

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
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INDEPENDENT AUDITOR'S REPORT

**To the Mayor and City Council
City of Flippin, Arkansas Water and Wastewater Department
Flippin, Arkansas**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the **City of Flippin, Arkansas Water and Wastewater Department** (the Department) as of and for the year ended **December 31, 2023**, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position and cash flows of the Department as of **December 31, 2023** and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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

Matter Giving Rise to the Qualified Opinion

Management has not adopted Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the Department. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred outflows of resources, and deferred inflows of resources for defined benefit pension plans have an actuarial study to determine the effect on net position. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and net position has not been determined.

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*Arkansas Society of Certified Public Accountants

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Flippin, Arkansas as of and for the year ended **December 31, 2023**, the changes in its financial position, or, where applicable, its cash flows for the year 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis and budgetary comparison information 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Operating Expenses and the Schedule of Water and Wastewater Usage Rates are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed above in this paragraph are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of City Officials but does not include the financial statements, supplementary information, and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **September 17, 2025**, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

Hubbs & Whitehead, CPAs

Van Buren, Arkansas

September 17, 2025

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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**

**To the Mayor and City Council
City of Flippin, Arkansas Water and Wastewater Department
Flippin, Arkansas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **City of Flippin, Arkansas Water and Wastewater Department** (the Department) as of and for the year ended **December 31, 2023**, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated **September 17, 2025**.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Hubbs & Whitehead, CPAs". The signature is written in a cursive, flowing style.

Hubbs & Whitehead, CPAs
Van Buren, Arkansas
September 17, 2025

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 533,051	
Accounts receivable	97,052	
Inventory	<u>54,909</u>	
Total Current Assets		\$ 685,012

RESTRICTED CASH AND EQUIVALENTS

362,454

CAPITAL ASSETS

Land and land rights	45,000	
Equipment	549,774	
Vehicles	112,592	
Buildings and improvements	115,425	
System and improvements	2,954,865	
Construction in progress	<u>4,365,657</u>	
	8,143,313	
Less accumulated depreciation	<u>(2,849,307)</u>	
Net Capital Assets		<u>5,294,006</u>

Total Assets		<u><u>\$ 6,341,472</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 30,085	
Payroll liabilities	17,915	
Sales tax payable	7,249	
Accrued interest	8,635	
Current portion of long-term debt	<u>164,760</u>	
Total Current Liabilities		\$ 228,644

NONCURRENT LIABILITIES

Refundable meter deposits	103,665	
Long-Term Debt	<u>2,608,236</u>	
Total Noncurrent Liabilities		<u>2,711,901</u>
Total Liabilities		2,940,545

NET POSITION

Invested in capital assets, net of related debt	2,521,010	
Restricted for debt service	31,044	
Restricted - other	331,410	
Unrestricted	<u>517,463</u>	
Total Net Position		<u>3,400,927</u>

Total Liabilities and Net Position		<u><u>\$ 6,341,472</u></u>
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See Independent Auditor's Report and Notes to the Financial Statements.

CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUE

Water service fees	\$ 1,074,295
Wastewater service fees	306,968
Sanitation fees	90,323
Connection, reconnection fees	4,900
Late penalties	22,511
Other	8,382

Total Operating Revenue		\$ 1,507,379
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OPERATING EXPENSES

Water department	992,578
Wastewater department	240,690
Depreciation expense	<u>89,753</u>

Total Operating Expenses		<u>1,323,021</u>
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OPERATING INCOME

184,358

NONOPERATING REVENUES (EXPENSES)

Interest income	4,586
Interest expense	(53,957)
Bond issue costs	<u>(12,758)</u>

Total Nonoperating Revenues (Expenses)		<u>(62,129)</u>
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CHANGE IN NET POSITION

122,229

NET POSITION, BEGINNING OF YEAR

3,278,698

NET POSITION, END OF YEAR

\$ 3,400,927

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,530,565
Cash payments to suppliers for goods and services	(747,953)
Cash payments to employees for services	<u>(466,679)</u>

Net Cash Flows From Operating Activities \$ 315,933

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>4,586</u>
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Net Cash Flows From Investing Activities 4,586

