CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

Welch, Couch & Company, PA
Certified Public Accountants

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Table of Contents

Welch, Couch & Company, PA
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Mayor Danny Busch and Members of the City Council
City of Mammoth Spring Water and Sewer System
Mammoth Spring, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mammoth Spring Water and Sewer System, (a proprietary fund of the City of Mammoth Spring, Arkansas) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the City of Mammoth Spring Water and Sewer 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 City of Mammoth Spring Water and Sewer System, as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mammoth Spring Water and Sewer 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Mammoth Spring Water and Sewer System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mammoth Spring, Arkansas that is attributable to the transactions of the Water and Sewer System. They do not purport to, and do not, present fairly the financial position of the City of Mammoth Spring, Arkansas, as of December 31, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Batesville: PO Box 2094, Batesville, AR 72503 P: 870.793.5231 F: 870.793.7788
Salem: PO Box 647, Salem, AR 72576 P: 870.895.3212 F: 870.895.2998
West Plains: 1386 Bill Virdon Blvd., West Plains, MO 65775 P: 417.256.6624 F: 417.256.1171
Little Rock: 1501 N. University, Suite 268, Little Rock, AR 72207 P: 501.468.0089 F: 501.557.3929

www.welchcouch.com

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mammoth Spring Water and Sewer 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mammoth Spring Water and Sewer 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 City of Mammoth Spring Water and Sewer 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 8 and required supplementary information on pages 27 through 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Management is responsible for the supplementary information on pages 30 through 37. Our opinion on the basic financial statements do not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2026, on our consideration of the City of Mammoth Spring Water and Sewer System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mammoth Spring Water and Sewer 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 Mammoth Spring Water and Sewer System's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 5, 2026

City of Mammoth Spring Water and Sewer System
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Management's Discussion and Analysis

Our discussion and analysis of City of Mammoth Spring Water and Sewer System's (the Department) financial performance provides an overview of the Department's financial activities for the fiscal years ended December 31, 2025 and 2024. Please read it in conjunction with the Department's financial statements, which begin on page 9.

Financial Highlights

- The Department's net position decreased by $(22,341) from $1,377,157 in 2024 to $1,354,816 in 2025 as a result of this year's operations. The Department's net position decreased by $(106,312) from $1,483,469 in 2023 to $1,377,157 in 2024 as a result of the prior year's operations received by the Department.

- The Department's operating (loss) was $(291,693) and $(102,387) for the years ended December 31, 2025 and 2024, respectively.

- Cash and cash equivalents increased by $36,623 and decreased by $(39,599) for the years ended December 31, 2025 and 2024, respectively.

- The Department did not borrow any additional monies in 2025 and 2024. The Department made debt payments of $12,623 and $16,544 in 2025 and 2024, respectively.

Using This Annual Report

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements consist of three financial statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The financial statements and related notes focus on the individual parts of the Department, offering short- and long-term financial information about the activities that the government operates like businesses.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Department's finances is, "Is the Department as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Department's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Department's net position and changes in it. You can think of the Department's net position – assets and deferred outflows of resources minus liabilities and deferred inflows of resources – as one way to measure the Department's financial health or financial position. Over time, increases or decreases in the Department's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other nonfinancial factors.

The Statement of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as:

- Where did the cash come from?
- What was cash used for?
- What was the change in cash balance during the reporting period?

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Department's Net Position

The Department's net position represents the difference between its assets and deferred outflows of resources minus its liabilities and deferred inflows of resources reported in the statement of net position on pages 9 and 10. The Department's net position decreased during fiscal year 2025 by $(22,341) or 2%.

