

CITY OF MOUNTAIN VIEW, ARKANSAS

FINANCIAL STATEMENTS
DECEMBER 31, 2021

CITY OF MOUNTAIN VIEW, ARKANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Mountain View, Arkansas

Opinions

We have audited the accompanying regulatory basis financial statements of the governmental activities and other funds in the aggregate of the City of Mountain View, Arkansas, which comprise the statement of assets, liabilities, and net assets - regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of the City of Mountain View, Arkansas as of December 31, 2021, and its support, revenue, and expenses for the year then ended, in accordance with the financial reporting practices prescribed or permitted by DEF State Regulatory Agency as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Mountain View, Arkansas as of December 31, 2021, or the changes in its net assets for the year then ended.

Basis for Opinions

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 City of Mountain View, Arkansas 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 unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on the U.S. generally accepted accounting principles.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of Mountain View, Arkansas, in accordance with the financial reporting practices prescribed or permitted by the DEF State Regulatory Agency, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of DEF State Regulatory Agency. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

"Well done is better than well said"

Member of the Arkansas Society of Certified Public Accountants
Member American Institute of Certified Public Accountants
Private Companies Practice Section

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by DEF State Regulatory Agency. Management is also responsible 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 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 City of Mountain View, 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Mountain View, Arkansas' 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.

Searcy & Associates, LLC
January 16, 2023

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
REGULATORY BASIS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$2,313,626	\$948,523	\$3,573,550	\$ 6,835,699
Accounts Receivable	235,784	22,201	117,718	375,703
Investments	<u>0</u>	<u>0</u>	<u>3,019,567</u>	<u>3,019,567</u>
Total Assets	<u>\$2,549,410</u>	<u>\$970,724</u>	<u>\$6,710,835</u>	<u>\$10,230,969</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 20,689	\$ 62,354	\$ 0	\$ 83,043
Settlements Pending - District Court	<u>0</u>	<u>0</u>	<u>20,858</u>	<u>20,858</u>
Total Liabilities	20,689	62,354	20,858	103,901
Fund Balance				
Restricted	0	908,370	6,627,128	7,535,498
Assigned	0	0	53,347	53,347
Unassigned	<u>2,528,721</u>	<u>0</u>	<u>9,502</u>	<u>2,538,223</u>
Total Fund Balance	<u>2,528,721</u>	<u>908,370</u>	<u>6,689,977</u>	<u>10,127,068</u>
Total Liabilities and Fund Balance	<u>\$2,549,410</u>	<u>\$970,724</u>	<u>\$6,710,835</u>	<u>\$10,230,969</u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
Receipts				
State Aid	\$ 47,551	\$ 250,158	\$ 30,287	\$ 327,996
Property Taxes	84,325	53,893	0	138,218
Fines and Forfeitures	52,483	0	0	52,483
Sanitation Revenue	365,881	0	0	365,881
Franchise Taxes	186,976	0	0	186,976
Recreation	57,122	0	0	57,122
Sales Taxes	1,681,448	0	1,267,517	2,948,965
Local Permits and Fees	12,083	0	0	12,083
Interest	6,848	2,817	6,204	15,869
Other	24,983	64,384	54,032	143,399
Grants	427,999	0	0	427,999
Sale of Assets	20,211	0	0	20,211
Net Increase/(Decrease) in Fair Value of Investments	0	0	(15,349)	(15,349)
Rent	<u>37,500</u>	<u>0</u>	<u>0</u>	<u>37,500</u>
Total Revenue	\$ 3,005,410	\$ 371,252	\$ 1,342,691	\$ 4,719,353
Disbursements				
Current:				
General Government	\$ 1,425,874	\$ 0	\$ 331,867	\$ 1,757,741
Law Enforcement	818,526	0	1,309	819,835
Highways and Streets	0	333,688	0	333,688
Public Safety	40,226	0	20,074	60,300
Sanitation	418,717	0	0	418,717
Recreation and Culture	92,208	0	0	92,208
Social Services	17,719	0	0	17,719
Airport	<u>0</u>	<u>0</u>	<u>58,425</u>	<u>58,425</u>
Total Current Disbursements	\$ 2,813,270	\$ 333,688	\$ 411,675	\$ 3,558,633

