

CITY OF HORSESHOE BEND, ARKANSAS

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2022



CITY OF HORSESHOE BEND, ARKANSAS
DECEMBER 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
 Basic Financial Statements	
Statement of Net Position.....	4
Statement of Activities.....	5
Balance Sheet - Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	9
Statement of Net Position - Proprietary Funds.....	10
Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds.....	11
Statement of Cash Flows - Proprietary Funds.....	12
Statement of Fiduciary Net Position.....	13
Statement of Changes in Fiduciary Net Position.....	14
Notes to the Financial Statements.....	15-33
 Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	34
Budgetary Comparison Schedule - Street Fund.....	35
 Additional Required Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	36-37
Independent Auditor's Report On Compliance With Certain State Statutes.....	38-39



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Horseshoe Bend, Arkansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Horseshoe Bend, Arkansas', basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bend, Arkansas as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Horseshoe Bend, Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Horseshoe Bend, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Horseshoe Bend, Arkansas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, on our consideration of the City of Horseshoe Bend, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Horseshoe Bend, Arkansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Horseshoe Bend, Arkansas' internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
June 8, 2023

BASIC FINANCIAL STATEMENTS

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2022				
Assets	Governmental Activities	Business-Type Activities	Total	
Current Assets				
Cash and cash equivalents	\$ 406,629	\$ 311,967	\$	718,596
Certificates of deposit	1,028,049	30,000		1,058,049
Accounts receivable, net	97,818	68,939		166,757
Prepaid expenses	22,185	12,865		35,050
Due from other funds	115,000	-		115,000
Inventory	-	24,909		24,909
Restricted cash and cash equivalents	450,596	304,741		755,337
Restricted certificates of deposit	-	97,231		97,231
Total Current Assets	2,120,277	850,652		2,970,929
Net Capital Assets	651,728	3,272,949		3,924,677
Total Assets	\$ 2,772,005	\$ 4,123,601	\$	6,895,606
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 42,921	\$ 10,850	\$	53,771
Other withholding payables	3,355	880		4,235
Sales tax payable	-	4,512		4,512
Accrued interest	-	798		798
Accrued wages	9,556	3,070		12,626
Accrued compensated absences	5,508	10,949		16,457
Meter deposits	-	126,047		126,047
Current maturity of long-term debt	-	31,676		31,676
Total Current Liabilities	61,340	188,782		250,122
Long-Term Debt	-	658,447		658,447
Total Liabilities	61,340	847,229		908,569
Net Position				
Net investment in capital assets	651,728	2,582,826		3,234,554
Restricted	450,596	267,306		717,902
Unrestricted	1,608,341	426,240		2,034,581
Total Net Position	2,710,665	3,276,372		5,987,037
Total Liabilities and Net Position	\$ 2,772,005	\$ 4,123,601	\$	6,895,606

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

Program Revenues					Net (Expense) Revenue And Change In Net Assets		
Functions/Programs	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 323,039	\$ 20,580	\$ 231,914	\$ -	\$ (70,545)	\$ -	\$ (70,545)
Police	260,263	20,119	200	3,000	(236,944)	-	(236,944)
Animal control	51,385	16,725	890	-	(33,770)	-	(33,770)
Fire	78,509	-	43,110	56,624	21,225	-	21,225
Streets	334,553	71,871	-	-	(262,682)	-	(262,682)
Total Governmental Activities	1,047,749	129,295	276,114	59,624	(582,716)	-	(582,716)
Business-Type Activities							
Water and Sewer	843,480	814,496	-	-	-	(28,984)	(28,984)
Total Business-Type Activities	843,480	814,496	-	-	-	(28,984)	(28,984)
Total	\$ 1,891,229	\$ 943,791	\$ 276,114	\$ 59,624			
General Revenues:							
Property and real estate taxes					192,255	-	192,255
State turnbacks					229,121	-	229,121
Franchise tax					186,261	-	186,261
Sales and use taxes					423,300	-	423,300
Investment earnings					6,016	984	7,000
Other					8,514	-	8,514
Operating transfers					(1,090)	-	(1,090)
Total General Revenues and Transfers					1,044,377	984	1,045,361
Change In Net Position					461,661	(28,000)	433,661
Net Position, Beginning of Year					2,249,004	3,304,372	5,553,376
Net Position, End of Year					\$ 2,710,665	\$ 3,276,372	\$ 5,987,037

