

CITY OF HARTMAN, ARKANSAS

WATER DEPARTMENT

DECEMBER 31, 2023 AND 2022

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JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552
FAX (479) 968-8855

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and Management
City of Hartman Water Department
Hartman, Arkansas

We have performed the procedures enumerated below, which were agreed to by the members of the Board of Directors, as specified in the Agreed Upon Procedures as required under Arkansas Code Annotated 14-234-119, solely to assist the specified parties in evaluating the City of Hartman Water Department's compliance with the *Guidelines and Rules* specified below, as of December 31, 2023 and 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The City of Hartman Water Department's management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

Cash and Investments

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

We found no exceptions as a result of these procedures.

Receipts

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

We found no exceptions as a result of these procedures.

Accounts Receivable

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

All adjustments were approved by the water clerk, and we found no exceptions as a result of these procedures.

Disbursements

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

We found no exceptions as a result of these procedures.

Property, Plant, and Equipment

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

Long-term Debt

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

We found no exceptions as a result of these procedures.

General

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

We found no exceptions as a result of these procedures.

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, the objective of which would be the expression of an opinion or conclusion, on the effectiveness of internal controls over compliance. Accordingly, we do not express such an opinion or conclusion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you. The sufficiency of the procedures is solely the responsibility of the Board Members and Management. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely for the information and use of the City of Hartman Board of Directors, Management of the Water Department, and Arkansas Department of Finance and Administration, Office of Intergovernmental Services and is not intended to be and should not be used by anyone other than these specified parties.

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

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
June 19, 2025



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

ASSETS

	2023	2022
Cash and Cash Equivalents: (Note 2)		
Unrestricted	\$ 395,300	\$ 409,513
Restricted	272,781	245,927
Accounts Receivable (Note 3)	46,276	43,180
Prepaid Expenses	2,452	4,501
	716,809	703,121
Property and Equipment (Note 4)		
Water System	1,624,612	1,624,612
Equipment	48,670	48,670
Office Equipment	15,045	15,045
Land	5,359	5,359
	1,693,686	1,693,686
Less: Accumulated Depreciation	690,292	661,479
	1,003,394	1,032,207
	\$ 1,720,203	\$ 1,735,328

LIABILITIES

Accounts Payable	46,975	40,325
Accrued Expenses	5,046	4,893
Accrued Interest	454	462
Customer Deposits	96,745	93,010
Long-term Liabilities: (Note 5)		
Due Within 1 Year	10,210	9,945
Due in More Than 1 Year	491,541	501,740
	650,971	650,375

NET POSITION

Invested in Capital Assets - Net of Related Debt	501,643	520,522
Restricted Net Assets	176,036	152,917
Unrestricted Net Assets	391,553	411,514
	1,069,232	1,084,953
	\$ 1,720,203	\$ 1,735,328

HARTMAN WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>OPERATING REVENUES</u>		
Water Sales	\$ 352,048	\$ 338,035
Payments from City General Fund	0	4,725
	352,048	342,760
<u>OPERATING EXPENSES</u>		
Water Purchased	191,959	182,065
Salaries	70,041	72,413
Payroll Taxes	5,415	6,023
Insurance - Employee	4,214	4,214
Bad Debts Expense	6,600	10,000
Supplies	7,958	8,028
Utilities	16,711	15,891
Dues & Fees	2,583	3,075
Truck Expense	3,568	2,955
Repairs & Maintenance	3,313	3,755
Office Expense	6,554	7,248
Professional Fees	7,100	2,300
Travel Expense	642	0
Depreciation	28,813	27,680
	355,471	345,647
Operating Income	(3,423)	(2,887)
<u>OTHER INCOME (EXPENSE)</u>		
Interest Income	1,639	717
Interest Expense	(13,937)	(14,207)
	(12,298)	(13,490)
<u>INCREASE (DECREASE) IN NET POSITION</u>	(15,721)	(16,377)
<u>NET POSITION, BEGINNING OF YEAR</u>	1,084,953	1,101,330
<u>NET POSITION, END OF YEAR</u>	\$ 1,069,232	\$ 1,084,953

