

MT. PLEASANT, ARKANSAS WATER DEPARTMENT

A Proprietary Fund of the City of
Mt. Pleasant, Arkansas

Independent Auditor's Report
and Financial Statements

December 31, 2022 and 2023

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Mt. Pleasant Water Department
Mt. Pleasant, Arkansas

Opinion

We have audited the accompanying financial statements of the Mt. Pleasant Water Department of the City of Mt. Pleasant, Arkansas, as of and for the year ended December 31, 2022 and 2023, and the related notes to the 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 Mt. Pleasant Water Department, of the City of Mt. Pleasant, Arkansas, as of December 31, 2022 and 2023, and the changes in its 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. 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 Mt. Pleasant Water Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Mt. Pleasant Water Department and do not purport to, and do not, present fairly the financial position of the City of Mt. Pleasant, Arkansas, as of December 31, 2022 and 2023, 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.

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.

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 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, 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 Mt. Pleasant, Arkansas' 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mt. Pleasant Water Department of the City of Mt. Pleasant, Arkansas' basic financial statements. The supplementary information on pages 25 through 29 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management has omitted the management, 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.

Bonds & Company, P.A.

Bonds & Company, P.A.
July 29, 2024

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Statements of Net Position
December 31, 2022 and 2023

Assets and Deferred Outflows of Resources

	<u>2022</u>	<u>2023</u>
Current Assets:		
Cash and Cash Equivalents	\$ 169,446	\$ 127,859
Accounts Receivable, net of allowance for doubtful accounts	31,786	19,855
Prepaid Insurance	5,583	4,289
Total Current Assets	<u>206,815</u>	<u>152,003</u>
Noncurrent Assets:		
Restricted cash and Cash Equivalents	160,946	164,884
Total noncurrent assets	<u>160,946</u>	<u>164,884</u>
Capital Assets, net of accumulated depreciation	<u>1,769,340</u>	<u>1,809,251</u>
Deferred outflows of resources:		
Deferred pension outflows- Note 9	33,142	30,783
Total assets and deferred outflows of resources	<u><u>\$ 2,170,243</u></u>	<u><u>\$ 2,156,921</u></u>

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Statements of Net Position (Cont.)
December 31, 2022 and 2023

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:	<u>2022</u>	<u>2023</u>
Accounts payable	\$ 4,154	\$ 4,539
Payroll and sales tax payable	3,909	4,313
Accrued interest payable	1,142	1,538
Total current liabilities	<u>9,205</u>	<u>10,390</u>
Current liabilities payable from restricted assets:		
Meter deposits-Note 5	40,162	43,423
Current maturities of long-term debt- Note 5	31,871	44,757
Total current liabilities payable from restricted assets	<u>72,033</u>	<u>88,180</u>
Non-current liabilities:		
Long-term debt, net of current maturities- Note 5	848,330	864,214
Net pension obligation-Note 9	112,152	118,864
Total non-current liabilities	<u>960,482</u>	<u>983,078</u>
Total liabilities	<u>1,041,720</u>	<u>1,081,648</u>
Deferred inflow of resources:		
Deferred pension inflows- Note 9	1,354	1,888
Net Position		
Net investment in capital assets	889,138	900,280
Restricted expendable:		
For debt services	85,306	86,627
For customer deposits	2,639	1,761
Unrestricted	150,086	84,717
Total net position	<u>1,127,169</u>	<u>1,073,385</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 2,170,243</u></u>	<u><u>\$ 2,156,921</u></u>