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
Expenditures, continued				
Debt Service:				
Bond Principal	\$ 0	\$ 0	\$ 255,000	\$ 255,000
Bond Interest and Other Charges	0	0	327,793	327,793
Note Principal	0	0	2,365	2,365
Note Interest	0	0	11	11
Lease Principal	29,657	0	0	29,657
Lease Interest	1,679	0	0	1,679
Total Debt Services	<u>31,336</u>	<u>0</u>	<u>585,169</u>	<u>616,505</u>
Total Disbursements	<u>\$ 2,844,606</u>	<u>\$ 333,688</u>	<u>\$ 996,844</u>	<u>\$ 4,175,138</u>
Excess (Deficiency) of Receipts over Disbursements	160,804	37,564	345,847	544,215
Other Financing Sources (Uses):				
Payments to Refunding				
Bond Escrow Agent	\$ 0	\$ 0	\$ (750,000)	\$ (750,000)
Transfers in	0	0	15,600	15,600
Transfers Out	<u>(15,600)</u>	<u>0</u>	<u>0</u>	<u>(15,600)</u>
Total Other Financing Sources (Uses)	\$ (15,600)	\$ 0	\$ (734,400)	\$ (750,000)
Excess (Deficiency) of Receipts and Other Sources Over Disbursements and Other Uses	\$ 145,204	\$ 37,564	\$ (388,553)	\$ (205,785)
Fund Balance, December 31, 2020	<u>2,383,517</u>	<u>870,806</u>	<u>7,078,530</u>	<u>10,332,853</u>
Fund Balance, December 31, 2021	<u>\$ 2,528,721</u>	<u>\$ 908,370</u>	<u>\$ 6,689,977</u>	<u>\$10,127,068</u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENTURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

General Fund			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Receipts			
State Turnback	\$ 45,074	\$ 47,551	\$ 2,477
Property Taxes	84,325	84,325	0
Fines and Forfeitures	52,598	52,483	(115)
Rent	37,500	37,500	0
Sanitation Revenue	364,289	365,881	1,592
Franchise Taxes	180,583	186,976	6,393
Recreation	59,839	57,122	(2,717)
Sales Taxes	1,700,011	1,681,448	(18,563)
Local Permits and Fees	12,663	12,083	(580)
Interest	6,848	6,848	0
Grants	435,166	427,999	(7,167)
Sale of Assets	20,211	20,211	0
Other	16,611	24,983	8,372
Total Receipts	<u>3,015,718</u>	<u>3,005,410</u>	<u>(10,308)</u>
Disbursements			
Current:			
General Government	1,318,715	1,425,874	(107,159)
Law Enforcement	827,459	818,526	8,933
Public Safety	44,512	40,226	4,286
Sanitation	481,847	418,717	63,130
Recreation and Culture	78,768	92,208	(13,440)
Social Services	17,719	17,719	0
Total Current	<u>2,769,020</u>	<u>2,813,270</u>	<u>(44,250)</u>
Debt Services:			
Lease Principal	0	29,657	(29,657)
Lease Interest	0	1,679	(1,679)
Total Debt Services	<u>0</u>	<u>31,336</u>	<u>(31,336)</u>
Total Disbursements	<u>2,769,020</u>	<u>2,844,606</u>	<u>(75,586)</u>
Excess (Deficiency) of Receipts over Disbursements	246,698	160,804	(85,894)
Other Financing Sources (Uses)			
Grants	0	0	0
Transfers Out	0	(15,600)	(15,600)
Total Other Financing Sources	<u>0</u>	<u>(15,600)</u>	<u>(15,600)</u>
Excess (Deficiency) of Receipts and Other Sources over Disbursements and Other Uses	246,698	145,204	(101,494)
Fund Balance, December 31, 2020	<u>499,668</u>	<u>2,383,517</u>	<u>1,883,849</u>
Fund Balance, December 31, 2021	<u>\$ 746,366</u>	<u>\$ 2,528,721</u>	<u>\$ 1,782,355</u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - STREET FUND - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Street Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Receipts			
State Turnback	\$ 230,105	\$ 250,158	\$ 20,053
Property Taxes	53,893	53,893	0
Interest	2,817	2,817	0
Other	<u>62,351</u>	<u>64,384</u>	<u>2,033</u>
Total Receipts	349,166	371,252	22,086
Disbursements			
Current:			
Highways and Streets	<u>271,335</u>	<u>333,688</u>	<u>(62,353)</u>
Total Disbursements	271,335	333,688	(62,353)
Excess (Deficiency) of Receipts Over Disbursements	<u>77,831</u>	<u>37,564</u>	<u>(40,267)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	77,831	37,564	(40,267)
Fund Balance, December 31, 2020	<u>171,517</u>	<u>870,806</u>	<u>699,289</u>
Fund Balance, December 31, 2021	<u>\$ 249,348</u>	<u>\$ 908,370</u>	<u>\$ 659,022</u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - OTHER FUNDS IN THE AGGREGATE
REGULATORY BASIS
DECEMBER 31, 2021