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2022

	General	Street	Auxiliary Police	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 276,652	\$ 120,336	\$ 9,641	\$ 406,629
Certificates of deposit	954,364	52,613	21,072	1,028,049
Accounts receivable	64,523	33,295	-	97,818
Prepaid expenses	12,718	9,467	-	22,185
Due from other funds	115,000	-	-	115,000
Restricted cash and cash equivalents	450,596	-	-	450,596
Total Assets	\$ 1,873,853	\$ 215,711	\$ 30,713	\$ 2,120,277
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 38,037	\$ 4,884	\$ -	\$ 42,921
Other withholding payables	1,845	1,510	-	3,355
Accrued wages	5,603	3,953	-	9,556
Total Liabilities	45,485	10,347	-	55,832
Fund Balances				
Nonspendable	12,718	9,467	-	22,185
Spendable:				
Restricted	450,596	-	-	450,596
Committed	439,530	-	30,713	470,243
Assigned	-	195,897	-	195,897
Unassigned	925,524	-	-	925,524
Total Fund Balances	1,828,368	205,364	30,713	2,064,445
Total Liabilities and Fund Balances	\$ 1,873,853	\$ 215,711	\$ 30,713	\$ 2,120,277

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

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

AS OF DECEMBER 31, 2022

Total Fund Balances - Governmental Funds	\$ 2,064,445
---	---------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,958,386 and the accumulated depreciation is \$2,306,658.	651,728
---	---------

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of accrued compensated absences.	(5,508)
---	---------

Total Net Position - Governmental Activities	\$ 2,710,665
---	---------------------

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

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

FOR THE YEAR ENDED DECEMBER 31, 2022

	General	Street	Auxiliary Police	Total Governmental Funds
Revenues				
Property and real estate taxes	\$ 144,711	\$ 47,544	\$ -	\$ 192,255
State turnbacks	33,965	195,156	-	229,121
Franchise tax	128,641	57,620	-	186,261
Sales and use taxes	423,300	-	-	423,300
Fire Act 833	14,741	-	-	14,741
Licenses and permits	16,623	-	-	16,623
Donations	30,702	-	200	30,902
Animal control fees	18,281	-	-	18,281
Fines	18,372	-	-	18,372
Interest	5,567	372	77	6,016
Other income	8,298	71,871	2,866	83,035
Grants	290,095	-	-	290,095
House checks	-	-	1,498	1,498
Total Revenues	1,133,296	372,563	4,641	1,510,500
Expenditures				
Administration	287,154	-	-	287,154
Police	259,351	-	912	260,263
Animal control	47,586	-	-	47,586
Fire	49,071	-	-	49,071
Capital outlays	264,796	-	-	264,796
Street	-	275,518	-	275,518
Total Expenditures	907,958	275,518	912	1,184,388
Excess of Revenues Over (Under) Expenditures	225,338	97,045	3,729	326,112
Other Financing Sources (Uses)				
Operating transfers	71,776	(70,000)	(2,866)	(1,090)
Total Other Financing Sources / (Uses)	71,776	(70,000)	(2,866)	(1,090)
Change in Fund Balance	297,114	27,045	863	325,022
Fund Balance at Beginning of Year	1,531,254	178,319	29,850	1,739,423
Fund Balance at End of Year	\$ 1,828,368	\$ 205,364	\$ 30,713	\$ 2,064,445

See accompanying notes to financial statements

CITY OF HORSESHOE BEND, ARKANSAS

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

FOR THE YEAR ENDED DECEMBER 31, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 325,022

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

Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$264,796) exceeds depreciation expense (\$127,440) in the period. 137,356

Because more compensated absences were accrued during the year than were paid, a net increase in other long-term liabilities occurred. This is the amount by which compensated absences earned were greater than compensated absences paid. (717)

