

**CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER ENTERPRISE FUND  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2024**



*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2024*

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Fund Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-24
Required Supplementary Information:	
APERS Schedule of Proportionate Share of the Net Pension Liability	25
APERS Schedule of Pension Contributions	26
Notes to Required Supplementary Information	27
Reports on Compliance and Internal Control:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Responses	30
Schedule of Status of Prior Findings	31
Other Information:	
Other Information Required by Loan Agreement with ANRC	32



**Independent Auditors' Report**

July 17, 2025

Honorable Mayor and Members of City Council  
City of Nashville, Arkansas  
Water and Sewer System Enterprise Fund  
Nashville, Arkansas

**Report on Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the business-type activities of the City of Nashville, Arkansas Water and Sewer System Enterprise Fund (System), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the System, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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 System, 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 opinions.

**Emphasis of Matter**

As described in Note I, the financial statements of the City of Nashville, Arkansas Water and Sewer System Enterprise Fund, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Water and Sewer System Enterprise Fund. They do not purport to, and do not present fairly the financial position of the City of Nashville, Arkansas as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity 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 System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 the *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 the *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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, APERS schedule of the proportionate share of the net pension liability on page 25, and APERS schedule of pension contributions on page 26 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 response 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.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information required by loan agreement with Arkansas Natural Resource Commission but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report on July 17, 2025, on our consideration of City of Nashville Water Sewer System Enterprise Fund'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 System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nashville Water Sewer System Enterprise Fund's internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.  
Certified Public Accountants  
Texarkana, Texas

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2024**

Our discussion and analysis of the City of Nashville Water and Sewer System (System) financial performance provides an overview of the System's financial activities for the year ended December 31, 2024. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

**Financial Highlights**

- The System maintained an Unrestricted Net Position balance of \$877,029 at December 31, 2024. Unrestricted Net Position represents the net balance accumulated by the System above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).
- The total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was \$5,674,330 at December 31, 2024.
- The System had \$9,210,224 of bonded debt and note payables outstanding at December 31, 2024.
- The most significant continuing revenue sources for the System consisted of \$3,950,921 of water, sewer and related services for the year ended December 31, 2024.

**Overview of the Financial Statements**

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position (Pages 8 and 9) provide long-term and short-term information about the System's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position is an indicator of whether the System's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all System costs through user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2024**

Our auditor has provided assurance in the independent auditors' report that the financial statements are fairly stated.

**Financial Analysis as a Whole**

Net position increased by \$879,291 as a result of this year's operations. The balance in net position represents the accumulated results of all past years' operations.

**Statement of Net Position**

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the System.

**City of Nashville Water and Sewer System**  
**Condensed Statement of Net Position**

	2024	2023	Dollar Change	Percent Change
Current assets (unrestricted)	\$ 1,581,946	\$ 1,390,495	\$ 191,451	13.77%
Current assets (restricted)	1,665,220	1,185,111	480,109	40.51%
Capital assets	14,890,244	15,098,186	(207,942)	-1.38%
Other assets	1,197	1,197	-	0.00%
Total Assets	<u>18,138,607</u>	<u>17,674,989</u>	<u>463,618</u>	<u>2.62%</u>
Deferred outflows related to APERS	<u>145,594</u>	<u>263,292</u>	<u>(117,698)</u>	<u>-44.70%</u>
Current liabilities (payable from current assets)	585,984	574,462	11,522	2.01%
Current liabilities (payable from restricted assets)	184,124	181,278	2,846	1.57%
Noncurrent liabilities - bonded debt	8,790,166	9,211,034	(420,868)	-4.57%
Noncurrent liabilities - net pension liability	654,679	791,695	(137,016)	-17.31%
Total Liabilities	<u>10,214,953</u>	<u>10,758,469</u>	<u>(543,516)</u>	<u>-5.05%</u>
Deferred inflows related to APERS	<u>36,793</u>	<u>26,648</u>	<u>10,145</u>	<u>38.07%</u>
Net investment in capital assets	5,674,330	5,479,158	195,172	3.56%
Restricted	1,481,096	1,003,833	477,263	47.54%
Unrestricted	877,029	670,173	206,856	30.87%
Total Net Position	<u>\$ 8,032,455</u>	<u>\$ 7,153,164</u>	<u>\$ 879,291</u>	<u>12.29%</u>

The largest category of net position is Net Investment in Capital Assets, and comprises 70.64% of Net Position. This category totaling \$5,674,330 reflects the total invested in capital assets (land, buildings, equipment, water and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resource available for future spending. The System's investment in its capital assets is reported net of related debt. Related long-term liabilities outstanding at December 31, 2024 totaled \$8,790,166 and related current portion of the long-term debt of \$420,058 is reflected in current liabilities (payable from current assets). It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2024**

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position total \$1,481,096.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position total \$877,029.

At the end of the current year, the System was able to report positive balances in all three categories of net position, and for the System as a whole.

**Changes in Fund Net Position**

While the Statement of Net Position shows the financial position, the Statement of Revenues, Expenses and Changes in Fund Net Position shows the changes in net position. As can be seen in the table below, the System had an increase in net position of \$879,291, as a result from increased rates, capital grants, and conservative spending on expenses.

A summary of the Statement of Revenues, Expenses and Changes in Fund Net Position is presented in the table below.

