



Huntsville Water and Waste Water Department

Huntsville, Arkansas

Independent Auditors' Report

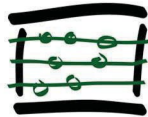
with

Financial Statements

and

Supplemental Information

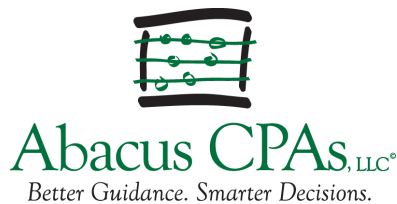
For the Years Ended December 31, 2023 and 2022



Abacus CPAs, LLC
Better Guidance. Smarter Decisions.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
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December 31, 2023 and 2022

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Independent Auditors' Report

To the Water and Waste Water Commission of
the Huntsville Water and Waste Water Department
Huntsville, Arkansas

Opinion

We have audited the accompanying financial statements of the Huntsville Water and Waste Water Department (the Department), an enterprise fund of the City of Huntsville, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Huntsville Water and Waste Water Department, as of December 31, 2023 and 2022, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Huntsville Water and Waste Water Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Management's Responsibility 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 Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibility

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-6 and 30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of operating expenses, schedule of revenues and expenses – compared to budget, schedule of principal and interest payments, schedule of commission members, schedule or insurance in force, and schedule of water and sewer rates are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024 on our consideration of Huntsville Water and Waste Water Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Huntsville Water and Waste Water Department's internal control over financial reporting and compliance.

Abacus CPAs, LLC

Springfield, Missouri
July 31, 2024

Huntsville Water and Waste Water Department
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022

The management of the Huntsville Water and Waste Water Department (the Department) offers readers of the financial statements this overview and analysis of the financial activities of the Department for the years ended December 31, 2023 and 2022. The Department is governed by a Board of Commissioners appointed by the City of Huntsville, Arkansas's City Council. The Department is a separate entity from the City government and is accounted for separately as an enterprise fund.

Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful for sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The Department provides water and waste water services to residential, commercial and industrial customers in and around Huntsville, Arkansas.

Overview of the Financial Statements

This annual report includes this Management's Discussion and Analysis report, the Basic Financial Statements, the Notes to Financial Statements and Supplementary Information.

The financial statements report information of the Department using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Department's activities. The Statements of Net Position includes all the Department's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Department's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Department and assessing the liquidity and financial flexibility of the Department.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Department's operations over each year and can be used to determine whether the Department has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statements of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting periods.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Huntsville Water and Waste Water Department
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022**

Financial Highlights

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Assets	\$ 17,659,504	\$ 17,767,986	\$ 15,784,400
Deferred Outflows of Resources	226,590	262,645	76,220
Net Capital Assets	12,757,529	13,122,694	12,975,668
Total Liabilities	9,944,675	10,274,755	8,023,133
Deferred Inflows of Resources	55,430	26,006	363,343
Net Position Invested in Capital Assets	5,927,090	5,938,016	5,525,865
Restricted Net Position	1,386,493	1,191,826	1,515,241
Unrestricted Net Position	572,406	600,028	433,038
Total Net Position	7,885,989	7,729,870	7,474,144
Total Operating Revenues	3,759,785	3,499,002	3,230,519
Total Operation Expenses	3,347,081	2,949,699	2,907,566
Total Other (Expenses) Revenues	(256,585)	(293,577)	(54,595)
Increase in Net Position	156,119	255,726	268,358

Total Assets

Total assets decreased approximately \$108,000 from December 31, 2022 to 2023. Total assets increased approximately \$1,983,000 from December 31, 2021 to 2022. This decrease was due primarily to more depreciation of capital assets and decrease in pension outflows. The increase was due to bond issued to the City for construction of Tank Project.

Net Capital Assets

Net capital assets decreased approximately \$365,000 from December 31, 2022 to 2023. This decrease is due to an increase in accumulated depreciation of \$576,000, offset by additions of approximately \$211,000. Net capital assets increased approximately \$147,000 from December 31, 2021 to 2022. This increase is due to an increase in accumulated depreciation of \$575,000, offset by additions of approximately \$761,000. Of the additions, \$500,000 is construction in process.

Total Liabilities

Total liabilities decreased approximately \$331,000 from December 31, 2022 to 2023. This decrease is due primarily to a decrease of Long-Term Liabilities, Bonds Payable and Net Pension Liability, of approximately \$393,000. Total liabilities increased approximately \$2,252,000 from December 31, 2021 to 2022. The increase is primarily due to new bond issuance for sewer tank project.

**Huntsville Water and Waste Water Department
Management's Discussion and Analysis
For the Years Ended December 31, 2023 and 2022**

Total Net Position

Total net position increased approximately \$156,000 from December 31, 2022 to 2023, primarily due to other revenues (expenses) decreasing by approximately \$37,000. Total net position increased approximately \$255,000 from December 31, 2021 to 2022, primarily due to net revenue increasing \$549,000.

Total Operating Revenues

Total operating revenues increased approximately \$261,000 from December 31, 2022 to 2023. This increase was primarily due to increases in water and waste water revenue of approximately \$313,000. Total operating revenues increased approximately \$268,000 from December 31, 2021 to 2022. This increase was primarily due to increases in water revenue of approximately \$158,000 and waste water of \$70,000.