Change in Net Position of Governmental Activities \$ 461,661

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF DECEMBER 31, 2022

	Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 272,207	\$ 39,760	\$ 311,967
Certificates of deposit	30,000	-	30,000
Accounts receivable	36,798	32,141	68,939
Prepaid expenses	10,779	2,086	12,865
Inventory	24,909	-	24,909
Restricted cash and cash equivalents	209,484	95,257	304,741
Restricted certificates of deposit	25,000	72,231	97,231
Total Current Assets	609,177	241,475	850,652
Net Capital Assets	767,606	2,505,343	3,272,949
Total Assets	\$ 1,376,783	\$ 2,746,818	\$ 4,123,601
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 7,415	\$ 3,435	\$ 10,850
Other withholdings payable	72	808	880
Sales tax payable	4,512	-	4,512
Accrued interest	375	423	798
Accrued wages	665	2,405	3,070
Accrued compensated absences	9,340	1,609	10,949
Meter deposits	126,047	-	126,047
Current maturity of long-term debt	19,529	12,147	31,676
Total Current Liabilities	167,955	20,827	188,782
Long-Term Debt	85,364	573,083	658,447
Total Liabilities	253,319	593,910	847,229
Net Position			
Net investment in capital assets	662,713	1,920,113	2,582,826
Restricted	100,241	167,065	267,306
Unrestricted	360,510	65,730	426,240
Total Net Position	1,123,464	2,152,908	3,276,372
Total Liabilities and Net Position	\$ 1,376,783	\$ 2,746,818	\$ 4,123,601

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		
	Water	Sewer	Total
Operating Revenues			
Water and sewer sales	\$ 533,633	\$ 240,690	\$ 774,323
Reconnection and hook-up fees	6,621	-	6,621
Sanitation and sewer fees	8,806	-	8,806
Other revenue	1,678	23,068	24,746
Total Operating Revenues	550,738	263,758	814,496
Operating Expenses			
Salaries	174,269	65,069	239,338
Payroll taxes	13,509	4,999	18,508
Pension expense	5,242	1,702	6,944
Employee insurance	20,455	9,842	30,297
Uniforms	3,071	2,111	5,182
Legal and accounting	2,090	2,090	4,180
Computer expense	1,775	-	1,775
Administrative costs	-	2,593	2,593
Repairs, maintenance and supplies for system	89,269	63,284	152,553
Truck expense	17,422	8,503	25,925
Travel	241	-	241
Office supplies and postage	12,063	-	12,063
Bank and credit card fees	1,532	-	1,532
Utilities	62,523	48,423	110,946
Telephone	4,674	-	4,674
Dues and fees	10,237	-	10,237
Insurance	5,414	2,042	7,456
Miscellaneous	1,394	16	1,410
Depreciation	100,735	83,146	183,881
Total Operating Expenses	525,915	293,820	819,735
Operating Income	24,823	(30,062)	(5,239)
Other Revenues (Expenses)			
Interest income	619	365	984
Interest expense	(5,529)	(18,216)	(23,745)
Total Other Revenues (Expenses)	(4,910)	(17,851)	(22,761)
Change In Net Position	19,913	(47,913)	(28,000)
Beginning of Year Net Position	1,103,551	2,200,821	3,304,372
End of Year Net Position	\$ 1,123,464	\$ 2,152,908	\$ 3,276,372

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 554,002	\$ 259,626	\$ 813,628
Cash payments to suppliers for goods and services	(248,572)	(149,388)	(397,960)
Cash payments to employees for services	(172,615)	(64,697)	(237,312)
Net Cash Provided By Operating Activities	132,815	45,541	178,356
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(16,397)	-	(16,397)
Principal paid on debt	(36,381)	(11,776)	(48,157)
Interest paid on debt	(5,657)	(18,224)	(23,881)
Net Cash Used For Capital and Related Financing Activities	(58,435)	(30,000)	(88,435)
Cash Flows From Investing Activities			
Reinvestment of certificate of deposit earnings	-	(264)	(264)
Interest Income	619	365	984
Net Cash Provided By Investing Activities	619	101	720
Increase In Cash, Cash Equivalents, and Restricted Cash	74,999	15,642	90,641
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	406,692	119,375	526,067
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 481,691	\$ 135,017	\$ 616,708
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	\$ 272,207	\$ 39,760	\$ 311,967
Restricted cash and cash equivalents	209,484	95,257	304,741
Total Cash, Cash Equivalents and Restricted Cash	\$ 481,691	\$ 135,017	\$ 616,708
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ 24,823	\$ (30,062)	\$ (5,239)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	100,735	83,146	183,881
Net change in assets and liabilities			
Accounts receivable	686	(4,132)	(3,446)
Prepaid expenses	(1,375)	(203)	(1,578)
Inventory	3,573	-	3,573
Accounts payable	103	(3,580)	(3,477)
Other withholdings payable	38	-	38
Sales tax payable	436	-	436
Accrued wages	37	372	409
Accrued compensated absences	1,617	-	1,617
Meter deposits	2,142	-	2,142
Net Cash Provided By Operating Activities	\$ 132,815	\$ 45,541	\$ 178,356

