

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND**

**COMPILED FINANCIAL STATEMENTS
AND
AGREED-UPON PROCEDURES REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

BALLARD & COMPANY, LTD.

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BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants
Member of the Arkansas Society of Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Mayor, City Council and Management
City of Hardy, Arkansas Water Works Fund
Hardy, Arkansas

Management is responsible for the accompanying financial statements of the City of Hardy, Arkansas Water Works Fund, which comprise the statement of net position as of December 31, 2022 and the related statements of revenues, expenses and changes in fund net position and cash flows for the year 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 verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 1, the financial statements present only the Water Works Fund of the City of Hardy, Arkansas, and do not purport to, and do not, present fairly the financial position of the City of Hardy, Arkansas as of December 31, 2022 and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has informed us that the accompanying financial statements do not include the applicable accounting and reporting requirements related to pensions. Accounting principles generally accepted in the United States of America require certain accounting and financial reporting for pensions. Management has not determined the effect of these departures on the financial statements.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, conclusion, nor provide any assurance on such information.

Ballard & Company, Ltd.

Mountain Home, Arkansas
May 30, 2025

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

Current assets:		\$ 5,681
Cash and cash equivalents		22,026
Accounts receivable		3,554
Due from other fund		134,856
Inventories		166,117
Total current assets		166,117
Restricted assets - cash and cash equivalents		431,523
Capital assets:		17,000
Nondepreciable assets		1,905,635
Depreciable assets, net of accumulated depreciation		1,922,635
Total capital assets		1,922,635
Total assets		2,520,275

LIABILITIES

Current liabilities - payable from current assets:		12,791
Accounts payable		2,865
Accrued interest		27,856
Current maturities - notes payable		43,512
Total from current assets		43,512
Current liabilities - payable from restricted assets:		46,175
Meter deposits		46,175
Long-term liabilities:		650,649
Notes payable, net of current maturities		650,649
Total liabilities		740,336

NET POSITION

Net investment in capital assets		1,241,265
Restricted:		58,221
Debt service		323,582
Capital projects		3,546
Other		153,325
Unrestricted		153,325
Total net position		\$ 1,779,939

See accompanying notes and independent accountant's compilation report.

CITY OF HARDY, ARKANSAS
WATER WORKS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>OPERATING REVENUES</u>		\$ 233,644
Water service		124,460
Wastewater service		97,663
Sanitation service		33,830
Pump maintenance income		27,387
Sales taxes		<u>516,984</u>
Total operating revenue		<u>516,984</u>
<u>OPERATING EXPENSES</u>		227,852
Water		181,583
Wastewater		11,803
Pump maintenance		70,216
Sanitation		118,065
Depreciation		<u>609,519</u>
Total operating expenses		<u>609,519</u>
Operating income (loss)		<u>(92,535)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		304
Interest income		(31,419)
Interest expense		<u>(31,115)</u>
Total nonoperating revenues (expenses)		<u>(31,115)</u>
CHANGE IN NET POSITION		(123,650)
Net Position - Beginning of Year		<u>1,903,589</u>
<u>NET POSITION - END OF YEAR</u>		<u>\$ 1,779,939</u>

See accompanying notes and independent accountant's compilation report.

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 533,397
Receipts from from customers	(217,253)
Payments for employee services	(283,615)
Payments for supplies and services	<u>32,529</u>
Net Cash Provided by (Used in) Operating Activities	<u>32,529</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 (26,614)
Principal paid on notes payable	(31,607)
Interest paid on notes payable	<u>(58,221)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(58,221)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	 304
Cash received from interest earned	<u>304</u>
 NET INCREASE (DECREASE) IN CASH	 (25,388)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>462,592</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 437,204</u></u>
 <u>Reconciliation of Operating Income (Loss) to Net Cash Provided</u>	
(Used In) Operating Activities:	
Operating income (loss)	\$ (92,535)
Depreciation expense	118,065
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:	
Accounts receivable	14,509
Interfund receivable	(604)
Inventories	(5,357)
Accounts payable	(4,057)
Meter deposits refundable	2,508
Net Cash Flows from Operating Activities	<u><u>\$ 32,529</u></u>
 <u>Reconciliation of Total Cash and Cash Equivalents - End of Year</u>	
Current assets - cash and cash equivalents	\$ 5,681
Restricted assets - cash and cash equivalents	431,523
	<u><u>\$ 437,204</u></u>
 <u>Reconciliation of Total Cash and Cash Equivalents - Beginning of Year</u>	
Current assets - cash and cash equivalents	\$ 31,612
Restricted assets - cash and cash equivalents	430,980
	<u><u>\$ 462,592</u></u>

See accompanying notes and independent accountant's compilation report.

