

CITY OF HARTFORD, ARKANSAS
WATER AND SEWER DEPARTMENT
DECEMBER 31, 2023 AND 2022

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT
CITY DIRETORY

MAYOR

Allen Tabor

CITY COUNCIL

Mary Radley

Karen Griffin

Lanny Woodhull

Kody Hodge

Ariana "Hayley" Clinton

William "Joe" Woodard

CITY OFFICIALS

Danielle Woodard, City Recorder/Treasurer

Jeese, Water Department Manger

Kelly Perez, Police Chief

Bobby Cox, Fire Department Chief

Christopher A. Turner, PLLC CPA

1468 N Adkins Hill Road

Norman, OK 73072

Office 903-748-7316

INDEPENDENT ACCOUNTANT'S AGREED-UPON REPORT

To Honorable Mayor and City Council
City of Hartford, AR Water Department
Hartford, AR

I have performed the procedures enumerated below on the financial and billing records of the City of Hartford, AR Water and Sewer Department (the Department) as of and for the years ended December 31, 2023, and 2022. The City of Hartford, AR Water and Sewer Department's management is responsible for the financial and billing records.

The City of Hartford, AR Water and Sewer Department's has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose which is to comply with Arkansas Code annotated 14-234-119 through 14-234-122 and Guidelines for Conducting Agreed-Upon Procedures for Water Service Providers as prepared by the Arkansas Legislative Audit. This report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and associated findings are as follows:

- 1) Perform proof of cash for the year and reconcile year-end balances to book balances for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 2) Confirm with depository institutions the cash on deposit and investments for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 3) Agree the proof of cash ending balances to the book balances within 5% or \$500 (whichever is greater) for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 4) Agree the deposits per the proof of cash for the years ended December 31, 2023, and 2022, with deposits per the journal within 5% or \$500, whichever is greater. I concluded this procedure with no findings.
- 5) Agree ten customer payments for each year on accounts receivable subledger to deposit and billing documents for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 6) Agree ten deposits with cash/check composition of the deposit with the receipt information for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 7) Agree ten customer billings to the accounts receivable subledger for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 8) Agree disbursements per proof of cash for the year with the disbursements per journal within 5% or \$500 (whichever is greater) for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 9) Analyze all property, plant, and equipment disbursements for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 10) Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 11) Determine that additions and disposals were properly accounted for in the records for property, plant, and equipment within 5% or \$500 (whichever is greater) for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 12) Schedule of changes in long-term debt if any such debt exists for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.

- 13) Confirm loans, bonds, notes, and contracts payable balances with the lender, trustee, or contractor for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 14) Determine that appropriate debt service accounts have been established and are maintained if any exists for the years ended December 31, 2023, and 2022. I concluded this procedure with no findings.
- 15) Determine if any item of financial significance was approved and documented in the minutes of the governing body's meetings. I concluded this procedure with no findings.

I was engaged by the City of Hartford, AR Water and Sewer Department to perform the agreed-upon procedures engagement and conducted my engagement in accordance with attestations standards established by the American Instituted of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial and billing records. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Hartford, AR Water and Sewer Department and to meet my other ethical responsibilities, in accordance with relevant ethical requirements related to my agreed-upon procedures engagement.

This report is intended solely for the information and use of the City of Hartford, AR Water and Sewer Department and Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than the specified parties.

Christopher A. Turner, PLLC CPA

August 5, 2025

Christopher A. Turner, PLLC CPA

1468 N Adkins Hill Road

Norman, OK 73072

Office 903-748-7316

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Honorable Mayor and City Council
City of Hartford, AR Water and Sewer Department
Hartford, AR

Management is responsible for the accompanying financial statements of the proprietary fund statement of net position of the City of Hartford, AR Water and Sewer Department (the Department), as of and for the years ended December 31, 2023 and 2022, and the related statement of revenues, expenditures, and changes in net position, cash flows, and related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. I 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. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The financial statements referenced in the first paragraph of this report present only the water department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Hartford, AR Water and Sewer Department, as of December 31, 2022, and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management Discussion and Analysis on page 5 through page 8 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to my compilation engagement. I have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Management is responsible for the other information included in the annual report. The other information comprises the city directory section but does not include the basic financial statements and our auditor's report thereon. The other information was subject to my compilation engagement. I have not audited or reviewed the required other information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Christopher A. Turner, PLLC CPA

