036	5,567
Total nonoperating revenues	21,036	5,567
(Loss) before capital asset contributions	(637,381)	(717,871)
Capital asset contributions	-	1,646,025
Changes in net position	(637,381)	928,154
Net position - beginning of year	16,740,308	15,812,154
Net position - end of year	**$ 16,102,927**	**$ 16,740,308**

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

Welch, Couch & Company, PA
Certified Public Accountants

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from customers	$ 2,271,246	$ 2,158,428
Cash payments to and/or for employees	(376,165)	(383,778)
Cash payments to suppliers for goods and services	(458,313)	(421,736)
Other cash receipts (payments)	(1,464,170)	(1,375,527)
Net cash (used in) operating activities	(27,402)	(22,613)
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(330,343)	(357,406)
Net cash (used in) capital and related financing activities	(330,343)	(357,406)
Cash flows from investing activities:		
Interest income	21,036	5,567
Net cash provided by investing activities	21,036	5,567
Net (decrease) in cash and cash equivalents	(336,709)	(374,452)
Cash and cash equivalents - beginning of year	2,846,181	3,220,633
Cash and cash equivalents - end of year	**$ 2,509,472**	**$ 2,846,181**
Reconciliation of total cash and cash equivalents to the statements of net position:		
Current assets - cash and cash equivalents	$ 1,982,731	$ 2,259,052
Restricted cash - cash and cash equivalents	526,741	587,129
Total cash and cash equivalents	**$ 2,509,472**	**$ 2,846,181**
Noncash transactions		
Capital asset contributions	$ -	$ 1,646,025

(Continued)

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

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Cash Flows (Cont.)

For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	$ (658,417)	$ (723,438)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	671,247	667,126
Provision for uncollectible accounts	(16,114)	(3,451)
Net changes in:		
Accounts receivable	14,426	(29,912)
Prepaid expenses	-	(324)
Deferred outflows of resources	(9,286)	97,117
Accounts payable	(45,964)	46,399
Accrued payroll and related liabilities	15,139	(1,859)
Meter deposit liability	8,250	11,242
Net pension liability	(23,574)	(110,578)
Deferred inflows of resources	16,891	25,065
Net cash (used in) operating activities	**$ (27,402)**	**$ (22,613)**

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

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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

Financial Reporting Entity

These financial statements present only the City of Mountain View, Arkansas Water and Wastewater Department funds, accounts, and balances, and are not intended to present the financial position, results of operations, and cash flows of the City of Mountain View, Arkansas.

Basis of Accounting

The Department's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds. The financial statements of the Department have been prepared on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of the timing of related cash flows.

Use of 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts, savings accounts, and certificates of deposit with original maturities of three months or less.

Accounts Receivable

The Department grants credit to its residents for water and sewer sales. The collectability of the Department's receivables is dependent upon the residents' ability to honor their obligations for their water and sewer bills. Accounts receivable is carried on the statements of net position at net realizable value. Any losses on uncollectible accounts are recognized when such losses become known or indicated. An allowance is estimated based on historical collection percentages.

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

Inventories

Inventories held by the Department are valued at the lower of cost or net realizable value by the first-in-first-out (FIFO) method.

Restricted Cash

Restricted cash consist of cash and certificates of deposit restricted by the City Council for specific uses.

Prepaid Expenses

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

Capital Assets

Capital assets costing more than $1,500 and that have useful lives of more than one year are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to forty years of the various assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged against earnings when incurred.

Estimated useful lives are as follows:

System and improvements	10 – 40 years
Vehicles, machinery and equipment	5 – 10 years
Furniture and fixtures	5 – 10 years

Accounts Payable

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

Sales Tax Payable

Sales tax payable consists of prior month’s sales tax collected.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities consist primarily of accrued payroll tax and related liabilities at December 31, 2025 and 2024. This also includes compensated absences for Department’s vacation accrual of $26,906 and $10,719 at December 31, 2025 and 2024, respectively. Employees earn five days of vacation from six months to two years of employment and ten days after two years of employment and fifteen days after six years of employment. Sick time is earned by employees. However, it is not payable at separation of employment.

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

Meter Deposits

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Net Pension Liability

Net pension liability represents the unfunded pension benefit obligation based on the market value of the assets and projected pension benefit obligations of the pension plan that the employer participates.

Restricted Resources

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

Grants and Contributions

From time to time, the Department receives grants and contributions from federal and state governments, individuals, and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Position

Net position classifications are defined as follows:

Net investment in capital assets – this component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

Net Position (Cont.)

Restricted Net Positions::

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

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

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

Operating Revenues and Expenses

The Department’s statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from charges to customers for water, wastewater, and related services. Operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 financial statement presentation. These reclassifications had no effect on the change in net position as previously reported.

Income Taxes

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

Note 2 – Significant Concentration of Credit Risk

Credit risk for trade accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region.

Credit is granted to the Department’s customers subject to a meter deposit which is refundable after one year if the customer keeps their account current.

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

Note 2 –Concentration of Credit Risk (Cont.)

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provision of state law. At December 31, 2025, the Department's carrying amount of deposits was $2,509,472. The bank balances totaled $2,535,796 and were fully covered by Federal Depository Insurance and pledged securities held by the pledging financial institution.

