

CITY OF MOUNT IDA WATER & SEWER DEPARTMENT
FINANCIAL STATEMENTS
December 31, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council of the
City of Mt. Ida Water & Sewer Department

We have performed the procedures enumerated below for the City of Mt. Ida Water & Sewer Department, ("the Organization"), the year ended December 31, 2023. The Organization's management is responsible for accounting records.

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

The procedures and associated findings are as follows:

Cash and Investments

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

Findings: No findings identified.

Receipts

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

Findings: No findings identified.

Accounts Receivable

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

Findings: *No findings identified.*

Disbursements

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

Findings: *No findings identified.*

Property, Plant, and Equipment

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

Findings: *No findings identified.*

Long-Term Debt

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

Findings: *No findings identified.*

General

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

Findings: *No findings identified.*

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

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

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

Searcy & Associates LLC

Monticello, Arkansas
July 3, 2025

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To the City Council of the
City of Mt. Ida Water & Sewer Department

Management is responsible for the accompanying financial statements of the Water & Sewer Department of the City of Mt. Ida (“the Organization”), a component unit of the City of Mt. Ida, Arkansas, which comprised the statement of net position as of December 31, 2023, and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the year then ended, which collectively comprise the Organization’s basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, no provide any assurance on these financial statements.

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

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the Organization’s financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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



Monticello, Arkansas
July 3, 2025

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
STATEMENT OF NET POSITION

December 31, 2023

	2023
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 325,289
Accounts receivable (net)	127,955
Total current assets	453,244
<u>Restricted cash and investments</u>	
Meter deposits	95,316
Debt reserve funds	249,328
Total restricted cash and investments	344,644
Fixed assets, net of accumulated depreciation	4,089,022
Deferred outflow of resources related to pension	82,494
Total assets	\$ 4,969,404
<u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 19,368
Accrued interest	1,436
Accrued payroll	5,855
Due to Montgomery County Regional Public Water Authority	65,027
Other accrued expenses	28,340
Current portion of bonds payable	71,316
Total current liabilities	191,342
<u>Long term liabilities</u>	
Bonds payable, net of current amount	1,145,274
Pension liability	273,325
Customer deposits	85,077
Total long term liabilities	1,503,676
Deferred inflow of resources related to pension	27,641
<u>Net position</u>	
Invested in capital assets, net of related debt	2,872,432
Restricted	249,328
Unrestricted	124,985
Total net position	3,246,745
Total liabilities and net position	\$ 4,969,404

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

**WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2023

	<u>2023</u>
<u>Operating revenues</u>	
Water services	\$ 758,353
Waste water services	116,452
Other operating revenue	56,121
Total operating revenue	<u>930,926</u>
 <u>Operating expenses</u>	
Plant operations and distribution	897,419
General and administrative	94,918
Depreciation	210,649
Total operating expenses	<u>1,202,986</u>
 Income / (loss) from operations	(272,060)
 <u>Other revenue / (expenses)</u>	
Interest income	15,054
Grant revenue	(300)
Pension expense	(27,747)
Interest expense	(21,697)
Total other revenue / (expenses)	<u>(34,690)</u>
 <u>Excess (deficit) of revenues over expenses</u>	(306,750)
 <u>Other financing sources (uses)</u>	
Transfers in / (out)	<u>227,615</u>
 <u>Change in net position</u>	<u>\$ (79,135)</u>
 <u>Net position, beginning of year</u>	3,325,880
Change in net invested in capital assets	(12,846)
Change in restricted assets	-
Change in unrestricted assets	(66,289)
Change in net position	<u>(79,135)</u>
 <u>Net position, end of year</u>	<u>\$ 3,246,745</u>

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

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 914,231
Payments for salaries and benefits	(276,350)
Payments for operating and administrative expenses	(739,350)
Net cash provided by (used for) operating activities	(101,469)
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(127,770)
Transfers in (out)	227,615
Interest income	15,054
Net cash provided by (used for) investing activities	114,899
<u>Cash flows from financing activities</u>	
Proceeds from grant revenue	(300)
Principal payments on debt	(70,033)
Interest payments	(21,697)
Change in pension liability	(9,241)
Pension expense	(27,747)
Change in deferred outflows / inflows	6,924
Change in customer deposits	-
Net cash provided by (used for) financing activities	(122,094)
<u>Change in cash and cash equivalents</u>	(108,664)
<u>Cash and cash equivalents, beginning of year</u>	778,597
<u>Cash and cash equivalents, end of year</u>	669,933
<u>Cash and cash equivalents</u>	325,289
<u>Restricted cash and cash equivalents</u>	344,644
	\$ 669,933

