

CITY OF ATKINS, ARKANSAS  
WATER AND SEWER SYSTEM  
JUNE 30, 2023 AND 2022

**CITY OF ATKINS, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**JUNE 30, 2023 AND 2022**

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WILLIAM L. LAWTON, JR., CPA

## INDEPENDENT AUDITORS' REPORT

City Council and Management  
City of Atkins Water and Sewer System  
Atkins, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atkins Water and Sewer System as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City of Atkins Water and Sewer System's 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atkins Water and Sewer System, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 Atkins Water and Sewer System 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 Atkins Water and Sewer System's 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 Atkins Water and Sewer System'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Atkins Water and Sewer System's 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-16 be presented to supplement the basic financial statements. The required budgetary comparison information is not present because there was no budget for this audit period. 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 basic 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atkins Water and Sewer System's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024, on our consideration of the City of Atkins Water and Sewer System'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 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 Atkins Water and Sewer System'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 City of Atkins Water and Sewer System's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

January 18, 2024



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2023 AND 2022**

	<b><u>ASSETS</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Cash and Cash Equivalents: (Note 2)		
Unrestricted	\$ 575,928	\$ 559,291
Restricted	686,450	1,647,220
Accounts Receivable (Net of Allowance \$14,000) (Note 3)	142,156	131,315
Prepaid Expenses	21,303	35,191
Property and Equipment, at cost (Note 4)		
Land	277,566	277,566
Water Supply	1,387,199	1,387,199
Water Treatment Plant	6,399,786	6,386,576
Water Distribution	3,324,805	3,302,946
Water Service	378,311	378,311
Sewer Treatment Plants	3,312,259	3,303,220
Sewer Collection	681,792	679,660
Office Furniture and Equipment	51,659	46,166
Vehicles and Equipment	269,545	269,545
Buildings	77,710	77,710
Construction in Progress	5,824,300	2,600,984
	<u>21,984,932</u>	<u>18,709,883</u>
Less: Accumulated Depreciation	<u>8,744,116</u>	<u>8,345,831</u>
	<u>13,240,816</u>	<u>10,364,052</u>
	<u>14,666,653</u>	<u>12,737,069</u>
 <b><u>LIABILITIES</u></b>		
Accounts Payable	24,854	69,477
Accrued Expenses	12,906	14,060
Customer Deposits	150,637	145,644
Long-term Liabilities: (Note 5)		
Due Within 1 Year	50,000	50,000
Due in More Than 1 Year	<u>1,905,000</u>	<u>1,955,000</u>
	<u>2,143,397</u>	<u>2,234,181</u>
 <b><u>NET POSITION</u></b>		
Invested in Capital Assets	11,282,530	8,355,766
Restricted Net Assets	539,355	1,501,576
Unrestricted Net Assets	<u>701,371</u>	<u>645,546</u>
	<u>12,523,256</u>	<u>10,502,888</u>
	<u>\$ 14,666,653</u>	<u>\$ 12,737,069</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>OPERATING REVENUES</u></b>		
Water Sales	\$ 1,069,159	\$ 989,837
Water Taps	9,300	10,900
Sewer Service	373,867	355,557
Sewer Taps	500	708
Other Revenue	41,603	53,304
	<u>1,494,429</u>	<u>1,410,306</u>
<b><u>OPERATING EXPENSES</u></b>		
Water Distribution and Service	337,487	352,481
Water Treatment and Supply	719,697	728,734
Sewer Plant (South)	154,841	152,021
Sewer Plant (North)	164,748	146,406
Sewer Collection	216,186	209,402
Administrative Expenses	137,069	135,413
	<u>1,730,028</u>	<u>1,724,457</u>
Operating Loss	(235,599)	(314,151)
Interest Income	<u>7,802</u>	<u>2,055</u>
<b>DECREASE IN NET POSITION</b>	(227,797)	(312,096)
<b>NET POSITION, BEGINNING OF YEAR</b>	10,502,888	9,294,355
<b>CONTRIBUTION FROM CITY OF ATKINS</b>	<u>2,248,165</u>	<u>1,520,629</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 12,523,256</u></u>	<u><u>\$ 10,502,888</u></u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,483,588	\$ 1,440,389
Cash Payments to Suppliers for Goods and Services	(848,809)	(878,793)
Cash Payments to Employees for Services	(434,652)	(440,391)
<b>Net Cash Provided by Operating Activities</b>	<b><u>200,127</u></b>	<b><u>121,205</u></b>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Increase in Customers' Deposits	4,993	5,756
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>4,993</u></b>	<b><u>5,756</u></b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Revenue Bonds and Notes	(50,000)	(50,000)
Interest Paid	(80,172)	(81,556)
Contributions from City of Atkins	2,248,165	1,520,629
Purchase of Utility Plant	(3,275,048)	(1,707,338)
<b>Net Cash Used by Financing Activities</b>	<b><u>(1,157,055)</u></b>	<b><u>(318,265)</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	7,802	2,055
<b>Net Cash Provided by Investing Activities</b>	<b><u>7,802</u></b>	<b><u>2,055</u></b>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(944,133)</b>	<b>(189,249)</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>2,206,511</u></b>	<b><u>2,395,760</u></b>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 1,262,378</u></b>	<b><u>\$ 2,206,511</u></b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 575,928	\$ 559,291
Restricted Cash	686,450	1,647,220
	<b><u>\$ 1,262,378</u></b>	<b><u>\$ 2,206,511</u></b>