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

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

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

The carrying amounts of deposits are included in the Department's statements of net position as follows:

	2025	2024
Deposits	$ 2,509,472	$ 2,846,181
Total	**$ 2,509,472**	**$ 2,846,181**
Included in the following statement of net position captions:		
Cash and cash equivalents	$ 1,982,731	$ 2,259,052
Restricted cash	526,741	587,129
Total	**$ 2,509,472**	**$ 2,846,181**

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest income	**$ 21,036**	**$ 5,567**

Note 3 – Restricted Cash

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposit reserves at December 31, 2025, were $203,753, a surplus of $12,035 over the meter deposit liability of $191,718. Meter deposit reserves at December 31, 2024, were $191,661, a surplus of $8,193 over the meter deposit liability of $183,468. In addition, the Department has restricted certain funds to future capital improvements and replacements, under Arkansas ACT 545.

	2025	2024
Restricted cash includes:		
Customer meter deposit funds	$ 203,753	$ 191,661
Capital replacement and repair funds	317,990	387,200
Meter replacement fund	4,998	8,268
Total restricted cash	$ 526,741	$ 587,129

Note 4 – Accounts Receivable

Accounts receivable consists of the following at December 31, 2025 and 2024:

	2025	2024
Accounts receivable	$ 226,549	$ 240,975
Allowance for uncollectible accounts	(45,623)	(61,737)
Accounts receivable, net of allowance for uncollectible accounts	**$ 180,926**	**$ 179,238**

Note 5 – Capital Assets and Depreciation

Capital asset additions, retirements and balances for the years ended December 31, 2025 and 2024, were as follows:

	Balance 12/31/2024	Additions	Retirements	Transfer Between Funds/ Reclass	Balance 12/31/2025
Capital assets not being depreciated:					
Land and land rights	$ 5,678	$ -	$ -	$ -	$ 5,678
Construction in progress	6,611,074	226,954	-	-	6,838,028
Total capital assets not being depreciated	6,616,752	226,954	-	-	6,843,706
Capital assets being depreciated:					
System and improvements	19,215,965	-	-	-	19,215,965
Equipment	522,153	79,546	-	-	601,699
Vehicles	321,389	23,843	-	-	345,232
Furniture and fixtures	46,576	-	-	-	46,576
Total capital assets being depreciated	20,106,083	103,389	-	-	20,209,472
Less accumulated depreciation for:					
System and improvements	(11,629,176)	(639,726)	-	-	(12,268,902)
Equipment	(469,956)	(14,659)	-	-	(484,615)
Vehicles	(240,090)	(16,552)	-	-	(256,642)
Furniture and fixtures	(44,585)	(310)	-		(44,895)
Total accumulated depreciation	(12,383,807)	(671,247)	-	-	(13,055,054)
Total capital assets being depreciated, net	7,722,276	(567,858)	-	-	7,154,418
Capital assets, net	**$ 14,339,028**	**$ (340,904)**	**$ -**	**$ -**	**$ 13,998,124**

During 2025, depreciation expense was charged to the Departments as follows:

Water Department	$ 255,909
Wastewater Department	385,495
Joint - Water and Wastewater Department	29,843
	$ 671,247

Note 5 – Capital Assets and Depreciation (Cont.)

	Balance 12/31/2023	Additions	Retirements	Transfer Between Funds/ Reclass	Balance 12/31/2024
Capital assets not being depreciated:					
Land and land rights	$ 5,678	$ -	$ -	$ -	$ 5,678
Construction in progress	4,623,368	1,987,706	-	-	6,611,074
Total capital assets not being depreciated	4,629,046	1,987,706	-	-	6,616,752
Capital assets being depreciated:					
System and improvements	19,215,965	-	-	-	19,215,965
Equipment	506,428	15,725	-	-	522,153
Vehicles	321,389	-	-	-	321,389
Furniture and fixtures	46,576	-	-	-	46,576
Total capital assets being depreciated	20,090,358	15,725	-	-	20,106,083
Less accumulated depreciation for:					
System and improvements	(10,981,874)	(647,302)	-	-	(11,629,176)
Equipment	(463,418)	(6,538)	-	-	(469,956)
Vehicles	(227,114)	(12,976)	-	-	(240,090)
Furniture and fixtures	(44,275)	(310)	-		(44,585)
Total accumulated depreciation	(11,716,681)	(667,126)	-	-	(12,383,807)
Total capital assets being depreciated, net	8,373,677	(651,401)	-	-	7,722,276
Capital assets, net	**$ 13,002,723**	**$ 1,336,305**	**$ -**	**$ -**	**$ 14,339,028**

During 2024, depreciation expense was charged to the Departments as follows:

Water Department	$ 261,873
Wastewater Department	386,669
Joint - Water and Wastewater Department	18,584
	$ 667,126

Note 6 – Interfund Balances

Interfund receivables as of December 31, 2025 and 2024, consisted of the amounts due from the City of Mountain View, Arkansas Water Treatment Plant for water utilized at the water treatment plant.

Interfund payables as of December 31, 2025 and 2024, consisted of the amounts due to the City of Mountain View, Arkansas Water Treatment Plant and Street funds for water purchased for distribution and vehicle fuel, respectively.

Both the interfund receivable and payable balances are classified as current assets and liabilities, respectively, as the amounts are expected to be collected/paid within one year.

Note 7 – Capital Asset Contributions

The Series 2020 sales and use tax refunding and improvement bonds were issued for the purpose of refunding the 2014 bond issue and for improvements to the City's wastewater system. During the years ended December 31, 2025 and 2024, capital improvements to the City's water and wastewater department were recorded on the Department's books in the amount of $0 and $1,646,025, respectively.

Note 8 – Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

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

Workers' compensation – this program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the workers' compensation commission.