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2022 and 2023

	2022	2023
Operating revenues		
Water sales	\$ 344,867	\$ 337,157
Other revenue	<u>43,792</u>	<u>9,474</u>
Total Operating revenues	<u>388,659</u>	<u>346,631</u>
Operating expenses		
Salaries and wages	100,463	91,136
Payroll taxes and benefits	20,346	32,261
Contract services	56,319	47,439
Repairs and maintenance	12,864	13,755
Operating supplies	50,695	68,809
Utilities	46,207	46,095
Fees and dues	4,315	3,900
Insurance expense	3,946	9,662
Security	1,095	1,161
Office expenses	11,189	11,760
Miscellaneous	6,684	4,523
Bad Debt Expense	5,802	-0-
Professional Fees	6,500	9,203
Depreciation	<u>111,917</u>	<u>117,472</u>
Total operating expenses	<u>438,342</u>	<u>457,176</u>
Net Operating Income (loss)	<u>(49,683)</u>	<u>(110,545)</u>
Nonoperating revenues (expenses)		
Interest income	687	2,493
Grant income	-0-	82,770
Interest expense	<u>(29,616)</u>	<u>(28,502)</u>
Total nonoperating revenues (expenses)	<u>(28,929)</u>	<u>56,761</u>
(Decrease) in net position	<u>(78,612)</u>	<u>(53,784)</u>
Net position- beginning of year	<u>1,205,781</u>	<u>1,127,169</u>
Net position-end of year	<u><u>\$ 1,127,169</u></u>	<u><u>\$ 1,073,385</u></u>

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2023

	2022	2023
Cash flows from operating activities		
Receipts from customers	\$ 375,075	\$ 361,823
Payments to suppliers	(210,000)	(204,618)
Payments to employees	(120,239)	(123,397)
Other receipts (payments)	10,680	-0-
Net cash provided by operating activities	<u>55,516</u>	<u>33,808</u>
 Cash flows from capital and related financing activities		
Proceeds from new borrowings	-0-	62,000
Grants	-0-	82,770
Purchase of capital assets	-0-	(157,382)
Principal payments on long-term debt	(31,247)	(33,231)
Interest on long-term debt	(30,024)	(28,106)
Net cash (used in) capital and related financing activities	<u>(61,271)</u>	<u>(73,949)</u>
 Cash flows from investing activities:		
Interest income	<u>687</u>	<u>2,492</u>
Net cash provided by investing activities	<u>687</u>	<u>2,492</u>
Net increase in cash and cash equivalents	(5,068)	(37,649)
Cash and cash equivalents-beginning of year	<u>335,460</u>	<u>330,392</u>
Cash and cash equivalents- end of year	<u><u>\$ 330,392</u></u>	<u><u>\$ 292,743</u></u>
 Reconciliation of total cash and cash equivalents:		
Current assets-cash and cash equivalents	169,446	127,859
Noncurrent assets-cash and cash equivalents	<u>160,946</u>	<u>164,884</u>
 Total cash and cash equivalents	<u><u>\$ 330,392</u></u>	<u><u>\$ 292,743</u></u>

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Statements of Cash Flows (Cont.)
For the Years Ended December 31, 2022 and 2023

	2022	2023
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (49,683)	\$ (110,545)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:		
Depreciation	111,917	117,472
Net changes in:		
Accounts receivable	(2,864)	11,931
Prepaid insurance	(2,070)	1,294
Accounts payable	(2,726)	385
Accrued expenses	412	405
Meter deposits	(40)	3,261
Net pension obligation	81,868	6,712
Deferred outflows of resources	(27,267)	2,359
Deferred inflows of resources	<u>(54,031)</u>	<u>534</u>
Net cash provided by operating activities	<u>\$ 55,516</u>	<u>\$ 33,808</u>

Supplemental disclosure of cash flow information

Cash paid for interest	\$ 30,024	\$ 28,106
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The notes to financial statements are an integral part of this statement.

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 1- Summary of Significant Accounting Policies

Nature of Operations

Mt. Pleasant Water Department is a municipal water utility located in Izard County, Arkansas. The Water Department serves approximately 630 customers and grants credit on terms which are customary for water utilities.

Financial Reporting Entity

These financial statements reflect only the activity of the Water Department Enterprise Fund of the City of Mt. Pleasant, Arkansas, and , accordingly, do not reflect other activities, funds, or account groups of the city.

Enterprise Fund Accounting

The Water Department utilizes enterprise fund accounting through which revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles required 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Accounts Receivable

Water revenue is recorded based upon customer billings and no provision has been made for the accrual of revenue from water used but not billed. The collection of the Water Department's receivables is dependent upon the customer's ability to honor their obligations. However, each customer had a deposit with the Water Department which is held as security for up to \$100 of their unpaid balance. Management regularly evaluates accounts receivable and accounts are written off as they are deemed uncollectible.