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF FIDUCIARY NET POSITION

AS OF DECEMBER 31, 2022

	Municipal Court Account	Bond Account
Assets		
Current Assets		
Cash and cash equivalents	\$ 834	\$ 6,118
Total Assets	\$ 834	\$ 6,118
Liabilities		
Fines and court costs pending	\$ 834	\$ -
Bond money held	-	6,118
Total Liabilities	\$ 834	\$ 6,118

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

AS OF DECEMBER 31, 2022

	Municipal Court Account	Bond Account
Additions		
Contributions:		
Court fees	\$ 26,367	\$ -
Bail posted	-	9,240
Interest	2	-
Total Additions	26,369	9,240
Deductions:		
Fines and other fees remitted to City	18,394	-
Bail remitted to Municipal Court, including forfeitures	-	4,770
Court costs and other fees remitted to State	5,755	-
Restitution and/or bond refunded	1,531	-
Other fees	102	-
Total Deductions	25,782	4,770
Change in Custodial Balance	587	4,470
Beginning of Year Custodial Balance	247	1,648
End of Year Custodial Balance	\$ 834	\$ 6,118

See accompanying notes to financial statements.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Nature of the Business

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

1. Summary of Significant Accounting Policies

Financial Reporting

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

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

Included Within The Entity

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

Excluded From The Entity

Airport Commission

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

Municipal Street Improvement District

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

Excluded From The Entity (continued)

Municipal Recreational Improvement District

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

Crown Street Improvement District

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

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Governmental funds include the following fund types:

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's agency funds are the municipal court fund and bond fund.

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards applicable to the City:

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report*. The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022* . The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Implementation of these standards did not have an impact on the City's financial statements.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

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

Accounts Receivable

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Accounts Receivable (continued)

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

Interfund Receivables and Payables

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

Prepaid Expenses

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

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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

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

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

Compensated Absences

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

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

Accrued compensated absences at December 31, 2022 for governmental activities was \$5,508, and for business-type activities was \$10,949.

Net Position and Fund Balances

Government-Wide Financial Statements

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Net Position and Fund Balances (continued)

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

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

Unrestricted Net Position - Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

Fund Financial Statements

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

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

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Net Position and Fund Balances (continued)

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

Unassigned - all other spendable amounts.

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

Property Tax

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

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

Budgetary Principles

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

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

Budgetary Principles (continued)

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. Bank Deposits

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

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

Custodial credit risk is the risk that in the event of a bank failure, a City's deposits may not be recovered. At December 31, 2022, the City had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the City's name as collateral. The bank balances and carrying amount of the City's deposits held were as follows:

Description	Bank Balance	Carrying Amount
Insured	\$ 1,274,240	\$ 1,286,592
Collateralized - held by pledging bank or pledging bank's trust department in the Department's name	1,434,015	1,342,421
Cash on hand	-	200
Total	\$ 2,708,255	\$ 2,629,213

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Bank Deposits (continued)

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

As Of December 31, 2022	
Cash and cash equivalents	\$ 718,596
Certificates of deposit	1,058,049
Restricted cash and cash equivalents	755,337
Restricted certificates of deposit	97,231
Total	\$ 2,629,213

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the duration of any investment to a maximum of five years. At December 31, 2022, all of the City's CD's have maturity dates within one year.

