

GENERAL PURPOSE FINANCIAL STATEMENTS

**CITY OF DEWITT, ARKANSAS
MUNICIPAL WATERWORKS AND SEWER SYSTEM**

**Years Ended
DECEMBER 31, 2021 AND 2020**

**CITY OF DEWITT, ARKANSAS
MUNICIPAL WATERWORKS AND SEWER SYSTEM**

Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Pages</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statements of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 10

City of DeWitt, Arkansas

Municipal Waterworks and Sewer System

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue increased by approximately \$42,628 from 2020. Total operating expenses for the year 2021 increased \$86,477 from 2020. Depreciation expense decreased \$3,972. Labor and related taxes and benefits increased approximately \$2,982 in 2021 as compared to 2020. A 3% raise was given to employees in April of 2021. Repairs and Maintenance expense experienced an increase of \$65,033. Insurance was up \$3,376 in 2021 over 2020. Operating supplies and chemical expenses increased \$15,494. Utilities increased \$1,088 in 2021 as compared to 2020. Office expense increased \$5,534 in 2021. Vehicle expense increased \$3,868 in 2021. Professional services remained the same. Miscellaneous expenses decreased \$7,010 from 2020. Fees and license increased \$84 in 2021 over 2020. Interest income decreased by \$732. Bad debt, which is not included in operating expenses, increased \$4,444 in 2021.

Allen Chapman continues in the position of Manager.

After the death of John Lorick, who served as Chairman of the Commission, an Interim Chairman was appointed by the Commission for several months. As of November 9, 2020, Robert Scroggins was nominated as Chairman.

Cooper Essex, after approval by the City Council, filled the vacancy on the Commission. His term will expire December 21, 2027.

The Commission approved the purchase of a new diesel Sewer Jetter. The new machine arrived in October of 2020. After trade-in, the cost of the new machine was \$62,557.00.

The purchase of a new backhoe was also approved in 2020, but did not arrive until January, 2021. Purchase price of the 2020 Case 580NEP was \$72,472. The old backhoe, a 1987 Case 580K was sold for \$7,000.

Repairs were made on sewer mains during 2020, at a cost of \$37,140.00. Repairs to sewer pipes in 2021, done by CB Underground Utilities totaled \$47,950. Layne made pump repairs in May of 2021 which totaled \$55,890.38.

A new truck has been ordered from Petrus at a cost of \$24,367. At December 31, 2021 there was no timeline for delivery.

Office computer systems were upgraded in the last quarter of 2021, at a cost of \$6,109.

V. Arlene Castleberry

Certified Public Accountant

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INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
City of DeWitt, Arkansas
Municipal Waterworks and Sewer System
DeWitt, Arkansas

I have audited the accompanying general purpose financial statements of the City of Dewitt, Arkansas Municipal Waterworks and Sewer System (the System), a component unit of the City of DeWitt, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System'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 the accrual basis of accounting. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentations of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedure 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors
City of DeWitt, Arkansas
Municipal Waterworks and Sewer System
DeWitt, Arkansas
Page Two

Opinion on the System

In my opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of the City of DeWitt, Arkansas Municipal Waterworks and Sewer System, a component unit of the City of DeWitt, Arkansas, as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, these financial statements present only the balances and transactions that are directly attributable to the System, and are not intended to present and do not present the financial position, results of operations or cash flows of the City of DeWitt, Arkansas, or its proprietary funds. My opinion is not modified with respect to this matter.