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

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

Prepaid Items

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

Capital Assets

Capital assets costing more than \$1,000 and that have useful lives of more than one year are stated 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized but are charged against earnings when incurred.

Cost of Borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no capitalized interest cost in 2022 or 2023.

Restricted Resources

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

Grants and Contributions

From time to time, the Water 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.

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

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 borrowing 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as 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 are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Water Department, such as permanent endowments.

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

Operating Revenues and Expenses

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

Note 2- Accounts Receivable

Accounts receivable consisted of the following at December 31, 2022 and 2023:

	2022	2023
Accounts receivable	\$ 38,080	\$ 26,149
Allowance for doubtful accounts	(6,294)	(6,294)
	<hr/>	<hr/>
Accounts receivable, net of allowance for doubtful accounts	\$ 31,786	\$ 19,855
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MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 3 - Noncurrent Assets

Restricted funds are established for the purpose of meeting debt requirement imposed by the USDA and Arkansas Natural Resources Commission and also to set aside monies for customer deposits.

The balances in the restricted accounts at December 31, 2022 and 2023 were as follows:

	<u>2022</u>	<u>2023</u>
Cash:		
Meter deposits	\$ 19,959	\$ 21,989
Debt service reserve	62,216	63,180
Depreciation reserve	24,307	24,407
Total cash	<u>106,482</u>	<u>109,576</u>
 Certificate of Deposits:		
Meter deposits	\$ 22,842	\$ 23,195
Debt service reserve	23,089	23,447
Depreciation reserve	8,533	8,666
Total certificate of deposits	<u>54,464</u>	<u>55,307</u>
 Total restricted cash and cash equivalents	 <u><u>\$ 160,946</u></u>	 <u><u>\$ 164,884</u></u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 4 - Capital Assets and Depreciation

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

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2022</u>
Capital assets not being depreciated:				
Land	\$ 5,061	\$ -	\$ -	\$ 5,061
Total capital assets not being depreciated	<u>5,061</u>	<u>-</u>	<u>-</u>	<u>5,061</u>
Capital assets being depreciated				
Automobiles	22,576	-	-	22,576
Buildings	19,261	-	-	19,261
Equipment	173,083	-	-	173,083
Office equipment	6,755	-	-	6,755
Extensions and relocations	1,799,636	-	-	1,799,636
Water treatment plant	844,160	-	-	844,160
Wells	627,261	-	-	627,261
Total capital assets being depreciated	<u>3,492,732</u>	<u>-</u>	<u>-</u>	<u>3,492,732</u>
Less accumulated depreciation for:				
Automobiles	(22,575)		-	(22,575)
Buildings	(15,192)	(452)	-	(15,644)
Equipment	(124,312)	(13,635)	-	(137,947)
Office equipment	(6,755)	-	-	(6,755)
Extensions and relocations	(844,194)	(60,828)	-	(905,022)
Water treatment plant	(302,077)	(21,104)	-	(323,181)
Wells	(301,431)	(15,898)	-	(317,329)
Total accumulated depreciation	<u>(1,616,536)</u>	<u>(111,917)</u>	<u>-</u>	<u>(1,728,453)</u>
Total capital assets being depreciated, net	<u>1,876,196</u>	<u>(111,917)</u>	<u>-</u>	<u>1,764,279</u>
Capital assets, net	<u><u>\$ 1,881,257</u></u>	<u><u>\$ (111,917)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,769,340</u></u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 4 - Capital Assets and Depreciation (Cont.)

