

**CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of
Mountain View, Arkansas
Independent Auditor's Report
and Financial Statements**

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

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-4
Financial Statements	
Statements of Net Position	5-6
Statements of Revenues, Expenses and Changes in Net Position.....	7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-23
Required Supplementary Information	
Schedule of Department's Proportionate Share of the Net Pension Liability	24
Schedule of Department Contributions	25
Supplementary Information	
Supplemental Schedules of Water Rates	26
Supplemental Schedules of Users and Consumption	27-28
Schedule of Expenditures of Federal Awards.....	29
Notes to the Schedule of Expenditures of Federal Awards.....	30
Other Required Reports	
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 <i>Government Auditing Standards</i>	31-32
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	33-35
Schedule of Findings and Questioned Costs.....	36-38
Supplemental Data Sheet.....	39



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mountain View, Arkansas Water and Wastewater Department, (a proprietary fund of the City of Mountain View, Arkansas) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise City of Mountain View, Arkansas Water and Wastewater Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Mountain View, Arkansas Water and Wastewater Department, as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Mountain View, Arkansas Water and Wastewater Department are intended to present the financial position, the changes in the financial position, and cash flows of only that portion of the business-type activities of the City of Mountain View, Arkansas that is attributable to the transactions of the City of Mountain View, Arkansas Water and Wastewater Department. They do not purport to, and do not, present fairly the financial position of the City of Mountain View, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain View, Arkansas Water and Wastewater Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the historical pension information on pages 24 and 25 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 an opinion on the financial statements that collectively comprise the City of Mountain View, Arkansas Water and Wastewater Department's basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Management is responsible for the other supplementary information on pages 26 to 28. Our opinion on the basic financial statements does not cover the other 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 other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the basic financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other 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 15, 2024, on our consideration of the City of Mountain View, Arkansas Water and Wastewater Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mountain View, Arkansas Water and Wastewater Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mountain View, Arkansas Water and Wastewater Department's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 15, 2024

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets and Deferred Outflows of Resources</u>		
Current assets		
Cash and cash equivalents - Notes 1 and 2	\$ 2,605,754	\$ 387,552
Accounts receivable, net of allowance - Note 4	145,875	149,173
Interfund receivables - Note 6	1,390	1,390
Inventories	108,937	63,254
Prepaid expenses	29,759	37,177
Total current assets	<u>2,891,715</u>	<u>638,546</u>
Restricted cash - Note 3		
Customer meter deposit funds - Note 3	178,426	162,982
Capital replacement and repair funds	408,400	367,813
Meter replacement fund	28,053	-
Total restricted cash	<u>614,879</u>	<u>530,795</u>
Capital assets - Note 5		
Nondepreciable assets	4,629,046	752,877
Depreciable assets, net of accumulated depreciation	8,373,677	9,003,624
Total capital assets	<u>13,002,723</u>	<u>9,756,501</u>
Deferred outflows of resources		
Deferred pension outflows - Note 10	198,891	215,788
Total assets and deferred outflows of resources	<u><u>\$ 16,708,208</u></u>	<u><u>\$ 11,141,630</u></u>

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Net Position (Cont.)
December 31, 2023 and 2022

<u>Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>2023</u>	<u>2022</u>
Current liabilities - payable from current assets		
Accounts payable	\$ 16,468	\$ 9,631
Interfund payables - Note 6	22,342	22,342
Sales tax payable	6,114	5,748
Accrued payroll and related liabilities	34,219	19,531
Total current liabilities	79,143	57,252
Other liabilities - payable from restricted assets		
Meter deposits - Note 3	172,226	156,687
Noncurrent liabilities		
Net pension obligation - Note 10	627,894	604,081
Total liabilities	879,263	818,020
Deferred inflows of resources		
Deferred pension inflows - Note 10	16,791	11,660
Net position		
Net investment in capital assets	13,002,723	9,756,501
Restricted expendable:		
Customer deposits	6,200	6,295
Capital replacement and repair	408,400	367,813
Meter replacement	28,053	-
Unrestricted	2,366,778	181,341
Total net position	15,812,154	10,311,950
Total liabilities, deferred inflows of resources, and net position	\$ 16,708,208	\$ 11,141,630

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water sales	\$ 945,249	\$ 907,462
Wastewater user fees	338,888	317,037
Sanitation fees	594,368	416,969
Penalties	26,118	25,418
Tie-on and reconnect fees	52,150	32,435
Sales tax revenues	137,227	119,405
Billing fees	23,797	23,416
Miscellaneous	36,502	14,198
Total operating revenues	<u>2,154,299</u>	<u>1,856,340</u>
Operating expenses		
Analysis and monitoring	8,981	7,878
Bank charges	2,268	2,286
Contract services	74,210	44,005
Custodian services	5,693	5,693
Depreciation	672,698	674,958
Bad debt	4,662	7,160
Education, travel and mileage	4,537	4,586
Insurance	40,680	36,083
Miscellaneous	12,791	8,317
Payroll taxes and employee benefits	110,224	92,966
Permits and fees	58,456	24,443
Postage, printing, office expense	42,424	38,241
Repairs and maintenance	22,801	2,535
Retirement expense	100,598	71,087
Salaries	402,794	406,520
Sales tax	135,660	116,148
Sanitation fee remittance	565,850	379,692
Supplies and materials	103,095	99,181
Telephone and utilities	89,910	90,296
Vehicle and equipment expense	47,779	39,222
Water purchases	312,709	319,132
Total operating expenses	<u>2,818,820</u>	<u>2,470,429</u>
Operating (loss)	<u>(664,521)</u>	<u>(614,089)</u>
Nonoperating revenues		
Grant income	2,284,881	-
Interest income	3,675	2,549
Total nonoperating revenues	<u>2,288,556</u>	<u>2,549</u>
Income (loss) before transfers and capital asset contributions	1,624,035	(611,540)
Transfers from other funds	-	11,879
Capital asset contributions	<u>3,876,169</u>	<u>325,018</u>
Changes in net position	5,500,204	(274,643)
Net position - beginning of year	<u>10,311,950</u>	<u>10,586,593</u>
Net position - end of year	<u>\$ 15,812,154</u>	<u>\$ 10,311,950</u>

