

**CITY OF COAL HILL, ARKANSAS  
WATER AND SEWER DEPARTMENT  
SEPTEMBER 30, 2021 and 2020**

**CITY OF COAL HILL, ARKANSAS**  
**WATER AND SEWER DEPARTMENT**  
**SEPTEMBER 30, 2021 and 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

City Council and Management  
City of Coal Hill, Arkansas  
Water and Sewer Department  
Coal Hill, Arkansas

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 Coal Hill, Arkansas Water and Sewer Department as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Water and Sewer Department's basic financial statements as listed in the table of contents.

### Management's Responsibility 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; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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 Coal Hill, Arkansas Water and Sewer Department, as of September 30, 2021 and 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 12 be presented to supplement the basic financial statements. Such 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 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coal Hill, Arkansas Water and Sewer Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
March 27, 2022

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**STATEMENTS OF NET POSITION**

**SEPTEMBER 30, 2021 AND 2020**

	<b><u>2020</u></b>	<b><u>2020</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 164,664	\$ 190,432
Restricted	121,421	132,537
Prepaid Expenses	0	1,383
Accounts Receivable	54,941	45,989
Property and Equipment (Note 4)		
Land and Improvements	11,250	11,250
Water Distribution System	1,812,635	1,812,635
Sewer Treatment Plant	2,639,120	2,589,370
Equipment	162,701	162,701
	<u>4,625,706</u>	<u>4,575,956</u>
Less: Accumulated Depreciation	<u>3,226,310</u>	<u>3,085,498</u>
	<u>1,399,396</u>	<u>1,490,458</u>
	<u>\$ 1,740,422</u>	<u>\$ 1,860,799</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 25,601	\$ 30,776
Accrued Expenses	8,680	8,193
Customer Deposits	48,733	39,145
Long-term Liabilities (Note 5)		
Due Within 1 year	55,000	55,000
Due in More Than 1 year	884,339	938,564
	<u>1,022,353</u>	<u>1,071,678</u>
<b>NET POSITION</b>		
Invested in Capital Assets		
Investment in General Fixed Assets	1,894,594	1,894,594
Contributed Capital, Net of Accumulated Amortization of \$440,311 and \$426,946, Respectively	80,924	94,289
Restricted Net Assets	72,688	93,392
Unrestricted Net Assets (Deficit)	<u>(1,330,137)</u>	<u>(1,293,154)</u>
	<u>718,069</u>	<u>789,121</u>
	<u>\$ 1,740,422</u>	<u>\$ 1,860,799</u>

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water and Sewer Sales	\$ 508,703	\$ 460,016
Other Income	2,699	2,617
	<u>511,402</u>	<u>462,633</u>
<b>OPERATING EXPENSES</b>		
Contract Labor	12,600	1,746
Depreciation and Amortization	140,812	139,857
Insurance - Employees	4,453	4,453
Insurance - Other	0	1,960
License, Dues and Fees	1,550	3,766
Miscellaneous	0	1,003
Office Supplies	531	6,368
Operating Supplies	55,939	28,722
Payroll Taxes	4,482	6,184
Professional Fees	5,350	5,000
Repairs and Maintenance	5,354	
Retirement	1,326	1,223
Salaries	61,985	67,388
Utilities and Telephone	25,779	27,933
Vehicle Expense	790	278
Water Purchases	228,132	254,474
Water Sample Testing	1,742	2,844
Interest Expense	30,902	32,374
Bond Issue Costs	1,200	1,200
	<u>582,927</u>	<u>586,773</u>
Operating Loss	(71,525)	(124,140)
Gain on Sale of Equipment	0	9,800
Interest Income	473	999
<b>DECREASE IN NET POSITION</b>	(71,052)	(113,341)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>789,121</u>	<u>902,462</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 718,069</u></u>	<u><u>\$ 789,121</u></u>

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (71,525)	\$ (124,140)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:		
Depreciation	140,812	139,857
Interest Expense Included in Operating Loss	30,902	32,374
(Increase) Decrease		
Prepaid Expense	1,383	(1,383)
Accounts Receivable	(8,952)	9,520
Increase (Decrease)		
Accounts Payable	(5,175)	3,288
Accrued Expenses	487	(1,030)
Customer Deposits	9,588	(1,015)
Total Adjustments	<u>169,045</u>	<u>181,611</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>97,520</u>	<u>57,471</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Repayment of Bonds and Loans	(55,000)	(50,000)
Interest Paid on Long-term Debt	(30,127)	(31,598)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(85,127)</u>	<u>(81,598)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(49,750)	(39,043)
Gain on Sale of Equipment	0	9,800
Interest Income	473	999
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(49,277)</u>	<u>(28,244)</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(36,884)</u>	<u>(52,371)</u>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>322,969</u>	<u>375,340</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 286,085</u></u>	<u><u>\$ 322,969</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Reconciliation of Cash to the Statement of Net Position