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2023</u>
Capital assets not being depreciated:				
Land	\$ 5,061	\$ -	\$ -	\$ 5,061
Total capital assets not being depreciated	<u>5,061</u>	<u>-</u>	<u>-</u>	<u>5,061</u>
Capital assets being depreciated				
Automobiles	22,576	52,357	-	74,933
Buildings	19,261	-	-	19,261
Equipment	173,083	105,025	-	278,108
Office equipment	6,755	-	-	6,755
Extensions and relocations	1,799,636	-	-	1,799,636
Water treatment plant	844,160	-	-	844,160
Wells	627,261	-	-	627,261
Total capital assets being depreciated	<u>3,492,732</u>	<u>157,382</u>	<u>-</u>	<u>3,650,114</u>
Less accumulated depreciation for:				
Automobiles	(22,575)	(874)	-	(23,449)
Buildings	(15,644)	(321)	-	(15,965)
Equipment	(137,947)	(18,448)	-	(156,395)
Office equipment	(6,755)	-	-	(6,755)
Extensions and relocations	(905,022)	(60,828)	-	(965,850)
Water treatment plant	(323,181)	(21,104)	-	(344,285)
Wells	(317,329)	(15,896)	-	(333,225)
Total accumulated depreciation	<u>(1,728,453)</u>	<u>(117,471)</u>	<u>-</u>	<u>(1,845,924)</u>
Total capital assets being depreciated, net	<u>1,764,279</u>	<u>39,911</u>	<u>-</u>	<u>1,804,190</u>
Capital assets, net	<u><u>\$ 1,769,340</u></u>	<u><u>\$ 39,911</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,809,251</u></u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 5 - Long-Term Debt and Other Liabilities

A schedule of changes in the Water Department's noncurrent liabilities for the years ended December 31, 2022 and 2023 follows:

	<u>Balance</u> <u>at 12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>at 12/31/2022</u>
(A) ANRC	\$ 53,418	\$ 0	\$ (5,594)	\$ 47,824
(B) USDA-Rural Development	183,069	0	(7,426)	175,643
(C) USDA-Rural Development	192,205	0	(5,351)	186,854
(D) USDA-Rural Development	27,829	0	(665)	27,164
(E) USDA-Rural Development	234,919	0	(5,045)	229,874
(F) USDA-Rural Development	32,998	0	(719)	32,279
(G) USDA-Rural Development	173,332	0	(3,363)	169,969
(H) White River Planning & Development	263	0	(263)	0
(I) White River Planning & Development	13,416	0	(2,822)	10,594
	<u>\$ 911,449</u>	<u>\$ 0</u>	<u>\$ (31,248)</u>	<u>\$ 880,201</u>

	<u>Balance</u> <u>at 12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>at 12/31/2023</u>
(A) ANRC	\$ 47,824	\$ 0	\$ (5,874)	\$ 41,950
(B) USDA-Rural Development	175,643	0	(7,759)	167,884
(C) USDA-Rural Development	186,854	0	(5,583)	181,271
(D) USDA-Rural Development	27,164	0	(692)	26,472
(E) USDA-Rural Development	229,874	0	(5,172)	224,702
(F) USDA-Rural Development	32,279	0	(737)	31,542
(G) USDA-Rural Development	169,969	0	(3,414)	166,555
(H) WRPD Truck Loan	0	62,000	(923)	61,077
(I) White River Planning & Development	10,594	0	(3,076)	7,518
	<u>\$ 880,201</u>	<u>\$ 62,000</u>	<u>\$ (33,230)</u>	<u>\$ 908,971</u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 5- Long-Term Debt and Other Noncurrent Liabilities (Cont.)

The terms and due dates of the Water Department's long-term debt at December 31, 2022 and 2023 follow:

(A) Arkansas Natural Resources Commission

Note payable at 5.00% interest with monthly payments of \$8,265 beginning December 2010, with final payment due December 2029

(B) U.S. Department of Agriculture Rural Development

Note payable at 4.375% interest with monthly payments of \$1,274, including interest, payable through October 2037

(C) U.S. Department of Agriculture Rural Development

Note payable at 4.25% interest with monthly payments of \$1,118, including interest, payable through May 2045

(D) U.S. Department of Agriculture Rural Development

Note payable at 4.125% interest with monthly payments of \$150, including interest, payable through November 2022

(E) U.S. Department of Agriculture Rural Development

Note payable at 2.5% interest with monthly payments of \$905, including interest, payable through January 2053

(F) U.S. Department of Agriculture Rural Development

Note payable at 2.5% interest with monthly payments of \$128, including interest, payable through August 2052

(G) U.S. Department of Agriculture Rural Development

Note payable at 1.5% interest with monthly payments of \$495, including interest, payable through February 2049

(H) White River Planning and Development District, Inc., Truck Loan

Note payable at 4.5% interest with monthly payments of \$268, including interest, payable through December 2028

(I) White River Planning and Development District, Inc.

