

CITY OF HORSESHOE BEND, ARKANSAS

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2023



CITY OF HORSESHOE BEND, ARKANSAS
DECEMBER 31, 2023

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Horseshoe Bend, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the remaining fund information of the City of Horseshoe Bend, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Horseshoe Bend, Arkansas', basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bend, Arkansas as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 City of Horseshoe Bend, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Horseshoe Bend, Arkansas' ability to continue as a going concern for a reasonable period of time.

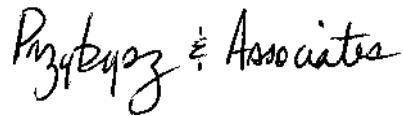
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2024, on our consideration of the City of Horseshoe Bend, Arkansas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Horseshoe Bend, Arkansas’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Horseshoe Bend, Arkansas’ internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 16, 2024

BASIC FINANCIAL STATEMENTS

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023			
Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 699,792	\$ 378,482	\$ 1,078,274
Certificates of deposit	1,051,796	30,000	1,081,796
Accounts receivable, net	106,080	72,062	178,142
Prepaid expenses	17,471	8,931	26,402
Internal balances	24,588	412	25,000
Inventory	-	40,583	40,583
Restricted cash and cash equivalents	426,344	352,727	779,071
Restricted certificates of deposit	-	98,603	98,603
Total Current Assets	2,326,071	981,800	3,307,871
Net Capital Assets	927,927	3,094,495	4,022,422
Total Assets	\$ 3,253,998	\$ 4,076,295	\$ 7,330,293
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 65,699	\$ 15,265	\$ 80,964
Other withholding payables	4,096	926	5,022
Sales tax payable	-	4,517	4,517
Accrued interest	-	782	782
Accrued wages	1,154	886	2,040
Accrued compensated absences	1,569	8,847	10,416
Meter deposits	-	129,517	129,517
Current maturity of long-term debt	-	28,786	28,786
Total Current Liabilities	72,518	189,526	262,044
Long-Term Debt	-	629,660	629,660
Total Liabilities	72,518	819,186	891,704
Net Position			
Net investment in capital assets	927,927	2,436,049	3,363,976
Restricted	426,344	313,210	739,554
Unrestricted	1,827,209	507,850	2,335,059
Total Net Position	3,181,480	3,257,109	6,438,589
Total Liabilities and Net Position	\$ 3,253,998	\$ 4,076,295	\$ 7,330,293

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Change In Net Assets		Total	
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities		
Governmental Activities								
General government	\$ 382,183	\$ 40,968	\$ 3,038	\$ -	\$ (338,177)	\$ -	\$ (338,177)	
Police	312,269	17,214	-	-	(295,055)	-	(295,055)	
Animal control	64,209	15,091	521	-	(48,597)	-	(48,597)	
Fire	67,218	400	48,614	7,000	(11,204)	-	(11,204)	
Streets	310,789	32,655	-	300,000	21,866	-	21,866	
Total Governmental Activities	1,136,668	106,328	52,173	307,000	(671,167)	-	(671,167)	
Business-Type Activities								
Water and Sewer	854,385	832,107	-	-	-	(22,278)	(22,278)	
Total Business-Type Activities	854,385	832,107	-	-	-	(22,278)	(22,278)	
Total	\$ 1,991,053	\$ 938,435	\$ 52,173	\$ 307,000				
General Revenues:								
Property and real estate taxes					222,293	-	222,293	
State turnbacks					224,121	-	224,121	
Franchise tax					165,464	-	165,464	
Sales and use taxes					454,259	-	454,259	
Other taxes					15,805	-	15,805	
Insurance proceeds					40,500	-	40,500	
Investment earnings					25,264	3,015	28,279	
Other					7,132	-	7,132	
Operating transfers					(12,856)	-	(12,856)	
					Total General Revenues and Transfers			
					1,141,982	3,015	1,144,997	
					Change In Net Position			
					470,815	(19,263)	451,552	
					Net Position, Beginning of Year	2,710,665	3,276,372	5,987,037
					Net Position, End of Year	\$ 3,181,480	\$ 3,257,109	\$ 6,438,589