Unrestricted Cash	\$ 164,664	\$ 190,432
Restricted Cash	121,421	132,537
	<u><u>\$ 286,085</u></u>	<u><u>\$ 322,969</u></u>

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

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

***Nature of Operations***

The City of Coal Hill, Arkansas Water and Sewer Department is engaged in providing water and sewer services to the general public located in Coal Hill, Arkansas and the surrounding rural community.

***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 and Amortization***

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>
Water distribution system	40 years
Sewer system	40 years
Equipment	5 – 7 years

Depreciation expense for the years ended September 30, 2021 and 2020 amounted to \$140,812 and \$139,857, respectively.

In 1987, the Department received grants in the amount of \$534,600 to finance the water distribution system. These grants are being amortized against contributed capital over a period of forty years. Amortization of these grants amounted to \$13,365 for each of the years ended September 30, 2021 and 2020.

***Organization***

The City of Coal Hill, Arkansas Water and Sewer Department is governed by the City Council Coal Hill, Arkansas. The Department is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as 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 system is regulated by the Environmental Protection Agency and the Arkansas Department of Health. 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 Department of Health.

***Income Tax***

The City of Coal Hill, Arkansas Water and Sewer Department is municipally owned and is exempt from Federal and State income tax.

***Cash Equivalents***

The Department considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For the purposes of the statements of cash flows, cash and cash equivalents include "Cash and Cash Equivalents" and "Restricted Assets-Cash and Cash Equivalents".



**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

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

***Accounts Receivable and Bad Debts***

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Past-due status is based on terms established by Ordinance 11-1-05. Late fees are charged on past-due amounts.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At September 30, 2021 and 2020, the Department had unrestricted and restricted cash as follows:

<b><u>Unrestricted</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Operations & Revenue Fund	\$ 28,481	\$ 30,131
Depreciation Fund	25,061	45,941
Reserve Fund	4,087	4,084
Special Account Fund	27,035	50,980
Depreciation Fund Certificate of Deposit	80,000	80,000
	<u>\$ 164,664</u>	<u>\$ 211,136</u>
 <b><u>Restricted</u></b>		
2016 Revenue Bonds- Bond Fund	28,971	28,971
2016 Revenue Bonds-Debt Service Reserve	43,717	43,717
Meter Deposit Fund	48,733	39,145
	<u>121,421</u>	<u>111,833</u>
	<u>\$ 286,085</u>	<u>\$ 322,969</u>

The Depreciation Fund and Debt Service Fund (1987, 1988 & 1994 bond issues) restricted in accordance with USDA/RD requirements for the year ended September 30, 2016 were moved to unrestricted funds for the year ended September 30, 2017 with the payoff of Rural Development 1987, 1988 and 1994 Bond Issues. The City of Coal Hill, Arkansas Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 were used to pay off the Rural Development 1987, 1988 and 1994 Bond Issues.

The 2016 Revenue Bonds-Bond Fund and 2016 Revenue Bonds-Debt Service Reserve appear to be properly funded in accordance with requirements of the City of Coal Hill, Arkansas Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 for the years ended September 30, 2021 and 2020.

**NOTE 3: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS**

Deposits in financial institutions are financial instruments that could potentially subject the Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The Department maintains all deposit balances in one financial institution and at times may exceed federally insured limits. The Department has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on deposits. Bank balances of \$286,085 were insured by the FDIC limit of \$250,000 and collateralized by \$100,000 in pledged securities from First Security Bank for the year ended September 30, 2021. Bank balances of \$322,969 were insured by the FDIC limit of \$250,000 and collateralized by \$100,000 in pledged securities from First Security Bank for the year ended September 30, 2020.

