

CITY OF HUTTIG, ARKANSAS
WATER AND SEWER SYSTEM
DECEMBER 31, 2021

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

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INDEPENDENT AUDITORS' REPORT

City of Huttig, Arkansas Water and Sewer System
Huttig, Arkansas 71747

Opinion

We have audited the accompanying financial statements of the City of Huttig, Arkansas Water and Sewer System, of the City of Huttig, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Huttig, Arkansas Water and Sewer System as of December 31, 2021, the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 Huttig, Arkansas 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Huttig, Arkansas 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Huttig, Arkansas 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 Huttig, Arkansas 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.

Emphasis of Matter

As discussed in Note A, the financial statements present only the City of Huttig, Arkansas Water and Sewer System and do not purport to, and do not present fairly the net position of the City of Huttig, Arkansas as of December 31, 2021 the changes in its net position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statements of Net Position; Combining Statements of Revenues, Expenses and Changes in Net Position, the Combining Statements of Cash Flows, the Statement of Revenues and Expenses and Changes in Net Position-Water System-Budget and Actual, the Statement of Revenues and Expenses and Changes in Net Position-Sewer System-Budget and Actual and is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024 on our consideration of the City of Huttig, Arkansas 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 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 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 Huttig, Arkansas, Water and Sewer System's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Wood and Wood Ltd", is positioned above the printed name.

Wood and Wood, Ltd.
Magnolia, AR

January 22, 2024

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINED STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets

Cash in Banks, Inclusive of \$3,724 Restricted Meter Deposit Fund (Note A)	\$ 113,238
Accounts Receivable-Customers, Net of Bad Debts Allowance of \$12,449	32,806
Accounts Receivable- General Fund	<u>5,685</u>
Total Current Assets	<u>\$ 151,729</u>

Restricted Assets

Cash in Bank, Net of \$3,724 Restricted Meter Deposit Fund (Note A)	\$ 15,656
Cash in Bank, ADFA Escrow Account	7,966
Cash in Bank, Depreciation Fund	<u>47,565</u>
Total Restricted Assets	<u>\$ 71,187</u>

Capital Assets (Notes A and B)

Land	\$ 15,180
Water-Sewer, Buildings, Wells and Equipment	2,802,453
Truck and Backhoe	56,699
Sewer System, Plant and Equipment	<u>621,858</u>
Total	\$ 3,496,190
Accumulated Depreciation	<u>1,317,201</u>
Net Capital Assets	<u>\$ 2,178,989</u>

Total Assets \$ 2,401,905

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable-Trade	\$ 3,007
Taxes Payable, Collected, Withheld and Accrued	4,040
Payable from Restricted Assets	
Customer Meter Deposits	15,656
Accrued Interest	2,262
Bond Payable-Current Portion	<u>21,300</u>
Total Current Liabilities	<u>\$ 46,265</u>

Long-Term Liabilities

Bond Payable-ADFA (Note E)	\$ 406,424
Total Long-Term Liabilities	<u>\$ 406,424</u>

Total Liabilities \$ 452,689

Net Position

Net Investment in Capital Assets	\$ 1,751,265
Restricted: for Depreciation Fund	47,565
Unrestricted	<u>150,386</u>
Total Net Position	<u>\$ 1,949,216</u>

Total Liabilities and Net Position \$ 2,401,905

The accompanying notes are an integral part of these financial statements.

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINED STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2021