Municipal vehicle program –

A. *Liability* – this program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is $25,000 for bodily injury per person, $50,000 for bodily injury per accident and $25,000 for property damage per accident. The Department shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the Department.

Note 8 – Risk Management (Cont.)

Municipal vehicle program (Cont.) –

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

Note 9 – Water and Wastewater Governing Body

Certain regulatory agencies and creditors require that members of the governing board be presented. Members of the Mountain View City Council for the years ending December 31, 2025 and 2024, are as follows:

2025	2024
Jessica Sterlin	J. K. Williams
Bobby Day	Truman Bullard
Dana Woods	Dana Woods
Danny Simmons	Danny Simmons
Wayne “Ricky” Shuttleworth	Wayne “Ricky” Shuttleworth
Finis Brewer	Finis Brewer

Note 10 – Retirement Plan – APERS

The Department contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing, multiple-employer, defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this system. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

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

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board).

Note 10 – Retirement Plan – APERS (Cont.)

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 36 months average compensation (60 months for members hired on or after July 1, 2022) 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 55 with 35 years of credited service for sheriff 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 25 years of service.

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. Beginning July 1, 2022, the member contribution rate will increase in increments of 0.25% per year until it reaches the maximum 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)).

Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2025. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

The Department's contributions to APERS for the years ending December 31, 2025 and 2024, were $86,277 and $72,358, 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/annualreports.

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

At December 31, 2025 and 2024, the Department reported a liability of $493,742 and $517,316, respectively, for its proportionate share of the net pension liability.

Note 10 – Retirement Plan – APERS (Cont.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont.)

The collective net pension liability was measured as of June 30, 2025 and 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. As of June 30, 2025 and 2024, the Department's proportion was 0.0235% and 0.0271%, respectively.

For the years ended December 31, 2025 and 2024, the Department recognized pension expense of $66,912 and $90,404, respectively. At December 31, 2025 and 2024, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows		Deferred Inflows	
	2025	2024	2025	2024
Difference between expected and actual experience	$ 15,298	$ 20,076	$ (14,826)	$ (21,150)
Net difference between projected and actual investment earnings on pension plan investments	-	15,007	(32,754)	-
Changes of assumptions	8,567	18,028	-	-
Changes in proportion and differences between employer contributions and share of contributions	46,156	7,522	(11,167)	(20,706)
Contributions subsequent to the measurement date	41,039	41,141	-	-
Total	**$ 111,060**	**$ 101,774**	**$ (58,747)**	**$ (41,856)**

The $41,039 reported as deferred outflows of resources related to pensions resulting from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. 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 December 31:	Amount
2026	$ 75,000
2027	(26,043)
2028	(19,551)
2029	(18,132)
Total	$ 11,274

Note 10 – Retirement Plan – APERS (Cont.)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information were determined by an actuarial valuation as of June 30, 2025. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial cost method:	Entry Age Normal
Discount rate:	7.00%
Wage inflation rate:	3.25%
Salary increases:	3.25%-11.00%
Investment rate of return*:	7.00%
Mortality Table:	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 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, 2025, 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.

*Net of investment and administrative expenses

Note 10 – Retirement Plan – APERS (Cont.)

Investment 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for the 10-year period from 2025 – 2034 were based upon GRS' 2025 Capital Market Assumptions Modeler. For each major asset class included in the plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	39%	5.14%
International equity	17%	5.97%
Real assets	16%	5.00%
Private equity	5%	8.77%
Hedge funds	2%	3.58%
Domestic fixed	21%	3.26%
Total	100%	
Total Real Rate of Return		5.02%
Plus: price inflations - actuary's assumption		2.50%
Less: investment expenses (passive)		0.00%
Net expected return		7.52%

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 10 – Retirement Plan – APERS (Cont.)

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

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

	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Net pension liability	$ 921,392	$ 493,742	$ 141,097

Note 11 – Subsequent Events

Management has evaluated subsequent events through July 31, 2026, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Schedule of Department's Proportionate Share of the Net Pension Liability

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Department's proportion of the net pension liability (asset)	0.0235%	0.0271%	0.0215%	0.0224%	0.0207%	0.0201%	0.0209%	0.0200%	0.0209%	0.0189%
Department's proportionate share of the net pension liability (asset)	$ 493,742	$ 517,316	$ 627,894	$ 604,081	$ 159,488	$ 576,667	$ 503,285	$ 442,276	$ 539,875	$ 453,135
Department's covered-employee payroll	$ 563,166	$ 472,311	$ 477,552	$ 468,296	$ 414,236	$ 392,924	$ 399,210	$ 375,546	$ 376,538	$ 343,324
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.67%	109.53%	131.48%	129.00%	38.50%	146.76%	126.07%	117.77%	143.38%	131.98%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	80.39%

Actuarial assumptions and disclosures can be found in Note 10 of the financial statements.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Department Contributions

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contributions	$ 86,277	$ 72,358	$ 73,161	$ 71,743	$ 63,461	$ 60,196	$ 61,159	$ 55,393	$ 54,598	$ 49,782
Contributions in relation to the contractually required contribution	(86,277)	(72,358)	(73,161)	(71,743)	(63,461)	(60,196)	(61,159)	(55,393)	(54,598)	(49,782)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Department's covered-employee payroll	$ 563,166	$ 472,311	$ 477,552	$ 468,296	$ 414,236	$ 392,924	$ 399,210	$ 375,546	$ 376,538	$ 343,324
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%

Actuarial assumptions and disclosures can be found in Note 10 of the financial statements.