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hardy, Arkansas (the City) operates under a Mayor - Council form of government. The financial statements of the Water Works Fund of the City of Hardy, Arkansas (the Fund) are prepared in accordance with accounting principles generally accepted in the United States of America. The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Basis of Presentation

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

Reporting Entity

The Water Works Fund is used to account for the operations of the City of Hardy, Arkansas' proprietary fund and is an enterprise fund. Enterprise funds are for operations which 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 services to the general public be financed or recovered primarily through user charges.

The financial statements of the Fund have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Hardy, Arkansas. Accounting principles generally accepted in the United States of America have set criteria for evaluating which potential component units to include in a City's comprehensive financial statements. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility; the most significant manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based on the application of these criteria, the financial statements of the Water Works Fund, separately presented herewith, may be included in the comprehensive financial statements of the City of Hardy, Arkansas, as of and for the year ended December 31, 2022.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus applied. The Fund's statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position, and the operating statement presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses when the liability is incurred or economic asset used.

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of each fund. Principal operating revenues are charges to customers for water, wastewater, and related services. Principal 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 revenue and expenses.

CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Budget and Budgetary Accounting

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include all demand deposits in banks and highly liquid investments with maturity dates of less than three months.

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the City of Hardy. 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 2022 will be immaterial. Accordingly, the account balance is reported at the full amount outstanding.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

Vehicles	5 Years
Machinery and Equipment	5-10 Years
Buildings	10-20 Years
Software	5 Years
Water and Wastewater Systems	10-40 Years

Inventories

Inventories held by the Water Works Fund are valued at the lower of cost (first-in, first-out method) or market.

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Payable

Accounts payable consists of various trade accounts which are generally payable within thirty (30) days.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- *Net investment in capital assets* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of those assets.
- *Restricted net position* - Net position is considered restricted if its use is constrained to a particular purpose. Restricted net position is restricted assets reduced by liabilities related to those assets.
- *Unrestricted net position* - This amount consists of all other net position that does not meet the definition of the above two components and is available for general use of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

NOTE 2: CASH AND INVESTMENTS

Legal Provisions for Deposits and Investments

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

Deposits and Risk

The carrying amounts of the Department's deposits were \$437,204, and the bank balances totaled \$447,916. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Water Works Fund of the City of Hardy, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Fund's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2022, none of the Fund's bank deposits were exposed to custodial credit risk.

NOTE 3: RESTRICTED ASSETS

Restricted assets consist of cash restricted by various bond ordinances and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2022 were as follows:

Water sewer bond reserve	\$	200,834
Water/wastewater reserve		105,943
Pump maintenance fund		75,025
Meter deposit fund		49,721
Total restricted assets	\$	431,523

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in progress	-	-	-	-
	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
<i>Capital assets, being depreciated:</i>				
Vehicles	115,182	-	-	115,182
Machinery and Equipment	195,833	-	-	195,833
Buildings	16,000	-	-	16,000
Software	12,070	-	-	12,070
System and improvements	5,924,431	-	-	5,924,431
	<u>6,263,516</u>	<u>-</u>	<u>-</u>	<u>6,263,516</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	(106,401)	(6,654)	-	(113,055)
Machinery and Equipment	(159,691)	(9,632)	-	(169,323)
Buildings	(16,000)	-	-	(16,000)
Software	(1,207)	(2,414)	-	(3,621)
System and improvements	(3,956,517)	(99,365)	-	(4,055,882)
	<u>(4,239,816)</u>	<u>(118,065)</u>	<u>-</u>	<u>(4,357,881)</u>
Total capital assets, being depreciated, net	<u>2,023,700</u>	<u>(118,065)</u>	<u>-</u>	<u>1,905,635</u>
Capital assets, net	<u>\$ 2,040,700</u>	<u>\$ (118,065)</u>	<u>\$ -</u>	<u>\$ 1,922,635</u>

Depreciation expense was charged to the water and wastewater departments as follows:

Water department	\$ 57,737
Wastewater department	<u>60,328</u>
	<u>\$ 118,065</u>

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term debt for the year ended December 31, 2022 are as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
USDA – Rural Development 91-05	\$ 168,611	\$ -	\$ (5,559)	\$ 163,053	\$ 5,814
USDA – Rural Development 93-04	163,215	-	(5,353)	157,861	5,599
USDA – Rural Development 93-01	309,472	-	(10,628)	298,845	11,115
ANRC – 00022-WSSW-D	<u>63,820</u>	<u>-</u>	<u>(5,074)</u>	<u>58,746</u>	<u>5,328</u>
Total	<u>\$ 705,118</u>	<u>\$ -</u>	<u>\$ (26,614)</u>	<u>\$ 678,505</u>	<u>\$ 27,856</u>

USDA Rural Development 91-05

Under the authority of Ordinance 2001-10 dated May 15, 2001, the City issued a revenue bond in the amount of \$239,000 to finance betterments and improvements to the water system. The United States Department of Agriculture, Rural Development purchased the bond under a loan agreement dated July 17, 2001. The loan bears interest at a rate of 4.5 percent per annum, with a term of forty years, and is secured with a pledge of the system revenues. Payments, in the amount of \$1,086, are due monthly through July, 2041.

USDA Rural Development 93-04

Under the authority of Ordinance 1999-7, dated October 5, 1999 and amended by Ordinance 2000-08, dated November 21, 2000, the City issued a revenue bond in the amount of \$231,000 to finance betterments and improvements to the water system. The United States Department of Agriculture, Rural Development purchased the bond under a loan agreement dated July 17, 2001. This loan bears interest at a rate of 4.5 percent per annum, with a term of forty years, and is secured with a pledge of the system revenues. Payments, in the amount of \$1,049, are due monthly through July, 2041.

USDA Rural Development 93-01

Under the authority of Ordinance 1999-7, dated October 5, 1999 and amended by Ordinance 2000-08, dated November 21, 2000, the City issued a revenue bond in the amount of \$446,600 to finance betterments and improvements to the wastewater system. The United States Department of Agriculture, Rural Development purchased the bond under a loan agreement dated December 15, 2000. This loan bears interest at a rate of 4.5 percent per annum, with a term of forty years, and is secured with a pledge of the system revenues. Payments, in the amount of \$2,028, are due monthly through December, 2040.

Arkansas Natural Resources Commission Payable

On June 01, 2001, a loan agreement was signed with the Arkansas Natural Resources Commission for funds for improvements to the water and wastewater system. Annual payments, in the amount of \$8,265, on the \$103,000 note commenced June 01, 2012, and will continue through June 01, 2031. The note bears interest at the rate of 5 percent.

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 5: LONG-TERM LIABILITIES - Continued

Combined maturities of all of the long-term notes payable after December 31, 2022 are as follows:

	Principal Amount	Interest Amount
2023	\$ 27,856	\$ 30,366
2024	29,157	29,064
2025	30,519	27,702
2026	31,945	26,276
2027	33,437	24,784
2028 – 2032	183,871	98,968
2033 – 2037	193,483	56,297
2038 – 2041	148,237	11,263
Total	\$ 678,505	\$ 304,720

NOTE 6: FUND REQUIREMENTS

The authorizing ordinances for the agreements with the United States Department of Agriculture, Rural Development established certain funds and the manner in which revenues are to be deposited and transferred between the various accounts within the Water Works Fund.

USDA, Rural Development – Loans 91-05 and 93-04

The debt service reserve account is required to have \$214 per month transferred into it until a total reserve of \$25,620 is reached. The total reserve required as of December 31, 2022 was \$25,620 (\$13,032 per the 91-05 loan and \$12,588 per the 93-04 loan). The funds in the wastewater/water bond reserve fund have been set aside for this purpose. As of December 31, 2022, funds in the respective reserve account totaled \$200,834.

USDA, Rural Development - Loan 93-01

The debt service reserve account is required to have \$203 per month transferred into it until a total reserve of \$24,336 is reached. The total reserve required as of December 31, 2022 was \$24,336. The funds in the wastewater/water bond reserve fund have been set aside for this purpose. As of December 31, 2022, funds in the respective reserve account totaled \$200,834.