Total Operating Expenses

Total operating expenses increased approximately \$397,000 from December 31, 2022 to 2023. Total operating expenses increased approximately \$42,000 from December 31, 2021 to 2022. This was primarily due to increase in engineering and consulting fees in 2023.

Total Other Income (Expense)

Total other income (expense) decreased approximately \$37,000 from December 31, 2022 to 2023. Total other income (expense) decreased approximately \$239,000 from December 31, 2021 to 2022. This decrease in both periods was due primarily to a casualty gain received from the insurance settlements in 2021 but not in 2022 or subsequent periods.

Contacting the Department's Financial Management

The Department's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Department's finances and to demonstrate the Department's accountability. If you have questions about the report or need additional financial information, please contact Sean Davis, Director, at 112 W. War Eagle Ave, Huntsville, Arkansas 72740.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Statements of Net Position
As of December 31, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 905,457	\$ 1,064,161
Accounts receivable	368,995	263,352
Inventories	125,886	11,522
Prepaid expenses	2,415	-
Total Current Assets	1,402,753	1,339,035
Restricted Assets		
Cash and cash equivalents	1,244,893	1,063,168
Meter deposits	141,600	128,658
Net Restricted Assets	1,386,493	1,191,826
Property and Equipment		
Land	21,000	21,000
Property and equipment, at cost	21,522,834	21,311,280
Accumulated depreciation	(8,786,305)	(8,209,586)
Net Property and Equipment	12,757,529	13,122,694
Other Assets		
Bond discount, net of amortization of \$10,736 and \$9,034	37,979	39,681
Deposits	1,200	1,200
Due from City - Construction Revenue Bond	2,073,550	2,073,550
Total Other Assets	2,112,729	2,114,431
Deferred Outflows of Resources		
Deferred pension outflows	226,590	262,645
Total Deferred Outflows of Resources	226,590	262,645
Total Assets and Deferred Outflows of Resources	\$ 17,886,094	\$ 18,030,631

See Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Statements of Net Position
As of December 31, 2023 and 2022
Liabilities and Net Position

	2023	2022
Current Liabilities		
Accounts payable	\$ 103,566	\$ 47,617
Accrued liabilities	83,743	100,790
Total Current Liabilities	187,309	148,407
Current Liabilities Payable from Restricted Assets		
Accrued interest	33,171	32,909
Current portion of bonds payable	344,304	333,209
Meter deposits	141,600	128,658
Total Current Liabilities Payable from Restricted Assets	519,075	494,776
Long-Term Liabilities		
Bonds payable, net of current portion	8,564,493	8,931,791
Net pension liability	673,798	699,781
Total Long-Term Liabilities	9,238,291	9,631,572
Deferred Inflows of Resources		
Deferred pension inflows	55,430	26,006
Total Deferred Inflows of Resources	55,430	26,006
Total Liabilities and Deferred Inflows of Resources	10,000,105	10,300,761
Net Position		
Invested in capital assets, net of related debt	5,927,090	5,938,016
Restricted for:		
Capital projects	-	35,228
Meter deposits	141,600	128,658
Debt service	1,244,893	1,027,940
Unrestricted	572,406	600,028
Total Net Position	7,885,989	7,729,870
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 17,886,094	\$ 18,030,631

See Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Water	\$ 1,965,806	\$ 1,743,611
Waste water	1,776,605	1,686,105
Other income	17,374	69,286
Total Operating Revenues	3,759,785	3,499,002
Operating Expenses		
Water department	1,406,596	1,209,824
Waste water department	1,135,125	1,118,754
Administrative	805,360	621,121
Total Operating Expenses	3,347,081	2,949,699
Operating Income	412,704	549,303
Non-Operating Revenues (Expenses)		
Interest income	74,034	6,484
Interest expense and paying agent's fees	(330,619)	(300,061)
Total Non-Operating (Expenses)	(256,585)	(293,577)
Increase in Net Position	156,119	255,726
Net Position, Beginning of Year	7,729,870	7,474,144
Net Position, End of Year	\$ 7,885,989	\$ 7,729,870

See Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash Received From:		
Water and waste water services	\$ 3,636,768	\$ 3,406,481
Other operating activities	17,374	69,286
Cash Paid for:		
Salaries, wages and related benefits	(714,267)	(748,067)
Water	(936,670)	(746,779)
Administrative and other expenses	(1,157,544)	(954,436)
Net Cash Provided by Operating Activities	845,661	1,026,485
Cash Flows from Capital and Related Financing Activities		
Issuance of long-term debt	-	2,090,000
Principal payments on long-term debt	(356,203)	(275,000)
Due from City - Construction Revenue Bond	-	(2,073,550)
Bond interest and fees	(328,918)	(315,221)
Purchases of property and equipment	(211,553)	(722,224)
Net Cash (Used in) Capital and Related Financing Activities	(896,674)	(1,295,995)
Cash Flows from Investing Activities		
Increase in meter deposits	12,942	20,118
Interest income	74,034	6,484
Net Cash Provided by Investing Activities	86,976	26,602
Net Increase (Decrease) in Cash and Equivalents	35,963	(242,908)
Cash and Cash Equivalents, Beginning of Year	2,255,987	2,498,895
Cash and Cash Equivalents, End of Year	\$ 2,291,950	\$ 2,255,987
	2023	2022
Reconciliation of Increase (Decrease) in Net Position to Cash Flows from Operating Activities		
Operating income	\$ 412,704	\$ 549,303
Depreciation	576,719	575,198
Changes in Current Assets and Liabilities:		
Accounts receivable	(105,643)	(23,235)
Inventory	(114,364)	32,477
Prepaid expenses	(2,415)	-
Deferred pension outflows	36,055	(186,425)
Accounts payable	55,949	(48,746)
Accrued liabilities	(16,785)	(52,579)
Net pension liability	(25,983)	517,829
Deferred pension inflows	29,424	(337,337)
Net Cash Provided by Operating Activities	\$ 845,661	\$ 1,026,485
Supplementary Information		
Cash Paid for Interest	\$ 264,732	\$ 287,791

See Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of Activity

The City of Huntsville, Arkansas (the City) is a municipality governed under an elected Mayor-Council form of government. The Huntsville Water and Waste Water Department (the Department) is governed by a Board of Commissioners appointed by the City Council and provides water and waste water services to the residents of the Huntsville and surrounding communities.

Reporting Entity

The financial statements present only the Water and Waste Water Department and are not intended to present fairly the financial position and results of operations of the City of Huntsville, Arkansas. For financial reporting purposes, the Department includes all funds over which the Department's management exercises financial accountability.

Fund Types

The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Department's various funds are grouped in the financial statements as a single enterprise fund. Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues and expenses along with the related assets and liabilities are recorded in the period in which the transactions occur, regardless of when the related cash is received or disbursed.

Budgets and Budgetary Accounting

State law requires that the Board of Commissioners, before the end of each fiscal year, make appropriations, by ordinance, for the expenditures of City government for the following year. The Board of Commissioners may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to year-end. The Department prepared an annual budget on the regulatory basis of accounting for the Water and Waste Water Department.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. **Summary of Significant Accounting Policies - (continued)**

Fair Value

The Department categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Department's cash and cash equivalents are measured at Level 1.

Cash Equivalents

The Department considers all non-restricted, highly liquid investments with maturity of three months or less to be cash equivalents.

Accounts Receivable

The accounts receivable are stated in the balance sheet at their estimated realizable value. The Department accounts for bad debts using the direct charge-off method, directly expensing receivables which management deems uncollectible. The direct charge-off method provides results similar to the reserve method in all material respects. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

Inventory

Inventory consists of various materials held for use to repair and maintain existing operations. Inventory is valued at average cost, which approximates the first-in, first-out method. Inventory will be valued at the lower of cost or net realizable value.

Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indenture, by law, by contractual obligations, or by ordinance designation to be used for specified purposes, such as servicing bond debt or construction of capital assets.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to expense as incurred; while major replacements and improvements are capitalized.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. **Summary of Significant Accounting Policies - (continued)**

Long-Lived Assets

Impairment of capital assets is a significant and unexpected decline, which is based on triggering events or changes in circumstances that were not anticipated when the capital assets were placed in service. Based on management's assessment, no triggering events or changes in circumstances occurred during the years ended December 31, 2023 and 2022.

Net Position Classifications

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provision or enabling legislation.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Revenue Recognition

Revenues are recognized when earned, based upon customer usage or when the service is provided. Water and waste water revenues are billed to the residents in monthly cycles.

Classification of Revenues

Operating revenues consist of water and waste water sales and other services to customers. Non-operating revenues consist of state reimbursements, interest income and miscellaneous income.

Advertising

The Department follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2023 and 2022 were \$739 and \$6,567, respectively.

Restricted Resources

Under the terms of grant agreements, the Department funds certain infrastructure improvements by a combination of specific improvement-reimbursement grants and general revenues. Thus, when infrastructure improvements are incurred, there may be both restricted and unrestricted net assets available to finance these improvements. It is the Department's policy to first apply improvement-reimbursement grant resources to such improvements and then general revenues.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (continued)

Pensions

For purposes of measuring 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 or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Therefore, these items will not be recognized as an expense or expenditure until a future period.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.

Compensated Absences

The Department has a policy whereby employees can accumulate unused sick and vacation leave. Upon termination or retirement, the Department will pay all accrued vacation. The Department has accrued the separation portion of this liability as accrued compensated absences, which totaled \$59,734 and \$58,900 at December 31, 2023 and 2022, respectively.

Income Taxes

Income of the Department is derived from the exercise of essential governmental functions and accrues to the Department, a component unit of the Huntsville. It is, therefore, not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (continued)

Adoption of New Accounting Standards

GASB 96 - Subscription-Based Information Technology Arrangements

In 2020, the Governmental Accounting Standards Board (GASB), released GASB 96. The Department implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), as of January 1, 2023. This Statement provides guidance on SBITA. The beginning fund balance was not restated as of January 1, 2023 for the adoption of GASB 96.

GASB 87 - Leases

In 2017, the Governmental Accounting Standards Board (GASB), released GASB 87. For 2022, the Department implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Department adopted GASB No. 87, *Leases*, using the modified retrospective approach with January 1, 2021 as the date of initial adoption. The Department elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Department to carry forward the historical lease classification. In addition, the Department elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain. Adoption of the standard did not required the Department to restate amounts as of January 1, 2021.