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

HARTMAN WATER DEPARTMENT
STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Customers	\$ 346,263	\$ 330,497
Other Operating Cash Receipts	0	4,725
Payments to Suppliers	(221,361)	(214,118)
Payments to Employees	(79,693)	(80,352)
Payments for Other Admin Costs	(10,325)	(5,375)
Net Cash Provided by Operating Activities	34,884	35,377
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1,639	717
Net Cash Provided by Investing Activities	1,639	717
 CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid on Notes Payable	(13,948)	(14,218)
Repayment of Notes Payable	(9,934)	(9,664)
Net Cash Used by Financing Activities	(23,882)	(23,882)
 NET INCREASE IN CASH & CASH EQUIVALENTS	12,641	12,212
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	655,440	643,228
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 668,081	\$ 655,440
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Reconciliation of Cash to Statements of Financial Position		
Unrestricted Cash	\$ 395,300	\$ 409,513
Restricted Cash	272,781	245,927
	\$ 668,081	\$ 655,440

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

HARTMAN WATER DEPARTMENT
STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income (Loss) from Operations	\$ (3,423)	\$ (2,887)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	28,813	27,680
(Increase) Decrease in Accounts Receivable	(3,096)	(3,817)
(Increase) Decrease in Prepaid Expenses	2,049	(111)
Increase (Decrease) in Accounts Payable	6,650	6,126
Increase (Decrease) in Accrued Expenses	156	2,106
Increase (Decrease) in Customer Deposits	3,735	6,279
	38,307	38,263
Net Cash Provided by Operating Activities	\$ 34,884	\$ 35,376

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A PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Hartman Water Department is engaged in providing Water services to the general public located in Hartman, Arkansas, and the surrounding area.

Organization

The Hartman Water Department is a municipally operated system governed by the City Council of the City of Hartman, Arkansas. The System is a proprietary fund type utilizing enterprise funds to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

These financial statements represent only the component unit of the Water Department and do not include data of the primary government entity and are in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Department considers cash to be cash on hand and in banks, including time deposits and cash equivalents with maturities of 3 months or less held in restricted accounts.

Accounts Receivable

The Hartman Water Department services customers in Hartman, Arkansas and the surrounding area. All of the accounts receivable balance reported herein are from these customers. All accounts receivable are recorded at the gross value, and when deemed to be uncollectable, the accounts receivables are charged to bad debt expense using the allowance method for bad debts. Accounts receivables are presented net of the allowance for doubtful accounts.

Spadra – Goose Camp Water Association has a significant outstanding balance and circumstances that are of a concern to the Management and Board of Directors of Hartman Water. Therefore, they have elected to increase the allowance for doubtful accounts by \$6,600.

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Property and Equipment

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

Water System	7-50 years
Equipment	7-50 years
Office Equipment	5-10 years

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$28,813 and \$27,680 respectively. Repairs and maintenance are expensed as incurred.

Compensated absences

The Department accrues for the costs of compensated absences to the extent that the employee's right to receive payment related to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. Forfeiture due to turnover is not reasonably predictable except in instances when an employee gives their notice.

The Department has not accrued a liability for compensated absences in accordance with Accounting Standards Codifications 710, *Compensation* – General, as the amount of the liability could not be reasonably estimated at December 31, 2024.

Net Position Classifications

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

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

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

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

Income Tax

The City of Hartman, Arkansas Water Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

Fair Value of Financial Instruments

The System's financial instruments include cash, cash equivalents, trade receivables, and trade payables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Use of Estimates

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

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, the System had unrestricted and restricted cash shown as follows:

	<u>2023</u>	<u>2022</u>
<u>Unrestricted</u>		
Operations and Maintenance Fund	\$ 308,227	\$ 321,242
Water System General Funds	42,877	42,734
Certificates of Deposit	<u>44,196</u>	<u>45,537</u>
	<u>395,300</u>	<u>409,513</u>
<u>Restricted</u>		
Meter Fund	96,745	93,010
Debt Service Fund	18,379	15,965
Short-lived Asset Replacement Reserve Fund	<u>157,657</u>	<u>136,952</u>
	<u>272,781</u>	<u>245,927</u>
	<u>\$ 668,081</u>	<u>\$ 655,440</u>

The Department is required to transfer an amount into reserve in the event the Department lacks adequate funds to meet the Department's payments. This reserve is maintained until all bonds have been retired. The required reserve for these loans at December 31, 2023 and 2022 are \$176,036 and \$152,917 respectively.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts Receivable consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts Billed to Customers	\$ 53,036	\$ 44,338
Accrued Revenues	<u>15,340</u>	<u>14,342</u>
	68,376	58,680
Less Allowance for Doubtful Accounts	<u>22,100</u>	<u>15,500</u>
	<u>\$ 46,276</u>	<u>\$ 43,180</u>