City of Nashville Water and Sewer System  
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2024	2023	Dollar Change	Percent Change
Water, sewer & other service charges fees	\$ 3,950,921	\$ 3,053,644	\$ 897,277	29.38%
Total Operating Revenues	<u>3,950,921</u>	<u>3,053,644</u>	<u>897,277</u>	<u>29.38%</u>
Depreciation expense	624,671	629,836	(5,165)	-0.82%
Other operating expenses	2,544,277	2,428,349	115,928	4.77%
Total Operating Expenses	<u>3,168,948</u>	<u>3,058,185</u>	<u>110,763</u>	<u>3.62%</u>
Operating income (loss)	781,973	(4,541)	786,514	17320.28%
Nonoperating revenues	380,348	131,333	249,015	189.61%
Nonoperating expenses	<u>(260,640)</u>	<u>(266,213)</u>	<u>(5,573)</u>	<u>-2.09%</u>
Income (loss) before contributions & transfers	901,681	(139,421)	1,041,102	746.73%
Operating transfers in (out), net	<u>(22,390)</u>	<u>108,324</u>	<u>(130,714)</u>	<u>-120.67%</u>
Increase (Decrease) Change in Net Position	879,291	(31,097)	910,388	2927.58%
Net Position - Beginning of Year	<u>7,153,164</u>	<u>7,184,261</u>	<u>(31,097)</u>	<u>-0.43%</u>
Net Position - End of Year	<u>\$ 8,032,455</u>	<u>\$ 7,153,164</u>	<u>\$ 879,291</u>	<u>12.29%</u>

**Capital Assets and Long-Term Debt**

**Capital Assets**

The cost of property, plant and equipment, net of accumulated depreciation as of December 31, 2024 was \$14,890,244. Capital assets additions during the current fiscal year totaled \$416,729. More detailed information about capital assets is presented in Note 6 to the financial statements.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2024**

Long-Term Debt

At year-end the System had \$9,210,224 of bonds and notes outstanding, which is a net decrease of \$(408,804) from the previous year. More detailed information about long-term liabilities is presented in Notes 7 of the financial statements.

**Economic Factors and Next Year's Budgets**

Water usage continues to trend upward in 2025. The water and wastewater plants are in compliance at this time. We have projects in the design phase for both the water and wastewater plants. We will be going to bid this summer, 2025, for the ANRC funded water project. We have received a grant from Southwest Planning District through the CDBC program to fund our wastewater project. This work should begin in the fall of 2025.

The City of Nashville will be upgrading the water plant output capacity from 6MGD (million gallons per day) to 10MGD. This project will include an upgrade to the river pump station as well as the water plant. Additionally, the City will be adding an elevated water tank to the distribution system. This upgrade will meet higher demands for Tyson Foods and Nashville Rural Water.

**Requests for Information**

This financial report is designed to provide a general overview of the System's finances and to demonstrate the System's accountability. If you have questions regarding this report or need additional information, contact the System at 426 North Main, Nashville, Arkansas, 71852. The phone number for the System is (870) 845-7400.

***CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
FINANCIAL STATEMENTS***

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2024*

<b>Current Assets - Unrestricted</b>	
Cash and cash equivalents	\$ 821,252
Certificates of deposit	261,339
Receivables, net of allowance for uncollectible accounts	
Water and sewer customers	447,187
Due from other funds	2,931
Inventories of materials and supplies	49,237
<b>Total Current Assets - Unrestricted</b>	<u>1,581,946</u>
<b>Restricted Assets</b>	
Cash and cash equivalents	394,412
Certificates of deposit	1,270,808
<b>Total Restricted Assets</b>	<u>1,665,220</u>
<b>Property, Plant and Equipment</b>	
Property, plant and equipment, net of accumulated depreciation	<u>14,890,244</u>
<b>Other Assets</b>	
Miscellaneous assets	<u>1,197</u>
<b>Total Assets</b>	<u>\$ 18,138,607</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to APERS	<u>\$ 145,594</u>
<b>Current Liabilities (payable from current assets)</b>	
Accounts payable	9,222
Accrued payroll and other liabilities	146,930
Due to other funds	4,084
Retainage payable	5,690
Current portion of long-term debt	420,058
<b>Total Current Liabilities (payable from current assets)</b>	<u>585,984</u>
<b>Current Liabilities (payable from restricted assets)</b>	
Customer deposits	160,441
Accrued interest payable	23,683
<b>Total Current Liabilities (payable from restricted assets)</b>	<u>184,124</u>
<b>Long-Term Liabilities</b>	
Notes and bonds payable, net of unamortized discount	8,790,166
Net Pension Liability Related to APERS	654,679
<b>Total Long-Term Liabilities</b>	<u>9,444,845</u>
<b>Total Liabilities</b>	<u>\$ 10,214,953</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to APERS	<u>\$ 36,793</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,674,330
Restricted for Capital Maintenance and Acquisition	884,862
Restricted for Debt Service	596,234
Unrestricted	877,029
<b>Total Net Position</b>	<u>\$ 8,032,455</u>

The accompanying notes are an integral part of these statements.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

