

**CITY OF MANSFIELD, ARKANSAS
WATER AND SEWER DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023



**CITY OF MANSFIELD, ARKANSAS WATER
AND SEWER DEPARTMENT
DECEMBER 31, 2024 AND 2023**

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Mansfield, Arkansas Water and Sewer Department
Mansfield, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Mansfield, Arkansas Water and Sewer Department (the Department), as of and for the years ended December 31, 2024 and 2023, and the related notes to the 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 City of Mansfield Water and Sewer Department as of December 31, 2024, and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Mansfield, Arkansas Water and Sewer Department 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Mansfield, Arkansas, as of December 31, 2024 and 2023, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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 opinion. 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 Mansfield, Arkansas Water and Sewer Department's 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.

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 financial statements. Such missing information, although not a part of the 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. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mansfield, Arkansas Water and Sewer Department's financial statements. The schedule of bonds outstanding is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of bonds outstanding is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2025, on our consideration of the Department's 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's 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 Department's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 2, 2025

FINANCIAL STATEMENTS

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 174,759	\$ 215,951
Restricted cash and cash equivalents	317,427	280,889
Accounts receivable, net of allowance for doubtful accounts	74,851	79,227
Restricted investments	188,143	188,051
Prepaid expenses	3,531	2,896
Total Current Assets	758,711	767,014
Noncurrent Assets - Capital Assets		
Land	47,602	47,602
Buildings and improvements	133,686	128,660
Water system	7,159,742	7,129,051
Machinery and equipment	199,092	199,092
Office equipment	15,512	15,512
Transportation equipment	120,414	120,414
Total	7,676,048	7,640,331
Less accumulated depreciation	(4,351,426)	(4,166,064)
Net Noncurrent Assets - Capital Assets	3,324,622	3,474,267
Total Assets	4,083,333	4,241,281
Deferred Outflows		
Deferred amount on refunding of debt, net of amortization	108,766	122,953
Total Deferred Outflows	108,766	122,953
Total Assets and Deferred Outflows of Resources	\$ 4,192,099	\$ 4,364,234

See accompanying notes to financial statements.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 26,849	\$ 7,367
Accrued interest	4,959	5,042
Customer meter deposits	113,724	111,355
Current portion of long-term debt	167,672	166,285
Total Current Liabilities	313,204	290,049
Long-term Debt, Net of Unamortized Bond Discounts	2,048,192	2,212,790
Total Liabilities	2,361,396	2,502,839
Deferred Inflows		
Deferred interest income, net of accumulated amortization	8,157	11,124
Total Deferred Inflows	8,157	11,124
Net Position		
Net investment in capital assets	1,217,524	1,218,145
Restricted	210,964	204,929
Unrestricted	394,058	427,197
Total Net Position	1,822,546	1,850,271
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,192,099	\$ 4,364,234

See accompanying notes to financial statements.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Operating Revenue		
Water revenues, net of sanitation fees	\$ 866,822	\$ 812,759
Sewer payment income	6,600	7,800
Other income	1,693	4,366
Total Operating Revenue	875,115	824,925
Operating Expenses		
Salaries, taxes and related benefits	309,184	240,773
Water purchases	242,016	210,104
Chemicals	-	230
Inspection expense	2,400	2,807
Department of Health safe water fees	4,546	4,546
Permits	2,906	2,845
Wastewater plant expenses	62,709	28,243
Repairs and maintenance	12,605	29,610
Supplies	59,486	39,556
Uniform expense	7,920	8,015
Vehicle expense	8,735	16,866
Utilities and telephone	43,920	45,208
Depreciation expense	185,362	180,056
Professional fees	11,552	13,209
Insurance	20,020	15,776
Software support	3,996	5,064
Dues and subscriptions	1,959	2,547
Meetings, conferences, and travel	6,301	3,758
Postage	7,124	7,393
Bank fees	976	1,099
Trustee fees	2,900	2,400
Advertising	1,077	-
Other operating expenses	4,753	9,082
Total Operating Expenses	1,002,447	869,187
Net Loss From Operations	(127,332)	(44,262)
Other Income (Expenses)		
Interest income	10,398	11,267
Loss on asset disposal	-	(3,093)
Realized gain (loss) on investments	44	(3,642)
Income from sales tax	199,586	221,882
Interest expense	(110,421)	(115,791)
Total Net Other Income (Expenses)	99,607	110,623
Net Income Before Transfers	(27,725)	66,361
Operating Transfers	-	11,533
Change in Net Position	(27,725)	77,894
Net Position at Beginning of Year	1,850,271	1,772,377
Net Position at End of Year	\$ 1,822,546	\$ 1,850,271