Fair Value Measurements

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

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

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

Level 3 - Unobservable inputs

Fair Value Measurements (continued)

The following table represents the City's investments that are measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,155,280	\$ -	\$ -	\$ 1,155,280
Total	\$ 1,155,280	\$ -	\$ -	\$ 1,155,280

3. Restricted Assets

Restricted accounts are comprised of the following:

As Of December 31, 2022	
Government Activities:	
American Rescue Act	\$ 437,253
Dog Park	10,716
Fisherman's Park	2,627
Total Government Activities	\$ 450,596

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

3. Restricted Assets (continued)

As Of December 31, 2022	
Business-type Activities:	
Water Department	
Meter deposits	\$ 133,868
Water depreciation fund	75,042
Water debt service reserve	25,574
Sewer Department	
Rural development debt service / debt service reserve fund	11,388
Rural development depreciation reserve	156,100
Total Business Activities	401,972
Total Restricted Accounts	\$ 852,568

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

As Of December 31, 2022	
Restricted cash and cash equivalents	\$ 755,337
Restricted certificates of deposit	97,231
Total	\$ 852,568

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

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

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

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

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

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

4. Receivables

Receivables as of December 31, 2022 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Street Fund	Enterprise Funds	Total
Water and sewer fees	\$ -	\$ -	\$ 66,181	\$ 66,181
Property tax	16,514	4,622	-	21,136
Franchise tax	12,184	-	-	12,184
Sales and use tax	33,472	-	-	33,472
State turnback	2,353	17,639	-	19,992
Leachate fees	-	11,034	2,758	13,792
Total receivables	\$ 64,523	\$ 33,295	\$ 68,939	\$ 166,757

5. Due From Funds / Interfund Transfers

The General Fund transferred funds to the Airport Commission to fund certain projects. Repayment is anticipated in 2023.

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Airport Commission	\$ 115,000
Total - Governmental Funds		115,000

Interfund transfers are used to reimburse funds for capital outlay and other operating expenditures.

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund			
From Street	\$ 70,000	\$ -	\$ 70,000
To Airport Commission	-	1,090	(1,090)
Street Fund	-	70,000	(70,000)
Total Governmental Activities	70,000	71,090	(1,090)

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Changes In Capital Assets

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

	January 1, 2022	Additions	Retirements	December 31, 2022
Capital assets, not being depreciated				
Land	\$ 114,792	\$ -	\$ -	\$ 114,792
Total capital assets, not being depreciated	114,792	-	-	114,792
Capital assets, being depreciated				
Buildings and grounds	1,045,787	7,605	-	1,053,392
Transportation equipment	286,613	-	-	286,613
Heavy equipment	863,259	189,754	-	1,053,013
Equipment and furniture	383,139	67,437	-	450,576
Total capital assets, being depreciated	2,578,798	264,796	-	2,843,594
Total capital assets	2,693,590	264,796	-	2,958,386
Less accumulated depreciation:				
Buildings and grounds	819,481	33,602	-	853,083
Transportation equipment	228,156	33,200	-	261,356
Heavy equipment	794,061	37,202	-	831,263
Equipment and furniture	337,520	23,436	-	360,956
Total accumulated depreciation	2,179,218	127,440	-	2,306,658
Total capital assets, being depreciated, net	399,580	137,356	-	536,936
Governmental activities, capital assets, net	\$ 514,372	\$ 137,356	\$ -	\$ 651,728

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

General government	\$ 35,486
Animal control	3,752
Fire	29,438
Streets	58,764
Total depreciation for governmental activities	\$ 127,440

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Changes In Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2022, was as follows:

	January 1, 2022	Additions	Retirements	December 31, 2022
Capital assets, not being depreciated				
Land	\$ 200	\$ -	\$ -	\$ 200
Total capital assets, not being depreciated	200	-	-	200
Capital assets, being depreciated				
Leasehold improvements	15,475	-	-	15,475
Transportation equipment	149,061	-	-	149,061
Heavy equipment	44,300	-	-	44,300
Equipment and furniture	63,986	-	-	63,986
Water system	3,787,355	16,397	-	3,803,752
Sewer system	4,354,962	-	-	4,354,962
Total capital assets, being depreciated	8,415,139	16,397	-	8,431,536
Total capital assets	8,415,339	16,397	-	8,431,736
Less accumulated depreciation:				
Leasehold improvements	11,661	405	-	12,066
Transportation equipment	70,698	23,701	-	94,399
Heavy equipment	44,300	-	-	44,300
Equipment and furniture	63,817	31	-	63,848
Water system	3,012,078	78,990	-	3,091,068
Sewer system	1,772,352	80,754	-	1,853,106
Total accumulated depreciation	4,974,906	183,881	-	5,158,787
Business-type activities, capital assets being depreciated, net	3,440,233	(167,484)	-	3,272,749
Business-type activities, capital assets, net	\$ 3,440,433	\$ (167,484)	\$ -	\$ 3,272,949

Depreciation expense for business-type activities totaled \$183,881 and was entirely charged to the water and sewer department.