**CASH FLOWS FROM CAPITAL
AND RELATED FINANCING ACTIVITIES**

Additions to capital assets	(1,805,377)
Issuance of long-term debt	1,726,320
Interest paid on long-term debt	(48,447)
Bond issue costs	(12,758)
Principal paid on long-term debt	<u>(151,603)</u>

Net Cash Flows From Capital and Related Financing Activities (291,865)

CHANGE IN CASH AND EQUIVALENTS 28,654

CASH AND EQUIVALENTS, BEGINNING OF YEAR 866,851

CASH AND EQUIVALENTS, END OF YEAR \$ 895,505

**RECONCILIATION OF CASH AND EQUIVALENTS
TO STATEMENT OF FINANCIAL POSITION**

Cash and equivalents	\$ 533,051
Restricted cash and equivalents	<u>362,454</u>

Total cash and equivalents and restricted cash and equivalents \$ 895,505

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

**RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS
FROM OPERATING ACTIVITIES**

Operating income		\$ 184,358
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	\$ 89,753	
Changes in:		
Accounts receivable	23,186	
Accounts payable	(5,181)	
Payroll liabilities	17,132	
Sales tax payable	(417)	
Refundable meter deposits	<u>7,102</u>	
Total Adjustments		<u>131,575</u>
Net Cash Flows From Operating Activities		<u><u>\$ 315,933</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The City of Flippin, Arkansas (the City) was incorporated in 1921 and operates under a Mayor – Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water distribution system as well as its wastewater system.

The Department's financial statements reflect only the accounts directly under control of the Department. Using the criteria of ability to exercise oversight responsibility, there are no other component units that are or should be included in the Department's reporting entity.

The financial statements present only the water and wastewater department of Flippin, Arkansas, and, accordingly, do not reflect other activities, funds and account groups of the City.

Fund Type

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements of the Department have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources management focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Use of Estimates

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

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Fair Value of Financial Instruments

The Department's financial instruments include cash, accounts receivable, and accounts payable. The Department's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Net Position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All balances are displayed separately on the statement of net position as current and restricted cash equivalents.

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the Department. These consumers are substantially all local residents and businesses.

Management closely monitors outstanding balances and evaluates collectability of its accounts receivable on a per-customer basis. Customer accounts are typically collected within a short period of time, and, based on its assessment of current conditions, management believes realization losses on the amount outstanding at the end of the year ended December 31, 2023 will be immaterial. Accordingly, the account balance is reported at the full amount outstanding.

Inventory

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

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Department. Operating revenues consist primarily of charges to customers for water, wastewater, and related services. Operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Income Taxes

The Department is exempt from income taxes as a governmental agency.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Capital Assets and Depreciation

Capital assets of the Department are recorded at cost. Contributed assets are reported at fair market value as of the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings and improvements	10-40
System and improvements	10-40
Vehicles	5
Equipment	5

The cost basis of fully depreciated assets still in use by the Department as of December 31, 2023 was approximately \$1,125,000.

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, the Department’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

Accounting Pronouncement Adopted

In June 2022, the GASB issued Statement Number 101 (GASB 101), *Compensated Absences* – effective for periods beginning after December 15, 2023. GASB 1010 is intended to better meet the information needs of financial statement users by updated the recognition and measurement guidance for compensated absences.

Management has evaluated the impact of implementation of this statement to the financial statements of the Department and has concluded that the implementation of this statement does not significantly impact the financial statements of the Department.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Subsequent Events

Subsequent events are evaluated through September 17, 2025, the date the financial statements were available to be issued.

Note 2: Deposits and Restricted Cash

The Department maintains its operating bank accounts in a local financial institution. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The custodial credit risk is the risk that in the event of bank failure, the Department's deposits may not be returned to the Department. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with Federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. At December 31, 2023, all of the Department's deposits were insured or collateralized.