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

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2023

	2023
<u>Reconciliation of operating income to net cash from operating activities:</u>	
Operating income (loss)	\$ (272,060)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	210,649
Changes in assets and liabilities:	
Accounts receivable	(16,695)
Accounts payable	-
Accrued interest	-
Accrued payroll	610
Due to MCRPWA	(7,973)
Other accrued expenses	(16,000)
Total adjustments	170,591
 Net cash provided by (used for) operating activities	 \$ (101,469)

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

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Water and Sewer Department (the “Department”) is a component unit of the City of Mount Ida, Arkansas. The Department is governed by a commission, which is appointed by the City Council. The Water Department provides water services to the City of Mount Ida and certain surrounding areas. The City Council approves the rate changes of the Department’s services. The debt of the Department is maintained in the name of the City of Mount Ida.

B. Fund Type

The Department is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

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

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

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

D. Use of Estimate

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

E. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Department considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 1 (continued)

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit, and deposits can be offset against the receivable.

Fixed Assets

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

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

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

Deferred Outflow / Inflow of Resources

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

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

Pension

The Department maintains one cost-sharing, multiple employer, defined benefit retirement plan. The plan is sponsored by the Arkansas Public Employee Retirement System. For purposes of measuring the net pension asset or liability, deferred outflow of resources and deferred inflow of resources related to pension, and pension expense have been determined on the same basis as they are reported by the actuary. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the Department and are not reimbursed by the plan.

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 1 (continued)

Net Position Classifications

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

F. Date of Management’s Review

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

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it.

The schedule below discloses the level of custodial credit risk assumed by the Department based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2023.

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

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

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

The level of security for the Department’s bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 563,168	\$ 250,000	\$ 313,168	\$ -
Bank B	138,048	147,691	-	-
Total	<u>\$ 701,216</u>	<u>\$ 397,691</u>	<u>\$ 313,168</u>	<u>\$ -</u>

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 2 (continued)

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

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

Meter deposits	\$	95,316
Debt reserve requirements		249,328
Total restricted cash	\$	344,644

The debt reserve cash requirements are restricted for use of replacement of certain equipment securing the bonded indebtedness or for their repairs during the term of the debt and for the use of annual debt service payments for the Department's indebtedness. Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Department or for off-setting any amounts owed by the customer upon departure. It is the Department's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

NOTE 3 – CHANGES IN FIXED ASSETS

	Balance December 31, 2022	Transfers	Additions	Disposals	Balance December 31, 2023
Water and sewer plants & lines	6,519,852	-	78,675	-	6,598,527
Furniture and fixtures	356,657	-	-	-	356,657
Vehicles	325,547	-	49,095	-	374,642
	7,202,056	-	127,770	-	7,329,826
Accumulated depreciation	(3,030,155)	-	(210,649)	-	(3,240,804)
	\$ 4,171,901	\$ -	\$ (82,879)	\$ -	\$ 4,089,022

NOTE 4 – LONG-TERM DEBT

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

Note payable to the USDA for the purchase of property and equipment, payable in 480 monthly installments of \$2,547, including principal and interest through August 2058; interest at 2.25%, secured by property and equipment	\$ 746,465
Note payable to the ANRC for the purchase of property and equipment, payable in annual installments of \$9,693, including principal and interest through June 2033; interest at 3.0%, secured by property and equipment	\$ 82,671
Note payable to the ANRC for the purchase of property and equipment, payable in annual installments of \$25,910, including principal and interest through June 2041; interest at 0.5%, secured by property and equipment	\$ 387,454

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 4 (continued)

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

	Debt Maturity	
	Principal	Interest
2024	\$ 71,316	\$ 20,787
2025	72,111	19,992
2026	72,921	19,182
2027	73,747	18,356
2028	74,589	17,514
2029-2033	244,131	75,389
2034-2038	95,092	60,606
2039-2043	106,403	49,294
2044-2048	119,061	36,637
2049-2053	133,223	22,474
Thereafter	153,996	6,729
	\$ 1,216,590	\$ 346,960

NOTE 5 – PENSION

Plan Description

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

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

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

Benefits Provided

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

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

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

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

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

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

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year. Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

Contributions

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

The Department pays for their portion of the pension plan to the City of Mount Ida based on the covered payroll percentage for the Department as compared to the City of Mount Ida. For the plan year, the allocation percentage for the Department is 70% of the covered payroll for the City of Mount Ida. Amounts below are allocated to the Department based on the allocation percentage.