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT.
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,116,433	\$ 1,807,757
Cash payments to and/or for employees	(388,106)	(414,354)
Cash payments to suppliers for goods and services	(334,482)	(252,456)
Other cash receipts (payments)	<u>(1,337,364)</u>	<u>(1,140,377)</u>
Net cash provided by operating activities	<u>56,481</u>	<u>570</u>
Cash flows from non-capital financing activities:		
Cash transfer from other funds	-	11,879
Net cash provided by non-capital financial activities	<u>-</u>	<u>11,879</u>
Cash flows from capital and related financing activities:		
Grant income	2,284,881	-
Cash paid for acquisition and construction of capital assets	<u>(42,751)</u>	<u>(48,629)</u>
Net cash provided by (used in) capital and related financing activities	<u>2,242,130</u>	<u>(48,629)</u>
Cash flows from investing activities:		
Interest income	3,675	2,549
Net cash provided by investing activities	<u>3,675</u>	<u>2,549</u>
Net increase (decrease) in cash and cash equivalents	2,302,286	(33,631)
Cash and cash equivalents - beginning of year	<u>918,347</u>	<u>951,978</u>
Cash and cash equivalents - end of year	<u>\$ 3,220,633</u>	<u>\$ 918,347</u>
Reconciliation of total cash and cash equivalents to the statements of net position:		
Current assets - cash and cash equivalents	\$ 2,605,754	\$ 387,552
Restricted cash - cash and cash equivalents	<u>614,879</u>	<u>530,795</u>
Total cash and cash equivalents	<u>\$ 3,220,633</u>	<u>\$ 918,347</u>
Noncash transactions		
Capital asset contributions	\$ 3,876,169	\$ 325,018

(Continued)

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Cash Flows (Cont.)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (664,521)	\$ (614,089)
Adjustments to reconcile operating (loss) to net cash flows provided by operating activities:		
Depreciation	672,698	674,958
Provision for uncollectible accounts	4,662	7,160
Net changes in:		
Accounts receivable	(1,364)	(34,385)
Inventory	(45,683)	(23,856)
Prepaid expenses	7,418	(5,439)
Deferred outflows of resources	16,897	(157,322)
Accounts payable	7,203	277
Accrued expenses	14,688	(7,834)
Meter deposit liability	15,539	5,198
Net pension obligation	23,813	444,593
Deferred inflows of resources	5,131	(288,691)
Net cash provided by operating activities	<u><u>\$ 56,481</u></u>	<u><u>\$ 570</u></u>

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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

Financial Reporting Entity

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

Basis of Accounting

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

Operating Revenues and Expenses

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

Use of Estimates

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

Cash and Cash Equivalents

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

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

Accounts Receivable

The Department grants credit to its residents for water and sewer sales. The collectability of the Department's receivables is dependent upon the residents' ability to honor their obligations for their water and sewer bills. Accounts receivable is carried on the statements of net realizable value. Any losses on uncollectible accounts are recognized when such losses become known or indicated. An allowance is estimated based on historical collection percentages. The allowance for uncollectible accounts totaled \$65,188 and \$60,526 at December 31, 2023 and 2022, respectively. The Department had bad debt expense totaling \$4,622 and \$7,160 for the years ended December 31, 2023 and 2022, respectively.

Inventories

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

Restricted Cash

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

Prepaid Expenses

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

Capital Assets

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

Estimated useful lives are as follows:

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

Accounts Payable

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

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

Sales Tax Payable

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

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities consist primarily of accrued payroll tax and related liabilities at December 31, 2023 and 2022. This also includes compensated absences for Department's vacation accrual of \$23,861 and \$9,202 for years ended December 31, 2023 and 2022, respectively. Employees earn five days of vacation from six months to two years of employment and ten days after two years of employment and fifteen days after six years of employment. In addition, sick time is earned by employees however is not payable at separation of employment.

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.

Net Pension Obligation

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

Restricted Resources

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

Grants and Contributions

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

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

Net Position

Net position classifications are defined as follows:

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

Restricted:

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

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

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

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the changes in net position as previously reported.

Income Taxes

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

Note 2 – Concentration of Credit Risk

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Concentration of Credit Risk (Cont.)

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provision of state law. At December 31, 2023, the Department's carrying amount of deposits was \$3,220,633. The bank balances totaled \$3,248,244 and were fully covered by Federal Depository Insurance and pledged securities held by the pledging financial institution.

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

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

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

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

	<u>2023</u>	<u>2022</u>
Deposits	\$ 3,220,633	\$ 918,347
Total	<u>\$ 3,220,633</u>	<u>\$ 918,347</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 2,605,754	\$ 387,552
Restricted cash	614,879	530,795
Total	<u>\$ 3,220,633</u>	<u>\$ 918,347</u>

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 3,675</u>	<u>\$ 2,549</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Restricted Cash

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposit reserves at December 31, 2023, were \$178,426, a surplus of \$6,200 from the total customer deposits of \$172,226. Meter deposit reserves at December 31, 2022, were \$162,982, a surplus of \$6,295 from the total customer deposits of \$156,687. In addition, the Department has elected to restrict certain funds to future capital improvements and meter replacements.