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**

**STATEMENTS OF CASH FLOWS (continued)**

**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (235,599)	\$ (314,151)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	398,284	306,367
Interest Expense Included in Operating Income	80,172	81,556
(Increase) Decrease in Operating Assets		
Accounts Receivable	(10,841)	30,083
Prepaid Expenses	13,888	(3,266)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(44,623)	18,816
Accrued Expenses	(1,154)	1,800
	<u>435,726</u>	<u>435,356</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 200,127</u></u>	<u><u>\$ 121,205</u></u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The City of Atkins, Arkansas Water and Sewer System is engaged in providing water and sewer services to the general public located in Atkins, Arkansas, and water services to adjoining municipalities and water user associations.

**Use of Estimates**

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

**Depreciation**

The cost of the utility plant is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Sewer Treatment Plant	50 years
Sewer Distribution	33 years
Water Supply	100 years
Water Treatment Plant	100 years
Water Distribution	33 years
Water Service	25 years
Office Furniture and Equipment	5-10 years
Vehicles and Equipment	5-10 years
Buildings	30 years

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$398,285 and \$377,531.

**Organization**

The City of Atkins, Arkansas Water and Sewer System is governed by the City Council of the City of Atkins, Arkansas. The System is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The System applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

**Regulatory Environment**

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Health Department. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Tax**

The City of Atkins, Arkansas Water and Sewer System is municipally owned and is exempt from Federal and State income tax.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the City of Atkins, Arkansas Water and Sewer System considers cash to be cash in banks, including time deposits and cash equivalents held in restricted accounts.

**Accounts Receivable**

Accounts receivables are charged to bad debt expense using the allowance method for bad debts. Accounts receivables are presented net of the allowance for doubtful accounts.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At June 30, 2023 and 2022, the System had unrestricted and restricted cash shown as follows:

<u>Unrestricted</u>	<u>2023</u>	<u>2022</u>
Cash in Hand	\$ 245	\$ 245
Revenue Funds	(2,285)	1,118
Operations and Maintenance Funds	534,749	534,381
Payroll Account	<u>43,219</u>	<u>23,547</u>
	<u>575,928</u>	<u>559,291</u>
 <u>Restricted</u>		
Meter Fund	150,637	148,879
Depreciation Funds	403,242	418,917
Rehabilitation Fund	52,205	51,440
Construction Fund	0	951,890
Bond and Debt Service Reserve Funds, Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	 <u>80,366</u>	 <u>76,094</u>
	<u>686,450</u>	<u>1,647,220</u>
	<u>\$ 1,262,378</u>	<u>\$ 2,206,511</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