Table 1 below details the various elements of the statements of net position for 2025, 2024 and 2023:

Table 1
Statements of Net Position

	December 31,		
	2025	**2024**	**2023**
Total current assets	$ 82,786	$ 67,644	$ 124,348
Restricted cash	190,871	158,670	141,790
Capital assets - net	1,725,234	1,802,009	1,878,787
Deferred outflows of resources	22,191	40,502	41,719
Total assets and deferred outflows of resources	$ 2,021,082	$ 2,068,825	$ 2,186,644
Current liabilities	$ 35,580	$ 29,385	$ 38,654
Other liabilities payable from restricted assets	62,615	61,725	60,779
Noncurrent liabilities	552,229	595,032	603,048
Total liabilities	650,424	686,142	702,481
Deferred inflows of resources	15,842	5,526	694
Net position			
Net investment in capital assets	1,261,090	1,325,243	1,385,477
Restricted	26,603	26,603	26,008
Unrestricted	67,123	25,311	71,984
Total net position	1,354,816	1,377,157	1,483,469
Total liabilities, deferred inflows of resources and net position	$ 2,021,082	$ 2,068,825	$ 2,186,644

Operating Results and Changes in the Department's Net Position

In 2025, the Department's net position decreased by $(22,341) or 2%. This decrease is made up of various components, as shown in Table 2 below:

Table 2
Operating Results and Changes in Net Position

	Years Ended December 31, 2025	2024	2023
Operating revenues:			
Water sales, net	$ 188,532	$ 148,360	$ 140,848
Sanitation fees	81,919	74,975	69,818
Sewer fees	135,711	98,921	100,263
Other revenues	54,508	43,437	47,664
Total operating revenues	460,670	365,693	358,593
Operating expenses:			
Salaries and employee benefits	167,068	173,024	109,396
Repairs, maintenance, and supplies	36,832	52,439	52,903
Water line repair	272,325	-	-
Utilities	61,895	63,435	49,275
Insurance expense	4,446	5,095	3,090
Office expenses	28,215	18,620	30,377
Sanitation charges	75,135	67,919	80,269
Miscellaneous	16,646	-	13,350
Depreciation	76,775	76,778	71,356
Other expenses	13,026	10,770	6,627
Total operating expenses	752,363	468,080	416,643
Operating (loss)	(291,693)	(102,387)	(58,050)
Nonoperating revenue (expenses)	269,352	(3,925)	(5,994)
(Deficit) of revenues over expenses before capital grants	(22,341)	(106,312)	(64,044)
Capital grants	-	-	215,414
Change in net position	(22,341)	(106,312)	151,370
Net position - beginning of year	1,377,157	1,483,469	1,332,099
Net position - end of year	$ 1,354,816	$ 1,377,157	$ 1,483,469

Operating Revenues

The Department's total operating revenues increased by $94,977 or 26% from $365,693 in 2024 to $460,670 in 2025. The Department's total operating revenues increased by $7,100 or 1.98% from $358,593 in 2023 to $365,693 in 2024.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest expense on long-term debt and contributions. Interest expense was $8,034 and $9,060 in 2025 and 2024, respectively. Contribution revenue was $272,325 and $0 in 2025 and 2024, respectively.

The Department's Cash Flows

Changes in the Department's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2025 and 2024, the Department had $1,725,234 and $1,802,009, respectively, invested in a broad range of capital assets, including buildings, water tanks and lines, furniture and fixtures. The Department's capital asset acquisition and/or construction totaled $0 in 2025 and 2024.

Debt

At December 31, 2025 and 2024, the Department had the following outstanding debt:

Table 3
Outstanding Debt at Year End

	Years Ended December 31, 2025	Years Ended December 31, 2024
Long-term debt payable		
Current	$ 17,224	$ 16,880
Long-term	446,920	459,887
Total	$ 464,144	$ 476,767

Contacting the Department's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact City of Mammoth Spring, P.O. Box 185, City of Mammoth Spring, Arkansas 72554.

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Net Position

December 31, 2025 and 2024

Assets and Deferred Outflows of Resources

	2025	2024
Current assets		
Cash and cash equivalents - Notes 1 and 5	$ 43,514	$ 39,092
Accounts receivable, net of allowance for uncollectible accounts of $2,803 in 2025 and $2,803 in 2024 - Note 1	36,452	26,809
Accrued interest receivable	34	34
Prepaid expenses	2,786	1,709
Total current assets	82,786	67,644
Restricted cash		
Cash and certificates of deposit - Notes 2 and 5	190,871	158,670
Capital assets , net of accumulated depreciation - Note 3	1,725,234	1,802,009
Deferred outflows of resources		
Deferred pension outflows - Note 6	22,191	40,502
Total assets and deferred outflows of resources	**$ 2,021,082**	**$ 2,068,825**

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

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Net Position (Cont.)