Christopher A. Turner, PLLC CPA

August 5, 2025

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

The Management's Discussion and Analysis (MD&A) for the City of Hartford's Water Department (the Department) is designed to:

1. Assist the reader in focusing on significant financial issues.
2. Provide an overview of the Department's financial activities for the water and sewer department only.
3. Identify changes in the Department's overall financial position and results of operations of the water and sewer department and assist the user in determining whether financial position has improved or deteriorated because of the year's operations.
4. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
5. Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the Department's financial activities. The Department's basic financial statements of the water and sewer department consist of the following components:

1. Statement of Net Position.
2. Statement of Revenues, Expenditures, and Changes in Net Position
3. Statement of Cash Flows.
4. Notes to the Financial Statements.
5. Required Supplementary Information, which includes this Management Discussion and Analysis.

A general description of the components of the basic financial statements follows.

Water and Sewer Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The City uses two categories of funds to account for financial transactions: governmental funds and Proprietary Funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, these financial statements are not included in this report as the governmental funds are audited under a legislative audit by the state and presented separately. Readers of these financial statements should review and read these financial statements which can be requested from the Department officials.

The Proprietary Fund accounts for water, sewer, and sanitation services for the City of Hartford, AR. Proprietary funds presentation provides more detail than that of government wide financial statements.

Notes to the Financial Statements

The Notes to the Financial Statements present the changes in presentation and reporting required under the GASB 34 standard and under GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions. When reviewing this MD&A, the reader should also refer to and review the Notes to the Financial Statements, as well as the Fund Financial Statements.

City Highlights

As of December 31, 2022, the City of Hartford's water department maintained an Unrestricted Net Assets balance of \$67,896. Unrestricted Net Assets represent the net balance accumulated by the Department above the amount of Net Assets Invested in Capital Assets, Net of Related Debt and the amount of Restricted Net Assets (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).

- (a) Unrestricted net assets increased for the current year by \$57,576.

- (b) At year-end, the total Net Assets Invested in Capital, Net of Related Debt (after subtracting out debt owed on capital assets) was a deficit of \$8,384.
- (c) At year end, the total restricted net assets were Capital Improvements and Debt Service in the amounts of \$24,581 and \$72,595, respectively.
- (d) Water, Sewer, and Sanitation revenues increased from the prior year by \$85,329 and expenditures from operations decreased by \$16,557.
- (e) Water and Sewer department nonoperating activities increased by \$99,328.

Statement of Net Position

Include below is a Statement of Net Position as of December 31, 2022, and 2021 for the City of Hartford, AR Water Department. The format allows the reader to view the overall financial position of the Department.

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 15,378	\$ 13,372
Accounts Receivable (net)	36,284	17,406
TOTAL CURRENT ASSETS	51,662	30,778
NONCURRENT ASSETS		
Restricted Assets		
Cash	52,565	35,593
Capital Improvements	24,581	93,592
Debt Service	72,595	18,752
TOTAL NONCURRENT ASSETS	149,741	147,937
CAPITAL ASSETS		
Non-Depreciable Land & Construction in Progress	-	-
Depreciable Assets, Net of Depreciation	709,363	736,410
TOTAL CAPITAL ASSETS (NET)	709,363	736,410
TOTAL ASSETS	\$ 910,766	\$ 915,125
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ -	\$ 19,244
Accrued Expenses and Other Liabilities	10,261	10,005
Customer Water Deposits	26,069	26,801
Bonds, Notes, and Capital Lease Payable (current Portion)	45,132	41,225
TOTAL CURRENT LIABILITIES	81,462	97,275
NONCURRENT LIABILITIES		
Bonds, Notes, and Capital Lease Payable (Noncurrent Portion)	672,615	723,775
TOTAL NONCURRENT LIABILITIES	672,615	723,775
TOTAL LIABILITIES	\$ 754,077	\$ 821,050
NET POSITION		
Net Investment in Capital Assets	(8,384)	(28,590)
Restricted for:		
Capital Improvements	24,581	93,592
Debt Service	72,595	18,752
Unrestricted	67,896	10,320
TOTAL NET POSITION	\$ 156,688	\$ 94,074

The composition of net position and the changes in net position over time serve as a useful indicator of water department's financial position. The Department's water department assets as of December 31, 2022 exceeded liabilities by \$156,688 (net position).