V. Arlene Castleberry
Certified Public Accountant

March 15, 2023
Des Arc, Arkansas

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 860,164	\$ 989,205
Accounts Receivable	137,390	137,051
Supplies Inventory	54,609	54,172
Other Current Assets	<u>-</u>	<u>-</u>
Total Current Assets	<u>\$ 1,052,163</u>	<u>\$ 1,180,428</u>
Property and Equipment:		
System and Equipment	\$ 8,422,392	\$ 8,350,811
Less Accumulated Depreciation	<u>(5,690,369)</u>	<u>(5,492,853)</u>
Net Property and Equipment	<u>\$ 2,732,023</u>	<u>\$ 2,857,958</u>
Total Assets	<u><u>\$ 3,784,186</u></u>	<u><u>\$ 4,038,386</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ -	\$ 1,106
Current Portion of Long Term Liabilities	<u>3,362</u>	<u>6,724</u>
Total Current Liabilities	<u>\$ 3,362</u>	<u>\$ 7,830</u>
Long Term Liabilities:		
Meter Deposits Payable	\$ 93,746	\$ 91,019
Note Payable - John Deere Financial	3,362	10,085
Current Portion of Long Term Liabilities	<u>(3,362)</u>	<u>(6,724)</u>
Total Long Term Liabilities	<u>\$ 93,746</u>	<u>\$ 94,380</u>
Net Assets:		
Contributions in Aid of Construction	\$ 1,132,236	\$ 1,132,236
Unappropriated Net Assets	<u>2,554,842</u>	<u>2,803,940</u>
Total Net Assets	<u><u>\$ 3,687,078</u></u>	<u><u>\$ 3,936,176</u></u>
Total Liabilities and Net Assets	<u><u>\$ 3,784,186</u></u>	<u><u>\$ 4,038,386</u></u>

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

STATEMENT OF ACTIVITIES
Years Ended December 31, 2021 AND 2020

	Water	Sewer	Other	Total	
				2021	2020
Operating Revenues:					
Water Service	\$429,207			\$ 429,207	\$ 386,765
Sewer Service		\$ 174,820		174,820	171,897
Other			\$ 11,007	11,007	13,744
	<u>\$429,207</u>	<u>\$ 174,820</u>	<u>\$ 11,007</u>	<u>\$ 615,034</u>	<u>\$ 572,406</u>
Operating Expenses:					
Labor	\$ 75,255	\$ 74,822	\$ 122,086	\$ 272,163	\$ 269,883
Benefits	-	-	45,179	45,179	44,008
Insurance	-	-	37,174	37,174	33,798
Utilities	42,290	24,193	6,896	73,379	72,291
Repairs and Maintenance	63,685	63,044	3,057	129,786	64,753
Vehicle Expense	4,551	4,630	-	9,181	5,313
Chemicals	19,668	-	-	19,668	13,821
Operating Supplies	10,424	10,424	1,372	22,220	12,573
Professional Services	-	-	5,580	5,580	5,580
Office Expense	-	-	16,453	16,453	10,919
Miscellaneous	2,061	2,799	-	4,860	11,870
Payroll Taxes	5,757	5,724	8,521	20,002	20,471
Fees and License	7,398	4,373	-	11,771	11,687
Depreciation	54,956	149,560	-	204,516	208,488
Total Operating Expenses	<u>\$286,045</u>	<u>\$ 339,569</u>	<u>\$ 246,318</u>	<u>\$ 871,932</u>	<u>\$ 785,455</u>
Net Operating Revenue (Expense)	\$ 143,162	\$ (164,749)	\$ (235,311)	\$ (256,898)	\$ (213,049)
Other Revenues (Expense):					
Interest Income	\$ -	\$ -	\$ 5,084	\$ 5,084	\$ 5,816
Gain on Sale of Vehicle	3,500	3,500	-	7,000	-
Bad Debt	(3,042)	(1,242)	-	(4,284)	(8,728)
Total Other Revenues (Expense)	<u>\$ 458</u>	<u>\$ 2,258</u>	<u>\$ 5,084</u>	<u>\$ 7,800</u>	<u>\$ (2,912)</u>
Net increase (decrease) in Assets	<u>\$143,620</u>	<u>\$ (162,491)</u>	<u>\$ (230,227)</u>	<u>\$ (249,098)</u>	<u>\$ (215,961)</u>

See Accountant's Audit Report and Notes to Financial Statements

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

STATEMENT OF CHANGES IN NET ASSETS
Years Ended December 31, 2021 AND 2020

	Unappropriated Net Assets	Contributions in Aid of Construction	Total
December 31, 2019	\$ 3,019,901	\$ 1,132,236	\$ 4,152,137
2020 Net Increase (Decrease)	(215,961)		(215,961)
December 31, 2020	\$ 2,803,940	\$ 1,132,236	\$ 3,936,176
2021 Net Increase (Decrease)	(249,098)		(249,098)
December 31, 2021	\$ 2,554,842	\$ 1,132,236	\$ 3,687,078