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>.

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

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

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

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 22,041	\$ (2,145)
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	(37,342)
Changes of assumptions	18,357	-
Contributions subsequent to measurement date	28,851	-
Net difference between projected and actual earnings on pension plan investments	48,599	-
Total for City	117,848	(39,487)
Department pro-rata allocation	70%	70%
Total for Department	\$ 82,494	\$ (27,641)

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

	2024	2025	2026	2027	2028	Thereafter
Total for City	\$ 802	\$ (792)	\$ 52,779	\$ (3,279)	\$ -	\$ -
Department pro-rata allocation	70%	70%	70%	70%	70%	70%
Total for Department	\$ 561	\$ (554)	\$ 36,945	\$ (2,295)	\$ -	\$ -

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

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

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

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

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 5 (continued)

Discount Rate

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

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

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

	<u>Sensitivity of Discount Rate</u>		
	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
	6%	7%	8%
Total for City	\$ 622,364	\$ 390,464	\$ 199,400
Department pro-rata allocation	70%	70%	70%
Total for Department	<u>\$ 435,655</u>	<u>\$ 273,325</u>	<u>\$ 139,580</u>

NOTE 6 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 7 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES

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

SUPPLEMENTARY INFORMATION

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2023

	<u>2023</u>
<u>Plant operations and distributions</u>	
Water purchases	\$ 500,181
Salaries, wages, and benefits	186,225
Repairs and maintenance	49,547
Utilities	36,784
Payroll taxes	35,343
Operating supplies and other	89,339
Total plant operations and distributions	<u>897,419</u>
<u>General and administrative</u>	
Salaries, wages, and benefits	46,556
Office supplies	23,220
Professional fees	8,000
Payroll taxes	8,836
Other expenses	8,306
Total general and administrative	<u>94,918</u>
<u>Depreciation</u>	<u>210,649</u>
Total operating expenses	<u><u>\$ 1,202,986</u></u>

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Years Ended December 31, 2023 through 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Proportion of the net pension liability	0.094%	0.010%	0.011%	0.012%	0.012%	0.011%	0.012%	0.012%	0.011%
Proportionate share of the net pension liability	\$ 273,325	\$ 282,566	\$ 83,163	\$ 336,059	\$ 295,602	\$ 247,139	\$ 302,198	\$ 276,132	\$ 201,905
Covered - employee payroll	\$ 226,570	\$ 200,312	\$ 201,530	\$ 204,960	\$ 211,053	\$ 203,015	\$ 205,868	\$ 202,114	\$ 198,423
Proportionate share of the net pension liability as percentage of covered - employee payroll	120.64%	141.06%	41.27%	163.96%	140.06%	121.73%	146.79%	136.62%	101.75%
Plan's fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

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

See independent auditor's report.

WATER & SEWER DEPARTMENT OF THE CITY OF MOUNT IDA, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Contractually required contribution	\$ 31,847	\$ 33,559	\$ 33,091	\$ 35,080	\$ 35,921	\$ 30,953	\$ 30,561	\$ 30,336	\$ 28,709
Contributions in relation to the contractually required contribution	\$ (31,847)	\$ (33,559)	\$ (33,091)	\$ (35,080)	\$ (35,921)	\$ (30,953)	\$ (30,561)	\$ (30,336)	\$ (28,709)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Organization's covered - employee payroll	\$ 226,570	\$ 200,312	\$ 201,530	\$ 204,960	\$ 211,053	\$ 203,015	\$ 205,868	\$ 202,114	\$ 198,423
Contributions as a percentage of covered - employee payroll	14.06%	16.75%	16.42%	17.12%	17.02%	15.25%	14.84%	15.01%	14.47%

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