The Department leases certain equipment. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets, as of December 31, 2023 and 2022 the Department did not have any finance leases.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (continued)

Leases

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Department uses the implicit rate when it is readily determinable, or the risk free rate. Since most of the Department's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Department's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Department's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option, generally not longer than 5 years.

2. Financial Instruments with Risk of Accounting Loss

As of December 31, 2023, financial instruments that could potentially subject the Department to a risk of accounting loss consists of restricted and unrestricted Cash and Cash Equivalents and Certificates of Deposit, exclusive of petty cash, carried at fair market value, as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by pledged securities	1,052,633	1,259,603
Other assets held in trust	631,463	782,347
Total	<u><u>\$ 1,934,096</u></u>	<u><u>\$ 2,291,950</u></u>

3. Cash, Cash Equivalents and Certificate of Deposit

Cash, cash equivalents and certificates of deposit consisted of the following:

	<u>2023</u>	<u>2022</u>
Unrestricted		
Cash on hand	\$ 925	\$ 300
Revenue funds	9,860	859,522
Operating funds	894,671	204,339
Total Unrestricted	<u><u>905,457</u></u>	<u><u>1,064,161</u></u>
Restricted		
Bonds funds	668,849	669,636
Depreciation funds	544,765	361,433
Vehicle funds	31,279	32,099
Meter deposit funds	141,600	128,658
Total Restricted	<u><u>1,386,493</u></u>	<u><u>1,191,826</u></u>
Total Cash, Cash Equivalents, and Certificates of Deposit	<u><u>\$ 2,291,950</u></u>	<u><u>\$ 2,255,987</u></u>

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

4. Restricted Assets

Restricted assets include cash reserves restricted by the Series 2016 Bond covenants. These covenants establish the bond funds, reserve funds, the manner of accumulation and the allowable expenditures as follows.

Bond Fund

The Series 2016 Bonds requires the Department to make monthly transfers into a Bond Fund Account an amount equal to 1/6th of interest and 1/12th of principal due of the next installment. The deposits are to be used to make the required bond payments. The required minimum balance at December 31, 2023 and 2022 was \$47,299 and \$55,819, respectively.

The Series 2022 Bonds require the department to make monthly transfers into a Bond Fund Account a sum equal to the interest and principal due on the next monthly installment of the bond payment in addition to \$388 or 10% of the monthly interest payment for the following month. The minimum balance at December 31, 2023 was \$46,512. The City maintains minimum balance until construction is complete.

Debt Service Reserve

The Department is required to maintain an amount equal to the maximum annual principal and interest requirements of the Series 2016 Bonds. The deposits are to be held in reserve in the event that the Department fails to make the required bond payments. The required minimum balance at December 31, 2023 and 2022 was \$567,869 and \$567,869, respectively.

The Department is required to maintain an amount equal to the maximum annual principal and interest requirements of the Series 2022 Bonds. The deposits are to be held in reserve in the event that the Department fails to make the required bond payments. The required minimum balance at December 31, 2023 was \$69,832. The City maintains minimum balance until construction is complete.

Depreciation

Under the bond agreements, the Department is required to set aside amounts for the cost of necessary repairs or replacements made necessary by the depreciation of the system or to prevent a default on system bonds. The agreement requires a monthly transfer of 5% and 3% of the net revenues for the preceding month, for the year ended December 31, 2023 and 2022, respectively.

All debt covenant requirements were met as of December 31, 2023 and 2022.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

5. **Property and Equipment**

Major classifications of property and equipment are as follows:

	<u>12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2023</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Equipment	1,456,614	65,056	-	1,521,670
Water and sewer system	19,354,666	90,142	-	19,444,808
Construction in process	500,000	56,356	-	556,356
Total property and equipment	<u>21,332,280</u>	<u>211,554</u>	<u>-</u>	<u>21,543,834</u>
Accumulated depreciation	<u>(8,209,586)</u>	<u>(576,719)</u>	<u>-</u>	<u>(8,786,305)</u>
Net property and equipment	<u>\$ 13,122,694</u>	<u>\$ (365,165)</u>	<u>\$ -</u>	<u>\$ 12,757,529</u>

	<u>12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2022</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Equipment	1,286,444	170,170	-	1,456,614
Water and sewer system	19,302,612	52,054	-	19,354,666
Total property and equipment	<u>20,610,056</u>	<u>722,224</u>	<u>-</u>	<u>21,332,280</u>
Accumulated depreciation	<u>(7,634,387)</u>	<u>(575,199)</u>	<u>-</u>	<u>(8,209,586)</u>
Net property and equipment	<u>\$ 12,975,669</u>	<u>\$ 147,025</u>	<u>\$ -</u>	<u>\$ 13,122,694</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$576,719 and \$575,198, respectively.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

6. Long-Term Debt

Long-term debt consisted of the following:

	<u>12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2023</u>
2016A Water and Sewer Revenue Bonds. Payable to Bank of Ozarks, Trustee, in semi-annual principal payments of \$115,000 to \$215,000 with variable interest through 2036.	\$ 4,925,000	\$ -	\$ (285,000)	\$ 4,640,000
2016B Water and Sewer Revenue Bonds. Payable to Bank of Ozarks, Trustee, in semi-annual payments of interest at 5.0% until 2036, then semi-annual payments of interest and payments of \$85,000 to \$265,000 of interest and principal through 2041.	2,250,000	-	-	2,250,000
2022A Water and Sewer Revenue Bonds. Payable to Simmons Bank, Trustee, bearing interest of 4.45%, with semi-annual payments of \$69,000 to \$274,000 of interest and principal through 2041.	890,000	-	(30,000)	860,000
2022B Water and Sewer Revenue Bonds. Payable to USDA, bearing interest of 2.375%, with monthly payments of \$3,720 through 2062.	<u>1,200,000</u>	<u>-</u>	<u>(41,203)</u>	<u>1,158,797</u>
Total debt	<u>9,265,000</u>	<u>-</u>	<u>(356,203)</u>	<u>8,908,797</u>
Less: current portion	<u>(333,209)</u>			<u>(344,304)</u>
Long-term portion	<u>\$ 8,931,791</u>			<u>\$ 8,564,493</u>

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

6. Long-Term Debt - (continued)

Maturities of long-term debt for the years ending December 31 are as follows:

	Principal
2024	\$ 344,304
2025	360,166
2026	370,599
2027	381,041
2028	396,492
2029-2033	2,159,579
2034-2038	2,657,412
2039-2043	1,566,681
2044-2048	157,549
2049-2053	175,194
2054-2058	194,815
2059-2062	144,965
 Total long-term debt	\$ 8,908,797

Interest expense, net of amortization of bond discount, for the years ended December 31, 2023 and 2022 totaled \$319,195, and \$296,375, respectively.

7. Restricted Net Position

Restricted Net Position has been reserved by bond covenants or capital projects restrictions in the amount of related restricted assets.

8. Water and Sewer Rates

The Department's water sales statistics during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Number of customers - end of year	1,422	1,385
Number of customers - beginning of year	1,385	1,334
Increase	37	51
 Gallons of water sold	500,977,570	509,205,460

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan

The employees of the Department are members of the Arkansas Public Employees Retirement System (APERS). The Governmental Accounting Standards Board established a new standard, GASB Statement No. 68, for measuring and recognizing pension liabilities, deferred inflows and outflows of resources and expenses for fiscal years beginning after June 15, 2014. The Department adopted GASB Statement No. 68 on January 1, 2018.

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) 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.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan - (continued)

Benefits Provided

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

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

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

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

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

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan - (continued)

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for 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 contributed 15.32% of compensation for the years ended December 31, 2023 and 2022.

APERS Fiduciary Net Position

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources 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:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 38,034	\$ (3,702)
Changes in proportion and differences between contributions and proportionate share of contribution	23,991	(51,728)
Changes of assumptions	31,677	-
Net difference between projected and actual earnings on pension plan investments	83,864	-
Total	<u><u>\$ 177,566</u></u>	<u><u>\$ (55,430)</u></u>

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan - (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions - (continued)

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	\$	25,102
2025		12,096
2026		90,598
2027		(5,660)
2028		-
Thereafter		-

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, Close (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 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.00%
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 Judge)
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 rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Avg Service Life of All Members	3.7241

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan - (continued)

Actuarial Assumptions

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%

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.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Defined Benefit Pension Plan - (continued)

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:

Sensitivity of Discount Rate		
1% Lower 6%	Discount Rate 7%	1% Higher 8%
\$ 1,073,973	\$ 673,798	\$ 344,091

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required to contribute 5% of their salary. Each participating employer is required to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% from July 1, 2022 and 15.32% from July 1, 2021 of annual covered payroll.

10. Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered by property and casualty insurance policies on real and personal property, including vehicles, and liability under the Arkansas’s insurance policies with the Arkansas Municipal League Program. There were no material reductions in insurance coverage from the coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

11. Commitments and Contingencies

In the normal course of operations, the Department receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Department believes any liability for reimbursement, which may arise as a result of audits of grant funds, would not be material.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

12. Concentrations and Economic Dependency

The Department's business activities are concentrated with customers located in and near the City of Huntsville, Arkansas. The local economy is highly dependent on the poultry industry. All of the future revenue is associated within the above-mentioned geographic region.

One customer accounted for approximately 57% of the water revenues, 75% of the waste water revenues and 70% of the total water and waste water revenues for the year ended December 31, 2023. One customer accounted for approximately 61% of the water revenues, 41% of the waste water revenues and 53% of the total water and waste water revenues for the year ended December 31, 2022.

The Department purchases water from the Madison County Regional Water District. This is the Department's only contracted source of water.

Financial instruments which potentially subject the Department to concentrations of credit risk consist primarily of trade receivables with a variety of customers and cash and cash investments deposited with financial institutions.

Concentrations of credit risk with respect to accounts receivable are limited due to the Department's customer base being made up of a large number of customers, thus spreading the trade credit risk. The Department performs ongoing credit evaluations of its customers. Customer meter deposits are available to the Department to apply to any amounts due upon termination of service.

The Department maintains cash and cash equivalents with local financial institutions, in which the Department's deposits are insured by the FDIC up to \$250,000 per financial institution. At times during the years ended December 31, 2023 and 2022, the Department's balances did exceed the amount insured. When this occurs, the uninsured balances are collateralized by securities pledged to the Department by the financial institutions.

13. Conduit Debt Obligations

The Department has entered into two separate conduit debt agreements involving the City and the external lenders, USDA and Simmons Bank for the purpose of financing the construction of a new water tank, as described in Note 6. This disclosure statement provides detailed information about the nature of the agreements, the responsibilities of the Water District, and the financial implications.