See accompanying notes to financial statements.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,058,162	\$ 979,151
Cash receipts from other sources	8,293	12,166
Cash payments to suppliers for goods and services	(673,649)	(627,661)
Cash payments to employees for services	(309,184)	(240,773)
Net Cash Provided By Operating Activities	83,622	122,883
Cash Flows From Noncapital and Related Financing Activities		
Sales tax revenue for bonds	199,586	221,882
Net Cash Provided By Noncapital and Related Financing Activities	199,586	221,882
Cash Flows From Capital and Related Financing Activities		
Fixed asset additions	(35,717)	(49,863)
Operating transfers	-	11,533
Principal paid on long-term debt	(166,287)	(162,064)
Interest paid on long-term debt	(93,241)	(98,862)
Net Cash Used By Capital and Related Financing Activities	(295,245)	(299,256)
Cash Flows From Investing Activities		
Net investment activity	(48)	(1,354)
Interest income, less deferred portion	7,431	8,300
Net Cash Provided By Investing Activities	7,383	6,946
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	(4,654)	52,455
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	496,840	444,385
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 492,186	\$ 496,840
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 174,759	\$ 215,951
Restricted checking accounts	317,427	280,889
Total Cash, Cash Equivalents and Restricted Cash	\$ 492,186	\$ 496,840
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net loss from operations	\$ (127,332)	\$ (44,262)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	185,362	180,056
(Increase) decrease in:		
Accounts receivable	4,376	(12,634)
Prepaid insurance	(635)	(203)
Increase (decrease) in:		
Accounts payable	19,482	(3,103)
Customer deposits	2,369	3,029
Net Cash Provided By Operating Activities	\$ 83,622	\$ 122,883

See accompanying notes to financial statements.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Nature of Operations

The City of Mansfield, Arkansas Water and Sewer Department (the Department) is an extension of the services provided by the City of Mansfield, Arkansas to its citizens. The City of Mansfield, through its mayor and city council, has oversight authority over the Water Department. The Department provides water, which it purchases, to its customers, and also provides sewer within the city limits. The City Council of Mansfield, Arkansas sets user charges, establishes budgets, selects management, and controls all aspects of the Water Department's daily operations.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Department (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Department is considered to be a component unit of the City of Mansfield. These financial statements reflect only the Water Department Enterprise Fund of the City of Mansfield, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Department. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Taxes

The Department is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Department does not charge interest on overdue accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. Balances that remain outstanding after the Department has used reasonable collection efforts are written off. The allowance for doubtful accounts is estimated based on professional judgement and historical information and is \$551 and \$426 on December 31, 2024 and 2023, respectively.

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.

Capital Outlays and Depreciation

Capital outlays of the Department are stated at cost. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Buildings and improvements	10 - 20 years
Water system	7 - 70 years
Machinery and equipment	5 - 10 years
Office equipment	5 years
Transportation equipment	5 - 7 years

It is the Department's policy to capitalize asset purchases greater than \$5,000 and expense asset purchases less than \$5,000.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department recognizes deferred inflows of resources related to deferred interest income.

Bond Discount

The bond discount is being amortized using the straight-line method over the life of the bond. The unamortized portion is netted with total long-term debt.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Department. Vacation must be used by the employees year-end anniversary date or it is lost. Employees can carryforward a maximum of sixty unused sick days from year to year. Upon termination from the Department, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. No accrual for compensated absences has been recorded as the amount is not material to the financial statements.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Department no longer serves the customer. The Department uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

The Department 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. Management decides which resources (source of funds) to use at the time expenditures are incurred. For classification of net position balance amounts, restricted resources are considered spent before unrestricted.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal ongoing operations. The principal operating revenues of the Department consist of water sales and fees for sewer and miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective during the Department's fiscal year.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement and guidance under a unified model and by amending certain previously required disclosures.

Implementation of these new standards did not have any impact on the Department's financial statements.