NOTE 4: PROPERTY AND EQUIPMENT

Activity of the Property and Equipment consists of the following:

	<u>12-31-2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-2023</u>
Water System	\$ 1,624,612			\$ 1,624,612
Equipment	48,670			48,670
Office Equipment	15,045			15,045
Land	<u>5,359</u>			<u>5,359</u>
	<u>\$ 1,693,686</u>			<u>\$ 1,693,686</u>

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM NOTES AND BONDS PAYABLE

Long-term revenue notes and bonds payable collateralized by pledge of Water revenue consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
United States Department of Agriculture, Rural Development Agency (RDA9201) 2.75% revenue bonds, with monthly installments of \$1,990 including interest. The bonds will mature in 2055.	\$ 501,751	\$ 511,685
Less current installments	<u>10,210</u>	<u>9,945</u>
	<u>\$ 491,541</u>	<u>\$ 501,704</u>

The principal and interest payments due on long-term notes and bonds payable for the fiscal years succeeding December 31, 2023 are:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,210	\$ 13,670	\$ 23,880
2025	10,506	13,374	23,880
2026	10,799	13,081	23,880
2027	11,100	12,780	23,880
2028	11,409	12,471	23,880
2029-2033	61,992	57,408	119,400
2034-2038	71,119	48,281	119,400
2039-2043	81,589	37,811	119,400
2044-2048	93,601	25,799	119,400
2049-2053	107,381	12,019	119,400
2054-2055	<u>32,045</u>	<u>625</u>	<u>32,670</u>
	<u>\$ 501,751</u>	<u>\$ 247,319</u>	<u>\$ 749,070</u>

NOTE 6: INTEREST EXPENSE

Total interest expense incurred in the years ended December 31, 2023 and 2022 amounted to \$13,937 and \$14,207, respectively.

NOTE 7: WATER PURCHASE CONTRACT

The Department entered into a water purchase contract with Clarksville Connected Utilities. This contract allows the Department to purchase treated water at a price per 1,000 gallons as follows:

01/01/2021 – 09/30/2021	\$ 2.83
10/01/2021 – 09/30/2022	2.86
10-01-2022 – 12/31/2023	2.95

For the years ended December 31, 2023 and 2022 the Department purchased 60,404,767 gallons and 59,325,719 gallons for \$190,264 and \$177,291 respectively.

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8: CONCENTRATION OF RISK

The Department maintains cash balances with a local bank. The balances at this bank are secured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. The Department has obtained pledged securities for all funds that exceed this Federal Deposit Insurance limit. The following is a summary of the insured and pledged coverage as of December 31, 2023.

Funds insured by the Federal Deposit Insurance Corporation	\$ 250,000
Funds collateralized by securities held by the financial institution's trust department or agent	<u>418,081</u>
	<u>\$ 668,081</u>

NOTE 9: CUSTOMERS

The number of customers using the Water services as of December 31, 2023 and 2022 were 375 and 381 respectively.

NOTE 10: SCHEDULE OF RATES

Water rates for the 2023 fiscal year were as follows:

	<u>Jan 1, 2023-Dec 31, 2023</u>
Monthly Water Rates - Inside City	\$ 26.79 Minimum Charge for first 1,000 gallons 5.58 per 1,000 gallons over 2000
Monthly Water Rates - Outside City and Bulk	\$ 29.46 Minimum Charge for first 1,000 gallons 6.11 per 1,000 gallons over 2000

Water rates for the 2022 fiscal year were as follows:

	<u>Through Nov 30, 2022</u>	<u>Starting Dec 1, 2022*</u>
Monthly Water Rates - Inside City	\$ 26.79 Minimum Charge 5.58 per 1,000 gallons	\$ 26.79 Minimum Charge first 1,000 gallons 5.58 per 1,000 gallons over 2000
Monthly Water Rates - Outside City and Bulk	\$ 29.46 Minimum Charge 6.11 per 1,000 gallons	\$ 29.46 Minimum Charge is for first 1,000 gallons 6.11 per 1,000 gallons over 2000

*Effective December 1, 2022 the calculation of the water quantity charge changed slightly.

The Minimum Charge now includes the first 1,000 gallons used. Then the additional 'per 1,000 gallons' charge was added for each full or partial 1,000 gallons used.

HARTMAN WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated events through June 19, 2025, which is the date the financial statements were available to be issued.