	Special Revenue Funds				Capital Projects Funds	Debt Service Fund	Custodial Funds		
	Local Police and Fire Retirement (LOPFI)	Fire Equipment and Training (Act 833)	Mountain View Police Equitable Sharing	Airport Commission	Sewer Construction	Sales & Use Tax Bond	Planning & Zoning Transfer	Payroll Account	Total
Assets									
Cash and Cash Equivalents	\$ 9,502	\$24,142	\$1,621	\$ 18,569	\$2,660,292	\$838,566	\$547	\$20,311	\$3,573,550
Accounts Receivable	0	2,375	0	6,640	0	108,703	0	0	117,718
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,019,567</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,019,567</u>
Total Assets	<u>\$ 9,502</u>	<u>\$26,517</u>	<u>\$1,621</u>	<u>\$ 25,209</u>	<u>\$5,679,859</u>	<u>\$947,269</u>	<u>\$547</u>	<u>\$20,311</u>	<u>\$6,710,835</u>
Liabilities and Fund Balance									
Liabilities									
Settlements Pending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$547	\$20,311	\$ 20,858
Total Liabilities	0	0	0	0	0	0	547	20,311	20,858
Fund Balance									
Restricted	0	0	0	0	5,679,859	947,269	0	0	6,627,128
Assigned	0	26,517	1,621	25,209	0	0	0	0	53,347
Unassigned	<u>9,502</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,502</u>
Total Fund Balance	<u>9,502</u>	<u>26,517</u>	<u>1,621</u>	<u>25,209</u>	<u>5,679,859</u>	<u>947,269</u>	<u>0</u>	<u>0</u>	<u>6,689,977</u>
Total Liabilities and Fund Balance	<u>\$ 9,502</u>	<u>\$26,517</u>	<u>\$1,621</u>	<u>\$ 25,209</u>	<u>\$5,679,859</u>	<u>\$947,269</u>	<u>\$547</u>	<u>\$20,311</u>	<u>\$6,710,835</u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	Local Police and Fire Retirement LOPFI	Fire Equipment and Training Act 833	Mountain View Police Equitable Sharing	Airport Commission	Sales and Use Tax Bond	Sewer Construction	Total
Receipts							
State Aid	\$ 0	\$ 30,287	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,287
Sales Taxes	0	0	0	0	1,267,517	0	1,267,517
Interest	29	55	0	13	0	6,107	6,204
Net Increase (Decrease) in fair Value of Investments	0	0	0	0	0	(15,349)	(15,349)
Other	0	0	0	53,902	89	41	54,032
Total Receipts	29	30,342	0	53,915	1,267,606	(9,201)	1,342,691
Disbursements							
Current:							
General Government	0	0	0	0	0	331,867	331,867
Public Safety	0	20,074	0	0	0	0	20,074
Law Enforcement	1,309	0	0	0	0	0	1,309
Airport	0	0	0	58,425	0	0	58,425
Total Current	1,309	20,074	0	58,425	0	331,867	411,675
Debt Services:							
Bond Principal	0	0	0	0	255,000	0	255,000
Bond Interest and Other Charges	0	0	0	0	327,793	0	327,793
Note Payments	0	0	0	2,365	0	0	2,365
Interest Expense	0	0	0	11	0	0	11
Total Debt Services	0	0	0	2,376	582,793	0	585,169
Total Disbursements	1,309	20,074	0	60,801	582,793	331,867	996,844
Excess (Deficiency) of Revenues Over Expenditures	(1,280)	10,268	0	(6,886)	684,813	(341,068)	345,847