<b>Operating Revenues</b>	
Water revenues	\$ 3,203,057
Sewer revenues	690,770
Other service charges and fees	57,094
<b>Total Operating Revenues</b>	<b>3,950,921</b>
 <b>Operating Expenses</b>	
Salaries and wages	679,070
Depreciation expense	624,671
Materials and supplies	80,921
Purification	616,374
Utilities	318,359
Telephone and internet	21,867
Repairs and maintenance	288,254
Employees health insurance	113,446
Employees retirement benefits	103,564
Employees retirement benefits - change in net pension liability	(9,173)
Payroll taxes	52,441
Workers compensation	7,435
Insurance - other	40,102
Professional services and engineering fees	30,388
Gas and oil	22,789
Computer expenses	11,864
Testing, monitoring and fees	50,701
Other operating expenses	115,875
<b>Total Operating Expenses</b>	<b>3,168,948</b>
<b>Operating Income (Loss)</b>	<b>781,973</b>
 <b>Non-Operating Revenues (Expenses)</b>	
Interest revenue	78,638
Capital grant revenue	181,752
Bond and note interest expense and fees	(260,640)
Capital contribution from general fund	119,958
<b>Total Non-Operating Revenues (Expenses)</b>	<b>119,708</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>901,681</b>
Transfers in (out) to/ from other funds, net	(22,390)
<b>Change in Net Position - Increase (Decrease)</b>	<b>879,291</b>
<b>Net Position - Beginning of Year</b>	<b>7,153,164</b>
<b>Net Position - End of Year</b>	<b>\$ 8,032,455</b>

The accompanying notes are an integral part of these statements.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

<b>Cash Flows from Operating Activities:</b>	
Cash received from providing services	\$ 3,907,578
Cash paid to employees	(701,305)
Cash paid to suppliers	(1,855,353)
<b>Cash Provided (Used) by Operating Activities</b>	<b>1,350,920</b>
 <b>Cash Flows from Noncapital Financing Activities:</b>	
Transfer in (out) to / from other funds	(22,390)
<b>Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(22,390)</b>
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(416,729)
Capital contribution from general fund	119,958
Capital grant revenue	181,752
Bonds and notes principal payments	(408,804)
Bond and loan interest expense and fees	(262,226)
<b>Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(786,049)</b>
 <b>Cash Flows from Investing Activities:</b>	
Interest income	78,638
Reinvested in investment - certificates of deposit	(52,786)
<b>Cash Provided (Used) by Investing Activities</b>	<b>25,852</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>568,333</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>647,331</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,215,664</b>
 <b>Cash Flows from Operating Activities:</b>	
Operating income (loss)	\$ 781,973
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	624,671
Changes in assets & deferred outflows & liabilities & deferred inflows:	
Decrease (increase) in receivables	(43,343)
Decrease (increase) in inventory	(7,099)
Increase (decrease) in accounts payable - trade	6,830
Increase (decrease) in accrued payroll and other liabilities	(13,062)
Increase (decrease) in retainage payable	5,690
Increase (decrease) in customer deposits liability	4,433
Increase (decrease) in outflows, inflows and liabilities APERS	(9,173)
<b>Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,350,920</b>

The accompanying notes are an integral part of these statements.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

**Note 1 – Summary of Accounting Policies**

The City of Nashville, Arkansas is a municipality duly incorporated under the laws of the State of Arkansas and located in Howard County, Arkansas. The city operates under a council-mayor form of government and provides the following services: public safety (police and fire), highways and streets, water utility service, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements presented herein include only the funds and accounts relevant to operation of the City of Nashville, Arkansas Water and Sewer System Enterprise Fund (System). They are not intended to present fairly the financial position and results of operations of the City of Nashville, Arkansas, as a whole entity.

The accounting and reporting policies of the Water and Sewer System Enterprise Fund relating to the fund included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

The more significant accounting policies of the System are described below.

*Basis of Presentation*

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position display information about only the Water and Sewer System Enterprise Fund. The accounts of the System are organized on the basis of funds, each of which is considered to be a separate accounting entity. The transactions of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses. The various funds are combined in the financial statements in this report as one fund type, a proprietary fund.

*Proprietary Fund Type*

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following is the System's Proprietary Fund type:

*Enterprise Fund* - The Enterprise Fund is used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Water and Sewer System Enterprise Fund is operated as a self-sustaining utility of the City of Nashville, Arkansas.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

An enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled water and sewer utility service receivables are recorded at year-end.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer System Enterprise Fund also recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

*Budgets and Budgetary Accounting*

The System follows Arkansas Statutes in establishing the budgetary data reflected in the financial statements:

Prior to the December meeting of the City Council, the Mayor, City Clerk and City Business Manager prepare the proposed budget for the following year. At the December meeting of the City Council, the respective budgets are discussed. If there are no amendments or changes requiring additional attention, the proposed budgets are ratified to facilitate the distribution of the budgets to the various regulatory agencies.

The City Council is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund may be approved by the City council except, (1) that tax levies for specific purposes may not be diverted to another purpose, (2) appropriated funds may not be diverted where any creditor would be prejudiced thereby, and (3) water and sewer revenue may not be diverted where it is in violation of the debt agreements.

Formal budgetary integration is employed as a management control device for the Water and Sewer Enterprise Fund. Although state law requires that annual budgets be adopted for proprietary funds, there is no state requirement to report budget versus actual data.

*Statement of Cash Flows*

For purposes of the statement of cash flows, the System considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

*Restricted Assets*

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first and then unrestricted resources as they are needed.

*Fair Values of Financial Instruments*

The System estimates that the fair value of all financial instruments at December 31, 2024 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The carrying amounts approximate fair values because of the short maturities of those instruments.

*Bad Debt Expense*

The System uses the allowance method of recognizing uncollectible accounts. The estimated amount is based on receivables written off in prior years.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

*Inventories*

Inventories are valued at lower of cost or market, using the first-in, first-out method. Materials and supplies are considered as expenses when purchased. Significant inventory amounts are recorded at year end.