Meter Deposits

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total should be held. Meter deposit funds as of December 31, 2022 were \$49,721, an excess in the amount of \$3,546 from the total customer deposits of \$46,175.

SUPPLEMENTARY INFORMATION

**CITY OF HARDY, ARKANSAS
WATER WORKS FUND
SCHEDULE I
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Water</u>	<u>Wastewater</u>	<u>Pump Maintenance</u>	<u>Sanitation</u>
Dues, fees, and permits	\$ 7,420	\$ 114	\$ -	\$ -
Fuel and oil	12,919	-	-	-
Insurance	12,235	10,162	-	-
Legal and accounting	-	-	-	-
Miscellaneous	-	-	-	1,486
Payroll and related expenses	107,591	109,663	-	-
Postage	2,582	-	-	-
Repairs, maintenance, and supplies	31,897	24,848	11,803	-
Taxes - sales	21,795	-	-	8,331
Testing fees	-	4,881	-	-
Travel and training	1,194	-	-	-
Telephone	4,360	2,060	-	-
Uniforms	980	-	-	-
Utilities - sanitation	-	-	-	60,399
Utilities - other	24,879	29,855	-	-
	<u>227,852</u>	<u>181,583</u>	<u>11,803</u>	<u>70,216</u>
Total Operating Expenses	<u>\$ 227,852</u>	<u>\$ 181,583</u>	<u>\$ 11,803</u>	<u>\$ 70,216</u>

See independent accountant's report on supplementary information.

AGREED-UPON PROCEDURES REPORT



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor, City Council and Management
City of Hardy, Arkansas Water Works Fund
Hardy, Arkansas

We have performed the procedures enumerated below, which were agreed to by the Mayor, City Council and management of the City of Hardy, Arkansas Water Works Fund, solely to assist you in connection with compliance with Ark. Code, Ann. 14-234-119 to 122 as of December 31, 2022. The City of Hardy, Arkansas Water Works Fund's management is responsible for the Fund's accounting records. The sufficiency of these procedures is solely the responsibility of Mayor, City Council and management of the City of Hardy, Arkansas Water Works Fund. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
 - *No exceptions were found as a result of applying this procedure.*
2. Confirm with depository institutions the cash on deposit and investments.
 - *No exceptions were found as a result of applying this procedure. All confirmed balances agree with the December 31, 2022 bank balances per the reconciliations.*
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying this procedure.*

Accounts Receivable

4. Agree ten customer billings to the accounts receivable subledger.
 - *No exceptions were found as a result of applying this procedure.*
5. Determine that five customer adjustments were properly authorized.
 - *No exceptions were found as a result of applying this procedure.*

Receipts

6. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying this procedure.*

Receipts – Continued:

7. Agree ten customer payments on the accounts receivable subledger to deposit and billing documents.
 - *No exceptions were found as a result of applying this procedure.*
8. For ten deposits, agree the cash/check composition of the deposit with the receipt information.
 - *No exceptions were found as a result of applying this procedure.*

Disbursements

9. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying this procedure.*
10. Analyze all capital asset disbursements.
 - *Procedure not applicable as there were no capital asset disbursements during the year.*
11. Select ten disbursements and determine if they were adequately documented.
 - *Of the ten disbursements selected from the water works operating account, no exceptions were found.*
 - *Of the five disbursements selected from the pump maintenance account, no exceptions were found.*

Property, Plant, and Equipment

12. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater)
 - *Procedure not applicable as there were no capital asset additions or disposals during the year.*

Long-Term Debt

13. Schedule long-term debt and verify changes in all balances for the year.
 - *No exceptions were found as a result of applying this procedure.*
14. Confirm loans, bonds, notes and contracts payable with lender/trustee/contractor.
 - *No exceptions were found as a result of applying this procedure.*
15. Determine that the appropriate debt service accounts have been established and maintained.
 - *No exceptions were found as a result of applying this procedure.*

General

16. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.
 - *No exceptions were found as a result of applying this procedure.*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review of the financial statements or any part thereof, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements or any part thereof. 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.

This report is intended solely for the information of the Mayor, City Council, and management of the City of Hardy, Arkansas Water Works Fund, the Arkansas Legislative Joint Auditing Committee, Arkansas Natural Resources Commission, and the United States Department of Agriculture – Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

Ballard & Company, Ltd.

Mountain Home, Arkansas
May 30, 2025