December 31, 2025 and 2024

Liabilities, Deferred Inflows of Resources and Net Position

	2025	2024
Current liabilities		
Accounts payable	$ 19,404	$ 12,638
Accrued payroll liabilities	(3,217)	(834)
Accrued interest payable	2,169	701
Current portion of long-term debt - Note 4	17,224	16,880
Total current liabilities	35,580	29,385
Other liabilities payable from restricted assets		
Customer meter deposits - Note 4	62,615	61,725
Total other liabilities payable from restricted assets	62,615	61,725
Noncurrent liabilities		
Long-term debt, net of current portion - Note 4	446,920	459,887
Net pension obligation - Note 6	105,309	135,145
Total noncurrent liabilities	552,229	595,032
Total liabilities	650,424	686,142
Deferred inflows of resources		
Deferred pension inflows - Note 6	15,842	5,526
Total deferred inflows of resources	15,842	5,526
Net position		
Net investment in capital assets	1,261,090	1,325,243
Restricted expendable:		
Debt service	26,603	26,603
Unrestricted	67,123	25,311
Total net position	1,354,816	1,377,157
Total liabilities, deferred inflows of resources and net position	**$ 2,021,082**	**$ 2,068,825**

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

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Water sales (net of provision for bad debts of $2,593 in 2025 and $3,114 in 2024)	$ 188,532	$ 148,360
Sanitation fees	81,919	74,975
Sewer fees	135,711	98,921
Special fees	30,026	29,655
Connections and miscellaneous	24,482	13,782
Total operating revenues	460,670	365,693
Operating expenses		
Salaries, wages and employee benefits	167,068	173,024
Repairs and maintenance	2,238	14,032
Insurance expense	4,446	5,095
Utilities	61,895	63,435
Miscellaneous expense	16,646	-
Lab fees	8,113	5,191
Water line repair	272,325	-
Maintenance and supplies	34,594	38,407
Sanitation charges	75,135	67,919
Dues and memberships	4,913	5,579
Office expenses	28,215	18,620
Depreciation	76,775	76,778
Total operating expenses	752,363	468,080
Operating (loss)	(291,693)	(102,387)
Nonoperating revenues (expenses)		
Contributions	272,325	-
Interest income	5,061	5,135
Interest expense	(8,034)	(9,060)
Net nonoperating revenues (expenses)	269,352	(3,925)
Change in net position	(22,341)	(106,312)
Net position - beginning of year	1,377,157	1,483,469
Net position - end of year	**$ 1,354,816**	**$ 1,377,157**

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

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from customers	$ 453,620	$ 369,754
Payments to suppliers	(58,281)	(80,076)
Payments to employees	(169,451)	(173,662)
Other (payments) receipts	(175,138)	(135,146)
Net cash provided by (used in) operating activities	50,750	(19,130)
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(11,154)	(16,544)
Interest payments on long-term debt	(8,034)	(9,060)
Net cash (used in) capital and related financing activities	(19,188)	(25,604)
Cash flows from investing activities:		
Interest income	5,061	5,135
Net cash provided by investing activities	5,061	5,135
Increase (decrease) in cash and cash equivalents	36,623	(39,599)
Cash and cash equivalents at beginning of year	197,762	237,361
Cash and cash equivalents at end of year	**$ 234,385**	**$ 197,762**
Reconciliation of cash to the statements of net position:		
Cash and cash equivalents	$ 43,514	$ 39,092
Restricted cash and certificates of deposit	190,871	158,670
Total cash	**$ 234,385**	**$ 197,762**
<u>Supplemental information</u>		
Interest paid	$ 8,034	$ 9,060

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

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Statements of Cash Flows (Cont.)