*Bond Issuance Costs and Bond Discount Amortization*

Bond issuance costs are expensed in the year the bonds are issued. Bond discount amortization on the revenue bonds are capitalized and amortized over the term of the bond issue using the bonds interest method. The bond discount is accounted for as an adjustment of interest yield. The discount is offset against the related debt and amortized to debt interest expense.

*Property, Plant and Equipment*

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. The capitalization threshold for the City is \$2,500. Donated property, plant and equipment are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciation is provided in the enterprise fund in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Asset Type	Useful Lives
Treatment plant and reservoirs	50 years
Mains and hydrants	50 years
Meters	7-15 years
Office furniture and equipment	5-10 years
Sewer collectors, inspectors and outfalls	50 years
Sewer plant	50 years
Sewer additions	25-50 years
Water lines and transmissions	50 years

*Compensated Absences*

The System recognizes a liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. Under this standard, a liability is recognized when an employee renders service that earns a leave benefit, and it is more likely than not that the leave will be used or paid.

Sick Leave

Employees (other than uniformed police) are eligible to receive payment for unused sick leave upon retirement or resignation, provided the employee has accumulated at least sixty days (480 hours) of sick leave. The System limits payment to a maximum of ninety days (720 hours). Employees hired prior to September 2003 are eligible to receive 100% of their unused sick leave (up to the 90-day maximum), while employees hired on or after that date are eligible to receive one-third of the balance. Sick leave is accrued for those employees for whom it is more likely than not that the leave will result in a cash payment upon separation. The liability is calculated based on the employee's current pay rate at year-end.

Vacation Leave

Employees earn vacation leave based on years of service. Vacation is renewed annually on each employee's anniversary date. Unused vacation does not carry over past the anniversary date and is forfeited if not used. The System accrues a liability for vacation leave earned and unused as of December 31, as those amounts are still available for use or payment up to the employee's next anniversary date. The liability is recorded at the employee's current pay rate and classified as a current liability.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

*Equity Classifications*

Net position represents the difference between assets and liabilities. The System reports three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the System's bonds. Restricted net position is reduced by liabilities related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the System.

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

*Investments*

Investments consist solely of nonnegotiable certificates of deposit which are not subject to fair value measurement under the fair value hierarchy and are reported at amortized cost.

*Grant Revenue and Capital Contributions*

The System recognizes capital contribution and grant revenues as non-operating income when all applicable eligibility and recognition criteria have been met.

During the year, the System received a capital contribution from the City of Nashville's General Fund to support Water and Sewer infrastructure improvements. This contribution is recognized when approved by the City Council and the funds are transferred to the System.

The System also received capital grant revenue under a reimbursement based grant. Reimbursement grant revenue is recognized when qualifying expenditures have been incurred and all grant conditions have been satisfied.

*Pensions*

In the proprietary fund types in the fund financial statement, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Arkansas Public Employees Retirement System (APERS) and additions to/deductions from APERS's Fiduciary Net Position, have been determined on the same basis as they are reported by APERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 was adopted for the year ending December 31, 2015. The System participates in the Arkansas Public Employees Retirement System (APERS). This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

GASB Statement 68 requires the employer to report the net pension asset or liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees and former employees in their basic financial statements. GASB 68 is allocated by percentage of contributions to APERS. The percentage for fiscal year 2024 is 26.20%. This statement required governmental entities to record the net pension asset or liability and the related outflows and inflows retroactively.

*Other Postemployment Benefits*

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 was adopted for the year ending December 31, 2018. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The System does not offer Other Postemployment Benefits; these amounts are not recorded in the financial statements.

*Income Taxes*

The System is a political subdivision of the State of Arkansas and is exempt for income taxes.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported and disclosures. Accordingly, actual results could differ from those estimates.

*Certain Disclosures Related to Debt*

*GASB Statement 88, Certain Disclosure Related to Debt, Including Direct Borrowing and Placements*

The primary objective of this statement is to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with financial-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses.

For notes to the financial statements related to debt, this Statement also requires existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

**Note 2 – New Accounting Pronouncements**

During the year ended December 31, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. GASB 101 requires that governments recognize a liability for leave benefits when the leave is earned and it is more likely than not that the benefit will be used or paid. The implementation did not result in a material adjustment to beginning net position or liabilities as the City’s prior accounting treatment was substantially consistent with the new guidance.

The City has not yet adopted GASB Statement Nos. 100 and 102. Management is currently evaluating the potential impact of these standards on future reporting periods.

**Note 3 – Deposits and Investments**

**System Policies and Legal and Contractual Provisions Governing Deposits**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

The System had cash in checking, savings, and time deposits as of December 31, 2024.

*Custodial Credit Risk for Deposits* - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the System requires counterparties to register the securities in the name of the System and hand them over to the System or its designated agent. This includes securities in securities lending transactions.

All of the securities are in the System's name and held by the System or its agent.

The City’s cash deposits at December 31, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the System’s agent bank in the System’s name. The System’s cash deposits were collateralized during the year ended December 31, 2024.