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	Local Police and Fire Retirement (LOPFI)	Fire Equipment and Training (Act 833)	Mountain View Police Equitable Sales Tax	Airport Commission	Sales & Use Tax Bond	Sewer Construction	Total
Other Financing Sources (Uses):							
Payments to Refunding							
Bond Escrow Agent	0	0	0	0	(750,000)	0	(750,000)
Transfers in	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,600</u>	<u>0</u>	<u>0</u>	<u>15,600</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,600</u>	<u>(750,000)</u>	<u>0</u>	<u>(734,400)</u>
Excess/(Deficiency) of Receipts and Other Sources Over Disbursements and Other Uses	(1,280)	10,268	0	8,714	(65,187)	(341,068)	(388,553)
Fund Balance, December 31, 2020	<u>10,782</u>	<u>16,249</u>	<u>1,621</u>	<u>16,495</u>	<u>1,012,456</u>	<u>6,020,927</u>	<u>7,078,530</u>
Fund Balance, December 31, 2021	<u><u>\$ 9,502</u></u>	<u><u>\$ 26,517</u></u>	<u><u>\$ 1,621</u></u>	<u><u>\$ 25,209</u></u>	<u><u>\$ 947,269</u></u>	<u><u>\$5,679,859</u></u>	<u><u>\$ 6,689,977</u></u>

See Notes to Financial Statements

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Mountain View, Arkansas (the City), is a municipal corporation operating under the authority of Arkansas state statute that was incorporated in 1880. The City operates under an elected mayor-council form of government. Eight elected council members and the Mayor set policy for the City. The accounting and reporting policies of the City conform to accounting principles prescribed or permitted by Ark. Code §10-4-412. The following is a summary of the significant accounting and reporting policies of the City.

Basis of Presentation - Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. §10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See pages 8, 9, and 10 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets (other than those financed by Enterprise Funds). See pages 8, 9, and 10 for the Capital Projects Fund reported with other funds in the aggregate.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Pages 8, 9, and 10 for the Debt Service Fund reported with other funds in the aggregate.

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See page 8 for Custodial Funds as reported with other funds in the aggregate.

Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. §10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit with an original maturity of three months or less.

Investments

Investments are reported at fair market value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll taxes that have not been transferred to the appropriate entities.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation
2. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

Budget Law

State law required that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund and Street Fund and other operating funds.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the restricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

Capital Assets

Capital assets are defined as assets with an initial value or cost greater than or equal to \$1,000 and an estimated useful life of greater than one year.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

NOTE 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, \$2,502,763 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

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 City's deposits are in two commercial banks that are insured by the Federal Deposit Insurance Corporation (FDIC) for an amount up to \$250,000 for interest bearing funds and an additional \$250,000 for non-interest bearing accounts for each bank in which deposits are held.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: Deposits and Investments (cont'd)

The schedule below is designed to disclose the level of custody risk assumed by City based on how its deposits were insured or secured by pledged securities at December 31, 2021.

Category 1 - Insured by the FDIC or collateralized with securities held by the City (or public trust) or by its agent in the City's name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uninsured and uncollateralized or collateralized with securities held by the pledging financial institution with no written or approved collateralized agreement.

The level of security for the City's bank deposits are as follows:

<u>Depository</u>	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>
Bank A	\$ 250,000	\$3,103,929	None
Bank B	\$ 1,000,000	None	2,502,763

Arkansas State Law requires that deposits of State funds or the deposits of State subdivision and local governments be insured or that securities be pledged to secure the deposits. The secured amounts are shown in Category 2 in the schedule above.