For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	$ (291,693)	$ (102,387)
Adjustments to reconcile operating (loss) to net cash flows provided by (used in) operating activities:		
Depreciation	76,775	76,778
Provision for bad debts	2,593	3,114
Contributions	272,325	-
Net changes in:		
Accounts receivable	(12,236)	(2,166)
Prepaid expenses	(1,077)	(721)
Accounts payable	6,766	(9,016)
Accrued expenses	(2,383)	(590)
Meter deposits	890	946
Deferred outflows of resources	18,311	1,216
Deferred inflows of resources	10,316	4,832
Net pension obligation	(29,837)	8,864
Net cash provided by (used in) operating activities	**$ 50,750**	**$ (19,130)**

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

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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

Financial Reporting Entity

These financial statements present only the City of Mammoth Spring Water and Sewer System funds, accounts and balances, and are not intended to present the financial position, results of operations, and cash flows of the City of Mammoth Spring, Arkansas.

Proprietary Fund Accounting

The Department utilizes proprietary fund accounting through which revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and certificates of deposits with original maturities of three months or less.

Accounts Receivable

The Department grants credit to its residents for water and sewer sales. The collectability of the Department’s receivables is dependent upon the residents’ ability to honor their obligations for their water and sewer bills. Accounts receivable is shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is estimated based on management’s evaluation of outstanding receivables, including historical collection experience, aging of customer accounts, write-off history, current collection trends, and other relevant factors. Customer meter deposits are held as security for unpaid balances up to applicable deposit amounts; however, such deposits do not eliminate the need to estimate uncollectible accounts.

Prepaid Expenses

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

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

Capital Assets

Capital assets costing more than $1,000 and that have useful lives of more than one year are recorded at historical cost. Contributed capital assets are recorded at their estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 50 years for the various assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged against earnings when incurred.

Accounts Payable

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

Accrued Interest Payable

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

Meter Deposits

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Restricted Resources

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

Net Position

Net position classifications are defined as follows:

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

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

Net Position (Cont.)

Restricted:

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

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

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

Grants and Contributions

From time to time, the Department may receive grants and contributions. Revenue from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses.

Operating Revenues and Expenses

The Department’s statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing water utility and sewer services. Operating expenses are all expenses incurred to provide water utility and sewer services, other than financing costs.

Income Taxes

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

Reclassification of Prior Financial Statement Presentation

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

Note 2 – Restricted Cash

Restricted funds are established to ensure the Department meets the requirements of the U.S. Department of Agriculture long-term debt obligations. The Department also maintains separate accounts for meter deposits that may be refunded to customers.

The balances in the restricted accounts at December 31, 2025 and 2024, were as follows:

	2025	2024
Meter deposits - checking	$ 58,400	$ 56,406
Meter deposits - C.D.	47,417	28,756
Depreciation fund - checking	36,468	25,645
Debt reduction - checking	21,573	21,260
USDA debt reserve - C.D.	9,295	9,202
USDA debt reserve - C.D.	17,718	17,401
Total restricted cash	**$ 190,871**	**$ 158,670**

Note 3 – Capital Assets and Depreciation

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

	Balance December 31, 2024	Additions	Retirements	Reclass	Balance December 31, 2025
Capital assets being depreciated:					
Office equipment	$ 4,673	$ -	$ -	$ -	$ 4,673
Equipment under capital lease	14,000	-	-	-	14,000
Water and sewer plant and equipment	3,325,006	-	-	-	3,325,006
Total capital assets being depreciated	3,343,679	-	-	-	3,343,679
Less accumulated depreciation for:					
Office equipment	(4,673)	-	-	-	(4,673)
Equipment under capital lease	(14,000)	-	-	-	(14,000)
Water and sewer plant and equipment	(1,522,997)	(76,775)	-	-	(1,599,772)
Total accumulated depreciation	(1,541,670)	(76,775)	-	-	(1,618,445)
Total capital assets being depreciated, net	1,802,009	(76,775)	-	-	1,725,234
Capital assets, net	**$ 1,802,009**	**$ (76,775)**	**$ -**	**$ -**	**$ 1,725,234**

	Balance December 31, 2023	Additions	Retirements	Reclass	Balance December 31, 2024
Capital assets being depreciated:					
Office equipment	4,673	-	-	-	4,673
Equipment under capital lease	14,000	-	-	-	14,000
Water and sewer plant and equipment	3,325,006	-	-	-	3,325,006
Total capital assets being depreciated	3,343,679	-	-	-	3,343,679
Less accumulated depreciation for:					
Office equipment	(4,673)	-	-	-	(4,673)
Equipment under capital lease	(14,000)	-	-	-	(14,000)
Water and sewer plant and equipment	(1,446,219)	(76,778)	-	-	(1,522,997)
Total accumulated depreciation	(1,464,892)	(76,778)	-	-	(1,541,670)
Total capital assets being depreciated, net	1,878,787	(76,778)	-	-	1,802,009
Capital assets, net	**$ 1,878,787**	**$ (76,778)**	**$ -**	**$ -**	**$ 1,802,009**

Depreciation expense for the years ended December 31, 2025 and 2024, was $76,775 and $76,778, respectively.