2. Deposits and Investments

The Department does not have a formal 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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a Board's deposits may not be recovered. At December 31, 2024 and 2023, the Department had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the Department's name as collateral at December 31, 2024 and 2023. The bank balances and carrying amount of the Department's deposits held were as follows:

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits and Investments (continued)

Deposits (continued)

Description	At December 31, 2024		At December 31, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 353,346	\$ 353,346	\$ 343,725	\$ 343,725
Collateralized - held by pledging bank or pledging bank's trust department in the Department's name	148,367	138,740	183,248	153,015
Cash on hand	-	100	-	100
Total	\$ 501,713	\$ 492,186	\$ 526,973	\$ 496,840

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2024	2023
Cash and cash equivalents	\$ 174,759	\$ 215,951
Restricted cash and cash equivalents	317,427	280,889
Total	\$ 492,186	\$ 496,840

Investments

Investments consist of accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due and a debt service reserves. The investments are stated at fair market value, which approximates cost.

The Department's investments consist of the following:

As Of December 31, 2024	Market	Weighted Avg. Maturity	Credit Rating
Bond funds:			
Government Money Market	\$ 3,928	49 days	AAA-mf
Mansfield, AR Wtr/Swr Rev Bond	1		N/A
Debt service reserves:			
United States Treasury Bill	169,974	151 days	N/A
Government Money Market	14,240	49 days	AAA-mf
Total Restricted Investments	\$ 188,143		

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits and Investments (continued)

Investments (continued)

As Of December 31, 2023	Market	Weighted Avg. Maturity	Credit Rating
Bond funds:			
Government Money Market	\$ 2,952	49 days	AAA-mf
Mansfield, AR Wtr/Swr Rev Bond	1		N/A
Debt service reserves:			
United States Treasury Bill	170,858	151 days	N/A
Government Money Market	14,240	49 days	AAA-mf
Total Restricted Investments	\$ 188,051		

The 2012 Bond trust indenture allows for investments in commercial paper which is rated at the time of purchase in the single highest classification and matures not more than 270 calendar days after the date of purchase. While this is not an investment permitted by state statutes, it is permitted by the trust indenture. Upon maturity of the commercial paper investment in May 2023, the funds were subsequently invested in U.S. Treasury Bills.

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 Department's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Department's investments are FDIC insured or are invested in U.S. Treasury securities, which are generally considered to be risk-free as they have the backing of the government.

Foreign Currency Risk

The value of investments denominated in foreign currency may be adversely affected by changes in foreign currency exchange rates. The Department minimizes its foreign currency risk by keeping its investments short-term. The Department did not have exposure to foreign currency risk at December 31, 2024 or 2023.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Department or by an agent of the Department are in the Department's name.

Fair Value Measurement

The Department'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

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Bank OZK				
United States Treasury Bill	\$ 169,974	\$ -	\$ -	169,974
Regions Bank				
Government Money Market	18,168	-	-	18,168
Mansfield, AR Wtr/Swr Rev Bond	1	-	-	1
Total	\$ 188,143	\$ -	\$ -	188,143

3. Restricted Cash and Investments

Accounts are restricted for the following:

As of December 31,	2024	2023
Restricted checking accounts:		
Customer meter deposit fund	\$ 80,525	\$ 78,383
Fire hydrant depreciation fund	24,278	27,955
Debt service reserve fund	52,462	43,979
Depreciation reserve fund	133,556	108,781
Bond fund	26,606	21,791
Total restricted checking and savings	\$ 317,427	\$ 280,889

CITY OF MANSFIELD, ARKANSAS WATER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

3. Restricted Cash and Investments (continued)

As of December 31,	2024	2023
Bond funds	\$ 3,929	\$ 2,953
Debt service reserve funds	184,214	185,098
Total restricted investments	\$ 188,143	\$ 188,051

4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions & Contributions	Retirements	December 31, 2024
Land	\$ 47,602	\$ -	\$ -	\$ 47,602
Buildings and improvements	128,660	5,026	-	133,686
Water system	7,129,051	30,691	-	7,159,742
Machinery and equipment	199,092	-	-	199,092
Office equipment	15,512	-	-	15,512
Transportation equipment	120,414	-	-	120,414
Total Capital Assets	7,640,331	35,717	-	7,676,048
Less: Accumulated depreciation	4,166,064	185,362	-	4,351,426
Capital Assets, Net	\$ 3,474,267	\$ (149,645)	\$ -	\$ 3,324,622