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2023

	General	Street	Auxiliary Police	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 540,278	\$ 150,132	\$ 9,382	\$ 699,792
Certificates of deposit	975,770	54,255	21,771	1,051,796
Accounts receivable	76,553	29,527	-	106,080
Prepaid expenses	8,037	9,434	-	17,471
Due from other funds	31,005	(6,417)	-	24,588
Restricted cash and cash equivalents	426,344	-	-	426,344
Total Assets	\$ 2,057,987	\$ 236,931	\$ 31,153	\$ 2,326,071
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 63,761	\$ 1,938	\$ -	\$ 65,699
Other withholding payables	2,307	1,789	-	4,096
Accrued wages	670	484	-	1,154
Total Liabilities	66,738	4,211	-	70,949
Fund Balances				
Nonspendable	8,037	9,434	-	17,471
Spendable:				
Restricted	426,344	-	-	426,344
Committed	460,464	-	31,153	491,617
Assigned	-	223,286	-	223,286
Unassigned	1,096,404	-	-	1,096,404
Total Fund Balances	1,991,249	232,720	31,153	2,255,122
Total Liabilities and Fund Balances	\$ 2,057,987	\$ 236,931	\$ 31,153	\$ 2,326,071

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023

Total Fund Balances - Governmental Funds \$ 2,255,122

Amounts reported for governmental *activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$3,360,676 and the accumulated depreciation is \$2,432,749. 927,927

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of accrued compensated absences. (1,569)

Total Net Position - Governmental Activities \$ 3,181,480

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Street	Auxiliary Police	Total Governmental Funds
Revenues				
Property and real estate taxes	\$ 181,035	\$ 41,258	\$ -	\$ 222,293
State turnbacks	34,814	189,307	-	224,121
Franchise tax	108,284	57,180	-	165,464
Sales and use taxes	454,259	-	-	454,259
Other taxes	-	15,805	-	15,805
Fire Act 833	16,213	-	-	16,213
Leachate fees	-	32,655	-	32,655
Licenses and permits	36,413	-	-	36,413
Donations	34,160	-	-	34,160
Animal control fees	16,663	-	-	16,663
Fines	16,852	-	-	16,852
Interest	22,663	1,887	714	25,264
Other income	10,044	615	-	10,659
Grants	8,800	300,000	-	308,800
House checks	-	-	218	218
Total Revenues	940,200	638,707	932	1,579,839
Expenditures				
Administration	349,834	-	-	349,834
Police	311,777	-	492	312,269
Animal control	61,443	-	-	61,443
Fire	38,780	-	-	38,780
Capital outlays	402,290	-	-	402,290
Street	-	252,190	-	252,190
Total Expenditures	1,164,124	252,190	492	1,416,806
Excess of Revenues Over (Under) Expenditures	(223,924)	386,517	440	163,033
Other Financing Sources (Uses)				
Insurance proceeds	-	40,500	-	40,500
Operating transfers	386,805	(399,661)	-	(12,856)
Total Other Financing Sources / (Uses)	386,805	(359,161)	-	27,644
Change in Fund Balance	162,881	27,356	440	190,677
Fund Balance at Beginning of Year	1,531,254	205,364	30,713	1,739,423
Fund Balance at End of Year	\$ 1,694,135	\$ 232,720	\$ 31,153	\$ 1,930,100

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 190,677

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$402,290) exceeds depreciation expense (\$126,091) in the period. 276,199

Because more compensated absences were accrued during the year than were paid, a net increase in other long-term liabilities occurred. This is the amount by which compensated absences earned were greater than compensated absences paid. 3,939