Note 4 – Long-Term Debt and Other Liabilities Payable from Restricted Assets

A schedule of changes in the Department's long-term debt and other liabilities payable from restricted assets for December 31, 2025 and 2024, follows:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Amount Due Within One Year
Long-term debt					
USDA (A)	$ 82,510	$ -	$ (5,387)	$ 77,123	$ 7,375
USDA (B)	394,257	-	(7,236)	387,021	9,849
Total long-term debt	476,767	-	(12,623)	464,144	17,224
Other liabilities payable from restricted assets					
Meter deposits	61,815	800	-	62,615	-
Total other liabilities payable from restricted assets	61,815	800	-	62,615	-
Total	**$ 538,582**	**$ 800**	**$ (12,623)**	**$ 526,759**	**$ 17,224**

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Amount Due Within One Year
Long-term debt					
USDA (A)	$ 89,543	$ -	$ (7,033)	$ 82,510	$ 7,202
USDA (B)	403,767	-	(9,510)	394,257	9,678
Total long-term debt	493,310	-	(16,543)	476,767	16,880
Other liabilities payable from restricted assets					
Meter deposits	60,779	9,150	(8,114)	61,815	-
Total other liabilities payable from restricted assets	60,779	9,150	(8,114)	61,815	-
Total	**$ 554,089**	**$ 9,150**	**$ (24,657)**	**$ 538,582**	**$ 16,880**

The terms and due dates of the Department's long-term debt at December 31, 2025 and 2024, follow:

(A) **U.S. Department of Agriculture** – Original balance, $166,000, monthly payments of $757 starting April 2011, including 2.375% interest, maturing March 2035, secured by revenues of the Department.

(B) **U.S. Department of Agriculture** – Original balance, $474,000, monthly payments of $1,375 starting May 2017, including 1.75% interest, maturing April 2057, secured by revenues of the Department.

Note 4 – Long-Term Debt and Other Liabilities Payable from Restricted Assets (Cont.)

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

Year Ending December 31,	Long-Term Debt Principal	Interest
2026	17,224	8,360
2027	17,574	8,010
2028	17,933	7,651
2029	18,298	7,286
2030	18,671	6,913
2031 - 2035	94,106	28,740
2036 - 2040	60,759	21,741
2041 - 2045	66,311	16,189
2046 - 2050	72,370	10,130
2051- 2055	80,898	3,518
Total	**$ 464,144**	**$ 118,538**

As of the years ended December 31, 2025 and 2024, the Department's debt reserve was fully funded by two CDs included in restricted cash.

Note 5 – Significant Concentration of Credit Risk

Credit risk for trade accounts receivable is concentrated because substantially all of the balances are receivables from individuals located within the same geographic region. The Department grants unsecured credit to its customers, subject to a meter deposit.

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

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law. At December 31, 2025, the Department's carrying amount of deposits was $234,385. The bank balances totaled $229,891 and were fully covered by Federal Depository Insurance.

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

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

Note 5 – Significant Concentration of Credit Risk (Cont.)

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

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

	2025	2024
Deposits	$ 234,385	$ 197,762
Total	**$ 234,385**	**$ 197,762**
Included in the following statements of net position captions:		
Cash and cash equivalents	$ 43,514	$ 39,092
Restricted cash and certificates of deposit	190,871	158,670
Total	**$ 234,385**	**$ 197,762**

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

	2025	2024
Interest income	**$ 5,061**	**$ 5,135**

Note 6 – Retirement Plan – APERS

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

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

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Secretary of the Department of Finance and Administration, two members who retired from the system appointed by the President Pro Tempore of the Senate and two members who retired from the system appointed by the Speaker of the House of Representatives.