The largest category of the Department's water department's net position, Restricted Net Assets, represents the net position that is subject to external or internal restriction on how assets may be used. The Department's restricted assets are comprised of \$72,595 for debt service obligations, \$24,581 for capital improvements and repairs.

The second category of net position, Unrestricted Net Assets, represents the net position that is not subject to external restriction on how assets may be used. The Department's unrestricted net assets were \$67,896. The increase is due to a request from Communities Unlimited to increase the water rates to ensure the debt service is covered.

At the end of the current year, the Department's was able to report an overall positive balance in net assets for the water and sewer department.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water and Sewer Revenue	\$ 275,936	\$ 191,590
Sanitation Revenue	56,397	56,063
TOTAL OPERATING REVENUES	<u>332,333</u>	<u>247,653</u>
OPERATING EXPENSES		
Salaries and Related	56,790	70,924
Water and Sewer Administration Expense	41,958	37,388
System Supplies and Maintenance	98,646	107,955
Insurance Expense	5,884	5,095
Utilities and Telephone	2,249	2,834
Sanitation	31,680	33,660
Depreciation	38,722	34,630
TOTAL OPERATING EXPENSES	<u>275,929</u>	<u>292,486</u>
OPERATING INCOME (LOSS)	<u>56,404</u>	<u>(44,833)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	159	858
Miscellaneous Revenues	1,274	140,586
Interest Expense and Fees	(6,898)	(47,581)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(5,465)</u>	<u>93,863</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>50,939</u>	<u>49,030</u>
CHANGE IN NET POSITION	50,939	49,030
TOTAL NET POSITION - BEGINNING	94,074	45,044
Prior Period Adjustment	11,675	-
TOTAL NET POSITION - ENDING	<u>\$ 156,688</u>	<u>\$ 94,074</u>

Proprietary Fund Financial Analysis

The total amounts presented for the Proprietary Fund (utility fund for water, sewer and garbage services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water, sewer and garbage systems on a functional basis. The major operating expenses of the fund include payroll in the amount of \$56,790, administrative expenses in the amount of \$41,958, maintenance and supplies in the amount of \$98,646, insurance expenses in the amount of \$5,884, utilities expense in the amount of \$2,249, sanitation expenses in the amount of \$31,680, and depreciation expense in the amount of \$38,722.

Capital Assets and Long-Term Debt

Capital Assets

As of December 31, 2022, the Department's had no new investments in capital assets. The Department purchased two major pieces of equipment in December 31, 2023 totaling \$140,382 of which \$70,574 was incurred through debt. More detailed information on the capital assets can be seen in Note 3 regarding the financial statements.

Long-Term Debt

As of December 31, 2023, and 2022, the Department's had outstanding notes, leases, or bonds in the amounts of \$743,051 and \$717,747. More detailed information on the Department's debt can be seen in Note 4 to the financial statements.

Economic Factors and Current and Next Year's Budgets and Tax Rates

Water and Sewer revenues for 2023 are expected to decrease next year due to a decrease to water rates and usage.

Notes payables are expected to decrease due to the Department payment on the new loan by \$56,008.

Whenever possible, the Mayor and City Council actively pursue grants and other funding to provide more and better services for the Department's water department while relying on existing revenues and living within the budget. The Department's finances long-term projects only when necessary.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances and to demonstrate the Department's accountability. If you have questions regarding this report or need additional information, contact the city at 109 S Broadway Street, Hartford, AR 72938. The phone number for the City is (479) 639-2219.