See Accountant's Audit Report and Notes to Financial Statements

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

STATEMENT OF CASH FLOWS
Years Ended December 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities:</u>		
Net Increase (Decrease) in Net Assets	\$ (249,098)	\$ (215,961)
Adjustments to reconcile Net Increase (Decrease) to net Cash provided by (used in) operating activities:		
Depreciation	204,516	208,488
Change in Accounts Receivable	(339)	(21)
Change in Supplies Inventory	(437)	2,097
Change in Other Current Assets	-	-
Change in Accounts Payable	(1,106)	176
Change in Meter Deposits Payable	<u>2,727</u>	<u>4,779</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ (43,737)</u>	<u>\$ (442)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Property and Equipment	<u>\$ (78,581)</u>	<u>\$ (62,557)</u>
Net Cash Provided By (Used in) Investing Activities	<u>\$ (78,581)</u>	<u>\$ (62,557)</u>
<u>Cash Flows from Financing Activities:</u>		
Purchases of Property and Equipment	<u>\$ (6,723)</u>	<u>\$ (6,724)</u>
Net Cash Provided By (Used in) Financing Activities	<u>\$ (6,723)</u>	<u>\$ (6,724)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (129,041)	\$ (69,723)
Cash and Cash Equivalents at the Beginning of Year	<u>989,205</u>	<u>1,058,928</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 860,164</u></u>	<u><u>\$ 989,205</u></u>

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

Notes to Financial Statements
December 31, 2021 and 2020

Note 1: **Nature of Operations and Summary of Significant Accounting Policies**

DeWitt Municipal Waterworks and Sewer System is a component unit of the City of DeWitt, Arkansas. These financial statements are presented as an enterprise fund from the books and records of the DeWitt Municipal Waterworks and Sewer System and are not intended to present the financial position, results of operations, or cash flow of the City of DeWitt.

Basis of Accounting: These financial statements are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized as they are incurred.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flow, the company considers all certificates of deposit and all liquid cash investments with original maturities of less than three months to be cash equivalents.

Accounts Receivable: Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Property and Equipment: Property and equipment is stated at cost, or at the estimated value for assets acquired prior to historical records. Additions to the system are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Income Taxes: The City, and thus the System, is exempt from income taxes under Section 115 of the Internal Revenue Code.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

City of DeWitt, Arkansas
Municipal Waterworks and Sewer System

Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Property and Equipment:

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Sewer System	\$5,845,279	\$ 5,845,279
Machinery and Equip	220,076	184,285
Water System	1,745,785	1,745,785
Machinery and Equipment	227,825	192,035
Land	127,422	127,422
Vehicles	163,674	163,674
Furniture and Fixtures	42,335	42,335
Buildings	<u>49,996</u>	<u>49,996</u>
Total Property and Equipment	\$8,422,392	\$8,350,811
Accumulated Depreciation	<u>(5,690,369)</u>	<u>(5,492,853)</u>
Net Property and Equipment	<u><u>\$2,857,958</u></u>	<u><u>\$2,857,958</u></u>

A Sewer Jetter was purchased in October of 2020, at a cost of \$62,557.00 after trade of the old machine.

In January of 2021, the purchase of a Case CE 580N Backhoe was completed. The purchase price of the item was \$72,472.00.

In the last quarter of 2021, computers were upgraded at a cost of \$6,109.33

Note 3: Retirement:

DeWitt Municipal Waterworks contributes five percent of salary to the SAR SEPP retirement plan of eligible employees. Employees are eligible after one year of service. The maximum amount an employee could contribute for the year 2021 was \$19,500 or twenty-five percent of their salary. For the year 2021 employees over the age of 50 were allowed to make catch up contributions of an additional \$6,500. Contributions by the system totaled \$12,953 and \$11,782 for the years ended December 31, 2021 and 2020, respectively.

**City of DeWitt, Arkansas
Municipal Waterworks and Sewer System**

**Notes to Financial Statements
December 31, 2021 and 2020**

Note 4: Long Term Liabilities:

Financing was obtained from John Deere Financial for the purchase of a John Deere 4066M Utility Tractor with loader and cutter for use to maintain water and sewer right-of-ways and for maintenance. The net purchase price was \$33,582 and is payable in 60 payments of \$560.31, with 0% interest rate. Future payments are as follows:

<u>Year</u>	<u>Principal</u>
2022	3,361.76

This is the only long-term liability for the System.