Note 6 – Retirement Plan – APERS (Cont.)

Benefits Provided

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

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

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 55 with 35 years of credited service for elected or public safety officials.

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Beginning July 1, 2022, the member contribution rate will increase in increments of 0.25% per year until it reaches the maximum 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

The Department's contributions to APERS for the years ending December 31, 2025 and 2024, were $18,402 and $18,903, respectively.

APERS Fiduciary Net Position

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

Note 6 – Retirement Plan – APERS (Cont.)

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

At December 31, 2025 and 2024, the Department reported a liability of $105,309 and $135,145 respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2025 and 2024, the Department's proportion was 0.0144% and 0.0154%, respectively.

For the years ended December 31, 2025 and 2024, the Department recognized pension expense of $18,402 and $18,903, respectively. At December 31, 2025 and 2024, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows		Deferred Inflows	
	2025	**2024**	**2025**	**2024**
Difference between expected and actual experience	$ 3,263	$ 5,245	$ (3,162)	$ (5,526)
Net difference between projected and actual investment earnings on pension plan investments	-	3,920	(6,986)	-
Changes of assumptions	1,827	4,710	-	-
Changes in proportion and differences between employer contributions and share of contributions	12,046	21,216	(5,694)	-
Contributions subsequent to the measurement date	5,055	5,411	-	-
Total	**$ 22,191**	**$ 40,502**	**$ (15,842)**	**$ (5,526)**

Note 6 – Retirement Plan – APERS (Cont.)

The $5,055 reported as deferred outflows of resources related to pension resulting from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2026	$ 19,597
2027	(6,619)
2028	(7,816)
2029	(3,868)
	$ 1,294

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Salary Increases	3.25% – 11.00%
Wage Inflation Rate	3.25%
Discount Rate	7.00%
Mortality rate table	The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114%and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables males and females, respectively. The disabled retiree mortality tables, for post-retirement disabled mortality, used in evaluating allowances to e paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above described tables.

Note 6 – Retirement Plan – APERS (Cont.)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 to 2034 were based on GRS's 2025 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Estate	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
Total	100%	
Total Real Rate of Return		5.00%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.00%
Net Expected Return		7.50%

Discount Rate

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

Note 6 – Retirement Plan – APERS (Cont.)

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

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

	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Net pension liability	$ 196,521	$ 105,309	$ 30,094

Note 7 – Risk Management

The City of Mammoth Spring Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from an independent third party and participation in public entity risk pools. The Department is responsible for payment of premiums and applicable deductibles, and the pool is responsible for payment of covered claims up to applicable policy limits. The amount of claim settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year. The Department participates in the Arkansas Municipal League program (public entity risk pool) for coverage on building and contents. This program is a blanket policy with varying coverage on each separate property with a $5,000 deductible.

Note 8 – Compensated Absences

It is the Department's policy to accumulate earned but unused vacation benefits. Because the number of Department employees is small, the accrued vacation is not expected to be material and is not recorded.

Note 9 – Subsequent Event

Management has evaluated subsequent events through August 5, 2026, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Department's Proportionate Share
of the Net Pension Liability
Last Ten State Fiscal Years

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Department's proportion of the net pension liability (asset)	0.0144%	0.0154%	0.0122%	0.0115%	0.0111%	0.0010%	0.0080%	0.0093%	0.0108%	0.0106%
Department's proportionate share of the net pension liability (asset)	$ 105,309	$ 135,145	$ 126,281	$ 114,435	$ 31,713	$ 101,920	$ 74,114	$ 78,448	$ 103,357	$ 91,814
Department's covered-employee payroll	$ 120,117	$ 123,388	$ 96,044	$ 88,714	$ 82,369	$ 69,445	$ 58,786	$ 66,612	$ 69,919	$ 69,563
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.67%	109.53%	131.48%	128.99%	38.50%	146.76%	126.07%	117.77%	147.83%	131.31%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Department Contributions

Last Ten State Fiscal Years

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contributions	$ 18,402	$ 18,903	$ 14,714	$ 13,591	$ 12,619	$ 10,639	$ 9,006	$ 9,825	$ 10,453	$ 10,087
Contributions in relation to the contractually required contribution	(18,402)	(18,903)	(14,714)	(13,591)	(12,619)	(10,639)	(9,006)	(9,825)	(10,453)	(10,087)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Department's covered-employee payroll	$ 120,117	$ 123,388	$ 96,044	$ 88,714	$ 82,369	$ 69,445	$ 58,786	$ 66,612	$ 69,919	$ 69,563
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.95%	14.50%

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Department Contributions
Last Ten State Fiscal Years (Cont.)