As Of	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023
Land	\$ 47,602	\$ -	\$ -	\$ 47,602
Buildings and improvements	128,660	-	-	128,660
Water system	7,098,688	30,363	-	7,129,051
Machinery and equipment	216,421	-	17,329	199,092
Office equipment	15,512	-	-	15,512
Transportation equipment	100,914	19,500	-	120,414
Total	7,607,797	49,863	17,329	7,640,331
Less: Accumulated depreciation	4,000,244	180,056	14,236	4,166,064
Capital Assets, Net	\$ 3,607,553	\$ (130,193)	\$ 3,093	\$ 3,474,267

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

CITY OF MANSFIELD, ARKANSAS WATER NOTES TO FINANCIAL STATEMENTS

5. Long-Term Debt

Long-term debt consists of:

As Of December 31,	2024	2023
2012 Series Revenue Refunding Bonds, issued September 5, 2012, in the original amount of \$2,375,000. The bonds yield varying rates of interest ranging from 2.00% to 4.00%. Final maturity of the bonds is December 1, 2032. Security for the bonds is a pledge of collections from the 1% sales and use tax levied by the City and revenues from the Department.	\$ 1,145,000	\$ 1,265,000
Arkansas Natural Resources Commission - loan dated July 17, 2003 in the amount of \$206,907. Payments of \$7,120 are made semi-annually including interest at 4.5%. The note is secured by property and equipment of the Department and is scheduled to mature June 1, 2028.	42,287	54,220
Rural Development - loan dated January 24, 2007 in the amount of \$580,500. Payments of \$2,502 are made monthly including interest at 4.125%. The note is secured by revenues of the Department and is scheduled to mature in 2046.	432,026	443,961
Rural Development - loan dated February 23, 2007 in the amount of \$831,500. Payments of \$3,584 are made monthly including interest at 4.125%. The note is secured by revenues of the Department and is scheduled to mature in 2046.	620,137	637,182
4.75% not payable to Chambers Bank, payable \$692 per month, principal and interest, with the final payment due August 13, 2024. This loan is secured by equipment.	-	5,374
Total	\$ 2,239,450	\$ 2,405,737
Less current portion	167,672	166,285
Long-Term Debt	2,071,778	2,239,452
Less unamortized discount on bonds	23,586	26,662
Long-term debt, net	\$ 2,048,192	\$ 2,212,790

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

5. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Direct Placements		Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 125,000	42,945	\$ 42,672	44,600
2026	130,000	38,820	44,508	42,764
2027	135,000	34,400	46,425	40,847
2028	140,000	29,675	37,298	38,936
2029	145,000	24,600	35,603	37,429
2030-2034	470,000	38,200	201,763	163,397
2035-2039	-	-	247,891	117,268
2040-2044	-	-	304,593	60,144
2045-2046	-	-	133,697	5,565
Total	\$ 1,145,000	\$ 208,640	\$ 1,094,450	\$ 550,950

Each of the 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 Department on behalf of the issuer until all defaults have been cured; and assessing additional interest, penalties and other charges, foreclose on any security, offset amounts to be paid to you under other federal programs, refer your account to a collection agency and report the Department's default to a credit agency.

6. Changes in Long-Term Liabilities

Activity of long-term liabilities consists of the following:

As Of	January 1, 2024	Additions & Contributions	Retirements	December 31, 2024	Due Within One Year
2012 Series					
Refunding Bonds	\$ 1,265,000	\$ -	\$ 120,000	\$ 1,145,000	\$ 125,000
ANRC	54,220	-	11,933	42,287	12,476
Rural Development	1,081,143	-	28,980	1,052,163	30,196
Chambers Bank	5,374	-	5,374	-	-
Total	\$ 2,405,737	\$ -	\$ 166,287	\$ 2,239,450	\$ 167,672

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Changes in Long-Term Liabilities (continued)

As Of	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023	Due Within One Year
2012 Series					
Refunding Bonds	\$ 1,380,000	\$ -	\$ 115,000	\$ 1,265,000	\$ 120,000
ANRC	65,633	-	11,413	54,220	11,933
Rural Development	1,108,955	-	27,812	1,081,143	28,978
Chambers Bank	13,213	-	7,839	5,374	5,374
Total	\$ 2,567,801	\$ -	\$ 162,064	\$ 2,405,737	\$ 166,285