	<u>2023</u>	<u>2022</u>
Including the customer meter deposit funds, restricted cash includes:		
Customer meter deposit funds	\$ 178,426	\$ 162,982
Capital replacement and repair funds	408,400	367,813
Meter replacement fund	28,053	-
	<u>614,879</u>	<u>530,795</u>
Total Restricted Cash	<u>\$ 614,879</u>	<u>\$ 530,795</u>

Note 4 – Accounts Receivable

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 211,062	\$ 209,699
Allowance for uncollectible accounts	(65,187)	(60,526)
	<u>145,875</u>	<u>149,173</u>
Accounts receivable, net of allowance for uncollectible accounts	<u>\$ 145,875</u>	<u>\$ 149,173</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 5 – Capital Assets and Depreciation

Capital asset additions, retirements and balances for the years ended December 31, 2023 and 2022, were as follows:

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer Between Funds/ Reclass</u>	<u>Balance 12/31/2023</u>
Capital assets not being depreciated:					
Land and land rights	\$ 5,678	\$ -	\$ -	\$ -	\$ 5,678
Construction in progress	747,199	3,876,169	-	-	4,623,368
Total capital assets not being depreciated	<u>752,877</u>	<u>3,876,169</u>	<u>-</u>	<u>-</u>	<u>4,629,046</u>
Capital assets being depreciated:					
System and improvements	19,215,965	-	-	-	19,215,965
Equipment	499,466	6,962	-	-	506,428
Vehicles	285,600	35,789	-	-	321,389
Furniture and fixtures	46,576	-	-	-	46,576
Total capital assets being depreciated	<u>20,047,607</u>	<u>42,751</u>	<u>-</u>	<u>-</u>	<u>20,090,358</u>
Less accumulated depreciation for:					
System and improvements	(10,333,728)	(648,146)	-	-	(10,981,874)
Equipment	(452,328)	(11,090)	-	-	(463,418)
Vehicles	(213,963)	(13,151)	-	-	(227,114)
Furniture and fixtures	(43,964)	(311)	-	-	(44,275)
Total accumulated depreciation	<u>(11,043,983)</u>	<u>(672,698)</u>	<u>-</u>	<u>-</u>	<u>(11,716,681)</u>
Total capital assets being depreciated, net	<u>9,003,624</u>	<u>(629,947)</u>	<u>-</u>	<u>-</u>	<u>8,373,677</u>
Capital assets, net	<u>\$ 9,756,501</u>	<u>\$ 3,246,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,002,723</u>

During 2023, depreciation expense was charged to the Departments as follows:

Water Department	\$ 262,571
Wastewater Department	392,941
Joint - Water and Wastewater Department	<u>17,186</u>
	<u>\$ 672,698</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 5 – Capital Assets and Depreciation (Cont.)

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer Between Funds/ Reclass</u>	<u>Balance 12/31/2022</u>
Capital assets not being depreciated:					
Land and land rights	\$ 5,678	\$ -	\$ -	\$ -	\$ 5,678
Construction in progress	422,181	325,018	-	-	747,199
Total capital assets not being depreciated	<u>427,859</u>	<u>325,018</u>	<u>-</u>	<u>-</u>	<u>752,877</u>
Capital assets being depreciated:					
System and improvements	19,215,965	-	-	-	19,215,965
Equipment	475,954	23,512	-	-	499,466
Vehicles	260,483	25,117	-	-	285,600
Furniture and fixtures	46,576	-	-	-	46,576
Total capital assets being depreciated	<u>19,998,978</u>	<u>48,629</u>	<u>-</u>	<u>-</u>	<u>20,047,607</u>
Less accumulated depreciation for:					
System and improvements	(9,684,844)	(648,884)	-	-	(10,333,728)
Equipment	(439,171)	(13,157)	-	-	(452,328)
Vehicles	(201,357)	(12,606)	-	-	(213,963)
Furniture and fixtures	(43,653)	(311)	-	-	(43,964)
Total accumulated depreciation	<u>(10,369,025)</u>	<u>(674,958)</u>	<u>-</u>	<u>-</u>	<u>(11,043,983)</u>
Total capital assets being depreciated, net	<u>9,629,953</u>	<u>(626,329)</u>	<u>-</u>	<u>-</u>	<u>9,003,624</u>
Capital assets, net	<u>\$ 10,057,812</u>	<u>\$ (301,311)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,756,501</u>

During 2022, depreciation expense was charged to the Departments as follows:

Water Department	\$ 262,571
Wastewater Department	395,595
Joint - Water and Wastewater Department	<u>16,792</u>
	<u>\$ 674,958</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 6 – Interfund Balances

Interfund receivables as of December 31, 2023 and 2022, consisted of the amounts due from the City of Mountain View, Arkansas Water Treatment Plant for water utilized at the water treatment plant.

Interfund payables as of December 31, 2023 and 2022, consisted of the amounts due to the City of Mountain View, Arkansas Water Treatment Plant and Street fund for water purchased for distribution and vehicle fuel, respectively.

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

Note 7 – Capital Asset Contributions and Transfers From Other Funds

The Series 2020 sales and use tax refunding and improvement bonds were issued for the purpose of refunding the 2014 bond issue and for improvements to the City's wastewater system. During the years ended December 31, 2023 and 2022, capital improvements to the City's water and wastewater department were recorded on the Department's books in the amount of \$3,876,169 and \$325,018, respectively.

The city of Mountain View, Arkansas Water Treatment Plant transferred to the Department \$11,879 for payment to APERS during the year ended December 31, 2022.