Change in Net Position of Governmental Activities \$ 470,815

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF DECEMBER 31, 2023

Assets	Enterprise Funds		Total
	Water	Sewer	
Current Assets			
Cash and cash equivalents	\$ 371,921	\$ 6,561	\$ 378,482
Certificates of deposit	30,000	-	30,000
Accounts receivable	41,941	30,121	72,062
Prepaid expenses	7,706	1,225	8,931
Due from other funds	-	412	412
Inventory	40,583	-	40,583
Restricted cash and cash equivalents	234,350	118,377	352,727
Restricted certificates of deposit	25,000	73,603	98,603
Total Current Assets	751,501	230,299	981,800
Capital assets			
Land	-	200	200
Leasehold improvements	15,475	-	15,475
Transportation equipment	125,443	23,618	149,061
Heavy equipment	44,300	-	44,300
Equipment and furniture	40,204	29,177	69,381
Water system	3,803,752	-	3,803,752
Sewer system	-	4,354,962	4,354,962
Total	4,029,174	4,407,957	8,437,131
Less: accumulated depreciation	3,361,827	1,980,809	5,342,636
Net Capital Assets	667,347	2,427,148	3,094,495
Total Assets	\$ 1,418,848	\$ 2,657,447	\$ 4,076,295
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 7,689	\$ 7,576	\$ 15,265
Other withholdings payable	88	838	926
Sales tax payable	4,517	-	4,517
Accrued interest	368	414	782
Accrued wages	638	248	886
Accrued compensated absences	7,242	1,605	8,847
Meter deposits	129,517	-	129,517
Current maturity of long-term debt	16,255	12,531	28,786
Total Current Liabilities	166,314	23,212	189,526
Long-Term Debt	69,109	560,551	629,660
Total Liabilities	235,423	583,763	819,186
Net Position			
Net investment in capital assets	581,983	1,854,066	2,436,049
Restricted	121,644	191,566	313,210
Unrestricted	479,798	28,052	507,850
Total Net Position	1,183,425	2,073,684	3,257,109
Total Liabilities and Net Position	\$ 1,418,848	\$ 2,657,447	\$ 4,076,295

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds		
	Water	Sewer	Total
Operating Revenues			
Water and sewer sales	\$ 554,297	\$ 216,350	\$ 770,647
Reconnection and hook-up fees	8,425	500	8,925
Sanitation and sewer fees	8,694	-	8,694
Leachate fees	-	37,363	37,363
Other revenue	62	6,416	6,478
Total Operating Revenues	571,478	260,629	832,107
Operating Expenses			
Salaries	180,270	65,962	246,232
Payroll taxes	14,058	5,212	19,270
Pension expense	5,574	3,060	8,634
Employee health insurance	26,602	9,672	36,274
Uniforms	4,552	2,669	7,221
Legal and accounting	2,120	2,120	4,240
Computer expense	3,165	-	3,165
Administrative costs	-	20,465	20,465
Repairs, maintenance and supplies for system	67,952	63,393	131,345
Truck expense	18,493	8,717	27,210
Travel	2,055	-	2,055
Office supplies and postage	7,780	-	7,780
Bank and credit card fees	1,635	-	1,635
Utilities	55,288	56,176	111,464
Telephone	2,247	-	2,247
Dues and fees	11,045	-	11,045
Insurance	5,475	2,139	7,614
Miscellaneous	113	434	547
Depreciation	100,259	83,590	183,849
Total Operating Expenses	508,683	323,609	832,292
Operating Income	62,795	(62,980)	(185)
Other Revenues (Expenses)			
Interest income	1,415	1,600	3,015
Interest expense	(4,249)	(17,844)	(22,093)
Total Other Revenues (Expenses)	(2,834)	(16,244)	(19,078)
Change In Net Position	59,961	(79,224)	(19,263)
Beginning of Year Net Position	1,123,464	2,152,908	3,276,372
End of Year Net Position	\$ 1,183,425	\$ 2,073,684	\$ 3,257,109

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds		Total
	Water	Sewer	
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 569,810	\$ 262,649	\$ 832,459
Cash payments to suppliers for goods and services	(240,465)	(169,025)	(409,490)
Cash payments to employees for services	(182,395)	(68,123)	(250,518)
Other operating expenses	-	(412)	(412)
Net Cash Provided By Operating Activities	146,950	25,089	172,039
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	-	(5,395)	(5,395)
Principal paid on debt	(19,529)	(12,148)	(31,677)
Interest paid on debt	(4,256)	(17,853)	(22,109)
Net Cash Used In Capital and Related Financing Activities	(23,785)	(35,396)	(59,181)
Cash Flows From Investing Activities			
Reinvestment of certificate of deposit earnings	-	(1,372)	(1,372)
Interest Income	1,415	1,600	3,015
Net Cash Provided By Investing Activities	1,415	228	1,643
Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	124,580	(10,079)	114,501
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	481,691	135,017	616,708
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 606,271	\$ 124,938	\$ 731,209
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 371,921	\$ 6,561	\$ 378,482
Restricted cash and cash equivalents	234,350	118,377	352,727
Total Cash, Cash Equivalents and Restricted Cash	\$ 606,271	\$ 124,938	\$ 731,209
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ 62,795	\$ (62,980)	\$ (185)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	100,259	83,590	183,849
Net change in assets and liabilities			
Accounts receivable	(5,143)	2,020	(3,123)
Prepaid expenses	3,073	861	3,934
Due to other funds	-	(412)	(412)
Inventory	(15,674)	-	(15,674)
Accounts payable	274	4,141	4,415
Other withholdings payable	16	30	46
Sales tax payable	5	-	5
Accrued wages	(27)	(2,157)	(2,184)
Accrued compensated absences	(2,098)	(4)	(2,102)
Meter deposits	3,470	-	3,470
Net Cash Provided By Operating Activities	\$ 146,950	\$ 25,089	\$ 172,039