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT

PROPRIETARY FUND – STATEMENT OF FUND NET POSITION AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 59,058	\$ 15,378
Accounts Receivable (net)	31,603	36,284
TOTAL CURRENT ASSETS	90,661	51,662
NONCURRENT ASSETS		
Restricted Assets		
Cash	57,542	52,565
Capital Improvements	28,065	24,581
Debt Service	72,959	72,595
TOTAL NONCURRENT ASSETS	158,566	149,741
CAPITAL ASSETS		
Depreciable Assets, Net of Depreciation	809,810	709,363
TOTAL CAPITAL ASSETS (NET)	809,810	709,363
TOTAL ASSETS	\$ 1,059,037	\$ 910,766
LIABILITIES		
CURRENT LIABILITIES		
Accrued Expenses and Other Liabilities	\$ 10,225	\$ 10,261
Customer Water Deposits	26,286	26,069
Bonds, Notes, and Capital Lease Payable (current Portion)	56,008	45,132
TOTAL CURRENT LIABILITIES	92,519	81,462
NONCURRENT LIABILITIES		
Bonds, Notes, and Capital Lease Payable (Noncurrent Portion)	687,043	672,615
TOTAL NONCURRENT LIABILITIES	687,043	672,615
TOTAL LIABILITIES	\$ 779,562	\$ 754,077
NET POSITION		
Net Investment in Capital Assets	66,759	(8,384)
Restricted for:		
Capital Improvements	28,065	24,581
Debt Service	72,959	72,595
Unrestricted	184,651	67,896
TOTAL NET POSITION	\$ 279,475	\$ 156,688

See Independent Accountant's Compilation Report and Accompanying Notes to the Financial Statements

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT

PROPRIETARY FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water and Sewer Revenue	\$ 269,170	\$ 275,936
Sanitation Revenue	49,947	56,397
TOTAL OPERATING REVENUES	319,117	332,333
OPERATING EXPENSES		
Salaries and Related	62,334	56,790
Water and Sewer Administration Expense	36,390	41,958
System Supplies and Maintenance	74,078	98,646
Insurance Expense	2,664	5,884
Utilities and Telephone	5,859	2,249
Sanitation	31,680	31,680
Depreciation	39,935	38,722
TOTAL OPERATING EXPENSES	252,940	275,929
OPERATING INCOME (LOSS)	66,177	56,404
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	1,084	159
Miscellaneous Revenues	1,021	1,274
Interest Expense and Fees	(13,804)	(6,898)
TOTAL NONOPERATING REVENUES (EXPENSES)	(11,699)	(5,465)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	54,478	50,939
CONTRIBUTIONS AND TRANSFERS		
Transfers From (To) Other Funds	68,308	-
CHANGE IN NET POSITION	122,786	50,939
TOTAL NET POSITION - BEGINNING	156,689	94,074
Prior Period Adjustment	-	11,675
TOTAL NET POSITION - ENDING	\$ 279,475	\$ 156,688

See Independent Accountant's Compilation Report and Accompanying Notes to the Financial Statements

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT

PROPRIETARY FUND – STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 323,798	\$ 313,455
Payments to Suppliers	(150,490)	(200,137)
Cash Paid to Employees	(62,334)	(56,790)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>110,974</u>	<u>56,528</u>
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES		
Non-operating Revenues	1,021	1,274
Operating Transfers In (Out)	68,308	-
NET CASH PROVIDED BY NONCAPITAL AND FINANCING ACTIVITIES	<u>69,329</u>	<u>1,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(140,382)	-
Proceeds Received on Bonds, Notes, and Leases	70,574	-
Bond, Note and Lease Principal Payments	(45,270)	(47,253)
Interest Payments	(13,804)	(6,898)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(128,882)</u>	<u>(54,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	1,084	159
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,084</u>	<u>159</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,505	3,810
CASH - BEGINNING OF YEAR	165,119	161,309
CASH - END OF YEAR	<u>\$ 217,624</u>	<u>\$ 165,119</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating Income (Loss)	\$ 66,177	\$ 56,404
Depreciation Expense	39,935	38,722
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	4,681	(18,878)
Increase (Decrease) in Accounts Payable	(36)	(18,988)
Increase (Decrease) in Customer Meter Deposits	217	(732)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 110,974</u>	<u>\$ 56,528</u>