Note 8 – Risk Management

The City of Mountain View, Arkansas Water and Wastewater Department has purchased commercial insurance coverage to cover potential losses due to the various risks related to the damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department had no claims in excess of insurance in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

Note 9 – Water and Wastewater Governing Body

Certain regulatory agencies and creditors require that members of the governing board be presented. Members of the Mountain View City Council for the years ending December 31, 2023 and 2022, are as follows:

<u>2023</u>	<u>2022</u>
J. K. Williams	J. K. Williams
Truman Bullard	Truman Bullard
Dana Woods	Dana Woods
Danny Simmons	Danny Simmons
Wayne "Ricky" Shuttleworth	Wayne "Ricky" Shuttleworth
Finis Brewer	Finis Brewer

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 10 – Retirement Plan – APERS

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

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

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

Benefits Provided

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

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

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 55 with 35 years of credited service for sheriff and public safety members.

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

Contributions

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 10 – Retirement Plan – APERS (Cont.)

Contributions (Cont.)

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's contributions to APERS for the years ending December 31, 2023 and 2022, were \$73,161 and \$71,473, respectively.

APERS Fiduciary Net Position

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

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

At December 31, 2023 and 2022, the Department reported a liability of \$627,894 and \$604,081, respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2023 and 2022, 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, 2023 and 2022, the Department's proportion was 0.0215% and 0.0224%, respectively.

For the years ended December 31, 2023 and 2022, the Department recognized pension expense of \$100,598 and \$71,087, respectively. At December 31, 2023 and 2022, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Difference between expected and actual experience	\$ 35,443	\$ 14,500	\$ (3,449)	\$ (7,293)
Net difference between projected and actual investment earnings on pension plan investments	78,150	127,432	-	-
Changes of assumptions	29,519	-	-	-
Changes in proportion and differences between employer contributions and share of contributions	20,686	34,577	(13,342)	(4,367)
Contributions subsequent to the measurement date	<u>35,093</u>	<u>39,279</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 198,891</u>	<u>\$ 215,788</u>	<u>\$ (16,791)</u>	<u>\$ (11,660)</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 10 – Retirement Plan – APERS (Cont.)

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

The \$35,093 reported as deferred outflows of resources related to pensions resulting from the Department’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Amount</u>
2024	\$ 41,441
2025	19,158
2026	91,683
2027	<u>(5,275)</u>
Total	<u><u>\$ 147,007</u></u>

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2023. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

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

* Net of investment and administrative expenses

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 10 – Retirement Plan – APERS (Cont.)

Actuarial Assumptions (Cont.)

All other actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2017, through June 30, 2022, and were applied to all prior periods included in the measurement.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for the 10-year period from 2021 – 2023 were based upon capital market assumptions provided by the plan’s investment consultant. For each major asset class included in the plan’s target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

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.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 10 – Retirement Plan – APERS (Cont.)

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

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

	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Net pension liability	\$ 1,000,807	\$ 627,894	\$ 320,649

Note 11 – Subsequent Events

Management has evaluated subsequent events through August 15, 2024, 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.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Department's Proportionate Share of
The Net Pension Liability

	December 31, <u>2023</u>	December 31, <u>2022</u>	December 31, <u>2021</u>	December 31, <u>2020</u>	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
Department's proportion of the net pension liability (asset)	0.0215%	0.0224%	0.0207%	0.0201%	0.0209%	0.0200%	0.0209%	0.0189%
Department's proportionate share of the net pension liability (asset)	\$ 627,894	\$ 604,081	\$ 159,488	\$ 576,667	\$ 503,285	\$ 442,276	\$ 539,875	\$ 453,135
Department's covered-employee payroll	\$ 477,552	\$ 468,296	\$ 414,236	\$ 392,924	\$ 399,210	\$ 375,546	\$ 376,538	\$ 343,324
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.48%	129.00%	38.50%	146.76%	126.07%	117.77%	143.38%	131.98%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	80.39%

Ten years worth of data will be presented as it is available. Actuarial assumptions and disclosures can be found in Note 10 of the financial statements.

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

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Contractually required contributions	\$ 73,161	\$ 71,743	\$ 63,461	\$ 60,196	\$ 61,159	\$ 55,393	\$ 54,598	\$ 49,782
Contributions in relation to the contractually required contribution	(73,161)	(71,743)	(63,461)	(60,196)	(61,159)	(55,393)	(54,598)	(49,782)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered-employee payroll	\$ 477,552	\$ 468,296	\$ 414,236	\$ 392,924	\$ 399,210	\$ 375,546	\$ 376,538	\$ 343,324
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%

Ten years worth of data will be presented as it is available.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedules of Water Rates
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Water Rate Schedule</u>		
<i>Within City Limits</i>		
First 1,000 gallons	\$8.15 minimum	\$8.15 minimum
Next 3,000 gallons	\$3.84 per 1,000 gallons	\$3.84 per 1,000 gallons
Next 4,000 gallons	\$3.59 per 1,000 gallons	\$3.59 per 1,000 gallons
All over excess of 8,000 gallons	\$3.23 per 1,000 gallons	\$3.23 per 1,000 gallons
 <i>Outside City Limits</i>		
First 1,000 gallons	\$12.23 minimum	\$12.23 minimum
Next 3,000 gallons	\$5.76 per 1,000 gallons	\$5.76 per 1,000 gallons
Next 4,000 gallons	\$5.39 per 1,000 gallons	\$5.39 per 1,000 gallons
All over excess of 8,000 gallons	\$4.85 per 1,000 gallons	\$4.85 per 1,000 gallons
 <i>Herpel Road Extension</i>		
First 1,000 gallons	\$20.04 minimum	\$20.04 minimum
All over excess of 1,000 gallons	\$6.71 per 1,000 gallons	\$6.71 per 1,000 gallons
 <i>Highway 87 Extension</i>		
First 1,000 gallons	\$19.37 minimum	\$19.37 minimum
All over excess of 1,000 gallons	\$6.05 per 1,000 gallons	\$6.05 per 1,000 gallons
 <u>Wastewater Rate Schedule</u>		
First 1,000 gallons of water used	\$10.55 minimum	\$10.55 minimum
All over 1,000 gallons	\$1.95 per 1,000 gallons	\$1.95 per 1,000 gallons