As of December 31, 2024, the System had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>
Certificates of Deposit	1,532,147
<b>Total Investments</b>	<b>1,532,147</b>

**Note 4 – Restricted Accounts**

The System has established restricted accounts for four reasons – to satisfy certain covenants in debt agreements, to comply with the City Council’s desire to create reserves for future capital asset replacement, future debt requirements and for customer meter deposits. The debt covenants require the creation of accounts (separate from the System’s operating bank accounts) for the purpose of debt service and asset replacement. The covenants define the manner of account accumulation and allowable expenditures from the reserved accounts. Restricted accounts at December 31, 2024 are as follows:

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Balance 12/31/2024
Customer Meter Deposits	\$ 160,441
Capital Acquisition Reserves	560,808
Bond Depreciation Reserves	324,054
Bond Debt Reserves, Series 1996A	100,565
Bond Debt Reserves, Series 2003	215,008
Bond Debt Reserves, USDA Loan	239,800
Bond Payment Fund, Series 2003	46,462
Bond Payment Fund, Series 2019B	7,239
Bond Payment Fund, ADFA 2020	10,843
Total Restricted Cash, Cash Equivalents and Certificates of Deposit	\$1,665,220

**Note 5 – Receivables, Water and Sewer Customers**

The System reads water meters at various times during the month and issues bills at the end of the month. As a result, a portion of water and sewer service has not been billed as of December 31, 2024.

Water and Sewer customer receivables, net of allowance for uncollectible accounts, at December 31, 2024 consist of the following:

	Balance 12/31/2024
Billed but unpaid	\$ 284,411
Earned but unbilled and unpaid	162,776
	\$ 447,187

The balance of allowance for uncollectible accounts at December 31, 2024 is \$69,666.

**Note 6 – Property, Plant and Equipment**

The following is a summary of property, plant and equipment for the years ended December 31, 2024:

	Balance January 1, 2024	Additions	Disposals / Reclassifications	Balance December 31, 2024
Sewer system	\$ 11,079,246	\$ -	\$ -	\$ 11,079,246
Water system	14,858,818	31,111	340,517	15,230,446
Furniture and equipment	223,309	-	-	223,309
Sewer pond	1,052,871	-	-	1,052,871
Vehicles	298,523	21,202	-	319,725
Buildings	431,019	-	-	431,019
Real estate, non-depreciable	147,290	-	-	147,290
Construction in progress, non-depreciable	133,249	364,416	(340,517)	157,148
Total at cost	28,224,325	416,729	-	28,641,054
Less accumulated depreciation	(13,126,139)	(624,671)	-	(13,750,810)
Total capital assets, net	\$ 15,098,186	\$ (207,942)	\$ -	\$ 14,890,244

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

On January 26, 2023, the City entered into a construction contract totaling \$275,435 for improvements to the west side of the water system. Subsequent amendments totaling \$5,244 were approved, bringing the total contract amount to \$280,679. During fiscal years 2022 and 2023, the System incurred a total of \$133,249 in project-related costs, which included preliminary engineering costs of \$38,350 and construction costs of \$94,899. In fiscal year 2024, the City incurred an additional \$185,780 in construction costs, \$20,038 in engineering costs, and \$1,450 in other related expenses. The City received capital grant revenue in fiscal year 2024 of \$181,752 to help fund this project. The project was completed during fiscal year 2024, and the total accumulated costs of \$340,517 were reclassified from construction in progress to capital assets as improvements to the water system.

During fiscal year 2024, the City initiated a project for improvements to the wastewater treatment facility. The City entered into a contract with RBIS totaling \$292,000 for the project. As of December 31, 2024, the City has incurred \$157,148 in construction costs. The City received a capital contribution from the General Fund for \$119,958 to help fund this project. The project had not been completed as of year-end, and the costs incurred have been recorded as construction in progress.

In addition to construction projects, the City acquired several capital assets during fiscal year 2024. These included a lawn mower purchased for \$9,789, a new truck for \$21,202, and a new pump for the utility system at a cost of \$21,322. These assets have been capitalized and recorded in the appropriate asset classifications within the City's fixed asset records.

Depreciation expense totaled \$624,671 for the year ended December 31, 2024.

**Note 7 – Direct Borrowings – Bonds and Notes Payable**

The 2003 Soil and Water, 2019 ANRC, 2020 ANRC, and USDA debt issues are payable solely from net revenues of the Water and Sewer System. Each bond issue contains an option allowing bonds to be called in inverse numerical order for redemption prior to maturity. These issues also contain covenants that must be met prior to the issuance of any other revenue bonds on parity with those then outstanding. The System has restricted assets and made the required debt payments to be in compliance with the debt covenants as of and for the year ended December 31, 2024.

Changes in bonds and notes payable:

	2003 Soil & Water	ANRC Note	USDA Loan	ANRC Note	ANRC Note
Original Balance	\$ 5,000,000	\$ 403,374	\$ 6,870,000	\$ 175,100	\$ 1,100,000
Maturity date	2035	2031	2052	2037	2041
Range of interest rates	2.50%	0.00%	2.75%	2.00%	0.75%
Range of servicing fee	1.00%	0.50%	0.00%	0.00%	1.00%
Balance at 12/31/24	\$ 2,360,053	\$ 261,852	\$ 5,554,893	\$ 88,729	\$ 944,697
Payment dates	April/Oct	April/Oct	Monthly	Annual	April/Oct

The System had following debt outstanding from direct borrowing as of December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities:					
Bonds Payable 2003 Soil & Water	\$ 2,543,165	-	\$ (183,112)	\$ 2,360,053	\$ 189,577
ANRC Note	302,539	-	(40,687)	261,852	6,043
USDA Loan	5,688,223	-	(133,330)	5,554,893	136,646
ANRC Note	94,654	-	(5,925)	88,729	40,891
ANRC Note	990,447	\$ -	(45,750)	944,697	46,901
Total	<u>\$ 9,619,028</u>	<u>\$ -</u>	<u>\$ (408,804)</u>	<u>\$ 9,210,224</u>	<u>\$ 420,058</u>