Note payable at 4.5% interest with monthly payments of \$280, including interest, payable through June 2026.

In 2022 and 2023, the Water Department is Required to maintain \$ 47,916 and \$ 47,916 in debt service reserves for U.S. Department of Agriculture debt. Further, the Water Department must fund \$12,883 annually for a short-lived asset replacement reserve. At December 31, 2022 and 2023, the balance in these restricted accounts was \$85,306 and \$86,627, respectively.

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 5 - Long-Term Debt and Other Noncurrent Liabilities (Cont.)

The obligations are collateralized by substantially all of the Water Department's revenues and assets. Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 44,757	\$ 29,574
2025	46,578	27,754
2026	46,821	25,869
2027	46,957	24,018
2028	47,708	22,111
2029-2033	162,425	90,040
2034-2038	184,584	59,517
2039-2043	135,999	31,761
2044-2048	82,835	15,334
2049-2053	74,483	6,317
2054-2058	27,999	1,700
2059-2060	7,825	93
Total	\$ 908,971	\$ 334,088

Note 6 - Significant Concentration of Trade Accounts Receivable

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 Water Department grants unsecured credit to its customers, subject to a meter deposit.

Note 7 - Significant Concentration of Credit Risk

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 7 - Significant Concentration of Credit Risk (Cont.)

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Water Department's deposit policy for custodial credit risk requires compliance with the provision of state law. At December 31, 2022, the Water Department's carrying amount of deposits was \$292,743. The bank balance of \$317,096 was fully covered by Federal Depository Insurance.

Interest rate risk - The Water 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 hanging interest rates.

Credit risk - The Water Department does not have a formal policy that limits exposure to credit risk.

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

The carrying amounts of deposits are included in the Water Department's balance sheets as follows:

	<u>2022</u>	<u>2023</u>
Deposits	\$ 330,392	\$ 292,743
	<u>330,392</u>	<u>292,743</u>
Total	<u><u>\$ 330,392</u></u>	<u><u>\$ 292,743</u></u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 169,446	\$ 127,859
Noncurrent cash and certificates of deposit	<u>160,946</u>	<u>164,884</u>
Total	<u><u>\$ 330,392</u></u>	<u><u>\$ 292,743</u></u>

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2023</u>
Interest income	<u><u>\$ 687</u></u>	<u><u>\$ 2,493</u></u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 8 - Risk Management

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

Note 9 - Retirement Plan - APERS

The Water 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, One Union National Plaza, 124 W. Capitol, 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 nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 9 - Retirement Plan - APERS (continued)

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

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

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

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

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

Contributions

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

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>.

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 9 - Retirement Plan - APERS (continued)

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

The collective Net Pension Liability of \$2,696,383,462 was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,710	\$ (653)
Changes in Proportion and differences between employer contributions and proportionate share of contribution	\$ 3,691	
Changes of assumptions	\$ 5,588	\$ (1,235)
Net difference between projected and actual earnings on pension plan investments	14,794	
Total	<u>\$ 30,783</u>	<u>\$(1,888)</u>

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

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>
\$8,543	\$3,663	\$17,688	\$(999)	\$-	\$-

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 9 - Retirement Plan - APERS (continued)

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7241

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 9 - Retirement Plan - APERS (continued)

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

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

Discount Rate

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

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Notes to Financial Statements
December 31, 2022 and 2023

Note 9 - Retirement Plan - APERS (continued)

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

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

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
6%	7%	8%
\$189,459	\$118,864	\$60,701

Note 10 - Accrued Compensated Absences

No provision was made for accrued vacation leave because its amount is minimal and management feels it would not have a material effect on the financial statements.