Simmons Bank and the USDA have issued debt to the City. The City, acting as a conduit issuer, will use the proceeds from the debt to finance the design, construction, and installation of a water tank. Upon completion of the construction, the water tank will be recognized as an asset on the financial statements of the Department. This is reflected in the financials as Due from City until completion of the water tank.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

13. Conduit Debt Obligations - (continued)

Although issued to the City, the Department is solely responsible for repaying the debt. The repayment of the debt will be funded from the Department's operating revenues.

The debt is reflected as a liability on the financial statements. The debt funds were issued to the City and expended as construction continues.

14. Subsequent Events

Management has evaluated subsequent events through July 31, 2024, the date on which the financial statements were available to be issued.

Supplemental Information

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Operating Expenses
For the Years Ended December 31, 2023 and 2022

	2023	2022
Water Department Operating Expenses		
Purchased water	\$ 936,670	\$ 746,779
Salaries and wages	132,659	200,687
Depreciation	159,876	147,769
Repairs and maintenance	154,238	106,727
Utilities	10,964	9,750
Other	12,189	(1,888)
Total Water Department Operating Expenses	1,406,596	1,209,824
Waste Water Department Operating Expenses		
Salaries and wages	178,572	167,677
Depreciation	416,843	427,429
Repairs and maintenance	117,982	150,462
Utilities	233,717	254,673
Chemicals and samples	116,143	98,656
Other	71,868	19,857
Total Waste Water Department Operating Expenses	1,135,125	1,118,754
Administrative Operating Expenses		
Salaries and wages	221,084	152,574
Office and administration	22,620	29,395
Uniforms	10,669	8,309
Professional fees	307,245	49,857
Insurance	(938)	45,037
Licenses and fees	21,278	6,948
Repairs and maintenance	34,052	37,441
Retirement	117,873	74,899
Vehicle	13,774	17,421
Maintenance shop	36,733	17,338
Payroll taxes and benefits	86,790	93,718
Other	(65,820)	88,184
Total Administrative Operating Expenses	805,360	621,121
Total Operating Expenses	\$ 3,347,081	\$ 2,949,699

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Revenue and Expenses - Compared with Budget
For the Year Ended December 31, 2023

	Actual	Budget	Over (Under) Budget
Total Operating Revenues	\$ 3,759,785	\$ 3,427,875	\$ 331,910
Water Department Operating Expenses			
Purchased water	936,670	900,000	36,670
Salaries and wages	132,659	205,000	(72,341)
Depreciation	159,876	300,000	(140,124)
Repairs and maintenance	154,238	85,000	69,238
Utilities	10,964	12,500	(1,536)
Other	12,189	-	12,189
Total Water Department Operating Expenses	1,406,596	1,502,500	(95,904)
Waste Water Department Operating Expenses			
Salaries and wages	178,572	175,000	3,572
Depreciation	416,843	525,000	(108,157)
Repairs and maintenance	117,982	130,000	(12,018)
Utilities	233,717	257,500	(23,783)
Chemicals and samples	116,143	130,000	(13,857)
Other	71,868	-	71,868
Total Waste Water Department Operating Expenses	1,135,125	1,217,500	(82,375)
Administrative Operating Expenses			
Salaries and wages	221,084	180,000	41,084
Office and administration	22,620	-	22,620
Uniforms	10,669	-	10,669
Professional fees	307,245	75,000	232,245
Insurance	(938)	85,000	(85,938)
Licenses and fees	21,278	-	21,278
Repairs and maintenance	34,052	-	34,052
Retirement	117,873	100,000	17,873
Vehicle	13,774	35,000	(21,226)
Maintenance shop	36,733	-	36,733
Payroll taxes and benefits	86,790	-	86,790
Other	(65,820)	90,000	(155,820)
Total Administrative Operating Expenses	805,360	565,000	240,360
Total Operating Expenses	3,347,081	3,285,000	62,081
Operating Income	412,704	142,875	269,829
Total Non-Operating (Expenses) Revenues	(256,585)	3,000	(259,585)
Increase in Net Position	\$ 156,119	\$ 145,875	\$ 10,244

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Principal and Interest Payments
Water and Sewer Revenue Bonds, Series 2016A
As of December 31, 2023

	<u>Principal June 1</u>	<u>Principal 19304</u>	<u>Interest June 1</u>	<u>Interest December 1</u>	<u>Total Payment</u>
2024	145,000	150,000	80,040	77,539	452,579
2025	150,000	155,000	74,951	72,364	452,315
2026	155,000	160,000	69,690	67,016	451,706
2027	160,000	165,000	64,256	61,496	450,752
2028	165,000	170,000	58,650	55,718	449,368
2029	170,000	175,000	52,785	49,766	447,551
2030	175,000	180,000	46,748	43,642	445,390
2031	180,000	185,000	40,538	37,346	442,884
2032	185,000	190,000	34,155	30,878	440,033
2033	190,000	195,000	27,514	24,064	436,578
2034	195,000	200,000	20,614	17,078	432,692
2035	200,000	205,000	13,455	9,833	428,288
2036	205,000	235,000	6,124	2,415	448,539
Total	<u>\$ 2,275,000</u>	<u>\$ 2,365,000</u>	<u>\$ 589,520</u>	<u>\$ 549,155</u>	<u>\$ 5,778,675</u>