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENTS OF FIDUCIARY NET POSITION / CHANGES IN FIDUCIARY NET POSITION

STATEMENT OF FIDUCIARY NET POSITION

AS OF DECEMBER 31, 2023

	Municipal Court Account	Bond Account
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ -
Total Assets	\$ -	\$ -
Liabilities		
Fines and court costs pending	\$ -	\$ -
Bond money held	-	-
Total Liabilities	\$ -	\$ -

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

Additions		
Contributions:		
Court fees	\$ 11,860	\$ -
Bail posted	-	1,815
Interest	2	-
Total Additions	11,862	1,815
Deductions:		
Fines and other fees remitted to City	7,604	-
Bail remitted to Municipal Court, including forfeitures	-	3,985
Court costs and other fees remitted to State	3,116	-
Restitution and/or bond refunded	750	-
Total Deductions	11,470	3,985
Change in Custodial Balance Before Transfers	392	(2,170)
Transfers	(1,226)	(3,948)
Change in Custodial Balance	(834)	(6,118)
Beginning of Year Custodial Balance	834	6,118
End of Year Custodial Balance	\$ -	\$ -

* Note that in 2023, oversight for these funds was transferred to the County District Court.

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Nature of the Business

The City of Horseshoe Bend, Arkansas is a municipal corporation with a nine-member City Council comprised of the Mayor and eight at large members. Major operations include police and fire protection, parks and recreation, public works, and general administrative services.

1. Summary of Significant Accounting Policies

Financial Reporting

The accompanying financial statements of the City have been prepared in conformity with accounting principles ("GAAP") generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, conformance with the governmental accounting standards board, the City includes all funds, account groups, departments, agencies, boards, commissions and other organizations over which the City exercises oversight responsibility. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Included Within The Entity

The water and sewer department serve all the citizens of the City and are governed by a board comprised of the City's elected council. The rates for user charges and bond issuance authorizations are approved by the City's council. The water and sewer systems are reported as enterprise funds.

Excluded From The Entity

Airport Commission

The airport commission was excluded from the reporting entity because the Commission has sole authority over fiscal matters and designates management. Additionally, the City cannot significantly influence operations. The City Council's control is limited to the appointment of the Commissioners, which is not authoritative.

Municipal Street Improvement District

The Municipal Street Improvement District (MSID) is excluded from the reporting entity because the MSID has sole authority over fiscal matters and designates management. Additionally, the City cannot significantly influence operations. The City Council's control is limited to the appointment of the board of directors, which is not authoritative.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Excluded From The Entity (continued)

Municipal Recreational Improvement District

The Municipal Recreational Improvement District (MRID) is excluded from the reporting entity because the MRID has sole authority over fiscal matters and designates management. Additionally, the City cannot significantly influence operations. The City Council's control is limited to the appointment of the board of directors, which is not authoritative.

Crown Street Improvement District

The Crown Street Improvement District (CSID) is excluded from the reporting entity because the CSID has sole authority over fiscal matters and designates management. Additionally, the City cannot significantly influence operations. The City Council's control is limited to the appointment of the board of directors, which is not authoritative.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Government-wide financial statements report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental funds include the following fund types:

The general fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund. The general fund includes bank accounts for the general fund as well as the fireman's fund, municipal reserve, special court fund library maintenance fund, capital reserve and insurance reserve funds.

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). Special revenue funds consist of the street fund and auxiliary police fund.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's agency funds are the municipal court fund and bond fund. In 2023, oversight for these funds was transferred to the respective County District Court.