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedule of Users and Consumption
For the Year Ended December 31, 2023

<u>Month</u>	<u>Gallons Sold</u>	<u>Water Users</u>
January	14,785,700	3029
February	11,842,900	3031
March	10,602,200	3040
April	13,121,100	3061
May	12,097,900	3069
June	15,123,000	3072
July	15,817,600	3077
August	14,302,500	3075
September	16,538,300	3094
October	12,558,400	3100
November	12,774,400	3078
December	11,773,900	3074
Total consumption	<u>161,337,900</u>	
Monthly averages	<u>13,444,825</u>	<u>3,067</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedule of Users and Consumption
For the Year Ended December 31, 2022

<u>Month</u>	<u>Gallons Sold</u>	<u>Water Users</u>
January	12,569,000	3003
February	12,462,800	3004
March	11,144,400	3018
April	12,456,300	3032
May	11,690,800	3034
June	13,328,500	3035
July	18,027,400	3046
August	18,667,400	3051
September	14,211,800	3052
October	16,072,400	3059
November	12,299,200	3039
December	11,516,200	3029
Total consumption	<u>164,446,200</u>	
Monthly averages	<u>13,703,850</u>	<u>3,034</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Treasury</u>			
Passed Through Arkansas Natural Resource Commission:			
Coronavirus State & Local Fiscal Recovery Funds	21.027	WW-089	\$ 2,284,881
Total Arkansas Natural Resource Commission			<u>2,284,881</u>
Total Federal Awards			<u><u>\$ 2,284,881</u></u>

See accompanying notes to Schedule of Expenditures of
Federal Awards and Independent Auditor's Report

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Mountain View, Arkansas Water and Wastewater Department under programs of the federal government for the 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 City of Mountain View, Arkansas Water and Wastewater Department, it is not intended to and does not present the net position, changes in net position, or cash flows of City of Mountain View, Arkansas Water and Wastewater Department.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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.

Note 3 – Indirect Cost Rate

City of Mountain View, Arkansas Water and Wastewater Department did not elect to apply the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



Welch, Couch & Company, PA Certified Public Accountants

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Members of American Institute of Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of City of Mountain View, Arkansas Water and Wastewater Department, a proprietary fund of the City of Mountain View, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Mountain View, Arkansas Water and Wastewater Department's basic financial statements and have issued our report thereon dated August 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mountain View, Arkansas Water and Wastewater Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2023-01 and #2023-02 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. 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
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 15, 2024



Welch, Couch & Company, PA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Mountain View, Arkansas Water and Wastewater Department's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Mountain View, Arkansas Water and Wastewater Department's major federal programs for the year ended December 31, 2023. City of Mountain View, Arkansas Water and Wastewater Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Mountain View, Arkansas Water and Wastewater 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Mountain View, Arkansas Water and Wastewater Department 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 City of Mountain View, Arkansas Water and Wastewater 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 City of Mountain View, Arkansas Water and Wastewater Department's federal programs.

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-33-

Auditor's 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 City of Mountain View, Arkansas Water and Wastewater 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 City of Mountain View, Arkansas Water and Wastewater 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 City of Mountain View, Arkansas Water and Wastewater 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 City of Mountain View, Arkansas Water and Wastewater 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 City of Mountain View, Arkansas Water and Wastewater 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.

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 Auditor's 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.

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 15, 2024

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Financial Statements

Type of Auditor's Report	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	Yes
Non-Compliance material to Financial Statements noted:	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	None Reported
Type of Auditor's Report issued on Compliance for Major Programs:	Unmodified
Findings required to be reported in accordance with 2 CFR 200.516(a):	None Reported
Identification of Major Programs:	

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State & Local Fiscal Recovery Funds

Dollar Threshold used to Distinguish between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low Risk Auditee:	No

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section II - Financial Statement Finding

Significant Deficiencies:

2023-01 – Segregation of Duties

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

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

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

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

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

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

2023-02 – Material Misstatements

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

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

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

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

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section II - Financial Statement Finding (Cont.)

2023-02 – Material Misstatements

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

Material Weaknesses

No matters reportable.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies

No matters reportable.

**CITY OF MOUNTAIN VIEW, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Data Sheet
For the Year Ended December 31, 2023**

Entity's full name	City of Mountain View, Arkansas Water and Wastewater Department
Entity's address:	P.O. Box 360 Mountain View, AR 72560
Entity's employer identification number:	71-0406919
Entity's phone number:	870-269-3804
Director:	Peggy Lancaster
Contact person:	Peggy Lancaster
Audit cost:	Available upon request

**CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of
Mountain View, Arkansas
Independent Auditor's Report
and Financial Statements
December 31, 2023 and 2022**

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position.....	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-16
Supplementary Information	
Supplemental Schedules of Consumption.....	17-18
Other Required Reports	
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 <i>Government Auditing Standards</i>	19-20
Schedule of Findings and Management Responses	21



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the City of Mountain View, Arkansas Water Treatment Plant, (a proprietary fund of the City of Mountain View, Arkansas) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise City of Mountain View, Arkansas Water Treatment Plant's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Mountain View, Arkansas Water Treatment Plant, as of December 31, 2023 and 2022, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Mountain View Water Treatment Plant are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mountain View, Arkansas that is attributable to the transactions of the City of Mountain View Water Treatment Plant. They do not purport to, and do not, present fairly the financial position of the City of Mountain View, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mountain View, Arkansas Water Treatment Plant's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Management is responsible for the supplementary information on pages 19 to 20. Our opinion on the basic financial statements does not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024, on our consideration of the City of Mountain View, Arkansas Water Treatment Plant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mountain View, Arkansas Water Treatment Plant's internal control over financial report or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mountain View, Arkansas Water Treatment Plant's internal control over financial reporting and compliance.