Interest and fees expensed on bonds and notes payable totaled \$260,640 for the year ended December 31, 2024.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Payment requirements for the next five years and thereafter for all bonds and notes outstanding as of December 31, 2024 are as follows:

<u>Year Ended</u>	Principal	Interest & Fees	Total
2025	\$ 420,058	\$ 251,397	\$ 671,455
2026	432,063	239,746	671,809
2027	444,443	227,730	672,173
2028	456,817	215,729	672,546
2029	470,366	202,560	672,926
2030-2034	2,407,492	808,046	3,215,538
2035-2039	1,421,889	516,073	1,937,962
2040-2044	1,192,813	379,733	1,572,546
2045-4049	1,250,877	187,743	1,438,620
2050-2052	713,406	26,432	739,838
Total	<u>\$ 9,210,224</u>	<u>\$ 3,055,189</u>	<u>\$ 12,265,413</u>

**Note 8 – Net Position**

Net position net investment in capital assets represents the total of property, plant and equipment, net of accumulated depreciation, net of accumulated amortization less long- term portion of long-term debt, less retainage payable (if applicable). Net position restricted for debt service represents restricted assets that have been restricted by bond covenants less the current portion of long-term debt and less accrued interest payable. Net position restricted for capital maintenance and acquisition represents restricted assets that have been restricted by bond or note covenants. Unrestricted net position is the remaining balance after restricted net positions are segregated.

**Note 9 – Interfund Accounts and Transfers**

Interfund receivables and payables were as follows:

<u>Interfund Balances</u>	Balance 12/31/2024	
	Interfund Receivable	Interfund Payables
	Due from General Fund	\$ 85
Due to Street Fund	-	4,084
Due to Sanitation Fund	2,839	-
Due from Meter Fund	7	-
	<u>\$ 2,931</u>	<u>\$ 4,084</u>

The interfund balances between the General Fund and the Water Sewer Fund at December 31, 2024 were primarily prior year transactions not cleared during the current year and will be repaid currently.

Interfund transfers were as follows:

<u>Interfund Transfers</u>	Balance 12/31/2024		
	Interfund Transfer-In	Interfund Transfer-Out	Net
	Transfer from / out to General Fund	19,316	41,706
	<u>\$ 19,316</u>	<u>\$ 41,706</u>	<u>\$ (22,390)</u>

The Water Sewer Fund transferred funds to General Fund to supplement.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

**Note 10 – Retirement Pension Plan**

*Plan Description:* The City of Nashville, Arkansas elected to participate in Arkansas Public Employees Retirement System (APERS). APERS is a cost sharing, multiple-employer, defined benefit pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement benefits for eligible employees and elected officials of state and local government entities in Arkansas. The City participated in the non-contributory retirement plan where only employers contribute. Act 2084, enacted by the 2005 General Assembly, directed APERS to establish a new contributory retirement provision that became effective July 1, 2005. All covered employees first hired on or after July 1, 2005, contribute 5% of their salary to the plan. Beginning July 1, 2022, the member contribution rate will increase in increments of 0.25% per year until it reaches a maximum 7%. Employees hired before June 30, 2005, who were in the non-contributory system, were given the option to join the new contributory system by December 31, 2005. Non-contributory members who did not join the new contributory program remain non-contributory members.

*Pension Plan Fiduciary Net Position:* The actuarial accrued liability at June 30, 2024, for the APERS, as a whole was \$13,533 million. The APERS actuarial value of assets was \$11,045 million leaving unfunded actuarial accrued liability of \$2,488 million. The actuarial accrued liability at June 30, 2023, for the APERS, as a whole was \$13,209 million. The APERS actuarial value of assets was \$10,295 million leaving unfunded actuarial accrued liability of \$2,914 million. APERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the APERS, One Union National Plaza, Suite 400, 124 West Capitol, Little Rock, Arkansas 72201-1070.

*Benefits Provided:* Generally, municipal employees who are hired to work more than 90 consecutive calendar days in a fiscal year and who work at least 80 hours per month must be enrolled and reported to APERS. Members are eligible for full benefits (a) after either 65 with 5 years of service or (b) 28 years of actual service, regardless of age. The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit after age 55 with 5 years of service; or any age with 25 years of actual service, but less than 28 years of actual service. APERS also provide disability and survivor benefits.

*Contributions:* Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and shall be based on the actuary's determination of the rate required to fund the Plan. The employees were enrolled as non-contributory members prior to June 30, 2005. For the valuation date June 30, 2024, the actuary used the entry age normal actuarial cost method and the level percentage of payroll, closed amortization method with a 16-year remaining amortization period. The asset valuation method used was the 4-year smooth market with 25% corridor. These were the actuarial assumptions: investment rate of return 7.15%; projected salary increases 3.25% to 9.85%; wage inflation rate 3.25% and price inflation of 2.5%.

The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2023 through June 30, 2024. The municipalities contributed 15.32% of employees' earnings for the annual period beginning July 1, 2022 through June 30, 2023. The contribution rate is set by the Legislature and is subject to change. All covered employees first hired on or after July 1, 2005, contributed 5.50% of their salary to the plan through June 30, 2024 then 5.75% of their salary to the plan through December 31, 2024. Employees hired before June 30, 2005 remained non-contributory members.