See Independent Accountant's Compilation Report and Accompanying Notes to the Financial Statements

CITY OF HARTFORD, AR WATER AND SEWER DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

Note (1) Summary of Significant Accounting Policies

The accounting policies of the City of Hartford, AR Water and Sewer Department (the Department) was established in 1911 and operates under a Mayor – City Council form of government. The accompanying financial statements for the years ended December 31, 2023, and 2022, conform with the United States generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are discussed in subsequent subsections of this note.

Basis of Presentation

The accounting system of the Department 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.

The Department is the proprietary fund for which it is included in the accompanying financial statements. The governmental funds and government wide financial statements have been excluded from the basic financial statements.

Financial Reporting Entity

The Department is the proprietary funds of the City. Proprietary funds are used to account for operations which are financed and operated in a manner like private business enterprises, where the intent of the governing body is that the costs of providing services to the public be financed or recovered primarily through user charges.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City. The financial statements present only the Department's accounts and balances, and are not intended to present the financial position, result of operations, and cash flow of the City as a whole.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 Department's financial statements are reported using economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, outflows of resources, liabilities and inflows of resources (whether current or non-current) are included in 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 is used.

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the Department. Principal operating revenues are charges to customers for water, sewer, 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 non-operating revenue and expenses.

Capital Assets

Capital assets which include land and improvements, buildings and improvements, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activity columns for the government-wide statement of net assets, and related depreciation is allocated to program in the statement of activities. Assets purchased or constructed are capitalized at historical cost. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

In the Department's financial statements, capital assets are depreciated using the straight-line methods with the following estimated useful lives: Building 10-30 years, Improvements other than buildings 15 – 30 years, machinery and equipment 5 – 15, vehicles 5 – 7, and water sewer systems 15 – 30 years.

Depreciation of assets is classified by functional components. The Department considers land to be inexhaustible; and therefore, this asset is reported as non-depreciable.

In the Department's financial statements, the Department recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Other Significant Accounting Policies

Encumbrances

Formal encumbrance accounting is not used by the Department.

Cash Flows

For purposes of the statement of cash flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

During operations, numerous transactions occur between individual funds that may result in amounts between funds. These receivables and payables are classified as "due to or from other funds" on the fund-level statements. The Department does not have any such receivable or liability due to or from the other funds as of December 31, 2023, and 2022, respectively.

Receivables – Fund Financial Statements

The Department's material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprises the majority of the Department's receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Long-Term Debt

In the Department's financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or fund type statement of net position.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Transfers between governmental funds and business-type activities have not been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reservations for Fund Equity

Reservation of fund balances of the Department may indicate that a portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods.

Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A).

Equity Classifications

Fund Statements

The Department's equity is classified as fund balances for proprietary funds. In accordance with Governmental Accounting Standards Board Statement No. 54. – Fund Balance Reporting and Business Fund Type Definitions, the Department classifies proprietary fund balance as follows:

1. Non-spendable—Includes fund balance amounts that cannot be spent either because they are not in spendable form (inventories) or because legal or contractual requirements mandate funds be maintained intact (contractual obligations).
2. Restricted—Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
3. Committed—Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action at the highest level of decision-making authority. The City Council, through a formal action (ordinance or resolution), commits fund balance amounts for the Department. This formal action must occur prior to the end of the reporting period, but the amount of commitment, which is subject to the constraints, may be determined in a subsequent period. Any changes to the constraints imposed require the same formal action of the City Council who originally created the commitment.
4. Assigned—Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance is assigned through formal action (ordinance or resolution) by the City Council for specific purposes. Assignments may take place after the end of the reporting period.
5. Unassigned—Includes residual positive fund balance within the Department which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditure exceeds amounts restricted, committed, or assigned for those purposes.

The Department considers restricted amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Department would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditure is made.