An aged analysis of accounts receivable from users at June 30, 2023 is as follows:

Current	\$ 150,158
Past due:	
30 days	2,220
60 days	1,859
Over 90 days	<u>1,919</u>
	156,156
Less Allowance for Doubtful Accounts	<u>(14,000)</u>
	<u>\$ 142,156</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 4: PROPERTY AND EQUIPMENT**

Activity of Property and Equipment for 2023 consists of the following:

	Balance <u>6/30/2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2023</u>
Land	\$ 277,566	\$		\$ 277,566
Water Supply	1,387,199			1,387,199
Water Treatment Plant	6,386,576	13,210		6,399,786
Water Distribution	3,302,946	21,859		3,324,805
Water Service	378,311			378,311
Sewer Treatment Plant	3,303,220	9,039		3,312,259
Sewer Collection	679,660	2,132		681,792
Office Furniture and Equipment	46,166	5,493		51,659
Vehicles and Equipment	269,545			269,545
Buildings	77,710			77,710
Construction in Progress	<u>2,600,984</u>	<u>3,223,316</u>		<u>5,824,300</u>
	<u>\$ 18,709,883</u>	<u>\$ 3,275,049</u>		<u>\$ 21,984,932</u>

Activity of Property and Equipment for 2022 consists of the following:

	Balance <u>6/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2022</u>
Land	\$ 277,566	\$	\$	\$ 277,566
Water Supply	1,387,199			1,387,199
Water Treatment Plant	6,358,402	28,174		6,386,576
Water Distribution	3,296,033	6,913		3,302,946
Water Service	378,311			378,311
Sewer Treatment Plant	3,286,103	17,117		3,303,220
Sewer Collection	675,972	3,688		679,660
Office Furniture and Equipment	60,811	3,405	18,050	46,166
Vehicles and Equipment	299,564	40,641	70,660	269,545
Buildings	77,710			77,710
Construction in Progress	<u>904,874</u>	<u>1,696,110</u>	<u>.</u>	<u>2,600,984</u>
	<u>\$ 17,002,545</u>	<u>\$ 1,796,048</u>	<u>\$ 88,710</u>	<u>\$ 18,709,883</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5: LONG-TERM REVENUE BONDS PAYABLE**

Long-term bonds payable collateralized by pledge of water and sewer revenue consisted of the following at June 30, 2023:

	<u>6-30-2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-2023</u>
City of Atkins, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2018A. Interest ranges from 2.375% to 3.750% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2032 when the final redemption is due.	\$ 570,000		\$ 50,000	\$ 520,000
City of Atkins, Arkansas Water and Sewer Revenue Improvement Bonds, Series 2018B. Interest ranges from 4.0% to 4.375% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2048 when the final redemption is due.	<u>1,435,000</u>			<u>1,435,000</u>
	2,005,000		50,000	1,955,000
Less Current Installments	<u>50,000</u>			<u>50,000</u>
	<u>\$ 1,955,000</u>		<u>\$ 50,000</u>	<u>\$ 1,905,000</u>

Interest expense incurred in year ended June 30, 2023 amounted to \$80,116.