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

7. Asset Retirement Obligation

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

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

8. Long-Term Debt

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

As Of December 31, 2022

Rural Development (RD) - loan dated June 23, 2009 in the amount of \$271,000. Payments are made monthly in the amount of \$1,084 including interest at 3.625% The loan is secured by revenues and receivables of the City with final maturity June 23, 2049.	\$ 220,759
Rural development - loan dated June 22, 2015 in the amount of \$400,000. Annual payments of interest only for the first two years followed by monthly payments of \$1,416 thereafter including interest at 2.75%. The loan is secured by assets and revenues of the City with final maturity June 22, 2055.	364,471
Arkansas Natural Resources Commission (ANRC) - loan dated July 1, 2005 in the amount of \$276,852. Semi-annual payments of \$11,143 including interest at 4.15%, with final payment due June 1, 2023. The note is secured by property and equipment of the water system.	3,952
Arkansas Natural Resources Commission - loan dated August 1, 2002 in the amount of \$305,249. Semi-annual payments of \$9,876 including interest at 4.30%, with final payment due December 1, 2028. The note is secured by property and equipment of the water system.	100,941
Total	\$ 690,123

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

8. Long-Term Debt (continued)

As Of December 31, 2022		
Total	\$	690,123
Less: current maturities		31,676
Long-term debt, net	\$	658,447

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

	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022	Due Within One Year
Business-type activities					
Water Department					
ANRC					
1996 Loan \$	25,404 \$	- \$	21,452 \$	3,952 \$	3,952
2001 Loan	115,870	-	14,929	100,941	15,577
Sewer Department					
Rural Development					
2009 Loan	225,668	-	4,909	220,759	5,089
2015 Loan	371,338	-	6,867	364,471	7,058
Total	\$ 738,280 \$	- \$	48,157 \$	690,123 \$	31,676

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2023	\$ 31,676 \$	22,110 \$	53,786
2024	28,786	20,966	49,752
2025	29,889	19,863	49,752
2026	31,035	18,717	49,752
2027	32,227	17,525	49,752
2028-2032	91,612	74,854	166,466
2033-2037	88,443	61,557	150,000
2038-2042	102,577	47,423	150,000
2043-2047	121,123	28,877	150,000
2048-2052	92,590	11,292	103,882
2053-2055	40,165	1,358	41,523
Total	\$ 690,123 \$	324,542 \$	1,014,665

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

9. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at the year ended December 31, 2022.

General Fund

Restricted:	
American Rescue Plan Act grant funds	\$ 437,253
Dog park and Fisherman's Park donations	13,343
Total	450,596
Nonspendable:	
Prepaid items	12,718
Committed:	
Purchase of fire equipment and related expenses	80,934
To cover future increases in insurance premiums	10,983
Library maintenance	36,036
Future reserves	311,577
Total	439,530
Unassigned	925,524
Total General Fund fund balance	1,828,368

Street Fund

Nonspendable:	
Prepaid items	9,467
Assigned:	
Street repair and replacement	195,897
Total Street Fund fund balance	205,364

Auxiliary Police

Committed:	
Purchase of police equipment and related expenses	\$ 30,713
Total Governmental fund balance	\$ 2,064,445

10. Deferred Compensation Plan

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

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

CITY OF HORSESHOE BEND, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

10. Deferred Compensation Plan (continued)

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

On behalf of each participant, the employer will contribute to the Plan 4% of each participant's compensation. The City contributed \$14,819 for the year ended December 31, 2022.

