

HATFIELD WATER AND SEWER DEPARTMENT



HATFIELD, ARKANSAS

DECEMBER 31, 2023

HATFIELD WATER AND SEWER DEPARTMENT
HATFIELD, ARKANSAS

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Hatfield Water and Sewer Department

We have performed the procedures enumerated below on the accounting records of Hatfield Water and Sewer Department as of and for the year ended December 31, 2023. Hatfield Water and Sewer Department's management is responsible for the entity's accounting records.

Hatfield Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- b. Confirm with depository institutions the cash on deposit and investments.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

6. Long-Term Debt

- a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedure.

We were engaged by Hatfield Water and Sewer Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Hatfield Water and Sewer Department. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Hatfield Water and Sewer Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Hatfield Water and Sewer Department and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
May 30, 2024

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To Management
Hatfield Water and Sewer Department
Hatfield, Arkansas

Management is responsible for the accompanying financial statements of Hatfield Water and Sewer Department, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the Budgetary Comparison Schedule 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 required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management.

As discussed in Note 1, the financial statements referred to above present only Hatfield Water and Sewer Department, which is an enterprise fund of the Town of Hatfield and are not intended to present fairly the financial position of the Town of Hatfield, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

May 30, 2024

HATFIELD WATER AND SEWER DEPARTMENT
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 54,460	\$ 39,414
Accounts Receivable, net of allowance for doubtful accounts	21,005	19,980
Sales Tax Receivable	8,048	7,015
TOTAL CURRENT ASSETS	83,513	66,409
 RESTRICTED ASSETS:		
Cash - Meter Deposits	20,959	20,722
 CAPITAL ASSETS:		
Land	12,138	12,138
Machinery and Equipment	49,768	49,768
Water System	499,137	499,137
Sewer System	430,033	430,033
	991,076	991,076
Less Accumulated Depreciation	(867,638)	(854,679)
TOTAL CAPITAL ASSETS	123,438	136,397
 TOTAL ASSETS	 \$ 227,910	 \$ 223,528

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HATFIELD WATER AND SEWER DEPARTMENT
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,230	\$ 7,963
Accrued Interest Payable	503	683
Sales Tax Payable	1,360	1,194
Current Portion of Long-Term Debt	13,195	12,567
TOTAL CURRENT LIABILITIES	<u>20,288</u>	<u>22,407</u>
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Customers' Meter Deposits	24,861	23,951
LONG-TERM LIABILITIES:		
Revenue Bonds Payable	31,579	44,774
TOTAL LIABILITIES	<u>76,728</u>	<u>91,132</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	78,664	79,056
Restricted	(3,902)	(3,229)
Unrestricted	76,420	56,569
TOTAL NET POSITION	<u>151,182</u>	<u>132,396</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 227,910</u>	<u>\$ 223,528</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HATFIELD WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE:		
Water and Sewer Services	\$ 247,062	\$ 241,486
Miscellaneous Income	503	411
TOTAL REVENUE	247,565	241,897
OPERATING EXPENSES:		
Water Purchases	102,822	107,534
Salaries, Wages and Payroll Taxes	95,248	82,959
Auto Expenses	4,421	9,252
Depreciation	12,959	12,959
Dues and Subscriptions	2,488	2,319
Employee Insurance	10,811	9,454
Fuel	4,254	5,023
Lab Testing	2,971	2,938
Legal and Professional	2,946	2,764
Office Expense	2,784	3,267
Operating Supplies	13,823	6,359
Repairs and Maintenance	9,073	3,934
Sales Tax Expense	15,241	15,634
Trash Service Expense	20,972	23,219
Utilities and Telephone	8,832	9,943
Miscellaneous	3,801	2,241
TOTAL OPERATING EXPENSES	313,446	299,799
OPERATING INCOME (LOSS)	(65,881)	(57,902)
NON-OPERATING REVENUE (EXPENSES):		
Interest Earned	27	13
Sales Tax Revenue	87,327	84,146
Interest Expense	(2,687)	(3,137)
TOTAL NON-OPERATING REVENUE (EXPENSES)	84,667	81,022
NET INCOME (LOSS)	18,786	23,120
NET POSITION - BEGINNING OF YEAR	132,396	109,276
NET POSITION - END OF YEAR	\$ 151,182	\$ 132,396

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HATFIELD WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

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	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 246,540	\$ 240,214
Cash Payments for Goods and Services	(207,806)	(202,200)
Cash Payments to Employees	(95,248)	(82,959)
NET CASH FLOW FROM OPERATING ACTIVITIES	(56,514)	(44,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received from City and County Sales and Use Tax	86,294	84,248
Increase in Meter Deposits	910	900
NET CASH FLOW FROM FINANCING ACTIVITIES	87,204	85,148
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Debt Payment	(12,567)	(11,968)
Interest Paid	(2,867)	(3,466)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	(15,434)	(15,434)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	27	13
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,283	24,782
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,136	35,354
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 75,419	\$ 60,136

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HATFIELD WATER AND SEWER DEPARTMENT
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