Net Position

Net position for the Department is classified as follows:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted 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 less any unspent debt proceeds.
2. Restricted net assets—Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Note (2) – Collateralization of Deposits

Custodial Credit Risk for Deposits

As of December 31, 2023 and 2022, the bank balances totaling 217,624 and \$165,119 and was fully insured by FDIC coverage of \$250,000. There was no additional coverage provided by pledged securities.

Note (3) Capital Assets

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

	JANUARY 1, 2023	ADDITIONS	RETIREMENTS/ RECLASSIFICATIONS	DECEMBER 31, 2023
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	1,345,050	-	-	1,345,050
Equipment, Furniture & Vehicles	123,910	140,382	-	264,292
TOTAL CAPITAL ASSETS BEING DEPRECIATED	1,468,960	140,382	-	1,609,342
LESS ACCUMULATED DEPRECIATION FOR				
Infrastructure	683,056	31,924	-	714,980
Equipment, Furniture & Vehicles	76,540	8,011	-	84,551
TOTAL ACCUMULATED DEPRECIATION	759,596	39,935	-	799,531
NET CAPITAL ASSETS BEING DEPRECIATED	709,364	100,447	-	809,811
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS (NET)	\$ 709,364	\$ 100,447	\$ -	\$ 809,811

	JANUARY 1, 2022	ADDITIONS	RETIREMENTS/ RECLASSIFICATIONS	DECEMBER 31, 2022
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	1,345,050	-	-	1,345,050
Equipment, Furniture & Vehicles	123,910	-	-	123,910
TOTAL CAPITAL ASSETS BEING DEPRECIATED	1,468,960	-	-	1,468,960
LESS ACCUMULATED DEPRECIATION FOR				
Infrastructure	651,132	31,924	-	683,056
Equipment, Furniture & Vehicles	69,742	6,798	-	76,540
TOTAL ACCUMULATED DEPRECIATION	720,874	38,722	-	759,596
NET CAPITAL ASSETS BEING DEPRECIATED	748,086	(38,722)	-	709,364
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS (NET)	\$ 748,086	\$ (38,722)	\$ -	\$ 709,364

Depreciation expense was charged to the Department in the amount of \$39,935 and \$38,722 for the years ended December 31, 2023, and 2022, respectively.

Note (4) Bond and Notes Payable

The Department has the following debt outstanding as of December 31, 2023, and 2022:

	Original Balance	Maturity Date	Interest Rates	Debt Balance 12/31/2023	12/31/2022	Payment Dates
Proprietary Fund						
Communities Unlimited	\$ 765,000	2036	2.00%	\$ 672,477	\$ 717,747	Monthly
PNC Equipment Finance	70,574	2029	5.00%	\$ 70,574	\$ -	Monthly

The Communities Unlimited note was issued December 24, 2021, for the purpose of consolidating the USDA-note payable and ANRC Bonds and is payable each month from February 2022 to January 2024 in the amount of \$4,922.84 including interest of 2%. The loans minimum payment increases to \$6,049.57 per month until December 7, 2036, where a balloon payment for the remaining balance will be due.

The PNC Equipment Finance note was issued December 24, 2023, for the purpose of purchasing a new piece of equipment and is payable each month from March 2024 to February 2029 in the amount of \$1,326.29 including interest of 5%.

Bonds and notes payable activity for the years ended December 31, 2023, and 2022, were as follows:

	December 31, 2021			December 31, 2022		
Proprietary Fund		Additions	Reductions			Due Within One Year
Communities Unlimited	\$ 765,000	\$ -	\$ 47,253	\$ 717,747	\$	45,132
Total Proprietary Fund	\$ 765,000	\$ -	\$ 47,253	\$ 717,747	\$	45,132

	December 31, 2022			December 31, 2023		
Proprietary Fund		Additions	Reductions			Due Within One Year
Communities Unlimited	\$ 717,747	\$ -	\$ 45,270	\$ 672,477	\$	46,009
PNC Equipment Finance	-	70,574	-	70,574		9,999
Total Proprietary Fund	\$ 717,747	\$ 70,574	\$ 45,270	\$ 743,051	\$	56,008