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 15, 2024

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Net Position
December 31, 2023 and 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents - Notes 1 & 2	\$ 1,350,906	\$ 1,186,380
Accounts receivable	52,026	51,788
Interfund receivables - Note 3	22,927	22,342
Prepaid expenses	9,828	9,848
Total current assets	<u>1,435,687</u>	<u>1,270,358</u>
Restricted cash - Note 6		
Debt service funds	655	653
Debt and depreciation reserves	483,893	424,154
Total restricted cash	<u>484,548</u>	<u>424,807</u>
Capital assets - Note 4		
Nondepreciable assets	50,259	50,259
Capital assets, net of accumulated depreciation	6,659,361	6,967,929
Total capital assets	<u>6,709,620</u>	<u>7,018,188</u>
Total assets	<u>\$ 8,629,855</u>	<u>\$ 8,713,353</u>
	<u>Liabilities and Net Position</u>	
Current liabilities		
Accounts payable	\$ -	\$ 1,339
Interfund payables - Note 3	1,390	1,390
Accrued payroll and related liabilities	1,780	1,780
Deferred revenue	9,285	9,285
Accrued interest payable	4,679	4,915
Current portion of long-term debt - Note 5	133,546	127,680
Total current liabilities	<u>150,680</u>	<u>146,389</u>
Long-term liabilities		
Long-term debt, net of current portion - Note 5	<u>2,396,469</u>	<u>2,530,025</u>
Total liabilities	<u>2,547,149</u>	<u>2,676,414</u>
Net position		
Net investment in capital assets	4,179,605	4,360,483
Restricted for debt service	484,548	424,807
Unrestricted	1,418,553	1,251,649
Total net position	<u>6,082,706</u>	<u>6,036,939</u>
Total liabilities and net position	<u>\$ 8,629,855</u>	<u>\$ 8,713,353</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water sales	\$ 1,051,016	\$ 1,025,688
Penalties	-	2,534
Miscellaneous income	90,289	498
Total operating revenues	<u>1,141,305</u>	<u>1,028,720</u>
Operating expenses		
Chemicals	109,585	98,518
Contract services	22,154	24,183
Depreciation	351,033	353,835
Dues and fees	3,900	4,096
Insurance	24,492	20,859
Office expense	850	611
Payroll taxes and employee benefits	22,335	22,300
Repairs and maintenance	9,302	1,186
Retirement expense	13,641	12,044
Salaries and payroll reimbursements	90,238	79,617
Supplies and materials	34,401	30,554
Telephone and utilities	286,706	258,376
Travel and education	2,418	821
Vehicle expense	12,444	7,839
Total operating expenses	<u>983,499</u>	<u>914,839</u>
Operating income	<u>157,806</u>	<u>113,881</u>
Nonoperating revenues (expenses)		
Interest income	4,703	3,990
Interest expense	(116,742)	(122,361)
Total nonoperating revenues (expenses)	<u>(112,039)</u>	<u>(118,371)</u>
Changes in net position	45,767	(4,490)
Net position - beginning of year	<u>6,036,939</u>	<u>6,041,429</u>
Net position - end of year	<u>\$ 6,082,706</u>	<u>\$ 6,036,939</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,050,193	\$ 1,043,339
Cash payments to and/or for employees	(463,487)	(418,290)
Cash payments to suppliers for goods and services	(112,573)	(101,917)
Other cash receipts (payments)	32,328	(48,261)
Net cash provided by operating activities	<u>506,461</u>	<u>474,871</u>
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(42,465)	-
Principal paid on capital related debt	(127,690)	(122,083)
Interest paid on capital related debt	(116,742)	(122,361)
Net cash (used in) capital and related financing activities	<u>(286,897)</u>	<u>(244,444)</u>
Cash flows from investing activities:		
Interest income	4,703	3,990
Net cash provided by investing activities	<u>4,703</u>	<u>3,990</u>
Net increase in cash and cash equivalents	224,267	234,417
Cash and cash equivalents - beginning of year	<u>1,611,187</u>	<u>1,376,770</u>
Cash and cash equivalents - end of year	<u>\$ 1,835,454</u>	<u>\$ 1,611,187</u>
Reconciliation of total cash and cash equivalents to the statements of net position:		
Current assets - cash and cash equivalents	\$ 1,350,906	\$ 1,186,380
Restricted cash - cash and cash equivalents	<u>484,548</u>	<u>424,807</u>
Total cash and cash equivalents	<u>\$ 1,835,454</u>	<u>\$ 1,611,187</u>
<u>Supplemental information</u>		
Interest paid	\$ 116,742	\$ 122,361

(Continued)

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Statements of Cash Flows (Cont.)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 157,806	\$ 113,881
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation expense	351,033	353,835
Net changes in:		
Receivables	(823)	15,118
Prepaid expenses	20	(2,437)
Accounts payable	(1,339)	(5,470)
Accrued expenses	(236)	(56)
	<u>\$ 506,461</u>	<u>\$ 474,871</u>
Net cash flows provided by operating activities	\$ 506,461	\$ 474,871

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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

Financial Reporting Entity

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

GAAP has set criteria for evaluating which potential component units to include in the City's comprehensive financial statements. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility; the most significant manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based on the application of these criteria, the financial statements of the Water Treatment Plant, separately presented herewith, may be included in the comprehensive financial statements of the City of Mountain View, Arkansas, as of and for the years ended December 31, 2023 and 2022.