NOTE 3: Receivables

The accounts receivable balance at December 31, 2020, is composed of the following:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds</u>
State Aid	\$ 5,646	20,904	2,375
Franchise fees	50,811		
Fines, forfeitures, and costs	2,684		
Local permits and fees	547		
Sanitation	30,981		
Sales Taxes	145,115	41,466	108,703
Other	<u>-</u>	<u>1,297</u>	<u>6,640</u>
Net Total Receivables	<u>\$235,784</u>	<u>\$22,201</u>	<u>\$117,719</u>

NOTE 4: Accounts Payable

The accounts payable balance at December 31, 2021, is composed of the following:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds</u>
Vendor payables	<u>\$ 20,689</u>	<u>\$ 62,354</u>	<u>\$ 20,858</u>

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5: Long-Term Liabilities

Long Term Debt Liabilities at December 31, 2021, were as follow:

Bonds

Sales and Use Tax Refunding and Improvement Bonds, Series 2020, dated dated October 20, 2020, in the amount of \$12,800,000, issued for the purpose of financing improvements to the City's sewer system and to refund the City's Series 2012 and Series 2014 bond issues, principal due in annual installments of \$255,000 to \$570,000 on November 1 of each year plus interest of 1.375% to 4% due on May 1 and November 1 of each year. Payments are to be made from the Debt Service Fund with proceeds of a 1% sales tax.

Total Long Term Liabilities	<u>\$ 12,545,000</u>
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Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on sales and use tax bonds, lease-purchase agreements and notes payable outstanding at December 31, 2021.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 275,000	\$ 302,100
2023	285,000	291,100
2024	295,000	279,700
2025	310,000	267,900
2026	320,000	255,500
2027-2031	1,785,000	1,096,600
2032-2036	2,080,000	808,250
2037-2041	2,370,000	531,288
2042-2046	2,600,000	281,119
2047-2050	<u>2,230,000</u>	<u>77,208</u>
	<u>\$12,545,000</u>	<u>\$4,190,765</u>

The City's outstanding bonds payable of \$12,545,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

Compensated absences consisted of accrued vacation and sick leave adjusted to current salary cost at December 31, 2021 was 124,413.

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6: INTERFUND TRANSFERS

The Sales tax fund transferred \$15,600 to the Airport fund for operations .

NOTE 7: Pension Plan

**Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay.
- B. Paid service also covered by Social Security: 2.5% of gross pay.
- C. Volunteer fire service: no employee contribution.

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$67,173 for the year ended December 31, 2021 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$65,464 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement No. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$552,226.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Arkansas Public Employees Retirement System

Plan Description

The City 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. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. 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, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$84,664 for the year ended June 30, 2021.

The City implemented a retirement plan, known as the City of Greenbrier Profit Sharing Plan, on January 1, 1996. The plan trustee is Regions Trust Company and the City is the plan administrator.

Substantially all full-time employees participate in the plan. Employees must complete one full year of service and be at least 18 years of age to participate. The employee must work a minimum of 1,000 hours during the plan year to be credited with a full year of service. The City is required to make a discretionary contribution each year. A participant in the plan must have received credit for at least 501 hours of service during the plan year to receive an allocation of the employer contributions or forfeitures for the plan year.

For the year ended December 31, 2021, the employer contributed 3% of the eligible participants' compensation. Employees can contribute a voluntary after-tax contribution by payroll deduction in an amount not to exceed 15% of their compensation. Participants in the plan are 100% vested at all times prior to the participants' normal retirement age, death, or disability. Optional forms of benefit payments are available as determined by the participant. The City's Contribution to the plan was a \$21,705 for the year ended December 31, 2021.

NOTE 9: Risk Management

The City has various insurance policies to cover its potential liability risk areas, e.g. automobile, personal property, contents and outside structures and workers' compensation. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. The AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by the AML based on such factors as claims experience, employee class multipliers and population. For risks covered by the AML, the City pays no deductible; however, the City pays a \$2,000 fee to the AML for each legal matter it handles. There have been no significant reductions in coverage from 2020 to 2021; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10: Fund Balances

The City classified fund balances as follows:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Restricted for:			
Debt service	\$	\$	\$ 947,269
Law enforcement	-		9,502
Highways and Streets		908,370	
Public safety			26,517
Capital Outlay			5,679,859
Total restricted	<u>-</u>	<u>908,370</u>	<u>6,663,147</u>
Assigned for:			
General government	13,216		1,621
Law enforcement	78,616		
Public safety	23,971		
Sanitation	186,452		
Recreation and culture	6,187		
Airport			25,209
Total assigned	<u>308,442</u>	<u>-</u>	<u>26,830</u>
Unassigned	<u>2,220,279</u>		
Total fund balances	<u><u>\$ 2,528,721</u></u>	<u><u>\$ 908,370</u></u>	<u><u>\$ 6,689,977</u></u>

CITY OF MOUNTAIN VIEW, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$12,800,000 in bonds that were issued in 2020 to provide funding for sewer improvements and to advance refund existing bonds. See Note for total principal and interest remaining on the bonds.