Payment requirements for the next five years and thereafter for all bonds and loans outstanding as of December 31, 2023, are as follows:

	Principal	Interest	Total
2024	\$ 56,008	16,329	\$ 72,337
2025	60,161	14,829	74,990
2026	61,784	13,205	74,989
2027	63,460	11,529	74,989
2028	65,164	9,826	74,990
2029 - 2030	106,436	15,380	121,816
2031 - 2032	106,970	11,178	118,148
2033 - 2034	111,346	6,802	118,148
2035 - 2036	111,722	2,264	113,986
Total	\$ 743,051	\$ 101,342	\$ 844,393

Interest expense on bonds and loans outstanding for the proprietary totaled \$13,804 and \$6,898 for the years ended December 31, 2023, and 2022, respectively.

Note (5) Deficit in Fund Equity

Fund equity contains a positive (deficit) balance of \$66,621, and (\$8,384) in the net investment in capital assets as of December 31, 2023, and 2022, respectively.

Note (6) Interfund Transfers

Transfers of funds to subsidize the deficiency of revenues over expenses between funds occurs often in small cities. The Department received transfers in the amount of \$68,334 and \$0 for the years ended December 31, 2023, and 2022 in the proprietary fund, respectively.

Note (7) Water and Sewer Rates

The Department has established a usage rate that all users of the Department's water and sewer are required to pay a monthly fee of \$19.00 per 1,000 gallons used or a portion thereof metered water consumption for operating and maintaining the system (OM&R). A user is defined as residential, commercial, and industrial for purposes of classification. Residential users are defined as a user whose wastewater is from residential property. Commercial users are defined as a user whose wastewater results from commercial operations, trade, or business. Industrial users are defined as a user whose wastewater results from industrial, manufacturing, or processing. The Department has imposed a minimum \$18.00 charge for domestic waste services to users of the sewage system. This fee is to be used to pay down its debt service obligations in accordance with the Department's ordinance put in place for the water and sewer rates. The Department is to charge a tapping fee not to exceed the actual costs to the Department's users of the system.

Note (8) Water Supply Contract

The Department has entered a water contract with the James Fork Regional Water District. James Fork Regional Water District has agreed to supply the City of Hartford, AR with treated water. The charge was \$1.96 per 1,000 gallons of treated water for the years ended December 31, 2023, and 2022. The Department incurred \$47,177 and \$40,192 of expenses on the water supply contract for the years ended December 31, 2023, and 2022, respectively.

Note (9) Sewer and Wastewater Operations and Maintenance Contract

The Department has entered a wastewater sewer contract with the City of Mansfield, AR, for sewer and wastewater operations and maintenance. The Department incurred \$17,516 and \$17,516 for wastewater on the sewer and wastewater and maintenance contract for the years ended December 31, 2023, and 2022, respectively.

Note (10) Sanitation Contract

The Department has entered a sanitation contract with City of Mansfield, AR. The Department incurred \$31,680 and \$31,680 of expenses on the sanitation contract for the years ended December 31, 2023, and 2022, respectively.

Note (11) Risk Financing and Related Insurance Issues

In the normal course of business, the Department is exposed to risks of loss from several sources including fire and casualty losses, errors of omissions by council members and employees, negligent acts by employees including law enforcement officers, automobile and mobile equipment accidents, and injuries to employees performing during duties for the Department.

The Department attempts to cover these losses by purchasing insurance. Currently the Department purchases 100% of its risk-related insurance through the Arkansas Municipal League Intergovernmental Risk Pool. The Department purchases insurance from the pool with annual maximum limits and to the extent of these maximum limits the Department will incur no additional liability due to excess insurance purchases by the risk pool. The Department would be liable for claims more than the policy limits. In management's estimation, there are no current loss claims that exceed the insured maximum limits. Significant loss experience could subject the Department to significant premium increases.

Note (12) Subsequent Events

The Department has reviewed its records for subsequent events that may or will occur as of August 5, 2025. Based on the Department's review, there are no such events that need disclosure or accounted for at this time for the years ended December 31, 2023, and 2022. The Department has made the financial statements available as of August 5, 2025.