During the year ended December 31, 2024, the System contributed \$103,564, which represents 15.32% of covered employees' earnings totaling \$676,006. Covered employees first hired on or after July 1, 2005 contributed \$38,093 which represented 5.50% of their salary from January 1, 2024 through June 30, 2024 and 5.75% of their salary from July 1, 2024 through December 31, 2024, to the plan. During the year ended December 31, 2023, the System contributed \$89,671, which represents 15.32% of covered employees' earnings totaling \$585,322. Covered employees first hired on or after July 1, 2005 contributed \$31,446 which represented 5.25% of their salary from January 1, 2023 through June 30, 2023 and 5.50% of their salary from July 1, 2023 through December 31, 2023, to the plan.

**CITY OF NASHVILLE, ARKANSAS**  
**WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**Single 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 projected of cash flows used to determine this single discount rate assumed the plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actually determined contribution rates and the member rate. Based on these assumptions, the pension's 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.

**Discount Rate Sensitivity Analysis.** Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following represents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability as of June 30, 2024.

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
System's proportionate share of the net pension liability	1,117,119	654,679	273,432

**Long-Term Expected Return on Plan Assets.** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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 price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2024 to 2033 were based upon GRS' 2024 Capital Market Assumptions Modeler.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Asset Class	Long-Term	
	Current Allocation	Expected Real Rate of Return
Broad Domestic Equity	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	21%	3.38%
<b>Total</b>	<u>100%</u>	
Total Real Rate of Return		5.00%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.00%
Net Expected Return		<u>7.50%</u>

**Long-Term Municipal Bond Rate.** The long-term municipal bond rate used was 3.97%. Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity's Index "20 Year Municipal GO AA Index" as of June 28, 2024. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

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

At December 31, 2024, the System reported a pension liability of \$654,679 for its proportionate share of the APERS's net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period July 1, 2023 thru June 30, 2024. Actual employer contributions totaled \$91,573 for the measurement period ended June 30, 2024.

At June 30, 2024 the System's employer's proportion of the collective net pension liability was 0.0263121814%.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was no change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. The contribution rate for employers continued at 15.32% for the annual period beginning July 1, 2024 through June 30, 2025.

For the year ended December 31, 2024, the System recognized pension expense of \$94,391. The pension contributions paid to APERS subsequent to the measurement date of June 30, 2024 are reported as deferred charges of \$55,934.

At December 31, 2024, the System reported its proportionate share of the APERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,407	\$ (26,767)
Difference between projected and actual investment earnings	18,992	-
Changes in actuarial assumptions	22,815	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	22,446	(10,026)
Net amount at measurement date June 30, 2024	89,660	(36,793)
Contributions paid to APERS subsequent to the measurement date (to be calculated by employer)	55,934	-
Total	\$ 145,594	\$ (36,793)

In accordance with GASB Statement No. 68, the recognition period for outflows (inflows) of resources from the net difference between projected and actual earnings on the pension plan investments was 5 years. All other deferred outflows (inflows) of resources related to pensions were amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. For fiscal year 2020, this was 4.0486 years; for fiscal year 2021, it was 3.9676 years; for fiscal year 2022, it was 3.7989; for fiscal year 2023, it was 3.7241; and for fiscal year 2024, it was 3.6281.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

**Note 11 - Risk Financing and Related Insurance Issues**

In the normal course of operations, the System is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The System attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 12 – Major Customers**

The System has two major customers – Tyson Foods and Nashville Rural Water Public Authority of the State of Arkansas (NRWPA) (discussed in Note 15). At December 31, 2024, Tyson Foods and NRWPA owed the System approximately \$52,898 and \$79,594, respectively for water and sewer services. This represents 19% and 28%, respectively, of the total \$284,411 billed receivables discussed in Note 5. Approximately the same percentage exists for the unbilled receivables discussed in Note 5. For the year ended December 31, 2024, the System billed Tyson Foods and NRWPA \$940,386 and \$1,076,714, respectively for water and sewer services. This represents approximately 29% and 34%, respectively of the total \$3,203,057 water, sewer and other service charges and fees operating revenues for the year ended December 31, 2024.

**Note 13 – Credit Risk**

The System provides water and sewer services to the residents and commercial entities of the City of Nashville, Arkansas, and is funded by user charges for these services. The System's ability to meet its obligations is dependent upon economic conditions in the surrounding area.

**Note 14 – Compliance with Laws and Regulations**

The management of the City of Nashville, Arkansas Water and Sewer System Enterprise Fund is responsible for the System's compliance with state laws and regulations. Management believes the City of Nashville Water and Sewer System complied, in all material respects, with the applicable provisions of Arkansas Statute annotated 14-58-101, and the Municipal Water and Sewer Department Accounting Law.

**Note 15 – Commitments and Contingencies**

Agreement - In 1989, the System entered into an agreement with the former Nashville Rural Water Association – currently Nashville Rural Water Public Authority of the State of Arkansas (NRWPA) - whereby the city agreed to sell water to NRWPA. The System warranted that the water would be potable and meet the purity standards established by the Arkansas Department of Health. The agreement states that the quantity of water sold to NRWPA would not exceed 20 million gallons per month. The standard water rate in the agreement is stated as \$6.10 for the first two thousand gallons; \$1.70 per thousand gallons for the next thirteen thousand gallons; \$1.25 per thousand gallons for the next thirty-five thousand gallons and \$0.95 per thousand gallons thereafter. The agreement also provides for a minimum payment of \$3,000 per month after 600 customers have been connected to NRWPA. The contract will expire in 2029. The contract provides for an annual review of water rates based on the cost of operating the System's water system; however, the cost analysis does not include depreciation recognized on the System's water system. At December 31, 2024, the rate charged to NRWPA was \$15.00 for the first two thousand gallons; \$3.75 per thousand for the next thirteen thousand gallons; \$2.75 per thousand for the next thirty-five thousand gallons and \$2.25 per thousand gallons thereafter. These rates are identical with other users of the System.