See Independent Auditor’s Report

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Supplemental Schedules of Water Rates

For the Years Ended December 31, 2025 and 2024

	2025	2024
Water Rate Schedule		
Within City Limits		
First 1,000 gallons	$9.03 minimum	$8.56 minimum
Next 3,000 gallons	$4.26 per 1,000 gallons	$4.04 per 1,000 gallons
Next 4,000 gallons	$3.98 per 1,000 gallons	$3.77 per 1,000 gallons
All over excess of 8,000 gallons	$3.57 per 1,000 gallons	$3.39 per 1,000 gallons
Outside City Limits		
First 1,000 gallons	$13.56 minimum	$12.84 minimum
Next 3,000 gallons	$6.40 per 1,000 gallons	$6.06 per 1,000 gallons
Next 4,000 gallons	$5.96 per 1,000 gallons	$5.66 per 1,000 gallons
All over excess of 8,000 gallons	$5.37 per 1,000 gallons	$5.09 per 1,000 gallons
Herpel Road Extension		
First 1,000 gallons	$21.58 minimum	$21.05 minimum
All over excess of 1,000 gallons	$7.23 per 1,000 gallons	$7.05 per 1,000 gallons
Highway 87 Extension		
First 1,000 gallons	$22.23 minimum	$20.35 minimum
All over excess of 1,000 gallons	$7.45 per 1,000 gallons	$6.36 per 1,000 gallons
Wastewater Rate Schedule		
First 1,000 gallons of water used	$12.46 minimum	$11.47 minimum
All over 1,000 gallons	$2.36 per 1,000 gallons	$2.17 per 1,000 gallons

See Independent Auditor’s Report

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedule of Users and Consumption
For the Year Ended December 31, 2025

Month	Gallons Sold	Water Users
January	12,611,500	3,099
February	16,624,400	3,099
March	25,685,700	3,109
April	12,023,000	3,126
May	12,866,100	3,130
June	14,301,100	3,138
July	18,944,500	3,139
August	20,664,400	3,140
September	15,348,700	3,154
October	15,260,900	3,146
November	15,976,900	3,147
December	12,172,900	3,136
Total consumption	**192,480,100**	
Monthly averages	**16,040,008**	**3,130**

See Independent Auditor’s Report

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER AND WASTEWATER DEPARTMENT

A Proprietary Fund of the City of Mountain View, Arkansas

Supplemental Schedule of Users and Consumption

For the Year Ended December 31, 2024

Month	Gallons Sold	Water Users
January	14,009,700	3,070
February	12,796,600	3,069
March	10,821,500	3,083
April	13,334,500	3,103
May	12,863,800	3,106
June	14,317,400	3,115
July	16,470,100	3,118
August	15,775,600	3,128
September	16,021,000	3,127
October	14,025,300	3,094
November	12,981,300	3,125
December	15,928,500	3,107
Total consumption	**169,345,300**	
Monthly averages	**14,112,108**	**3,104**

See Independent Auditor’s Report

Welch, Couch & Company, PA
Certified Public Accountants

Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA | Allen E. Brinkman, CPA
Members of American Institute of Certified Public Accountants

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

To the Mayor and Members of the City Council
City of Mountain View, Arkansas Water and Wastewater Department
City of Mountain View, 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 the business-type activities of the City of Mountain View, Arkansas Water and Wastewater Department, a proprietary fund of the City of Mountain View, Arkansas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Mountain View, Arkansas Water and Wastewater Department's basic financial statements and have issued our report thereon dated July 31, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and management responses as items #2025-01, #2025-02, #2025-03 and #2025-04 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

City of Mountain View, Arkansas Water and Wastewater Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Mountain View, Arkansas Water and Wastewater Department's response to the findings identified in our audit and described in the accompanying schedule of findings and management responses. The Department's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 31, 2026

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Findings and Management Responses
December 31, 2025

Financial Statement Findings

Significant Deficiencies:

2025-01 – Segregation of Duties

Condition: Due to the limited number of personnel, there is a general lack of segregation of accounting duties. Department personnel have access to or physical custody of assets and perform accounting functions which may not be compatible from a control perspective.

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

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

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

Recommendation: Such activities should be split between employees to the greatest extent possible in order to separate incompatible duties.

Management's Response: The Department will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.

2025-02 – Material Misstatements

Condition: In the process of performing our audit, we encountered account balances that required adjustment to fairly state the balance. In addition, a timely account reconciliation and financial statement close process should be implemented.

Criteria: Complete and accurate accounting records and related supporting documentation should be maintained.

Cause: It is our belief the problem is due to the size of the accounting department and lack of account reconciliations.

Effect: As such, accounting processes were not efficient and effective in reporting account balances which could cause material misstatements and unreconciled accounts.

Recommendation: Timely and accurate financial statements are critical in aiding management in making decisions to effectively manage the organization. It is our recommendation that management reconciles and adjust account balances on a monthly basis based on appropriate documentation. In order to provide more accurate and timely financial reporting, we highly encourage management to implement a more rigorous review process.

Management's Response: Management will make a concerted effort to make the necessary adjustments that fairly state the account balances.

Financial Statement Findings (Cont.)

Significant Deficiencies (Cont.):

2025-03 – Inventory Valuation and Retention of Supporting Records

Condition: The Department records inventory at cost plus 10%. In addition, the Department does not have access to purchase records for inventory purchases made more than five years ago, although certain items purchased during those periods remain include in the Department's physical inventory count.

No material adjustment to the financial statements resulted from this matter during the audit.