Restricted cash and cash equivalents are restricted by the various ordinances of the Department, and laws. Expenditures from these accounts are restricted to improvements and betterments to the utility plant, debt service and related fees, and refunds of customer deposits. At December 31, 2023, restricted cash and cash equivalents and restricted certificates of deposit consisted of the following:

Debt service reserve funds	\$ 31,044
Depreciation funds	147,534
Capital project fund	81,102
Meter deposit fund	<u>102,774</u>
Total restricted cash and equivalents	<u>\$ 362,454</u>

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2023 are as follows:

Capital Assets:	January 1, 2023	Additions	Retirements	December 31, 2023
Land and land rights	\$ 45,000	\$ -	\$ -	\$ 45,000
Equipment	549,774	-	-	549,774
Vehicles	112,592	-	-	112,592
Buildings and improvements	115,425	-	-	115,425
System and improvements	2,954,865	-	-	2,954,865
Construction in progress	2,408,501	1,957,156	-	4,365,657
Total	<u>\$ 6,186,157</u>	<u>\$ 1,957,156</u>	<u>\$ -</u>	<u>\$ 8,143,313</u>

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Accumulated Depreciation:	January 1, 2023	Additions	Retirements	December 31, 2023
Equipment	\$ (282,170)	\$ (23,115)	\$ -	\$ (305,285)
Vehicles	(100,092)	(9,000)	-	(109,092)
Buildings and improvements	(81,199)	(4,676)	-	(85,875)
System and improvements	(2,296,093)	(52,962)	-	(2,349,055)
Total	<u>\$ (2,759,554)</u>	<u>\$ (89,753)</u>	<u>\$ -</u>	<u>\$ (2,849,307)</u>

For the year ended December 31, 2023, depreciation expense charged to the water department was \$67,871 and depreciation charged to the wastewater department was \$21,882.

Note 4: Long-Term Debt

Long-term debt consists of the following:

Arkansas Natural Resources Commission, \$125,000 dated September 2004, bears interest at 5%, payable in annual installments of \$10,030, maturing September 2024	\$ 9,554
Arkansas Natural Resources Commission, \$216,300 dated November 2017, bears interest at 2.75%, payable in one annual installment of \$24,044 and remaining annual installments of \$25,035, maturing June 2028	115,470
ADFA - Series 2021A Water and Sewer Revenue Bond, \$1,780,000 dated December 2021, bears interest at 0.75% plus a 1.00% servicing fee, interest-only payments April 15 and October 15 each year with principal payments ever April 15 and October 15 beginning April 15, 2023 through October 2042	1,704,957
USDA - RD 92-11, \$210,200 dated May 1987, bears interest at 5.00%, payable in monthly installments of \$1,024, secured by system revenues, maturing March 2027	35,979
USDA - RD 91-13, \$294,400 dated September 1993, bears interest at 5.00%, payable in monthly installments of \$1,446, secured by system revenues, maturing January 2033	126,396
Series 2022 Water and Sewer Revenue Bond, \$815,000 dated February 2022, bears interest at 1.75%, payable in semi-annual installments on April 15 and October 15 each year, beginning April 15, 2023, secured by system revenues, maturing October 2042	780,640
	2,772,996
Less: current maturity	(164,760)
Total long-term debt	<u>\$ 2,608,236</u>

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Debt is scheduled to be repaid as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 164,760	\$ 51,564	\$ 216,324
2025	158,891	50,123	209,014
2026	162,685	46,330	209,015
2027	156,230	42,615	198,845
2028	157,501	39,217	196,718
2029-2033	692,893	149,534	842,427
2034-2038	686,276	85,413	771,689
2039-2043	593,760	23,618	617,378
Total	<u>\$ 2,772,996</u>	<u>\$ 488,414</u>	<u>\$ 3,261,410</u>

Activity of long-term debt consists of the following:

	<u>January 1, 2023</u>	<u>Debt Additions</u>	<u>Debt Retirements</u>	<u>December 31, 2023</u>
ANRC dated September 2004	\$ 18,651	-	\$ 9,097	\$ 9,554
ANRC dated November 2017	136,745	-	21,275	115,470
ADFA Series 2021A	852,558	918,320	65,921	1,704,957
USDA RD 92-11	46,190	-	10,211	35,979
USDA RD 91-13	137,136	-	10,740	126,396
2022 Series Water and Sewer Revenue Bond	7,000	808,000	34,360	780,640
Total	<u>\$ 1,198,280</u>	<u>\$ 1,726,320</u>	<u>\$ 151,604</u>	<u>\$ 2,772,996</u>

Interest paid on long-term debt for the year ended December 31, 2023 totaled \$48,447.

