

CITY OF COAL HILL, ARKANSAS
WATER AND SEWER DEPARTMENT
SEPTEMBER 30, 2024

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WATER AND SEWER DEPARTMENT
SEPTEMBER 30, 2024

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the financial statements of the Coal Hill Water and Sewer Department, as of and for the year ended September 30, 2024. The Coal Hill Water and Sewer Department's management is responsible for the preparation of the financial statements.

The City Council and Management of the Coal Hill Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of this engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Cash and Investments

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

We found no exceptions as a result of these procedures.

2. Receipts

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

We found no exceptions as a result of these procedures.

3. Accounts Receivable

- a. Agreed ten customer billings to the accounts receivable subledger.
- b. Determined that five customer adjustments were properly authorized.

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

4. Disbursements

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

We found no exceptions as a result of these procedures.

5. Property, and Equipment

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

We found no exceptions as a result of these procedures.

6. Long-term Debt

- a. Scheduled long-term debt and verified changes in all balances for the year.
- b. Confirmed loans, bonds, notes and contracts payable with lender/trustee/contractor.
- c. Determined that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of these procedures.

7. General

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

We found no exceptions as a result of these procedures.

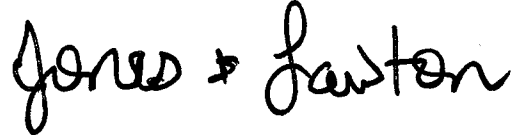
We were engaged by the City Council and Management of the Coal Hill Water and Sewer Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use by the City Council of Coal Hill, Arkansas, Management of the Water and Sewer Department, the Arkansas Department of Finance and Administration, the Office of Intergovernmental Services, and Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than these specified parties.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
July 24, 2025

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

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

ASSETS

Cash and Cash Equivalents (Note 2)	
Unrestricted	\$ 127,924
Restricted	127,591
Accounts Receivable	75,582
Property and Equipment (Note 3)	
Land and Improvements	11,250
Water Distribution System	1,812,635
Sewer Treatment Plant	2,639,120
Equipment	162,701
	4,625,706
Less: Accumulated Depreciation	3,625,378
	1,000,328
	1,331,425

LIABILITIES

Accounts Payable	44,381
Accrued Expenses	10,987
Customer Deposits	52,115
Long-term Liabilities (Note 4)	
Due Within 1 year	60,000
Due in More Than 1 year	716,665
	884,148

NET POSITION

Invested in Capital Assets	
Investment in General Fixed Assets	1,894,594
Contributed Capital, Net of Accumulated Amortization	40,829
Restricted Net Assets	75,476
Unrestricted Net Assets (Deficit)	(1,563,622)
	447,277
	\$ 1,331,425

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES

Water and Sewer Sales	\$ 581,496
Other Income	5,582
	587,078

OPERATING EXPENSES

Contract Labor	8,860
Depreciation and Amortization	123,425
Insurance - Employees	5,879
Insurance - Other	3,236
License, Dues and Fees	7,233
Office Expense	10,021
Operating Supplies	80,023
Payroll Taxes	6,077
Professional Fees	4,600
Retirement	1,487
Salaries	78,408
Utilities and Telephone	35,998
Vehicle Expense	1,908
Water Purchases	293,465
Water Sample Testing	3,462
Bond Issue Costs	1,200
	665,282

Operating Loss	(78,204)
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OTHER INCOME (EXPENSE)

Interest Income	6,483
Interest Expense	(27,089)
	(20,606)

CHANGE IN NET POSITION	(98,810)
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NET POSITION, BEGINNING OF YEAR	546,087
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NET POSITION, END OF YEAR	\$ 447,277
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CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Water Customers	\$ 575,843
Other Operating Cash Receipts	5,582
Payments to Suppliers	(435,826)
Payments to Employees	(84,287)
Payments for Other Admin Costs	(33,541)
Net Cash Provided by Operating Activities	<u>27,771</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>6,483</u>
Net Cash Provided by Investing Activities	<u>6,483</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest Paid on Notes Payable	(27,447)
Repayment of Bonds Payable	(54,224)
Net Cash Used by Financing Activities	<u>(81,671)</u>

NET CHANGE IN CASH & CASH EQUIVALENTS (47,417)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 302,932

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 255,515

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Reconciliation of Cash to Statements of Financial Position	
Unrestricted Cash	\$ 127,924
Restricted Cash	127,591
	<u><u>\$ 255,515</u></u>

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2024

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Loss from Operations	\$ (78,204)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:	
Depreciation and Amortization	123,425
(Increase) Decrease in Accounts Receivable	(5,653)
Increase (Decrease) in Accounts Payable	(1,565)
Increase (Decrease) in Accrued Expenses	(142)
Increase (Decrease) in Customer Deposits	(10,090)
	<u>105,975</u>
Net Cash Provided by Operating Activities	<u>\$ 27,771</u>

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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.