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City 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 City has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective during the year. These standards did not have any impact on the City's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash equivalents are defined as short term highly liquid investments that are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. For the purposes of the Statement of Cash Flows, all highly liquid debt instruments with a maturity of three months or less when purchased to be cash including restricted cash.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Accounts Receivable

Accounts receivable in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Interest and investment earnings are recorded when earned, only if paid within sixty days, since they would be considered both measurable and available at the fund level. Management believes that all receivables are collectible, therefore no allowance for doubtful accounts is necessary at year-end,

Proprietary type funds and business-type activities account receivables consist of all revenues earned at year-end and not received. Proprietary fund receivables at year-end are for water sales, fees for sewer and miscellaneous services, and sales and use taxes. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Inventories

Inventories consist of supplies and repair parts for the operation and maintenance of the water and sewer departments. Inventories are valued at cost, which approximates market, using the first-in/first-out method. The cost of inventory is recognized as an expense when used (consumption method).

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. The costs of normal maintenance and repairs that do not add to the value or capacity of the asset, or materiality extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Land	N/A
Buildings and grounds	5-25 Years
Transportation equipment	5-10 Years
Leasehold improvements	10-15 Years
Heavy equipment	5-20 Years
Equipment and furniture	5-20 Years
Water system	3-50 Years
Sewer system	15-50 Years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Compensated Absences

All full-time City employees earn vacation at varying rates depending upon years of eligible service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation leave, which is unused and vested to the employee in good standing, is payable upon termination. In governmental funds, amounts accrued are expected to be liquidated with available financial resources and are reported as an expenditure when incurred. For governmental activities, compensated absences are generally liquidated by the general and street funds.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Compensated Absences (continued)

Full time employees with at least one year of service earn vacation of five to twenty days per year. Employees may not carryforward unused vacation past their anniversary date. Sick leave may be accumulated up to a maximum of thirty days. Unused sick leave benefits will not be paid to employees upon termination of employment.

Accrued compensated absences at December 31, 2023 for governmental activities was \$1,569, and for business-type activities was \$8,847.

Net Position and Fund Balances

Government-Wide Financial Statements

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The City does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. City personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts in the financial statements, restricted resources are considered spent before unrestricted.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Net Position and Fund Balances (continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City. The council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by council action or management decision when the City council has delegated authority.

Unassigned - all other spendable amounts.

The City does not have a policy addressing whether it considers restricted, committed, or unassigned to have been spent when expenditures are incurred for purposes when restricted, committed and unassigned balances are available. City personnel decide which resources to use at the time the expenditures are incurred. For classification of fund balance amounts in the financial statements, restricted amounts would be reduced first, followed in order by committed, assigned and then unassigned amounts.

Property Tax

Property taxes are levied each March 1 on the assessed value for all real and personal property located in the City. The property tax is considered receivable the first business day in March and is recorded as revenue when received. The County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Any real or personal property taxes not paid by October 15 are considered delinquent and the collector extends a 10% penalty against the taxpayer.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Property Tax (continued)

The assessed value of the taxable property upon which property tax is levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 20% to arrive at assessed value.

Budgetary Principles

The City is required to adopt an annual budget for the ensuing fiscal year. The general, special revenue, and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year budgets are amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, final amended budget and actual results.

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

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.

2. Bank Deposits

The City does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Bank Deposits (continued)

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Custodial credit risk is the risk that in the event of a bank failure, a City's deposits may not be recovered. At December 31, 2023, the City had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the City's name as collateral. The bank balances and carrying amount of the City's deposits held were as follows:

Description	Bank Balance	Carrying Amount
Insured	\$ 1,319,551	\$ 1,411,171
Collateralized - held by pledging bank or pledging bank's trust department in the Department's name	1,843,110	1,626,373
Cash on hand	-	200
Total	\$ 3,162,661	\$ 3,037,744

Deposits as reported in the following statement of net position captions:

As Of December 31, 2023	
Cash and cash equivalents	\$ 1,078,274
Certificates of deposit	1,081,796
Restricted cash and cash equivalents	779,071
Restricted certificates of deposit	98,603
Total	\$ 3,037,744

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the duration of any investment to a maximum of five years. At December 31, 2023, all of the City's CD's mature within two years.