Dated January 20, 2016

Interest Rate: 3.45%

Semiannual interest with bonds maturing June 1 and December 1

Trustee: Bank OZK

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Principal and Interest Payments
Water and Sewer Revenue Bonds, Series 2016B
As of December 31, 2023

	<u>Principal June 1</u>	<u>Principal 19304</u>	<u>Interest June 1</u>	<u>Interest December 1</u>	<u>Total Payment</u>
2024	-	-	56,250	56,250	112,500
2025	-	-	56,250	56,250	112,500
2026	-	-	56,250	56,250	112,500
2027	-	-	56,250	56,250	112,500
2028	-	-	56,250	56,250	112,500
2029	-	-	56,250	56,250	112,500
2030	-	-	56,250	56,250	112,500
2031	-	-	56,250	56,250	112,500
2032	-	-	56,250	56,250	112,500
2033	-	-	56,250	56,250	112,500
2034	-	-	56,250	56,250	112,500
2035	-	-	56,250	56,250	112,500
2036	-	85,000	56,250	56,250	197,500
2037	225,000	230,000	54,125	48,500	557,625
2038	240,000	240,000	42,750	36,750	559,500
2039	250,000	255,000	30,750	24,500	560,250
2040	265,000	265,000	18,125	11,500	559,625
2041	95,000	100,000	4,875	2,500	202,375
Total	<u><u>\$ 1,075,000</u></u>	<u><u>\$ 1,175,000</u></u>	<u><u>\$ 881,875</u></u>	<u><u>\$ 855,000</u></u>	<u><u>\$ 3,986,875</u></u>

Dated January 20, 2016

Interest Rate: 5.0%

Semiannual interest with bonds maturing June 1 and December 1

Trustee: Bank OZK

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Principal and Interest Payments
Water and Sewer Revenue Bonds, 2022A Series
As of December 31, 2023

	Principal	##	Interest	Total
2024	30,000		38,270	68,270
2025	35,000		36,935	71,935
2026	35,000		35,378	70,378
2027	35,000		33,820	68,820
2028	40,000		32,263	72,263
2029	40,000		30,483	70,483
2030	40,000		28,703	68,703
2031	45,000		26,923	71,923
2032	45,000		24,920	69,920
2033	50,000		22,918	72,918
2034	50,000		20,693	70,693
2035	50,000		18,468	68,468
2036	55,000		16,243	71,243
2037	55,000		13,795	68,795
2038	60,000		11,348	71,348
2039	60,000		8,678	68,678
2040	65,000		6,008	71,008
2041	70,000		3,115	73,115
Total	\$ 860,000		\$ 408,961	\$ 1,268,961

Dated November 29, 2022

Interest Rate: 4.45%

Semiannual interest with bonds maturing June 1 and December 1.

Trustee: Simmons Bank

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Principal and Interest Payments
Water and Sewer Revenue Bonds, 2022B Series
As of December 31, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	19,304	25,316	44,620
2025	20,166	24,454	44,620
2026	20,599	24,021	44,620
2027	21,041	23,579	44,620
2028	21,492	23,128	44,620
2029	21,953	22,667	44,620
2030	22,424	22,196	44,620
2031	22,906	21,714	44,620
2032	23,397	21,223	44,620
2033	23,899	20,721	44,620
2034	24,412	20,208	44,620
2035	24,936	19,684	44,620
2036	25,471	19,149	44,620
2037	26,017	18,603	44,620
2038	26,576	18,044	44,620
2039	27,146	17,474	44,620
2040	27,729	16,891	44,620
2041	28,324	16,296	44,620
2042	28,931	15,689	44,620
2043	29,552	15,068	44,620
2044	30,186	14,434	44,620
2045	30,834	13,786	44,620
2046	31,496	13,124	44,620
2047	32,171	12,449	44,620
2048	32,862	11,758	44,620
2049	33,567	11,053	44,620
2050	34,287	10,333	44,620
2051	35,023	9,597	44,620
2052	35,775	8,845	44,620
2053	36,542	8,078	44,620
2054	37,326	7,294	44,620
2055	38,127	6,493	44,620
2056	38,945	5,675	44,620
2057	39,781	4,839	44,620
2058	40,635	3,985	44,620
2059	41,507	3,113	44,620
2060	42,397	2,223	44,620
2061	43,307	1,313	44,620
2062	17,754	26,866	44,620
Total	<u>\$ 1,158,797</u>	<u>\$ 581,383</u>	<u>\$ 1,740,180</u>

Dated December 22, 2022

Interest Rate: 2.125%

Monthly Payments of \$3,720

Trustee: USDA

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Commission Members
December 31, 2023

<u>Commissioner's Name</u>	<u>Title</u>	<u>Term Expires January 1</u>
Shawn Ellis	Commissioner	2030
Jarred Rogers	Commissioner	2031
Sumner Brashers	Commissioner	2024
Guy Roden	Commissioner	2028
Stephen Ford	Chairman	2029

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Insurance in Force
December 31, 2023