Organization

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

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

Fund Accounting

The accounts of the Association are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Revenue resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Association are grouped in the financial statements into one generic fund type.

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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 statement of cash flows, the City of Coal Hill, Arkansas Water and Sewer System considers cash and cash equivalents to include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable and Bad Debt

The Department considers accounts receivable to be fully collectable. 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. Accounting principles generally accepted in the United States of America 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. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

Property and Equipment

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

Water Distribution System	40 years
Sewer Treatment Plant	40 years
Equipment	5 – 7 years

Depreciation expense for the year ended September 30, 2024 is \$110,060.

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 year ended September 30, 2024.

Income Tax

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

Net Asset Classifications

Net assets are classified and displayed in the following three components:

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

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

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

Fair Value of Financial Instruments

The Association’s financial instruments include cash, cash equivalents and investments. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2: CASH AND CASH EQUIVALENTS

At September 30, 2024, the Department had unrestricted and restricted cash as follows:

<u>Unrestricted</u>	<u>2024</u>
Operations & Revenue Fund	\$ 18,462
Depreciation Fund	14,244
Reserve Fund	4,102
Special Account Fund	11,116
Depreciation Fund Certificate of Deposit	<u>80,000</u>
	<u>127,924</u>
<u>Restricted</u>	
2016 Revenue Bonds- Bond Fund	30,777
2016 Revenue Bonds-Debt Service Reserve	44,699
Meter Deposit Fund	<u>52,115</u>
	<u>127,591</u>
	<u>\$ 255,515</u>

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 year ended September 30, 2024.

NOTE 3: PROPERTY AND EQUIPMENT

As of September 30, 2024, property and equipment consists of the following:

	Beg Bal	Additions	Deletions	End Bal
Water System	\$ 1,812,635			\$ 1,812,635
Sewer System	2,639,120			2,639,120
Equipment	162,701			162,701
Land	<u>11,250</u>			<u>11,250</u>
	<u>\$ 4,625,706</u>			<u>\$ 4,625,706</u>

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5: LONG-TERM DEBT AND BONDS PAYABLE

Long-term debt at September 30, 2024 consists of the following:

	<u>9-30-2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>9-30-2024</u>
City of Coal Hill, Arkansas Water and Sewer Revenue Refunding And Improvement Bonds Series 2016 in the amount of \$1,205,000. 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.	\$ 840,000		\$ 55,000	\$ 785,000
Less current portion				<u>60,000</u>
Less original issue discount				<u>725,000</u>
				<u>8,335</u>
				<u>\$ 716,665</u>

Annual requirements to amortize outstanding debt at September 30, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 60,000	\$ 25,241	\$ 85,241
2026	60,000	23,681	83,681
2027	60,000	21,806	81,806
2028	65,000	19,931	84,931
2029	65,000	17,900	82,900
2030-34	355,000	56,875	411,875
2035-36	<u>120,000</u>	<u>4,050</u>	<u>124,050</u>
	<u>\$ 785,000</u>	<u>\$ 169,484</u>	<u>\$ 954,484</u>

NOTE 6: CONCENTRATION OF CREDIT RISK

The Department maintains cash balances with a bank located in Arkansas. The balances at this bank 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 7: 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, 2024.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8: CONTINGENCIES

Significant risks 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 year ended September 30, 2024.

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

NOTE 9: 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 \$1,487 for the year ended September 30, 2024.

NOTE 10: 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 1-14-2024:

	<u>Inside City</u>	<u>Outside City</u>	<u>Wastewater Customers</u>
Water			
For the first 1,000 gallons per month, or portion thereof	\$ 28.95	\$ 38.21	
Thereafter, per 1,000 gallons	6.94	6.94	
Sewer (All Wastewater Consumers)			
For the first 1,000 gallons			\$ 22.85
Thereafter, per 1,000 gallons			2.77

Rates Effective 2-14-2023:

	<u>Inside City</u>	<u>Outside City</u>	<u>Wastewater Customers</u>
Water			
For the first 1,000 gallons per month, or portion thereof	\$ 27.54	\$ 36.39	
Thereafter, per 1,000 gallons	6.30	6.30	
Sewer (All Wastewater Consumers)			
For the first 1,000 gallons			\$ 18.92
Thereafter, per 1,000 gallons			2.63

NOTE 11: INSURANCE COVERAGE

The Department is covered by commercial property insurance for the years ending June 30, 2024 in the current amount of \$913,667 for buildings, storage tanks, equipment, vehicles and personal property. Insurance coverage was provided by Arkansas Municipal League policy.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 24, 2025, which is the date the financial statements were available to be issued.