Criteria: Management is responsible for designing, implementing, and maintaining internal controls over financial reporting that provide reasonable assurance that inventory balances are properly valued, adequately supported, and reported in accordance with the Department's applicable financial reporting framework. Such controls should include procedures to ensure inventory costs are determined using an appropriate and consistently applied valuation method and that sufficient supporting documentation is retained for items included in the physical inventory count.

Cause: The Department's inventory valuation and record retention procedures have not been designed to ensure that all inventory items included in the physical count are supported by accessible historical purchase records or other sufficient documentation of cost. Additionally, the Department's practice of recording inventory at cost plus 10% has not been supported by procedures demonstrating that the resulting valuation approximates the appropriate inventory carrying amount.

Effect: Although no material adjustment resulted from this issue in the current year, the lack of accessible supporting purchase records and the use of cost plus 10% to value inventory increase the risk that inventory may be misstated. If inventory quantities or older inventory items become significant, or if the 10% factor does not reasonably approximate the appropriate valuation, the deficiency could result in a material misstatement of inventory and related financial statements balances.

Recommendation: We recommend that the Department evaluate and document its inventory valuation methodology to ensure inventory is recorded using an appropriate and consistently applied basis. The Department should also implement procedures to retain or otherwise maintain accessible support for the cost of inventory items for as long as those items remain on hand and included in the inventory balance.

Management's Response:

Management will implement a standard operating procedure to record accurately and consistently inventory entries. Water Office Management will retain and maintain inventory invoices for as long as items remain in inventory.

Financial Statement Findings (Cont.)

Significant Deficiencies (Cont.):

2025-04 – Backup procedures for local server

Condition: The Department does not perform backups of its local server. The Department does not use tape backups, cloud-based backups, or another backup method. The local server houses crucial accounting and billing data used by the Department.

Criteria: Management is responsible for establishing and maintaining internal controls over information systems that support financial reporting and operations. Such controls should include appropriate data backup and recovery procedures designed to safeguard critical accounting, billing, and operational data and to support timely recovery in the event of system failure, data loss, cyber incident, natural disaster, or other disruption.

Cause: The Department has not established a formal backup process for the local server or assigned procedures to ensure that critical data is periodically backed up and recoverable.

Effect: Without a backup process, the Department is exposed to an increased risk of permanent loss of accounting and billing data in the event of server failure, accidental deletion, cyber incident, physical damage, or other disruption. Loss of such data could impair the Department's ability to process transactions, bill customers, collect revenues, support account balances, and prepare accurate financial information.

Recommendation: We recommend that the Department implement a formal data backup and recovery process for the local server. The process should include, at a minimum, routine backups of critical accounting and billing data, secure storage of backup medica or use of a reputable cloud-based backup solution, periodic monitoring to confirm backups are completed successfully, and periodic testing to verify that data can be restored. Management should also consider documenting responsibilities, backup frequency, retention periods, and recovery procedures in a written policy.

Management's Response:

Management has already researched options and will ask the city council to approve a contract with an experienced company the City of Mountain View already uses for offsite backups.

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of

Mountain View, Arkansas

Independent Auditor’s Report

and Financial Statements

December 31, 2025 and 2024

Welch, Couch & Company, PA
Certified Public Accountants

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Mountain View, Arkansas Water Treatment Plant
City of Mountain View, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mountain View, Arkansas Water Treatment Plant, (a proprietary fund of the City of Mountain View, Arkansas) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise City of Mountain View, Arkansas Water Treatment Plant's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Mountain View, Arkansas Water Treatment Plant, as of December 31, 2025 and 2024, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 View, Arkansas Water Treatment Plant 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 of the City of Mountain View, Arkansas Water Treatment Plant are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mountain View, Arkansas that is attributable to the transactions of the City of Mountain View, Arkansas Water Treatment Plant. They do not purport to, and do not, present fairly the financial position of the City of Mountain View, Arkansas, as of December 31, 2025 and 2024, 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.

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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.

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 View, Arkansas Water Treatment Plant’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mountain View, Arkansas Water Treatment Plant’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain View, Arkansas Water Treatment Plant’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 on the basic financial statements is not affected by this missing information.

Supplementary Information

Management is responsible for the supplementary information on pages 17 to 18. Our opinion on the basic financial statements does not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2026, on our consideration of the City of Mountain View, Arkansas Water Treatment Plant'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 View, Arkansas Water Treatment Plant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mountain View, Arkansas Water Treatment Plant's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 31, 2026

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Net Position

December 31, 2025 and 2024

Assets

	2025	2024
Current assets		
Cash and cash equivalents - Notes 1 & 2	$ 1,491,732	$ 1,314,527
Accounts receivable	63,401	51,830
Interfund receivables - Note 3	26,024	31,092
Prepaid expenses	8,359	8,359
Total current assets	1,589,516	1,405,808
Restricted cash		
Debt service funds - Note 6	245,878	245,309
Capital replacement and repair funds - Note 6	326,360	292,074
Total restricted cash	572,238	537,383
Capital assets		
Nondepreciable assets - Note 4	50,259	50,259
Capital assets, net of accumulated depreciation - Note 4	6,076,363	6,350,827
Total capital assets	6,126,622	6,401,086
Total assets	**$ 8,288,376**	**$ 8,344,277**