The principal and interest payments due on long-term debt for the fiscal years succeeding June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 50,000	\$ 78,807	\$ 128,807
2025	50,000	77,244	127,244
2026	55,000	75,682	130,682
2027	55,000	73,963	128,963
2028	60,000	72,038	132,038
2029-33	315,000	327,225	642,225
2023-38	370,000	261,963	631,963
2039-43	445,000	180,436	625,436
2044-48	<u>555,000</u>	<u>75,469</u>	<u>630,469</u>
	<u>\$ 1,955,000</u>	<u>\$ 1,222,827</u>	<u>\$ 3,177,827</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5: LONG-TERM REVENUE BONDS PAYABLE**

Long-term bonds payable collateralized by pledge of water and sewer revenue consisted of the following at June 30, 2023:

	<u>6-30-2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-2023</u>
City of Atkins, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2018A. Interest ranges from 2.375% to 3.750% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2032 when the final redemption is due.	\$ 570,000		\$ 50,000	\$ 520,000
City of Atkins, Arkansas Water and Sewer Revenue Improvement Bonds, Series 2018B. Interest ranges from 4.0% to 4.375% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2048 when the final redemption is due.	<u>1,435,000</u>			<u>1,435,000</u>
	2,005,000			1,955,000
Less Current Installments	<u>50,000</u>			<u>50,000</u>
	<u>\$ 1,955,000</u>		<u>\$ 50,000</u>	<u>\$ 1,905,000</u>

Interest expense incurred in year ended June 30, 2023 amounted to \$80,116.

The principal and interest payments due on long-term debt for the fiscal years succeeding June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 50,000	\$ 78,807	\$ 128,807
2025	50,000	77,244	127,244
2026	55,000	75,682	130,682
2027	55,000	73,963	128,963
2028	60,000	72,038	132,038
2029-33	315,000	327,225	642,225
2023-38	370,000	261,963	631,963
2039-43	445,000	180,436	625,436
2044-48	<u>555,000</u>	<u>75,469</u>	<u>630,469</u>
	<u>\$ 1,955,000</u>	<u>\$ 1,222,827</u>	<u>\$ 3,177,827</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 6: RETIREMENT PLAN**

The System contributes to a Simplified Employee Plan (SEP) for the benefit of substantially all of its employees. In 2023 and 2022, the System contributed approximately \$56,299 and \$52,206, respectively to the SEP.

**NOTE 7: MUNICIPAL WATER SALES**

The System sells water on a wholesale basis to the Pottsville Water System, Southwest Atkins Water Users Association and Tri-County Water Distribution District. These sales are made based on agreements with the customers with the price charged these customers revised annually. Water sold under these agreements amounts to approximately 35% and 28% of the total water sales reported in the accompanying statement of revenues, expenses and changes in net assets for 2023 and 2022, respectively.

**NOTE 8: SCHEDULE OF RATES**

The water and sewer rates effective Jan 1, 2023 were as follows:

Monthly Water Rates

- A. Minimum charge of \$17.00
- B. First 10,000 gallons \$2.90 per 1,000 gallons
- C. Next 40,000 gallons \$2.17 per 1,000 gallons
- D. Next 50,000 gallons \$1.98 per 1,000 gallons
- E. Over 100,000 gallons \$1.81 per 1,000 gallons

Monthly Sewer Rates

- A. Minimum charge of \$15.00
- B. First 10,000 gallons \$3.37 per 1,000 gallons
- C. Next 50,000 gallons \$3.00 per 1,000 gallons
- D. Next 100,000 gallons \$1.97 per 1,000 gallons
- E. Next 200,000 gallons \$1.73 per 1,000 gallons
- F. Over 360,000 gallons \$1.57 per 1,000 gallons

The water and sewer rates effective Jan 1, 2022 were as follows:

Monthly Water Rates

- A. Minimum charge of \$12.00
- B. First 10,000 gallons \$2.71 per 1,000 gallons
- C. Next 40,000 gallons \$2.03 per 1,000 gallons
- D. Next 50,000 gallons \$1.85 per 1,000 gallons
- E. All over 100,000 gallons \$1.69 per 1,000 gallons

Monthly Sewer Rates

- A. Minimum charge of \$12.00
- B. First 10,000 gallons \$3.15 per 1,000 gallons
- C. Next 50,000 gallons \$2.80 per 1,000 gallons
- D. Next 100,000 gallons \$1.84 per 1,000 gallons
- E. Next 200,000 gallons \$1.62 per 1,000 gallons
- F. All over 360,000 gallons \$1.47 per 1,000 gallons

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 9: INSURANCE COVERAGE**

The System is covered by commercial property insurance for the years ending June 30, 2023 and 2022 in the current amount of \$8,833,250 for buildings, storage tanks, equipment and personal property. Insurance coverage was provided by Lafayette Insurance Company, policy # 70304967.