As of December 31, 2023	Market	Maturity (in Years)		Credit Rating
		Less than 1	1 - 2	
Certificates of deposit	\$ 1,180,399	\$ 1,092,166	\$ 88,233	N/A
Total	\$ 1,180,399	\$ 1,092,166	\$ 88,233	

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Bank Deposits (continued)

Fair Value Measurements

The City's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

Fair Value Measurements (continued)

The following table represents the City's investments that are measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,180,399	\$ -	\$ -	\$ 1,180,399
Total	\$ 1,180,399	\$ -	\$ -	\$ 1,180,399

3. Restricted Assets

Restricted accounts are comprised of the following:

As Of December 31, 2023	
Government Activities:	
American Rescue Act	\$ 411,372
Dog Park	11,454
Fisherman's Park	2,627
Summer Reading Program	891
Total Government Activities	\$ 426,344
Business-type Activities:	
Water Department	
Meter deposits	\$ 137,338
Water depreciation fund	77,299
Water debt service reserve	44,713
Sewer Department	
Rural development debt service / debt service reserve fund	14,409
Rural development depreciation reserve	177,571
Total Business Activities	451,330
Total Restricted Accounts	\$ 877,674

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. Restricted Assets (continued)

Restricted cash as reported in the following Statement of Net Position captions:

As Of December 31, 2023	
Restricted cash and cash equivalents	\$ 779,071
Restricted certificates of deposit	98,603
Total	\$ 877,674

The City's restricted accounts are for the following purposes:

American Rescue Plan Act grant funds - eligible uses of the funds include the following: revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency; COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery; premium pay for essential workers; investments in water, sewer, and broadband infrastructure.

Dog Park - donations received to be utilized for the City's dog park

Fisherman's Park - donations received to be utilized for the City's picnic and play area at Fisherman's Park.

Depreciation accounts - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water and sewer systems.

Meter Deposit Account - restricted for repayment of customer meter deposits.

Debt Service Reserves - restricted for maintaining a debt service reserve and payment of principal and interest on bonds.

4. Receivables

Receivables as of December 31, 2023 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Street Fund	Enterprise Funds	Total
Water and sewer fees	\$ -	\$ -	\$ 70,873	\$ 70,873
Property tax	28,293	7,850	-	36,143
Franchise tax	9,315	-	-	9,315
Sales and use tax	36,444	-	-	36,444
State turnback	2,501	16,921	-	19,422
Leachate fees	-	4,756	1,189	5,945
Total receivables	\$ 76,553	\$ 29,527	\$ 72,062	\$ 178,142

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Due From Funds / Interfund Transfers

The General Fund transferred funds to the Airport Commission to fund certain projects. Repayment is anticipated in 2024.

Receivable Fund	Payable Fund	Due To
Governmental Funds		
General Fund	Airport Commission	\$ 25,000
General Fund	Street Fund	6,418
Total - Governmental Funds		31,418
Business-type activities		
Sewer Fund	General Fund	412
Total - Business-type Funds		412

Interfund transfers are used to reimburse funds for capital outlay and other operating expenditures. In addition, fiduciary funds were transferred out due to change in oversight responsibility.

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund			
From Street	\$ 8,500	\$ -	\$ 8,500
County District Court		11,846	(11,846)
To Airport Commission	-	1,010	(1,010)
To Sewer	-	-	-
Street Fund	-	8,500	(8,500)
Total Governmental Activities	8,500	21,356	(12,856)

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Changes In Capital Assets

Capital asset activity for government activities for the year ended December 31, 2023, was as follows:

	January 1, 2023	Additions	Retirements	December 31, 2023
Capital assets, not being depreciated				
Land	\$ 114,792	\$ -	\$ -	\$ 114,792
Total capital assets, not being depreciated	114,792	-	-	114,792
Capital assets, being depreciated				
Buildings and grounds	1,053,392	-	-	1,053,392
Transportation equipment	286,613	-	-	286,613
Heavy equipment	1,053,013	49,050	-	1,102,063
Equipment and furniture	450,576	353,240	-	803,816
Total capital assets, being depreciated	2,843,594	402,290	-	3,245,884
Total capital assets	2,958,386	402,290	-	3,360,676
Less accumulated depreciation:				
Buildings and grounds	853,083	33,152	-	886,235
Transportation equipment	261,356	19,340	-	280,696
Heavy equipment	831,263	42,030	-	873,293
Equipment and furniture	360,956	31,569	-	392,525
Total accumulated depreciation	2,306,658	126,091	-	2,432,749
Total capital assets, being depreciated, net	536,936	276,199	-	813,135
Governmental activities, capital assets, net	\$ 651,728	\$ 276,199	\$ -	\$ 927,927