The Debt Service Fund received \$1,267,517 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds must be used to redeem outstanding bonds prior to maturity.

NOTE 12: Capital Assets

The Municipality's capital assets records are summarized below:

	December 31, 2021
Land/Buildings	\$20,360,999
Equipment	5,446,967
Total	<u>\$25,807,966</u>

NOTE 13: Public Fund Investments

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

Level I - quoted prices in active markets for identical assets

Level II - significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)

Level III - significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The city's investments are held under the Capital Projects fund type composed of the following:

<u>Investment type</u>	<u>Level II</u>
Fixed Income	\$5,679,859

U.S. Government, mortgage-backed and corporate bonds are valued at fair value using quoted market prices from third parties that use, as their basis, readily observable market inputs such as yields of similar instruments with comparable inputs. As a result, these were classified as Level II inputs.

Interest rate risk - Interest rate risk is the risk that the value of investments will be reduced when market interest rates climb higher than the interest rate of the investments. The City's investments subject to interest rate risk was \$5,679,859.

NOTE 11: Subsequent Events

The subsequent events were evaluated through January 16, 2023, which was the date the financial statements were available to be issued

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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

City of Mountain View, Arkansas
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 City of Mountain View, Arkansas, which comprise the statement of financial position - Regulatory Basis as of December 31, 2021, and the related statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2023.

Internal Control Over Financial Reporting

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

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

"Well done is better than well said"

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.

Compliance and Other Matters

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

City of Mountain View, Arkansas' Response to Findings

City of Mountain View, Arkansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mountain View, Arkansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Searcy & Associates, LLC
January 16, 2023

CITY OF MOUNTAIN VIEW, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

Reference No. Finding

2021-001 **Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting and the City's assets.

Condition: Individuals have incompatible duties in the cash receipts, cash disbursements and payroll account transaction cycles. Certain individuals are responsible for accessing, recording and monitoring financial transactions, as well as other incompatible duties. Within the cash receipts cycle, certain employees have the ability to receive and maintain custodianship of cash receipts and have recording and monitoring functions. In the cash disbursements cycle, certain employees have access to signed checks and have recording and/or monitoring functions. These employees also perform conflicting duties within the payroll cycle.

Effect: Potentially significant misstatements in the financial statements or significant misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause: Duties within the cash receipts, cash disbursements and payroll are not adequately segregated, and monitoring or other compensating controls are not sufficient to reduce the possibility of errors or fraud going undetected in the normal course of business.

Recommendation: Management should periodically evaluate the costs versus the benefits of further segregation of duties and addition of monitoring or other compensating controls and implement those changes it deems to be cost beneficial.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and recommendation. Management will continue to evaluate the costs versus benefit of further segregation of duties and make any changes deemed appropriate that are cost beneficial.

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors Report on Compliance with Arkansas State Requirements

The City Council
City of Mountain View
Mountain View, Arkansas

We have examined management's assertion that the City of Mountain View, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 (the Act) and the following Arkansas statutes during the year ended December 31, 2021.

1. Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
2. Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
3. Improvement Contracts §§ 22-9-202 - 22-9-204;
4. Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
5. Investment of public funds, § 19-1-501 et seq.; and
6. Deposit of public funds, §§ 19-8-101 - 19-8-107.

City management is responsible for its compliance with the above Act and statutes. Our responsibility is to express an opinion on the City's compliance with the aforementioned Act and statutes based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the Act and statutes, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Mountain View, complied with the aforementioned Act and statutes during the year ended December 31, 2021, is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

Searcy & Associates, LLC
Monticello, Arkansas