Grant Programs - The System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the System has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024*

**Note 16 – Subsequent Events**

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through July 17, 2025, which is the date the financial statements were available to be issued.

***CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
REQUIRED SUPPLEMENTARY INFORMATION***

**NASHVILLE WATER AND SEWER SYSTEM ENTERPRISE FUND**  
**CITY OF NASHVILLE, ARKANSAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)**  
**SCHEDULE OF SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Plan Year	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
System's Portion of the Net Pension Liability (Asset)	0.03064579%	0.03198033%	0.03362162%	0.03270591%	0.03122627%	0.03037859%	0.02998078%	0.02868988%	0.02716695%	0.02631218%
System's Proportionate Share of the Net Pension Liability (Asset)	\$ 564,415	\$ 764,761	\$ 868,829	\$ 721,471	\$ 775,640	\$ 909,994	\$ 230,502	\$ 773,589	\$ 791,695	\$ 654,679
System's Covered Employee Payroll	\$ 549,037	\$ 579,430	\$ 605,966	\$ 612,614	\$ 597,560	\$ 592,740	\$ 598,682	\$ 599,701	\$ 602,132	\$ 597,734
System's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its System's Covered Employee Payroll	102.80%	131.99%	143.38%	117.77%	129.80%	153.52%	38.50%	129.00%	131.48%	109.53%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of June 30.

NASHVILLE WATER AND SEWER ENTERPRISE FUND  
 CITY OF NASHVILLE, ARKANSAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)  
 SCHEDULE OF SYSTEM'S CONTRIBUTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2024

Fiscal Year End	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 80,255	\$ 84,017	\$ 87,865	\$ 91,014	\$ 92,107	\$ 90,808	\$ 91,718	\$ 91,428	\$ 89,671	\$ 103,564
Contributions in relation to the actuarially determined contribution	80,255	84,017	87,865	91,014	92,107	90,808	91,718	91,428	89,671	103,564
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
System's Covered employee payroll	549,037	579,430	600,726	605,565	601,220	592,740	598,682	596,791	585,322	676,006
Contributions as a percentage of covered employee payroll	14.62%	14.50%	14.63%	15.03%	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%

Note: Information in this schedule has been determined as of the City's most recent fiscal year end.

Valuation Date: June 30

Notes: Actuarially determined contribution rates are calculated as of June 30 and become effective in July 1 - 13 months later.

*NASHVILLE WATER AND SEWER ENTERPRISE FUND  
CITY OF NASHVILLE, ARKANSAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS)  
FOR THE YEAR ENDED DECEMBER 31, 2024*

Valuation Date: June 30, 2021

**Methods and assumptions Used to Determine Fiscal Year 2024 Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Inflation	3.25% wage inflation and 2.50% price inflation
Salary Increases	3.25% to 9.85% including inflation
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

**Other Information:**

Notes None

*CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
REPORT ON COMPLIANCE AND INTERNAL CONTROL*



**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***

Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Nashville, Arkansas  
Water and Sewer System Enterprise Fund  
Nashville, Arkansas

Members of the Council:

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 Nashville, Arkansas Water and Sewer System Enterprise Fund (the System) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated July 17, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

*Wilf & Henderson, P.C.*

**WILF & HENDERSON, P.C.**  
**Certified Public Accountants**  
**Texarkana, Texas**

**July 17, 2025**

**CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**I. Summary of the Auditor's Results:**

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Nashville Water Sewer System Enterprise Fund were prepared in accordance with GAAP.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Nashville Water Sewer System Enterprise Fund were disclosed during the audit.

**II. Findings – Financial Statement Audit.**

No findings reported.

**CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

No prior year audit findings.

***CITY OF NASHVILLE, ARKANSAS  
WATER AND SEWER SYSTEM ENTERPRISE FUND  
OTHER INFORMATION***

**NASHVILLE WATER AND SEWER SYSTEM ENTERPRISE FUND**

**CITY OF NASHVILLE, ARKANSAS**

**Miscellaneous Information Required by Loan Agreement with ANRC**

**For the Year Ended December 31, 2024**

UNAUDITED

Current System Water Rates:

	2,000 Gallons	\$15.00		(Senior rate \$10.00)
Next	2,001 - 13,000 Gallons	\$3.75	per	1,000 gallons
Next	13,001 -35,000 Gallons	\$2.75	per	1,000 gallons
All over	35,001 Gallons	\$2.25	per	1,000 gallons

Current System Sewer Rates:

First	2,000 Gallons	\$19.00		(Senior rate \$16.61)
Each additional	1,000 Gallons	\$4.04	per	1,000 gallons

Number of Water Users at December 31, 2024 1,960

Number of Sewer Users at December 31, 2024 1,802

Annual billable gallons of water for 2024 1,059,613,000

Annual billable gallons of sewer for 2024 139,900,000

Nashville Water and Sewer System maintains insurance coverage as follows:

System has property coverage through Arkansas Public Entities Risk Management Association

System has vehicle coverage through Arkansas Public Entities Risk Management Association

System has workmen's compensation through Arkansas Public Entities Risk Management Association