Basis of Accounting

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

Operating Revenues and Expenses

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

Use of Estimates

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of the balances due from the entities using the treated water provided by the City of Mountain View, Arkansas Water Treatment Plant. These entities are other municipalities and water associations that purchase treated water for resale to their residents.

Management closely monitors outstanding balances and evaluates collectability of its accounts receivable on a per-customer basis. Customer accounts are typically collected within a short period of time, and based on its assessment of current conditions, management believes realization losses on the amounts outstanding at December 31, 2023 and 2022, will be immaterial. Accordingly, there is no allowance for uncollectible accounts at December 31, 2023 and 2022.

Prepaid Expenses

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

Restricted Cash

Restricted cash consist of cash restricted by bond ordinances and the City Council for debt service and other specific uses.

Capital Assets

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

Estimated useful lives are as follows:

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

Accounts Payable

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

Interfund Receivable and Payable

At December 31, 2023 and 2022, interfund receivable and payables consisted of amounts due from or to the City of Mountain View Water and Wastewater Department.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

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

Accrued Interest Payable

Accrued interest payable consists of interest due to the United States Department of Agriculture on notes payable at December 31, 2023 and 2022.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities comprise employee wages payable and related liabilities at December 31, 2023 and 2022.

Long-Term Debt

At December 31, 2023 and 2022, long-term debt consisted of principal amounts due to the United States Department of Agriculture. See note 5 for further detail.

Restricted Resources

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

Grants and Contributions

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

Net Position

Net position classifications are defined as follows:

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (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 Water Treatment Plant, 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.

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the changes in net position as previously reported.

Note 2 – Concentration of Credit Risk

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

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Water Treatment Plant's deposit policy for custodial credit risk requires compliance with the provision of state law. At December 31, 2023, the Water Treatment Plant's carrying amount of deposits was \$1,835,454. The bank balances totaled \$1,856,877 and were fully covered by Federal Depository Insurance and pledged securities held by the pledging financial institution.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Concentration of Credit Risk (Cont.)

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

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

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

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

	<u>2023</u>	<u>2022</u>
Deposits	\$ 1,835,454	\$ 1,611,187
Total	<u>\$ 1,835,454</u>	<u>\$ 1,611,187</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 1,350,906	\$ 1,186,380
Restricted cash	484,548	424,807
Total	<u>\$ 1,835,454</u>	<u>\$ 1,611,187</u>

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 4,703</u>	<u>\$ 3,990</u>

Note 3 – Interfund Balances

At December 31, 2023 and 2022, interfund receivables consisted of amounts due to the Water Treatment Plant for water purchased for distribution.

At December 31, 2023 and 2022, interfund payables consisted of the amounts due to the City of Mountain View, Arkansas Water and Wastewater Department for the water utilized at the Water Treatment Plant.

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

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 – Capital Assets and Depreciation

Capital asset additions, retirements and balances for the years ended December 31, 2023 and 2022, were as follows:

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer Between Funds/ Reclass</u>	<u>Balance 12/31/2023</u>
Capital assets not being depreciated:					
Land and land rights	\$ 50,259	\$ -	\$ -	\$ -	\$ 50,259
Total capital assets not being depreciated	<u>50,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,259</u>
Capital assets being depreciated:					
System and improvements	13,153,733	6,875	-	-	13,160,608
Equipment, furniture and fixtures	712,361	-	-	-	712,361
Vehicles	185,131	35,590	-	-	220,721
Total capital assets being depreciated	<u>14,051,225</u>	<u>42,465</u>	<u>-</u>	<u>-</u>	<u>14,093,690</u>
Less accumulated depreciation for:					
System and improvements	(6,258,269)	(316,984)	-	-	(6,575,253)
Equipment, furniture and fixtures	(688,833)	(2,418)	-	-	(691,251)
Vehicles	(136,194)	(31,631)	-	-	(167,825)
Total accumulated depreciation	<u>(7,083,296)</u>	<u>(351,033)</u>	<u>-</u>	<u>-</u>	<u>(7,434,329)</u>
Total capital assets being depreciated, net	<u>6,967,929</u>	<u>(308,568)</u>	<u>-</u>	<u>-</u>	<u>6,659,361</u>
Capital assets, net	<u>\$ 7,018,188</u>	<u>\$ (308,568)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,709,620</u>

Depreciation expense for the year ended December 31, 2023, was \$351,033.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 – Capital Assets and Depreciation (Cont.)

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer</u> <u>Between Funds/</u> <u>Reclass</u>	<u>Balance</u> <u>12/31/2022</u>
Capital assets not being depreciated:					
Land and land rights	\$ 50,259	\$ -	\$ -	\$ -	\$ 50,259
Total capital assets not being depreciated	<u>50,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,259</u>
Capital assets being depreciated:					
System and improvements	13,153,733	-	-	-	13,153,733
Equipment, furniture and fixtures	712,361	-	-	-	712,361
Vehicles	185,131	-	-	-	185,131
Total capital assets being depreciated	<u>14,051,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,051,225</u>
Less accumulated depreciation for:					
System and improvements	(5,941,285)	(316,984)	-	-	(6,258,269)
Equipment, furniture and fixtures	(683,578)	(5,255)	-	-	(688,833)
Vehicles	(104,598)	(31,596)	-	-	(136,194)
Total accumulated depreciation	<u>(6,729,461)</u>	<u>(353,835)</u>	<u>-</u>	<u>-</u>	<u>(7,083,296)</u>
Total capital assets being depreciated, net	<u>7,321,764</u>	<u>(353,835)</u>	<u>-</u>	<u>-</u>	<u>6,967,929</u>
Capital assets, net	<u>\$ 7,372,023</u>	<u>\$ (353,835)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,018,188</u>