Under the authority of Ordinance 333 dated August 17, 2021, the Department issued revenue bonds, Series 2021A and Series 2021B in the amounts of \$1,780,000 and \$1,524,560, respectively, to finance betterments and improvements to the wastewater system. The Arkansas Development Finance Authority (ADFA) purchased the bonds subject to an interest rate of 0.75% per annum during a twenty-year repayment period. A servicing fee equal to 1.00% per annum of the outstanding principal amount of the Series 2021A bond is also required.

Various debt covenants require that the net revenues of the system shall equal not less than a certain percentage of the annual debt service requirements of all outstanding bonds plus other indebtedness of the system, including any additional bonds proposed.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

The actual percentage at December 31, 2023 was 127%, computed as follows:

Operating Income	\$ 184,358
Plus Depreciation Expense	<u>89,753</u>
Funds Available for Debt Service	<u>\$ 274,111</u>
Annual Debt Service Requirement on Outstanding Notes and Bonds Payable	<u>\$ 216,324</u>
Debt Service Coverage Percentage	<u>127%</u>

The various bond and loan documents established certain funds and the manner in which revenues are to be deposited and transferred between the various funds. Cash funds were deposited and transferred as required.

Note 5: Risk Management

The Department has purchased coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the Arkansas Municipal League Program for its workers' compensation coverage. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission. The Department also participates in the Arkansas Municipal Property and Vehicle Programs for building and contents, vehicle, and general liability coverage. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year

Concentration of Revenues and Receivables

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The Department sells only to its customers within a defined geographic region.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 6: 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 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 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributor and non-contributory plans. Contributory members are required by State law to contribute 5.00% 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 Department's contribution to the plan was \$50,065 for the year ended December 31, 2023.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is 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 June 30, 2023 (actuarial valuation date and measurement date) was \$603,988.

SUPPLEMENTARY INFORMATION

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Water Department	Wastewater Department
Advertising	\$ -	\$ 1,170
Auto and fuel expense	8,619	622
Billing support	4,512	-
DMR reports	-	1,824
Dues and licenses	9,264	3,266
Educational expense	3,364	2,482
Insurance - general	8,603	2,431
Insurance - health and life	30,641	12,677
Legal and professional services	9,550	14,758
Postage and freight	8,794	-
Repairs and maintenance	68,972	30,409
Retirement expense	37,777	12,288
Salaries	289,947	97,024
Sanitation	81,654	-
Sludge removal	-	1,257
Supplies - operating	106,528	9,941
Taxes - payroll	22,159	7,375
Uniforms	8,825	4,487
Utilities	9,015	38,679
Water purchases	284,354	-
Total Operating Expenses	<u>\$ 992,578</u>	<u>\$ 240,690</u>

See Independent Auditor's Report.

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF WATER AND WASTEWATER USAGE AND RATES
YEAR ENDED DECEMBER 31, 2023**

WATER RATES

During the year ended December 31, 2023, the monthly water usage rates are as follows:

In City:

First 2,000 gallons or less	\$	24.69	
All over 2,000 gallons	\$	6.91	per 1,000 gallons or portion thereof

Rural:

First 1,500 gallons or less	\$	25.83	
All over 1,500 gallons	\$	8.55	per 1,000 gallons or portion thereof

WASTEWATER RATES

During the year ended December 31, 2023, the monthly wastewater usage rates are as follows:

First 1,000 gallons or less	\$	15.50	
All over 1,000 gallons	\$	5.00	per 1,000 gallons

WATER USAGE

Gallons purchased and sold during the year ended December 31, 2023 were as follows:

Gallons of water purchased	107,829,000
Gallons of water sold	<u>79,047,000</u>
Gallons of water lost	<u><u>28,782,000</u></u>

See Independent Auditor's Report.

OTHER INFORMATION

**CITY OF FLIPPIN, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2023**

<u>Position</u>	<u>Official</u>
Mayor	Heith Hogan
Council Member	Lacie Bettencourt
Council Member	Tony Ford
Council Member	Margaret Ott
Council Member	Jodi Howard

See Independent Auditor's Report.