Methods and assumptions used to determine fiscal year 2025 contribution rates:

Actual Cost Method	Entry Age Normal
Inflation	3.25% wage inflation, 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-2021.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Users and Consumption

For the Year Ended December 31, 2025

Month	Consumption (In Gallons)	Active Users
January	2,459,576	713
February	3,448,014	716
March	2,756,510	714
April	2,818,350	706
May	3,386,880	715
June	2,332,930	713
July	3,020,149	715
August	3,009,771	712
September	3,416,096	720
October	3,089,308	715
November	2,736,164	719
December	3,091,703	725
Total consumption	**35,565,451**	
Monthly averages	**2,963,788**	**715**

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Users and Consumption

For the Year Ended December 31, 2024

Month	Consumption (In Gallons)	Active Users
January	2,825,699	701
February	3,320,261	704
March	3,021,960	700
April	2,723,914	698
May	2,583,190	702
June	2,980,396	702
July	3,285,660	708
August	3,387,800	713
September	3,758,216	712
October	3,235,604	718
November	3,126,544	712
December	3,220,916	709
Total consumption	**37,470,160**	
Monthly averages	**3,122,513**	**707**

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Current Usage Rates

December 31, 2025

<u>Water Rates</u>

City Water Rates	
From 0 to 1,500 Gallons	$17.00 Minimum
Over 1,500 Gallons	$1.50 Per 1,000 Gallons
Rural Water Rates	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Mammoth Spring Housing Authority	
Minimum Charge	$286.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Spring Creek Apartments	
Minimum Charge	$312.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Mammoth Spring Estates	
Minimum Charge	$260.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

<u>Sewer Rates</u>

City Water Rates	
From 0 to 1,500 Gallons	$17.00 Minimum
Over 1,500 Gallons	$1.50 Per 1,000 Gallons
Rural Water Rates	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Out of State	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Mammoth Spring Housing Authority	
Minimum Charge	$286.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

See Independent Auditor's Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Current Usage Rates (Cont.)
December 31, 2025

Sewer Rates (Cont.)

Spring Creek Apartments	
Minimum Charge	$312.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Mammoth Spring Estates	
Minimum Charge	$260.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

Other Services

Trash Pickup	
City Rates	$12.00
Rural Rates	$15.00
Debt Reduction Fee	$4.00
Meter Deposit	$150.00
Penalty	10%
Reconnect Fee	$50.00

See Independent Auditor’s Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedule of Prior Year Usage Rates
December 31, 2024

Water Rates

City Water Rates	
From 0 to 1,500 Gallons	$17.00 Minimum
Over 1,500 Gallons	$1.50 Per 1,000 Gallons
Rural Water Rates	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Mammoth Spring Housing Authority	
Minimum Charge	$286.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Spring Creek Apartments	
Minimum Charge	$312.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Mammoth Spring Estates	
Minimum Charge	$260.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

Sewer Rates

City Water Rates	
From 0 to 1,500 Gallons	$17.00 Minimum
Over 1,500 Gallons	$1.50 Per 1,000 Gallons
Rural Water Rates	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Out of State	
From 0 to 1,500 Gallons	$25.00 Minimum
Over 1,500 Gallons	$3.00 Per 1,000 Gallons
Mammoth Spring Housing Authority	
Minimum Charge	$286.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

See Independent Auditor’s Report

Sewer Rates (Cont.)