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 33,677
Animal control	3,752
Fire	28,438
Streets	60,224
Total depreciation for governmental activities	\$ 126,091

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Changes In Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2023, was as follows:

	January 1, 2023	Additions	Retirements	December 31, 2023
Capital assets, not being depreciated				
Land	\$ 200	\$ -	\$ -	200
Total capital assets, not being depreciated	200	-	-	200
Capital assets, being depreciated				
Leasehold improvements	15,475	-	-	15,475
Transportation equipment	149,061	-	-	149,061
Heavy equipment	44,300	-	-	44,300
Equipment and furniture	63,986	5,395	-	69,381
Water system	3,803,752	-	-	3,803,752
Sewer system	4,354,962	-	-	4,354,962
Total capital assets, being depreciated	8,431,536	5,395	-	8,436,931
Total capital assets	8,431,736	5,395	-	8,437,131
Less accumulated depreciation:				
Leasehold improvements	12,066	405	-	12,471
Transportation equipment	94,399	23,702	-	118,101
Heavy equipment	44,300	-	-	44,300
Equipment and furniture	63,848	750	-	64,598
Water system	3,091,068	78,514	-	3,169,582
Sewer system	1,853,106	80,478	-	1,933,584
Total accumulated depreciation	5,158,787	183,849	-	5,342,636
Business-type activities, capital assets being depreciated, net	3,272,749	(178,454)	-	3,094,295
Business-type activities, capital assets, net	\$ 3,272,949	\$ (178,454)	\$ -	3,094,495

Depreciation expense for business-type activities totaled \$183,849 and was entirely charged to the water and sewer department.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. Asset Retirement Obligation

As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under GASB Statement No. 83, *Certain Asset Retirement Obligations*, the City must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the Department to perform asset retirement activities. The City owns and operates a wastewater treatment plant, and the existence of laws and regulations to decommission the plant falls within the scope of GASB 83.

The City's current wastewater treatment plants have been in existence since the 1960's. The wastewater system is an extended aeration system that underwent a major expansion project in 2016 totaling approximately \$2.6 million. The City is not reporting an ARO on the Statement of Net Position because the City does not have an estimate of the cost to close the wastewater treatment plant, and with the recent expansion of the City, does not a good estimate of the plant's remaining useful life. An ARO will be recorded if future events warrant a change.

8. Long-Term Debt

Long-term debt of the water-sewer department consists of the following:

As Of December 31, 2023	
Rural Development (RD) - loan dated June 23, 2009, in the amount of \$271,000. Payments are made monthly in the amount of \$1,084 including interest at 3.625% The loan is secured by revenues and receivables of the City with final maturity June 23, 2049.	\$ 215,669
Rural Development - loan dated June 22, 2015, in the amount of \$400,000. Annual payments of interest only for the first two years followed by monthly payments of \$1,416 thereafter including interest at 2.75%. The loan is secured by assets and revenues of the City with final maturity June 22, 2055.	357,413
Arkansas Natural Resources Commission - loan dated August 1, 2002 in the amount of \$305,249. Semi-annual payments of \$9,876 including interest at 4.30%, with final payment due December 1, 2028. The note is secured by property and equipment of the water system.	85,364
Total	658,446
Less: current maturities	28,786
Long-term debt, net	\$ 629,660

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Long-Term Debt (continued)

Activity of the long-term debt consists of the following:

	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023	Due Within One Year
Business-type activities					
Water Department					
ANRC					
1996 Loan \$	3,952 \$	- \$	3,952 \$	- \$	-
2001 Loan	100,941	-	15,577	85,364	16,255
Sewer Department					
Rural Development					
2009 Loan	220,759	-	5,090	215,669	5,277
2015 Loan	364,471	-	7,058	357,413	7,254
Total	\$ 690,123 \$	- \$	31,677 \$	658,446 \$	28,786

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 28,786	\$ 20,966	\$ 49,752
2025	29,889	19,863	49,752
2026	31,035	18,717	49,752
2027	32,227	17,525	49,752
2028	30,178	16,287	46,465
2029-2033	78,031	71,969	150,000
2034-2038	90,361	59,639	150,000
2039-2043	106,784	43,216	150,000
2044-2048	125,005	29,994	154,999
2049-2053	82,075	8,779	90,854
2054-2055	24,075	456	24,531
Total	\$ 658,446	\$ 307,411	\$ 965,857

The Water and Sewer department's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the water and sewer system on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; foreclose; enforce any and all other rights and remedies by law.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

9. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at the year ended December 31, 2023.