Note 11 - Subsequent Events

Management has evaluated subsequent events through July 29, 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.

**SUPPLEMENTARY
INFORMATION**

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Schedules of Water Rates
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2023</u>
<u>Within City Limits</u>		
First 1,000 gallons	\$19.00 minimum	\$19.00 minimum
All over 1,000 gallons	\$5.60 per 1,000 gallons	\$6.10 per 1,000 gallons
<u>Outside City Limits</u>		
First 1,000 gallons	\$20.00 minimum	\$20.00 minimum
All over 1,000 gallons	\$5.60 per 1,000 gallons	\$6.10 per 1,000 gallons
<u>Bonetown Extension</u>		
First 1,000 gallons	23.00 minimum	\$23.00 minimum
Next 9,000 gallons	\$5.95 per 1,000 gallons	\$6.45 per 1,000 gallons
All over 9,000 gallons	\$5.90 per 1,000 gallons	\$6.40 per 1,000 gallons
<u>Water Meter Deposits</u>		\$100.00

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, 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	2,762,800	612
February	2,556,900	609
March	2,456,600	606
April	2,896,200	608
May	2,505,900	611
June	3,342,100	612
July	5,372,600	620
August	2,015,000	623
September	4,149,400	621
October	3,371,000	622
November	2,430,100	624
December	3,213,100	627
	<hr/>	<hr/>
Total Consumption	37,071,700	
	<hr/> <hr/>	
Monthly Averages	3,089,308	616
	<hr/> <hr/>	<hr/> <hr/>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, 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	2,607,900	623
February	2,458,300	625
March	2,194,000	626
April	2,485,900	629
May	2,433,500	629
June	3,009,000	630
July	4,060,600	637
August	3,830,300	634
September	2,477,800	633
October	2,185,200	638
November	2,701,700	637
December	2,073,700	635
	<hr/>	<hr/>
Total Consumption	<u><u>32,517,900</u></u>	
Monthly Averages	<u><u>2,709,825</u></u>	<u><u>631</u></u>

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Schedules of Insurance Coverage
For the Years Ended December 31, 2022 and 2023

December 31, 2022

<u>Type of Insurance</u>	<u>Amount of Coverage</u>	<u>December 31, 2022 Period Covered</u>	<u>Company</u>
Real and Personal Property			
Building and contents	\$ 1,806,405	August 26, 2022 to August 25, 2023	Arkansas Municipal League
Fidelity Bond	\$ 300,000	July 1, 2022 to June 30, 2023	Self-Insured Fidelity Bond Program

December 31, 2023

<u>Type of insurance</u>	<u>Amount of Coverage</u>	<u>December 31, 2023 Period Covered</u>	<u>Company</u>
Real and Personal Property			
Building and Contents	\$ 1,806,405	August 26, 2023 to August 25, 2024	Arkansas Municipal League
Fidelity Bond	\$ 300,000	July 1, 2023 to June 30, 2024	Self-Insured Fidelity Bond Program

MT. PLEASANT WATER DEPARTMENT
A Proprietary Fund of the City of Mt. Pleasant, Arkansas
Schedules of Public Officials
For the Years Ended December 31, 2022 and 2021

December 31, 2022

Term Expires

City Officials

Donnie Fulbright	Mayor	12/31/2024
Stephanie Weatherford	Recorder/Treasurer	12/31/2024

Council Members

Darell Webb	Member	12/31/2024
Willene Bray	Member	12/31/2024
Chris Zirkle	Member	12/31/2024
Garry Sims	Member	12/31/2024
Lindsey Johnson	Member	12/31/2024

December 31, 2023

Term Expires

City Officials

Donnie Fulbright	Mayor	12/31/2024
Stephanie Weatherford	Recorder/Treasurer	12/31/2024

Council Members

Darell Webb	Member	12/31/2024
Willene Bray	Member	12/31/2024
Chris Zirkle	Member	12/31/2024
Garry Sims	Member	12/31/2024
Lindsey Johnson	Member	12/31/2024