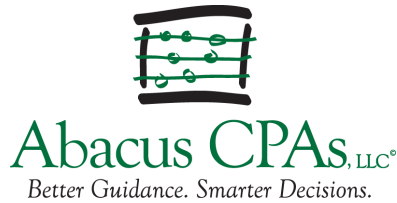
	Amount
Arkansas Municipal League	
Fire and extended coverage	
Main office	\$ 294,000
Waste water plant office	82,000
Waste water plant sludge pressroom	546,000
Shop building and offices	190,000
Shop/warehouse	228,000
Dryer	2,273,000
Water storage tank	2,500,000
Total	\$ 6,113,000
 CNA Insurance Co.	
Fidelity Bond	
Sean Davis	\$ 50,000
Sonja Rodden	\$ 50,000
Highway Permit	\$ 1,000
 Arkansas Municipal League	
Auto/Tractor Policies	
Bodily Injury, Maximum per accident	25/50M
Property Damage, Maximum per accident	\$ 75,000
 Arkansas Municipal League	
Worker's Compensation	10/100M

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Schedule of Water and Sewer Rates
December 31, 2023 and 2022
Water Rates

<u>Monthly Usage</u>	<u>2023</u>	<u>2022</u>
First 1,000 gallons	\$15.58 minimum	\$15.58 minimum
Next 4,000 gallons	\$4.00 per 1,000 GA	\$3.50 per 1,000 GA
Next 90,000 gallons	\$3.97 per 1,000 GA	\$3.47 per 1,000 GA
Next 200,000 gallons	\$3.66 per 1,000 GA	\$3.16 per 1,000 GA
Over 295,000 gallons	\$3.26 per 1,000 GA	\$3.01 per 1,000 GA

Sewer Rates

<u>Monthly Usage</u>	<u>2023</u>	<u>2022</u>
First 2,000 gallons	\$13.33 minimum	\$13.33 minimum
Next 2,000 gallons	\$5.11 per 1,000 GA	\$4.61 per 1,000 GA
Next 96,000 gallons	\$4.32 per 1,000 GA	\$3.82 per 1,000 GA
Over 100,000 gallons	\$3.15 per 1,000 GA	\$2.90 per 1,000 GA



Independent Auditors' Report On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Water and Waste Water Commission of
the Huntsville Water and Waste Water Department
Huntsville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water and Waste Water Department of the Huntsville, Arkansas (the Department), an enterprise fund of the City of Huntsville, Arkansas, which comprise the statements of financial position as December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements, and have issued our report thereon dated July 31, 2024.

Independent Auditors' Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

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Independent Auditors' Report on Compliance and Other Matters

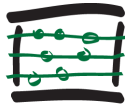
As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Abacus CPAs, LLC". The signature is written in a cursive, flowing style.

Springfield, Missouri
July 31, 2024



Abacus CPAs, LLC
Better Guidance. Smarter Decisions.

**Independent Auditors' Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required By The Uniform Guidance**

To the Water and Waste Water Commission of
the Huntsville Water and Waste Water Department
Huntsville, Arkansas

Independent Auditors' Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Water and Waste Water Department of the Huntsville, Arkansas (the Department)'s, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended December 31, 2023. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Water and Waste Water Department of the Huntsville, Arkansas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Department's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Independent Auditors' Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Abacus CPAs, LLC

Springfield, Missouri
July 31, 2024

Huntsville Water and Waste Water Department

Huntsville, Arkansas

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Award Information	AL/other #	Pass-Through Entity Name	Pass-Through Entity #	Passed- through to Subrecipients (\$)	Federal Expenditures (\$)
U.S. Department of Agriculture					
United States Department of Agriculture					
Passed through Rural Development Water and Waste Disposal Systems for Rural Communities					
Water and Waste Disposal Systems for Rural Communities	10.760	City of Huntsville	790-09032-18	-	* 980,312
Total Water and Waste Disposal Systems for Rural Communities				-	980,312
Total United States Department of Agriculture				-	980,312
Total Expenditures of Federal Awards				\$ -	\$ 980,312

The accompanying notes are an integral part of this schedule

* Tested as a major program.

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Notes to Schedule of Expenditures
For the Years Ended December 31, 2023 and 2022

Notes to the Schedule of Expenditures

A. Basis of Presentation

The accompanying schedules of expenditures of federal awards are presented in accordance with 2 CFR section 200.510(b) and represent the financial activity of Huntsville Water and Waste Water Department for the fiscal year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Huntsville Water and Waste Water Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Huntsville.

B. Summary of Significant Accounting Policies

These schedules are prepared on the accrual basis of accounting and include all applicable federal awards received and expended during the year. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Federal Loans

The City of Huntsville Water and Wastewater Department was approved by the EPA and U.S. Department of Agriculture to receive loans totaling \$1,200,000. Principal payments of \$41,203 were made during the year ended December 31, 2023.

E. Indirect Cost Rate

Huntsville Water and Waste Water Department has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

F. Assistance Listing Number (ALN)

The program title and ALN number was obtained from the federal and pass-through grantor and confirmed on the sam.gov website.

Huntsville Water and Waste Water Department

Huntsville, Arkansas

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors reporting:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies)?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies)?

_____ Yes X None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.156(a)?

_____ Yes X No

Identification of Major Programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish

between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Huntsville Water and Waste Water Department
Huntsville, Arkansas
Report on Findings
December 31, 2023 and 2022

Current Year Findings

None.

Prior Year Findings

None.