**NOTE 10: CONCENTRATION OF CREDIT RISK**

The City maintains cash balances with several banks located in Arkansas. The balances at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The City has obtained pledged securities for all funds that exceed this FDIC limit.

**NOTE 11: CONTRIBUTION TO NET POSITION**

At June 30, 2023 and 2022, the City of Atkins had paid \$1,520,629 and \$367,040, respectively, toward the cost of renovation and expansion of the water treatment plant and other improvements. The improvements were completed during the fiscal years ended June 30, 2023 and 2022.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated events through January 18, 2024, which is the date the financial statements were available to be issued.



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2023**

The City of Atkins, Arkansas Water and Sewer System discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the System's financial activity
- Identify changes in the System's financial position
- Identify individual fund issues or concerns

**Overview of the Financial Statements**

The Financial Statements of the System, reports information about the System using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the System's overall financial status. Following the financial statements are the Notes to the Financial Statements which provide explanations and additional detailed information.

The Statements of Net Position present information on all the System's assets and liabilities with the difference between the two reported as Net Position. The statements provide one way to measure the financial health of the System by providing the basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the System's net position changed during the most recent and current years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statements of Cash Flows report cash receipts and expenditures that result from operations, financing, and investing activities. These statements provide information regarding sources of cash and use of cash.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis of the System**

The assets of the System exceeded its liabilities at the close of the most recent fiscal year by \$12,508,196 (net position). Of this amount, \$686,311 (unrestricted net assets) may be used to meet the System's ongoing obligations to customers and creditors.

The largest portion of the System's net assets representing 90.2% reflects its investment in capital assets, net of the related debt, used to acquire the assets. The System uses these capital assets to provide services to its customers. The related debt will be repaid with resources provided by the System's customers through rates and fees.

Total assets amounted to \$14,651,593 consisting of net capital assets of \$13,240,816 and other assets of \$1,410,777. Total assets increased 15.0% or \$1,914,524 during the current fiscal year. This increase was the net result of the net decrease in other assets of \$962,240 and the net increase in fixed assets of \$2,876,764.

Total liabilities amounted to \$2,143,397 consisting of long-term liabilities of \$1,955,000 and other liabilities of \$188,397. Total liabilities decreased .04% or \$90,784 during the current fiscal year. This decrease was the result of a decrease in long term debt totaling \$50,000, and a net decrease in other liabilities of \$40,784.

The System experienced a decrease in total cash in the amount of \$944,133 during the current year. This decrease was the result of an increase in unrestricted cash in the amount of \$16,637 offset by a decrease in restricted cash in the amount of \$960,770. The total unrestricted cash amounted to \$575,928 and the restricted cash amounted to \$686,450. The specific breakdowns of these amounts can be found in Note 2.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**YEAR ENDED JUNE 30, 2023**

**Economic Factors**

The System indicated no changes related to current economic factors.