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

**NOTE 4: PROPERTY AND EQUIPMENT**

As of September 30, 2021, property and equipment consists of the following:

<b>2021</b>	<b>Beg Bal</b>	<b>Additions</b>	<b>Deletions</b>	<b>End Bal</b>
Water System	\$ 1,812,635			\$ 1,812,635
Sewer System	2,589,370	\$ 49,750		2,639,120
Equipment	162,701			162,701
Land	11,250			11,250
	<u>\$ 4,575,956</u>	<u>\$ 49,750</u>		<u>\$ 4,625,706</u>

As of September 30, 2020, property and equipment consists of the following:

<b>2020</b>	<b>Beg Bal</b>	<b>Additions</b>	<b>Deletions</b>	<b>End Bal</b>
Water System	\$ 1,812,635			\$ 1,812,635
Sewer System	2,550,327	\$ 39,043		2,589,370
Equipment	185,216		\$ 22,515	162,701
Land	11,250			11,250
	<u>\$ 4,559,428</u>	<u>\$ 39,043</u>	<u>\$ 22,515</u>	<u>\$ 4,575,956</u>

**NOTE 5: LONG-TERM DEBT AND BONDS PAYABLE**

Long-term debt consists of the following:

	<b><u>2021</u></b>	<b><u>2020</u></b>
City of Coal Hill, Arkansas Water and Sewer Revenue Refunding And Improvement Bonds Series 2016. Interest ranges from 1.7% to 3.55% and is payable semi-annually on December 1 and June 1 of each year. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption. Bonds maturing on June 1 in the years 2020, 2025, 2030 and 2035 are subject to mandatory sinking fund redemption.	\$ 950,000	\$ 1,005,000
Less current portion	<u>55,000</u>	<u>55,000</u>
	895,000	950,000
Less original issue discount	<u>10,661</u>	<u>11,436</u>
	<u>\$ 884,339</u>	<u>\$ 938,564</u>

Annual requirements to amortize outstanding debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 55,000	\$ 29,531	\$ 84,531
2023	55,000	28,101	83,101
2024	55,000	26,671	81,671
2025	60,000	25,241	85,241
2026	60,000	23,681	83,681
Thereafter	665,000	120,563	785,563
	<u>\$ 950,000</u>	<u>\$ 253,788</u>	<u>\$ 1,203,788</u>

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 5: LONG-TERM DEBT AND BONDS PAYABLE (continued)**

On May 31, 2016, the City of Coal Hill, Arkansas issued the City of Coal Hill, Arkansas Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 in the principal amount of \$1,205,000. The proceeds of the bond issue, after payment of all costs of issuance and original issue discount, were used to refund the 1987, 1988 and 1994 Series bond issues and payoff two loans to the Arkansas Soil and Water Conservation Commission with the remaining held in the construction account for future use. Original issue discount of \$13,762 is being amortized over the maturity life of the bonds. Amortization of the original issue discount was \$775.32 and \$775.32 charged to interest expense for the years ended September 30, 2021 and 2020, respectively. The bond cost of issuance of \$1,200 was a reduction of net position for each year ended September 30, 2021 and 2020.

The Department paid \$ 30,127 and \$31,598 in interest expense on long-term debt during the years ended September 30, 2021 and 2020, respectively.

**NOTE 6: CONCENTRATION OF CREDIT RISK**

The Department provides water and sewer services to residential, farm, commercial, and industrial customers in Coal Hill, Arkansas and surrounding areas. The Department operates from its primary facilities in Coal Hill, Arkansas. The Department grants unsecured credit to customers located in the vicinity of the operating location.

**NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Segment information for the years ended September 30, 2021 and 2020 follows:

	<b>Water and Sewer Funds</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Operating Revenues	\$ 511,402	\$ 462,633
Depreciation	140,812	139,857
Operating Loss	(71,525)	(124,140)
Amortization-contributed Capital Grant	13,365	13,365
Decrease in Net Position	(71,052)	(113,341)
Total Assets	1,740,422	1,860,799
Bonds Payable from Operation Revenues	950,000	1,005,000
Total Net Position	\$ 718,069	\$ 789,121

**NOTE 8: CONTRACTUAL AGREEMENTS AND MAJOR SUPPLIER**

The Department has a 20-year contractual agreement with the City of Clarksville, Arkansas to purchase its water supply exclusively from the City of Clarksville. Under the contract, the Department may purchase an amount equal to its full water requirements, not to exceed 10,000,000 gallons per month. It is understood that water being delivered to the Department is considered to be that not presently needed by the water system of the City of Clarksville. If, at any time, the governing body of the City of Clarksville determines that water is not available in sufficient quantity to sell, the Department has the obligation to reduce its consumption of water to the amount specified by the City of Clarksville. Either party can terminate the contract with one year's advance written notice. The Department purchased all of its water from the City of Clarksville during the years ended September 30, 2021 and 2020.