Liabilities and Net Position

	2025	2024
Current liabilities		
Accounts payable	$ 24,024	$ -
Interfund payables - Note 3	1,390	1,390
Accrued payroll and related liabilities	1,762	1,762
Deferred revenue	9,285	9,285
Accrued interest payable	4,432	4,432
Current portion of long-term debt - Note 5	146,098	139,681
Total current liabilities	186,991	156,550
Long-term liabilities		
Long-term debt, net of current portion - Note 5	2,110,670	2,256,778
Total liabilities	2,297,661	2,413,328
Net position		
Net investment in capital assets	3,869,854	4,004,627
Restricted expendable	572,238	537,383
Unrestricted	1,548,623	1,388,939
Total net position	5,990,715	5,930,949
Total liabilities and net position	**$ 8,288,376**	**$ 8,344,277**

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Water sales	$ 1,188,142	$ 1,057,297
Miscellaneous income	6,278	1,225
Total operating revenues	1,194,420	1,058,522
Operating expenses		
Chemicals	116,694	121,888
Contract services	76,726	147,903
Depreciation	330,851	346,235
Dues and fees	3,896	3,856
Insurance	30,842	28,468
Office expense	-	884
Repairs and maintenance	1,602	7,825
Salaries and payroll reimbursements	98,859	98,840
Retirement reimbursements	14,961	14,610
Payroll taxes and employee benefits	22,113	21,811
Supplies and materials	27,780	31,055
Telephone and utilities	328,239	260,085
Travel and education	2,395	2,945
Vehicle expense	15,976	17,985
Total operating expenses	1,070,934	1,104,390
Operating income (loss)	123,486	(45,868)
Nonoperating revenues (expenses)		
Interest income	41,256	4,976
Interest expense	(104,976)	(110,865)
Total nonoperating revenues (expenses)	(63,720)	(105,889)
Changes in net position	59,766	(151,757)
Net position - beginning of year	5,930,949	6,082,706
Net position - end of year	**$ 5,990,715**	**$ 5,930,949**

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

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from customers	$ 1,181,639	$ 1,049,328
Cash payments to and/or for employees	(135,933)	(606,457)
Cash payments to suppliers for goods and services	(580,126)	(120,651)
Other cash receipts (payments)	6,278	(28,371)
Net cash provided by operating activities	471,858	293,849
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(56,387)	(37,701)
Principal paid on capital related debt	(139,691)	(133,556)
Interest paid on capital related debt	(104,976)	(111,112)
Net cash (used in) capital and related financing activities	(301,054)	(282,369)
Cash flows from investing activities:		
Interest income	41,256	4,976
Net cash provided by investing activities	41,256	4,976
Net increase in cash and cash equivalents	212,060	16,456
Cash and cash equivalents - beginning of year	1,851,910	1,835,454
Cash and cash equivalents - end of year	**$ 2,063,970**	**$ 1,851,910**
Reconciliation of total cash and cash equivalents to the statements of net position:		
Current assets - cash and cash equivalents	$ 1,491,732	$ 1,314,527
Restricted cash - cash and cash equivalents	572,238	537,383
Total cash and cash equivalents	**$ 2,063,970**	**$ 1,851,910**
Supplemental information		
Interest paid	$ 104,976	$ 111,112

(Continued)

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

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Statements of Cash Flows (Cont.)

For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 123,486	$ (45,868)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:		
Depreciation expense	330,851	346,235
Net changes in:		
Receivables	(6,503)	(7,969)
Prepaid expenses	-	1,469
Accounts payable	24,024	-
Accrued expenses	-	(18)
Net cash flows provided by operating activities	**$ 471,858**	**$ 293,849**

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

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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

Financial Reporting Entity

These financial statements present only the City of Mountain View, Arkansas Water Treatment Plant funds, accounts, and balances, and are not intended to present the financial position, results of operations, and cash flows of the City of Mountain View, Arkansas.

Basis of Accounting

The Water Treatment Plant's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds. The financial statements of the Water Treatment Plant have been prepared on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of the timing of related cash flows.

Operating Revenues and Expenses

The Water Treatment Plant's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from charges to the municipalities and water associations for metered water service. Operating expenses are the costs of providing these services and include water pumping, treatment and testing expenses, administrative expenses, and depreciation of capital assets.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts, savings accounts, and certificates of deposit with original maturities of three months or less.

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

Accounts Receivable

Accounts receivable consist of the balances due from the entities using the treated water provided by the City of Mountain View, Arkansas Water Treatment Plant. These entities are other municipalities and water associations 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. Based on its assessment of current conditions, management believes realization losses on the amounts outstanding at December 31, 2025 and 2024, will be immaterial. Accordingly, there is no allowance for uncollectible accounts at December 31, 2025 and 2024.

Prepaid Expenses

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

Restricted Cash

Restricted cash consists of cash restricted by bond ordinances and the City Council for debt service.

Capital Assets

Capital assets costing more than $1,500 and that have useful lives of more than one year are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from five to forty years of the various assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged against earnings when incurred.

Estimated useful lives are as follows:

System and improvements	10 – 40 years
Equipment, furniture and fixtures	5 – 10 years
Vehicles	5 years

Accounts Payable

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

Interfund Receivable and Payable

At December 31, 2025 and 2024, interfund receivable and payables consisted of amounts due from or to the City of Mountain View Water and Wastewater Department.

Accrued Interest Payable

Accrued interest payable consists of interest due to the United States Department of Agriculture on notes payable at December 31, 2025 and 2024.

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

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities comprise employee wages payable and related liabilities at December 31, 2025 and 2024.

Long-Term Debt

At December 31, 2025 and 2024, long-term debt consisted of principal amounts due to the United States Department of Agriculture. See Note 5 for further detail.