**Request for Information**

This report is designed to provide a general overview of the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atkins, Arkansas Water and Sewer System, 220 East Main Street, Atkins, Arkansas 72823.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**WATER DISTRIBUTION AND SERVICE OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$ 97,052	\$ 105,262
Payroll Taxes	7,460	8,393
Operating Supplies	53,113	63,392
Outside Services	14,446	15,000
Insurance	12,512	9,056
Truck Expenses	16,104	15,074
Depreciation - Water Distribution	91,641	89,269
Depreciation - Water Service	5,336	5,432
Interest	2,172	2,326
Utilities	12,119	7,708
Fringe Benefits	25,532	31,569
	<u>\$337,487</u>	<u>\$ 352,481</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**WATER TREATMENT AND SUPPLY OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$ 171,882	\$ 179,698
Payroll Taxes	13,233	14,764
Supplies	17,703	20,710
Chemicals	174,691	171,799
Utilities	66,615	64,328
Insurance	18,134	28,342
Interest	2,318	2,482
Truck Expense	10,412	5,383
Outside Services	25,377	24,736
Depreciation - Treatment and Supply	182,842	181,017
Fringe Benefits	36,490	35,475
	<u>\$ 719,697</u>	<u>\$ 728,734</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**SOUTH SEWER PLANT OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$ 34,936	\$ 28,697
Payroll Taxes	2,656	2,317
Supplies	5,723	10,761
Outside Services	7,524	6,638
Insurance	4,762	5,513
Truck Expense	1,102	2,311
Interest	11,914	12,672
Depreciation - Sewer Plant	42,533	45,033
Utilities	29,624	27,485
Chemicals	4,554	2,752
Fringe Benefits	9,513	7,842
	<u>\$ 154,841</u>	<u>\$ 152,021</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NORTH SEWER PLANT OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2022</u>	<u>2022</u>
Salaries	\$ 21,597	\$ 16,692
Payroll Taxes	1,690	1,439
Operating Supplies	1,421	828
Chemicals	2,379	2,398
Vehicle Expense	1,102	2,311
Insurance	1,444	1,028
Interest	6,590	6,851
Outside Services	7,207	3,943
Repairs	69	0
Utilities	73,024	62,584
Depreciation - North Plant	38,793	40,611
Fringe Benefits	9,432	7,721
	<u>\$ 164,748</u>	<u>\$ 146,406</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**SEWER COLLECTION OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$ 71,372	\$ 67,502
Payroll Taxes	5,386	5,510
Supplies	20,808	23,690
Repairs	378	0
Utilities	11,184	10,605
Insurance	5,532	570
Interest Expense	57,122	57,168
Truck Expense	6,922	6,526
Outside Services	11,761	10,509
Depreciation	11,808	11,641
Fringe Benefits	10,963	12,059
Returned Checks	2,950	3,622
	<u>\$216,186</u>	<u>\$ 209,402</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**ADMINISTRATIVE OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Office Salaries	\$ 37,812	\$ 42,541
Payroll Taxes	2,549	3,175
Utilities	6,024	5,454
Postage	12,921	11,617
Office Supplies	12,200	6,635
Miscellaneous Operating Expense	9,909	13,566
Cash Over and Short	57	62
Legal and Accounting	11,238	11,049
Directors Fees	205	0
Depreciation	25,331	22,076
Insurance and Bonds	6,464	5,925
Licenses and Permits	8,859	9,813
Trust Fees - 2004 Bonds	3,500	3,500
	<u>\$ 137,069</u>	<u>\$ 135,413</u>



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**CUSTOMER AVERAGE AND WATER USAGE**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>AVERAGE NUMBER OF:</b>		
Water Customers	1,902	1,914
Sewer Customers	1,015	1,025
 <b>WATER USAGE:</b>		
Water Gallons	36,105,763	34,729,458
Sewer Gallons	<u>7,507,400</u>	<u>6,404,700</u>
Total Water Gallons Used	<u><u>43,613,163</u></u>	<u><u>41,134,158</u></u>

# JONES and LAWTON, CPAs, P.A.

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## **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***

City Council and Management  
City of Atkins Water and Sewer System  
Arkansas, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atkins Water and Sewer System, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City of Atkins Water and Sewer System's basic financial statements, and have issued our report thereon dated January 18, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Atkins Water and Sewer System'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 City of Atkins Water and Sewer System's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Atkins Water and Sewer System'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 a 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 Atkins Water and Sewer System's 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**

The 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 an 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.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

January 18, 2024