11. Concentrations Of Credit Risk

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

12. Risk Management

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

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

13. Subsequent Events

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through June 8, 2023 the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HORSESHOE BEND, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over/(Under)
Revenues				
Property and real estate taxes	\$ 135,000	\$ 135,000	\$ 144,711	\$ 9,711
State turnbacks	33,000	33,000	33,965	965
Franchise tax	107,000	107,000	128,641	21,641
Sales and use taxes	310,000	310,000	423,300	113,300
Fire Act 833	12,250	14,741	14,741	-
Licenses and permits	14,450	14,450	16,623	2,173
Donations / Fees	33,550	29,169	30,702	1,533
Animal control fees	17,000	17,000	18,281	1,281
Fines	20,094	20,094	18,372	(1,722)
Interest	4,875	1,913	5,567	3,654
Other income	9,000	4,425	8,298	3,873
Grants	2,400	59,024	290,095	231,071
Total Revenues	698,619	745,816	1,133,296	387,480
Expenditures				
Administration	298,811	296,511	287,154	(9,357)
Police	307,460	307,460	259,351	(48,109)
Animal control	46,039	50,110	47,586	(2,524)
Fire	47,560	48,942	49,071	129
Capital outlays	2,000	68,068	264,796	196,728
Total Expenditures	701,870	771,091	907,958	136,867
Excess of Revenues Over (Under) Expenditures	(3,251)	(25,275)	225,338	250,613
Other Financing Sources				
Proceeds from sale of assets	500	500	-	(500)
Operating transfers	(12,550)	(11,734)	71,776	83,510
Total Other Financing Sources	(12,050)	(11,234)	71,776	83,010
Change in Fund Balance	(15,301)	(36,509)	297,114	333,623
Fund Balance at Beginning of Year	1,531,254	1,531,254	1,531,254	-
Fund Balance at End of Year	\$ 1,515,953	\$ 1,494,745	\$ 1,828,368	\$ 333,623

See independent auditor's report.

CITY OF HORSESHOE BEND, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over/(Under)
Revenues				
Property and real estate taxes	\$ 42,500	48,633	\$ 47,544	\$ (1,089)
State turnbacks	165,000	195,246	195,156	(90)
Franchise tax	61,344	57,620	57,620	-
Interest	400	254	372	118
Other income	62,050	15,416	71,871	56,455
Total Revenues	331,294	317,169	372,563	55,394
Expenditures				
Streets	304,432	289,921	275,518	(14,403)
Capital outlays	-	-	-	-
Total Expenditures	304,432	289,921	275,518	(14,403)
Excess of Revenues Over (Under) Expenditures	26,862	27,248	97,045	69,797
Other Financing Sources (Uses)				
Operating transfers	14,000	-	(70,000)	(70,000)
Total Other Financing Sources (Uses)	14,000	-	(70,000)	(70,000)
Change in Fund Balance	40,862	27,248	27,045	(203)
Fund Balance at Beginning of Year	178,319	178,319	178,319	-
Fund Balance at End of Year	\$ 219,181	\$ 205,567	\$ 205,364	\$ (203)

See independent auditor's report.

ADDITIONAL REQUIRED REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of the City of Horseshoe Bend, Arkansas as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Horseshoe Bend, Arkansas' basic financial statements and have issued our report thereon dated June 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Horseshoe Bend, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Horseshoe Bend, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Horseshoe Bend, Arkansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Horseshoe Bend, Arkansas' basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
June 8, 2023



Independent Auditor's Report On Compliance With Certain State Acts

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

We have examined management's assertions that the City of Horseshoe Bend, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2022.

1. Arkansas Municipal Accounting Law, § 14-59-101 et. seq;
2. Arkansas District Courts and City Courts Accounting Law, §16-10-210 et. seq;
3. Improvement contracts, §§ 22-9-02 – 22-9-204;
4. Budgets, purchases, and payment of claims, etc. § 14-58-201 et seq. and 14-58-301 et seq.;
5. Investment of public funds, § 19-1-501 et seq.; and
6. Deposit of public funds, §§ 19-8-101 – 19-8-107

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Horseshoe Bend, Arkansas, complied in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

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

A handwritten signature in black ink that reads "Przybysz & Associates". The script is cursive and fluid, with the ampersand being a simple cross.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
June 8, 2023