Restricted Resources

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

Grants and Contributions

From time to time, the Water Treatment Plant receives grants and contributions from federal and state governments, individuals, and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Position

Net position classifications are defined as follows:

Net investment in capital assets – this component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position:

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

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

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

Net Position (Cont.)

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

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 financial statement presentation. These reclassifications had no effect on the change in net position as previously reported.

Note 2 – Concentration of Credit Risk

Credit risk for trade accounts receivable is concentrated because substantially all of the balances are receivable from other municipalities and water associations located within the same geographic region. The Water Treatment Plant grants unsecured credit to these municipalities and water associations.

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

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Water Treatment Plant’s deposit policy for custodial credit risk requires compliance with the provisions of state law. At December 31, 2025, the Water Treatment Plant’s carrying amount of deposits was $2,063,970. The bank balances totaled $2,070,780 and were fully covered by Federal Depository Insurance and pledged securities held by the financial institution.

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

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

Concentration of credit risk – The Water Treatment Plant places no limit on the amount it may invest in any one issuer.

Note 2 – Concentration of Credit Risk (Cont.)

The carrying amounts of deposits are included in the Water Treatment Plant's statements of net position as follows:

	2025	2024
Deposits	$ 2,063,970	$ 1,851,910
Total	**$ 2,063,970**	**$ 1,851,910**
Included in the following statement of net position captions:		
Cash and cash equivalents	$ 1,491,732	$ 1,314,527
Restricted cash	572,238	537,383
Total	**$ 2,063,970**	**$ 1,851,910**

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest income	**$ 41,256**	**$ 4,976**

Note 3 – Interfund Balances

At December 31, 2025 and 2024, interfund receivables consisted of amounts due to the Water Treatment Plant for water purchased for distribution.

At December 31, 2025 and 2024, interfund payables consisted of the amounts due to the City of Mountain View, Arkansas Water and Wastewater Department for the water utilized at the Water Treatment Plant.

Both the interfund receivable and payable balances are classified as current assets and liabilities, respectively, as the amounts are expected to be collected/paid within one year.

Note 4 – Capital Assets and Depreciation

Capital asset additions, retirements and balances for the years ended December 31, 2025 and 2024, were as follows:

	Balance 12/31/2024	Additions	Retirements	Transfer Between Funds/ Reclass	Balance 12/31/2025
Capital assets not being depreciated:					
Land and land rights	$ 50,259	$ -	$ -	$ -	$ 50,259
Total capital assets not being depreciated	50,259	-	-	-	50,259
Capital assets being depreciated:					
System and improvements	13,160,608	-	-	-	13,160,608
Equipment, furniture and fixtures	750,062	32,544	-	-	782,606
Vehicles	220,721	23,843	-	-	244,564
Total capital assets being depreciated	14,131,391	56,387	-	-	14,187,778
Less accumulated depreciation for:					
System and improvements	(6,891,934)	(314,280)	-	-	(7,206,214)
Equipment, furniture and fixtures	(697,762)	(7,910)	-	-	(705,672)
Vehicles	(190,868)	(8,661)	-	-	(199,529)
Total accumulated depreciation	(7,780,564)	(330,851)	-	-	(8,111,415)
Total capital assets being depreciated, net	6,350,827	(274,464)	-	-	6,076,363
Capital assets, net	**$ 6,401,086**	**$ (274,464)**	**$ -**	**$ -**	**$ 6,126,622**

Depreciation expense for the year ended December 31, 2025, was $330,851.

Note 4 – Capital Assets and Depreciation (Cont.)

	Balance 12/31/2023	Additions	Retirements	Transfer Between Funds/ Reclass	Balance 12/31/2024
Capital assets not being depreciated:					
Land and land rights	$ 50,259	$ -	$ -	$ -	$ 50,259
Total capital assets not being depreciated	50,259	-	-	-	50,259
Capital assets being depreciated:					
System and improvements	13,160,608	-	-	-	13,160,608
Equipment, furniture and fixtures	712,361	37,701	-	-	750,062
Vehicles	220,721	-	-	-	220,721
Total capital assets being depreciated	14,093,690	37,701	-	-	14,131,391
Less accumulated depreciation for:					
System and improvements	(6,575,253)	(316,681)	-	-	(6,891,934)
Equipment, furniture and fixtures	(691,251)	(6,511)	-	-	(697,762)
Vehicles	(167,825)	(23,043)	-	-	(190,868)
Total accumulated depreciation	(7,434,329)	(346,235)	-	-	(7,780,564)
Total capital assets being depreciated, net	6,659,361	(308,534)	-	-	6,350,827
Capital assets, net	**$ 6,709,620**	**$ (308,534)**	**$ -**	**$ -**	**$ 6,401,086**

Depreciation expense for the year ended December 31, 2024, was $346,235.