Reconciliation of operating income to net cash flow from operating activities:

	2023	2022
OPERATING INCOME (LOSS)	\$ (65,881)	\$ (57,902)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation and Amortization	12,959	12,959
Change in Assets and Liabilities:		
Accounts Receivable	(1,025)	(1,683)
Accounts Payable	(2,733)	1,547
Sales Tax Payable	166	134
TOTAL ADJUSTMENTS	9,367	12,957
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ (56,514)	\$ (44,945)

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

HATFIELD WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Significant Accounting Policies:

The Hatfield Water and Sewer Department, “the System”, is an Enterprise Fund of the Town of Hatfield, Arkansas and is governed by the Board of Directors of the Town of Hatfield, Arkansas. The accompanying financial statements and other information reflect the Hatfield Water and Sewer Department fund only and do not include other funds of the Town of Hatfield, Arkansas.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles under which revenues are recognized when earned, and expenses are recorded when incurred. The System applies all relevant Government Accounting Standards Board (GASB) pronouncements. The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Management establishes an allowance for doubtful accounts receivable based on historical collection experience and management’s evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$14,805 and \$13,832 as of December 31, 2023 and 2022, respectively.

Capital Assets are stated at cost or customer cost of construction on contributed assets. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water and Sewer System	6 - 40 Years
Machinery and Equipment	5 - 10 Years

The Department’s policies do not allow for employees to accrue vacation or sick leave. Therefore, no provision for accrued vacation or sick leave is included in the financial statements.

Management has evaluated subsequent events through May 30, 2024, the date the financial statements were available for issuance.

Certain amounts in the prior period financial statements have been reclassified to conform to presentation of the current period.

HATFIELD WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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Note 2. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations where principal and interest are fully guaranteed by the United States of America. All cash funds of the System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Hatfield Water and Sewer in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Hatfield Water and Sewer Department does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2023 was \$75,419. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$80,618 before adjustment for outstanding items.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Hatfield Water and Sewer accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all Town of Hatfield accounts and investments at a financial institution.

Investment Interest Rate Risk: The System does not have an investment interest rate risk. All investments are short-term certificates of deposit and the System is under no obligation to renew upon maturity.

Investment Credit Risk: The System does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

Foreign Currency Risk: The System has no exposure to foreign currency risk.

HATFIELD WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 3. Capital Assets:

Capital Assets activity for the years ended December 31, 2023 and 2022 was as follows:

	<u>12/31/2022</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>12/31/2023</u>
Capital Assets at Historical Costs:				
Land	\$ 12,138	\$ -	\$ -	\$ 12,138
Machinery and Equipment	49,768	-	-	49,768
Water System	499,137	-	-	499,137
Sewer System	430,033	-	-	430,033
	<u>991,076</u>	<u>-</u>	<u>-</u>	<u>991,076</u>
Less Accumulated Depreciation:	(854,679)	(12,959)	-	(867,638)
NET	<u>\$ 136,397</u>	<u>\$ (12,959)</u>	<u>\$ -</u>	<u>\$ 123,438</u>

	<u>12/31/2021</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>12/31/2022</u>
Capital Assets at Historical Costs:				
Land	\$ 12,138	\$ -	\$ -	\$ 12,138
Machinery and Equipment	49,768	-	-	49,768
Water System	499,137	-	-	499,137
Sewer System	430,033	-	-	430,033
	<u>991,076</u>	<u>-</u>	<u>-</u>	<u>991,076</u>
Less Accumulated Depreciation:	(841,720)	(12,959)	-	(854,679)
NET	<u>\$ 149,356</u>	<u>\$ (12,959)</u>	<u>\$ -</u>	<u>\$ 136,397</u>

Note 4. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for December. These amounts were paid subsequent to December 31, 2023.

HATFIELD WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 5. Long-Term Debt:

Long-term debt consists of the following as of December 31, 2023 and 2022, respectively:

	2023	2022
Note Payable - Arkansas Natural Resource Commission, Issued November 28, 1986, Original Amount \$205,000, Annual Payments of \$12,520 including interest at 5.0%, Maturing in November 2027, Collateralized by Property & Equipment, Current Portion \$10,798.	\$ 34,442	\$ 44,725
Note Payable - Arkansas Natural Resource Commission, Issued November 28, 1986, Original Amount \$50,000, Annual Payments of \$2,914 including interest at 5.0%, Maturing in November 2027, Collateralized by Property & Equipment, Current Portion \$2,397.	10,332	12,616
	44,774	57,341
Less portion considered current	(13,195)	(12,567)
Total long-term debt	\$ 31,579	\$ 44,774

The future maturities of long-term debt are as follows:

	Principal	Interest	Total
2024	\$ 13,195	\$ 2,239	\$ 15,434
2025	13,855	1,579	15,434
2026	14,547	886	15,433
2027	3,177	159	3,336
2028	-	-	-
Total	\$ 44,774	\$ 4,863	\$ 49,637

Note 6. Risk Management:

The System is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the System.