General Fund

Restricted:	
American Rescue Plan Act grant funds	\$ 411,372
Dog park and Fisherman's Park donations	14,081
Summer reading program	891
<u>Total</u>	<u>426,344</u>
Nonspendable:	
Prepaid items	8,037
Committed:	
Purchase of fire equipment and related expenses	92,290
To cover future increases in insurance premiums	10,987
Library maintenance	37,091
Future reserves	320,096
<u>Total</u>	<u>460,464</u>
Unassigned	1,096,404
<u>Total General Fund fund balance</u>	<u>1,991,249</u>

Street Fund

Nonspendable:	
Prepaid items	9,434
Assigned:	
Street repair and replacement	223,286
<u>Total Street Fund fund balance</u>	<u>232,720</u>

Auxiliary Police

Committed:	
Purchase of police equipment and related expenses	\$ 31,153
<u>Total Governmental fund balance</u>	<u>\$ 2,255,122</u>

10. Deferred Compensation Plan

The City offers employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The City has no liability for losses under the plan.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

10. Deferred Compensation Plan (continued)

Investments are managed by the plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The City has no management control over the assets of the plan. Thus the assets of the plan and the offsetting liability to employees are not recorded in the City's financial statements.

On behalf of each participant, the employer will contribute to the Plan 4% of each participant's compensation. The City contributed \$13,332 for the year ended December 31, 2023.

11. Concentrations Of Credit Risk

Financial instruments that potentially subject the City to credit risk consist primarily of accounts receivable. The receivables consist of charges for services, property taxes and turnback funds due to the City from individuals located within the same geographic region or for economic activity occurring within the same geographic region.

12. Claims, Judgements, and Contingent Liabilities

At December 31, 2023, the City, including the Mayor, was a defendant to several lawsuits. While the ultimate liability, if any, resulting from such litigation could be material, it is unknown as of the date of the financial statements. The City's attorney is vigorously defending both the City and Mayor.

In addition, the City is working with the Arkansas Department of Environmental Quality for necessary fixes to the City's sewer system to remain in compliance. As of the date of the financial statements, the cost of improvements is unknown but could be material.

13. Risk Management

The City is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance as well as workers compensation insurance to minimize the risk of loss

There has been no significant reduction in the City's insurance coverage from the previous year. In addition, there have been no settlements in excess of the City's coverage in any of the prior three fiscal years.

14. Subsequent Events

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through August 16, 2024 the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REQUIRED REPORTS



**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit of Financial
Statements Performed In Accordance With *Government Auditing Standards***

To the Honorable Mayor and City Council
City of Horseshoe Bend, 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 governmental activities, the business-type activities, each major fund, and remaining fund information of the City of Horseshoe Bend, Arkansas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Horseshoe Bend, Arkansas' basic financial statements and have issued our report thereon dated August 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Horseshoe Bend, Arkansas' 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 City of Horseshoe Bend, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Horseshoe Bend, 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 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.


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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Horseshoe Bend, Arkansas' basic 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

This 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 the 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 16, 2024



Independent Auditor's Report On Compliance With Arkansas State Requirements

To the Honorable Mayor and City Council
City of Horseshoe Bend, Arkansas

We have examined management's assertions that the City of Horseshoe Bend, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2023.

1. Arkansas Municipal Accounting Law of 1973, § 14-59-101 et. seq;
2. Arkansas District Courts and City Courts Accounting Law, §16-10-210 et. seq;
3. Improvement contracts, §§ 22-9-02 – 22-9-204;
4. Budgets, purchases, and payment 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


Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance 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 requirements mentioned above, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the requirements mentioned above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the requirements mentioned above, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City of Horseshoe Bend, Arkansas, complied in all material respects, with the aforementioned requirements for the year ended December 31, 2023.

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

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 16, 2024