Note 5 – Long-Term Debt

A schedule of changes in the Water Treatment Plant's long-term debt for the years ended December 31, 2025 and 2024, follows:

	Balance 12/31/2024	Additions	Reductions	Balance 12/31/2025	Amounts Due Within One Year
1997 Bond (RD 91-05)	$ 2,331,688	$ -	$ (135,892)	$ 2,195,796	$ 142,125
1997 Bond (RD 91-07)	64,771	-	(3,799)	60,972	3,973
Total long-term debt	**$ 2,396,459**	**$ -**	**$ (139,691)**	**$ 2,256,768**	**$ 146,098**

	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amounts Due Within One Year
1997 Bond (RD 91-05)	$ 2,461,612	$ -	$ (129,924)	$ 2,331,688	$ 135,882
1997 Bond (RD 91-07)	68,403	-	(3,632)	64,771	3,799
Total long-term debt	**$ 2,530,015**	**$ -**	**$ (133,556)**	**$ 2,396,459**	**$ 139,681**

USDA Bonds:

On July 16, 1998, loan agreements were signed with the United States Department of Agriculture Rural Development in exchange for the 1997 bond issue for funds for improvements to the Water Treatment Plant. The initial loan 91-05, in the amount of $4,321,400, bears interest at 4.50% and is collateralized by the Water Treatment Plant's revenues. Payments in the amount of $19,836 are due monthly through July 2037. The subsequent loan 91-07, in the amount of $120,400, bears interest at 4.50% and is also collateralized by the Water Treatment Plant's revenues. Payments in the amount of $553 are due monthly through July 2037.

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

December 31,	Principal Amount	Interest Amount
2026	$ 146,098	$ 98,570
2027	152,809	91,859
2028	159,829	84,839
2029	167,472	77,496
2030	174,852	69,816
2031 - 2035	1,002,389	220,952
2036 - 2037	453,319	20,929
Total	**$ 2,256,768**	**$ 664,461**

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Notes to Financial Statements

December 31, 2025 and 2024

Note 6 – Fund Requirements

Ordinance Number 97-14, as amended by Ordinance Number 98-7, authorized the issuance of the 1997 series of water and sewer revenue bonds. Ordinance No. 97-14 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.

The debt service account for the initial loan (91-05) is to have $1,938 per month transferred to it until a reserve of $238,032 is established. As this reserve has been met, no further transfers were required during the years ended December 31, 2025 and 2024.

The debt service account for the subsequent loan (91-07) is to have $55 per month transferred into it until a total reserve of $6,638 is reached. As this reserve has been met, no further transfers were required during the years ended December 31, 2025 and 2024.

In addition, the Water Treatment Plant has restricted $326,360 and $292,074 at December 31, 2025 and 2024, for future capital improvements and replacements, under Arkansas ACT 545.

Note 7 – Risk Management

The City of Mountain View, Arkansas Water Treatment Plant has purchased commercial insurance coverage to cover potential losses due to the various risks related to the damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Treatment Plant had no claims in excess of 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.

Note 8 – Water Rates and Volume

Water rates in effect during the years ended December 31, 2025 and 2024, were $1.98 per 1,000 gallons. Total water gallons sold during the years ended December 31, 2025 and 2024, were 568,700,900 and 523,621,300, respectively.

Note 9 – Water Treatment Plant Governing Body

Effective March 26, 2007, the Mountain View, Arkansas City Council is the governing body for the Water Treatment Plant. Members of the Mountain View City Council at December 31, 2025 and 2024, are as follows:

2025	2024
Jessica Sterlin	J.K. Williams
Bobby J. Day	Truman Bullard
Dana Woods	Dana Woods
Danny Simmons	Danny Simmons
Wayne “Ricky” Shuttleworth	Wayne “Ricky” Shuttleworth
Finis Brewer	Finis Brewer

Note 10 – Subsequent Events

Management has evaluated subsequent events through July 31, 2026, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Supplemental Schedule of Consumption

For the Year Ended December 31, 2025

Month	Gallons Sold
January	41,122,200
February	46,851,000
March	53,228,500
April	38,594,000
May	41,708,800
June	50,263,600
July	51,807,600
August	62,909,200
September	47,187,300
October	47,344,700
November	47,339,600
December	40,344,400
Total consumption	**568,700,900**
Monthly averages	**47,391,742**

See Independent Auditor's Report.

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Supplemental Schedule of Consumption

For the Year Ended December 31, 2024

Month	Gallons Sold
January	44,231,000
February	42,987,400
March	37,657,600
April	39,555,700
May	41,987,400
June	48,663,700
July	47,884,700
August	48,219,100
September	48,757,700
October	40,667,900
November	41,423,500
December	41,585,600
Total consumption	**523,621,300**
Monthly averages	**43,635,108**

See Independent Auditor's Report

Welch, Couch & Company, PA
Certified Public Accountants

Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA | Allen E. Brinkman, CPA
Members of American Institute of Certified Public Accountants

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

To the Mayor and Members of the City Council
City of Mountain View, Arkansas Water Treatment Plant
City of Mountain View, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Mountain View, Arkansas Water Treatment Plant, a proprietary fund of the City of Mountain View, Arkansas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Mountain View, Arkansas Water Treatment Plant's basic financial statements, and have issued our report thereon dated July 31, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and management's responses as item #2025-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Mountain View, Arkansas Water Treatment Plant's Response to Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Treatment Plant'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 Water Treatment Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 31, 2026

CITY OF MOUNTAIN VIEW, ARKANSAS

WATER TREATMENT PLANT

A Proprietary Fund of the City of Mountain View, Arkansas

Schedule of Findings and Management's Responses

December 31, 2025

Financial Statement Finding

Significant Deficiency:

2025-01 – Segregation of Duties

Condition: Due to the limited number of personnel, there is a general lack of segregation of accounting duties. Water Treatment Plant personnel have access to or physical custody of assets and perform accounting functions which may not be compatible from a control perspective.

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

Cause: There is a small number of people responsible for the financial transactions of the Water Treatment Plant.

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

Recommendation: Such activities should be split between employees to the greatest extent possible in order to separate incompatible duties.

Management's Response: The Water Treatment Plant will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.