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

**NOTE 9: CONTINGENCIES**

***Risk of Loss and Insurance***

Significant losses are covered by insurance for all major programs for which the Department retains risk of loss. These insurance coverages were provided by the Arkansas Municipal League for the years ended September 30, 2021 and 2020.

The Department was covered by commercial property insurance in the amount of \$765,440 for 2021 and \$743,145 for 2020 for buildings, storage tanks, hardware equipment and personal property.

The Department had coverage of \$25,000 for one trackhoe in 2020. Coverage for 2020 was \$25,000 for one vehicle and \$25,000 for one trackhoe. All City vehicles and equipment are covered on one policy carried by the City of Coal Hill.

The Department's workforce is covered in the City policy with the Municipal League Workers' Compensation Trust.

**NOTE 10: PENSION PLAN**

The City of Coal Hill, Arkansas sponsors a salary deferral-SIMPLE IRA pension plan. Eligible City employees may contribute a portion of their pretax income into a retirement fund. The City has elected to match employee contributions of up to three percent of compensation. The City of Coal Hill, Arkansas Department of Water and Sewer contributed \$1,326 and \$1,223 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 11: SCHEDULE OF RATES**

All charges shall be based on water consumption, and shall be computed on the basis of the following schedule of rates:

**Rates Effective 1-1-2021:**

	Inside City	Outside City	Wastewater Customers
<b>Water</b>			
For the first 1,000 gallons per month, or portion thereof	\$ 25.00	\$ 33.00	
Thereafter, per 1,000 gallons	5.75	6.00	
<b>Sewer ( All Wastewater Consumers )</b>			
For the first 1,000 gallons			\$ 16.28
Thereafter, per 1,000 gallons			2.35

**Rates Effective 1-1-2020:**

<b>Water</b>			
For the first 1,000 gallons per month, or portion thereof	\$ 24.15	\$ 31.50	
Thereafter, per 1,000 gallons	5.50	5.75	
<b>Sewer ( All Wastewater Consumers )</b>			
For the first 1,000 gallons			\$ 16.28
Thereafter, per 1,000 gallons			2.35

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

**NOTE 12: NEW ACCOUNTING STANDARDS ADOPTED**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities.

The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expense) or inflows of resource (revenues).

Under GASB 65, underwriter fees associated with the issuance of long-term bonds will be classified as current-period outflows of resources (expenses).

The implementation of GASB 65 for the years ended September 30, 2021 and 2020 is the reduction of net position by \$1,200 and \$1,200, respectively.

**NOTE 13: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 27, 2022, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED SEPTEMBER 30, 2021**

City of Coal Hill, Arkansas Water and Sewer Department's discussion and analysis is designed to:

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

**Overview of the Financial Statements**

The financial statements of the Department reports information about the Department using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the Department's overall financial status.

The Statements of Net Position present information on all of the Department's assets and liabilities with the difference between the two reported as net position.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Department's net position changes during the most recent fiscal year. 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 Department**

The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$718,069 (Net Position).

Total assets amounted to \$1,740,422 consisting of net capital assets of \$1,399,396 and other assets of \$341,026. Total assets decreased by \$120,377 during the current fiscal year. The net decrease was due, to the current fiscal year's depreciation of \$140,812 and a net decrease in other assets of \$29,315, being partially offset by an increase in the Sewer Treatment Plant of \$49,750 .

Total liabilities amounted to \$1,022,353 consisting of long-term liabilities of \$884,339 and other liabilities of \$138,014. Total liabilities decreased by \$49,325 during the current fiscal year. The net decrease was due to the change in principal of the long-term debt of \$54,225 being partially offset by a net increase in the current liabilities of \$4,900.

The Department experienced a net decrease in total cash in the amount of \$36,884 during the current fiscal year. This decrease consisted of a decrease in restricted cash of \$11,116 and a decrease in unrestricted cash of \$25,768.

**Request for Information**

This report is designed to provide a general overview of the Department'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 Coal Hill, Arkansas Water and Sewer Department, P.O. Box 38, Coal Hill, Arkansas 72832.

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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 Coal Hill, Arkansas  
Water and Sewer Department  
Coal Hill, 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 Coal Hill, Arkansas Water and Sewer Department, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Coal Hill, Arkansas Water and Sewer Department's basic financial statements, and have issued our report thereon dated March 27, 2022.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Coal Hill, Arkansas Water and Sewer 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 City of Coal Hill, Arkansas Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Coal Hill, Arkansas Water and Sewer 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 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 may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coal Hill, Arkansas Water and Sewer Department'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

March 27, 2022

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.