7. Unamortized Bond Discount/Deferred Loss on Refunding

The bond issue discount represents the additional interest (over and above any cash interest) over the term of the bonds. This original issue discount, related to the 2012 Series Revenue Refunding Bonds, is being amortized using the straight-line method over the life of the bond issue which is twenty years. Amortization of the bond discount was \$3,076 for both years ended December 31, 2024 and 2023 and is included in interest expense in the Statement of Revenues, Expenses, and Changes in Net Position. The unamortized portion is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$108,766 and \$122,953 at December 31, 2024 and 2023, respectively, is shown as deferred outflows on the Statement of Net Position and is being amortized using the straight-line method over the life of the bond issue which is twenty years. Amortization of the deferred loss for both of the years ended December 31, 2024 and 2023 was \$14,187 and is included in interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

8. Debt Service Reserve

The Rural Development Loan resolution specified for loans 92-06 and 92-08 with balances of \$432,026 and \$620,137 at December 31, 2024, have a minimum debt service reserve account requirement of \$30,024 and \$43,008 respectively. This is based upon the maximum annual principal and interest due in any future period following the latest loan issue. The Department's debt service reserve account balance at December 31, 2024 is \$51,288 which is deficient in total by \$21,744, however, the Department has sufficient excess reserves to cover the deficiency.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Commitments and Contingencies

The Trust Indenture of the Bonds contains a provision (the Rate Covenant) which requires the Department to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 110% of the debt service requirements for the current fiscal year of all outstanding Bonds and Parity obligations. For the years ended December 31, 2024 and 2023, the Department had satisfied all the covenants of the Bonds Trust Indenture.

10. Sales Tax Revenue

Principal and interest on the Series 2012 Bonds is payable, in part, from a pledge of receipts derived by the City of Mansfield, Arkansas, from a 1% sales and use tax levied by the City and approved by the voters of the City at a special election. Sales tax revenue collected for the previous five years consists of the following

Year Ending December 31,	
2024	\$ 199,586
2023	221,882
2022	223,530
2021	206,083
2020	202,575
Total	\$ 1,053,656

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region. In addition, one customer accounted for approximately 13% of the Department's total water and sewer revenues during the year ended December 31, 2024.

The Department purchases its water from the James Fork Regional Water Department in Greenwood, Arkansas. If the cost of the water was to increase or the possibility of the Department to have to obtain water from another supplier was to occur, this may also have an effect on the Department's ability to continue in its current state.

CITY OF MANSFIELD, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

12. Transfers

Transfers of the Department consisted of the following:

As of December 31,	2024	2023
Transfers In:		
General Fund	\$ -	\$ 11,533
Total Transfers In	\$ -	\$ 11,533

The City received \$11,533 of American Rescue Plan Act funds in 2023 which were used to restore and repair water damage at the Department.

13. Risk Management

The Department 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 Department carries vehicle and liability insurance through Arkansas Municipal League. Workers compensation insurance is handled through Arkansas Municipal League Workers Compensation Trust.

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

14. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through April 2, 2025, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

**CITY OF MANSFIELD, ARKANSAS WATER
AND SEWER DEPARTMENT**

SCHEDULE OF BONDS OUTSTANDING

DECEMBER 31, 2024

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2025	\$ 125,000	3.400	\$ 21,472	\$ 21,473	\$ 167,945
2026	130,000	3.500	19,410	19,410	168,820
2027	135,000	3.625	17,200	17,200	169,400
2028	140,000	4.000	14,837	14,838	169,675
2029	145,000	4.000	12,300	12,300	169,600
2030	150,000	4.000	9,400	9,400	168,800
2031	155,000	4.000	6,400	6,400	167,800
2032	165,000	4.000	3,300	3,300	171,600
	\$ 1,145,000		\$ 104,319	\$ 104,321	\$ 1,353,640

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



**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 Mansfield, Arkansas Water and Sewer Department
Mansfield, 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 City of Mansfield Water and Sewer Department (the Department), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Department’s financial statements, and have issued our report thereon dated April 2, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department’s 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 Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s 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.

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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 Department's financial statements are free of 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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 2, 2025