Depreciation expense for the year ended December 31, 2022, was \$353,835.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 5 – Long-Term Debt

A schedule of changes in the Water Treatment Plant's long-term debt for the years ended December 31, 2023 and 2022, follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
1997 Bond (RD 91-05)	\$ 2,585,829	\$ -	\$ (124,217)	\$ 2,461,612	\$ 129,914
1997 Bond (RD 91-07)	71,876	-	(3,473)	68,403	3,632
Total long-term debt	<u>\$ 2,657,705</u>	<u>\$ -</u>	<u>\$ (127,690)</u>	<u>\$ 2,530,015</u>	<u>\$ 133,546</u>

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
1997 Bond (RD 91-05)	\$ 2,704,591	\$ -	\$ (118,762)	\$ 2,585,829	\$ 124,208
1997 Bond (RD 91-07)	75,197	-	(3,321)	71,876	3,472
Total long-term debt	<u>\$ 2,779,788</u>	<u>\$ -</u>	<u>\$ (122,083)</u>	<u>\$ 2,657,705</u>	<u>\$ 127,680</u>

USDA Bonds:

On July 16, 1998, loan agreements were signed with the United States Department of Agriculture, Rural Development in exchange for the 1997 bond issue for funds for improvements to the Water Treatment Plant. The initial loan 91-05, in the amount of \$4,321,400, bears interest at 4.50% and is collateralized by the Water Treatment Plant revenues. Payments, in the amount of \$19,836, are due monthly through July 2037. The subsequent loan 91-07, in the amount of \$120,400, bears interest at 4.50% and is also collateralized by the Water Treatment Plant revenues. Payments, in the amount of \$553, are due monthly through July 2037. This subsequent loan was originally carried on the Water Treatment Plant's books. During the year ended December 31, 2007, the loan was transferred to the Water Treatment Plant's books as of September 01.

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

<u>December 31,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>
2024	133,546	111,122
2025	139,681	104,987
2026	146,098	98,570
2027	152,809	91,859
2028	159,829	84,839
2029 - 2033	916,268	307,072
2034 - 2038	881,784	82,122
Total	<u>\$ 2,530,015</u>	<u>\$ 880,571</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 6 – Fund Requirements

Ordinance Number 97-14, as amended by Ordinance Number 98-7, authorized the issuance of the 1997 series of water and sewer revenue bonds. Ordinance No. 97-14 established certain funds and the manner in which revenues are to be deposited and transferred between the various funds. Cash funds were deposited and transferred as required.

The debt service account for the initial loan (91-05) is to have \$1,938 per month transferred to it until a reserve of \$238,032 is established. As this reserve has been met, no further transfers were required during the years ended December 31, 2023 and 2022.

The debt service account for the subsequent loan (91-07) is to have \$55 per month transferred into it until a total reserve of \$6,638 is reached. As this reserve has been met, no further transfers were required during the years ended December 31, 2023 and 2022.

Note 7 – Risk Management

The City of Mountain View, Arkansas Water Treatment Plant has purchased commercial insurance coverage to cover potential losses due to the various risks related to the damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Treatment Plant had no claims in excess of insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

Note 8 – Water Rates and Volume

Water rates in effect during the years ended December 31, 2023 and 2022, were \$1.98 per 1,000 gallons. Total water gallons sold during the years ended December 31, 2023 and 2022, were 630,406,400 and 528,437,200, respectively.

Note 9 – Water Treatment Plant Governing Body

Effective March 26, 2007, the Mountain View, Arkansas City Council is the governing body for the Water Treatment Plant. Members of the Mountain View City Council for the years ending December 31, 2023 and 2022 are as follows:

<u>2023</u>	<u>2022</u>
J. K. Williams	J. K. Williams
Truman Bullard	Truman Bullard
Dana Woods	Dana Woods
Danny Simmons	Danny Simmons
Wayne "Ricky" Shuttleworth	Wayne "Ricky" Shuttleworth
Finis Brewer	Finis Brewer

Note 10 – Subsequent Events

Management has evaluated subsequent events through August 15 2024, 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.

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedule of Consumption
For the Year Ended December 31, 2023

<u>Month</u>	<u>Gallons Sold</u>
January	49,459,500
February	39,353,600
March	38,287,700
April	45,766,400
May	40,919,900
June	48,373,200
July	51,985,300
August	46,018,400
September	51,510,300
October	40,817,800
November	40,146,500
December	37,767,800
Total consumption	530,406,400
Monthly averages	44,200,533

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Supplemental Schedule of Consumption
For the Year Ended December 31, 2022

<u>Month</u>	<u>Gallons Sold</u>
January	42,319,800
February	39,823,600
March	39,319,100
April	41,584,800
May	38,464,400
June	46,938,800
July	53,546,100
August	55,477,300
September	45,513,200
October	48,083,300
November	39,558,900
December	37,807,900
Total consumption	<u>528,437,200</u>
Monthly averages	<u>44,036,433</u>



Welch, Couch & Company, PA
Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
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Members of American Institute of Certified Public Accountants

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Mountain View, Arkansas Water Treatment Plant, a proprietary fund of the City of Mountain View, Arkansas, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City of Mountain View, Arkansas Water Treatment Plant's basic financial statements, and have issued our report thereon dated August 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and management responses as item #2023-01 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

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

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

Purpose of this Report

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

Welch, Couch & Company, PA
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 15, 2024

CITY OF MOUNTAIN VIEW, ARKANSAS
WATER TREATMENT PLANT
A Proprietary Fund of the City of Mountain View, Arkansas
Schedule of Findings and Management Responses
December 31, 2023

Financial Statement Finding

Significant Deficiency:

2023-01 – Segregation of Duties

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

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

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

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

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

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