Spring Creek Apartments	
Minimum Charge	$312.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons
Mammoth Spring Estates	
Minimum Charge	$260.00 Minimum
Over 1 Gallon	$0.00 Per 1,000 Gallons

Other Services

Trash Pickup	
City Rates	$12.00
Rural Rates	$15.00
Debt Reduction Fee	$4.00
Meter Deposit	$150.00
Penalty	10%
Reconnect Fee	$25.00

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM
(A Proprietary Fund of the City of Mammoth Spring, Arkansas)
Schedules of Insurance in Force
December 31, 2025 and 2024

For the Year Ended December 31, 2025

Company	Description of Policy	Period Covered	Amount of Coverage
Arkansas Municipal League	Buildings, Contents, Equipment, Sewer Plant, Wells and Lift Stations	7/20/25 - 7/19/26	$1,032,667
Arkansas Municipal League	Auto	7/2/25 - 7/1/26	$47,701
Arkansas Municipal League	Workers' Compensation	1/1/25 - 12/31/25	Statutory
Arkansas Fidelity Bond Trust Program - Arkansas Insurance Department	Blanket Fidelity Bond	1/1/25 - 12/31/25	$250,000
FEMA - National Flood Insurance Program	Flood	4/25/25 - 4/25/26	$330,000

For the Year Ended December 31, 2024

Company	Description of Policy	Period Covered	Amount of Coverage
Arkansas Municipal League	Buildings, Contents, Equipment, Sewer Plant, Wells and Lift Stations	7/20/24 - 7/19/25	$866,882
Arkansas Municipal League	Auto	7/2/24 - 7/1/25	$47,187
Arkansas Municipal League	Workers' Compensation	1/1/24 - 12/31/24	Statutory
Arkansas Fidelity Bond Trust Program - Arkansas Insurance Department	Blanket Fidelity Bond	1/1/24 - 12/31/24	$250,000
FEMA - National Flood Insurance Program	Flood	4/25/24 - 4/25/25	$330,000

See Independent Auditor’s Report

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedules of City Officials

December 31, 2025 and 2026

December 31, 2025

		Term Expires
Mayor:	Danny Busch	December 31, 2026
Recorder/Treasurer	Jim Mills	December 31, 2028
Council Members:	Kyle Washam	December 31, 2026
	Thomas Owsley	December 31, 2026
	Barry O'Dell	December 31, 2026
	Adam Davis	December 31, 2026

December 31, 2024

		Term Expires
Mayor:	Danny Busch	December 31, 2026
Recorder/Treasurer	Jim Mills	December 31, 2028
Council Members:	Kyle Washam	December 31, 2026
	Thomas Owsley	December 31, 2026
	Barry O'Dell	December 31, 2026
	Adam Davis	December 31, 2026

See Independent Auditor’s Report

Welch, Couch & Company, PA
Certified Public Accountants

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

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

Mayor Danny Busch and Members of the City Council
City of Mammoth Spring Water and Sewer System
Mammoth Spring, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Mammoth Spring Water and Sewer System, a proprietary fund of the City of Mammoth Spring, Arkansas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Mammoth Spring Water and Sewer System's basic financial statements, and have issued our report thereon dated August 5, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mammoth Spring Water and Sewer 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mammoth Spring Water and Sewer 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*.

City of Mammoth Spring Water and Sewer System's Response to Findings

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

Purpose of This Report

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

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 5, 2026

CITY OF MAMMOTH SPRING WATER AND SEWER SYSTEM

(A Proprietary Fund of the City of Mammoth Spring, Arkansas)

Schedule of Findings and Management Responses

December 31, 2025

Financial Statement Finding

Significant Deficiency

2025-01 – Segregation of Duties

Condition: Our review of the City of Mammoth Spring Water and Sewer System's internal control structure disclosed that primarily due to the limited number of accounting personnel which effectively precludes an adequate segregation of duties, there are inherent limitations in the Department's controls in this regard. While we realize that the Department does not presently have the staff necessary to achieve a complete segregation of duties, and the employment of additional personnel for the purpose of segregating duties may not be practicable from a cost/benefit standpoint, we are required as a part of our professional responsibilities to report this condition.

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

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

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

Recommendation: When possible, such activities should be split between employees with reconciliations and other key accounting data verified by management.

Management Response: City of Mammoth Spring Water and Sewer System has a limited number of accounting personnel available to perform its accounting and reporting responsibilities. We will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.