<u>Operating Revenues</u>	
Water Sales	\$ 127,582
Sewer Sales	15,287
Other Sales	<u>5,270</u>
Total	<u>\$ 148,139</u>
<u>Operating Expenses</u>	
Salaries	\$ 67,200
Labor	250
Payroll Taxes	5,140
Office Expense	2,973
Fuel Cost-Electricity	19,695
Repairs and Supplies	57,709
Laboratory Expense	3,550
Vehicle Expense	4,207
Travel, Meals and School	814
Accounting and Auditing	6,254
Dues, Subscriptions and Licenses	4,207
Bad Debts	17,897
General Unclassified	713
Depreciation	<u>85,118</u>
Total Operating Expenses	<u>\$ 275,727</u>
Operating Income or (Loss) Prior to Transfers and Non-Operating Revenues (Expenses)	<u>\$ (127,588)</u>
<u>Transfers In-Out</u>	
Proceeds from Allocated Special Sales Tax	<u>\$ 47,788</u>
Total Transfers In-Out	<u>\$ 47,788</u>
Income or (Loss) Prior to Non-Operating Revenues (Expenses)	<u>\$ (79,800)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	\$ 159
Interest Expense	<u>(10,974)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ (10,815)</u>
Net Income (Loss)	<u>\$ (90,615)</u>
Net Position-December 31, 2020	<u>2,039,831</u>
Net Position-December 31, 2021	<u>\$ 1,949,216</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINED STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers-Sales and Other	\$ 170,072
Cash Received from Customers-Meter Deposits	1,775
Cash Paid to Customers-Meter Deposit Refunds	(2,699)
Cash Paid to Employees for Services	(67,200)
Cash Paid for Employment Taxes	(5,117)
Cash Paid for Sales Tax Collections	(7,725)
Cash Paid for Goods and Services	(119,691)
Cash Paid for Garbage Fees	(1,134)
Cash Paid for Water Conservation Fees	(1,458)
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,177)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Proceeds from Special Sales Tax Allocation	<u>\$ 47,788</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ 47,788</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Bond Payment-Principal	\$(20,777)
Bond Payment-Interest	(11,084)
Purchase of Equipment	(6,068)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$(37,929)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Received on Cash Funds	<u>\$ 159</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 159</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$(23,159)
Cash and Cash Equivalents, Beginning of Year	<u>207,584</u>
Cash and Cash Equivalents, End of Year	<u>\$ 184,425</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income or (Loss)	\$(127,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	85,118
(Increase) Decrease in Accounts Receivable	9,551
Increase (Decrease) in Accounts Payable	784
Increase (Decrease) in Taxes Payable	(118)
Increase (Decrease) (Net) in Customers Deposits	(924)
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,177)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

NOTES TO ACCOMPANY FINANCIAL STATEMENTS
December 31, 2021

Note A: Summary of Significant Accounting Policies

The City of Huttig, Arkansas, operates under the Mayor-Council form of government. The Huttig, Arkansas Water and Sewer System are enterprise funds of the City of Huttig, Arkansas. Operations are directed by the City Council.

The accounting policies of the City of Huttig, Arkansas Water and Sewer System, are designed to conform to accounting principles generally accepted in the United States of America applicable to governmental proprietary fund types.

(1) The Reporting Entity

The City of Huttig, Arkansas Water and Sewer System, enterprise funds of the City of Huttig, Arkansas, for financial purposes, reports only on the financial position, results of operations and cash flows of the City of Huttig, Arkansas Water and Sewer System.

The City of Huttig, Arkansas Water and Sewer System does not have oversight responsibility for any other governmental unit as no other governmental entities are considered to be controlled by or dependent upon the Water and Sewer System. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment or construction of the respective governing board.

The excluded funds, account groups and other enterprise funds are examined and reported thereon by other auditors.

(2) Proprietary Fund Types-Enterprise Funds

Enterprise funds are used to account for (a) operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered 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 policy, management control, accountability or other purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the water and sewer system are charges to customers for water and sewer sales and services. Operating expenses for the water and sewer system include the cost of pumping, treating, and delivering water and sewer discharge, maintenance of equipment and lines, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(3) Basis of Accounting/Revenue Recognition

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made regardless of the measurement focus applied. The enterprise funds of the city are accounted for using the accrual basis of accounting.

The water and sewer system recognized revenue as water and sewer services are provided to customer, which happens over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average daily usage of the billing cycle immediately following the accounting period. Unbilled amounts are included in accounts receivable and operating revenues in the financial statements.

The City of Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas, applies all Governmental Accounting Standards Board pronouncements as well as the Financial Accounting Standards Board pronouncements issued, unless those pronouncements conflict with or contradict Governmental Accounting Board pronouncements.

(4) Cash and Cash Equivalents

The City of Huttig, Arkansas Water and Sewer System, enterprise funds of the City of Huttig, Arkansas, maintains cash deposits and cash equivalents; (ie; checking accounts, savings passbooks and certificates of deposit) in eligible banks within the State of Arkansas.

Generally, state laws require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations on which principal and interest are fully guaranteed by the United States of America.

For purposes of the Statement of Cash Flows, the City of Huttig, Arkansas Water and Sewer System considers checking accounts, savings accounts, mutual fund investments, and certificates of deposit of short-term duration to be cash and/or cash equivalents.

(5) Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to capital assets and long-term liabilities associated with a fund are determined by its measurement focus.

Property, plant, and equipment are valued at historical cost. Donated property, plant and equipment are valued at their estimated fair market value on the date donated.

The enterprise fund of the City of Huttig, Arkansas Water and Sewer System accounts for its property, plant, and equipment on a cost of service or "capital maintenance" measurement focus. This means that all assets or liabilities (whether current or non-current) associated with its activity are included on its statement of net position. The reported net position (net total assets) is segregated into investment in property, plant, and equipment, donated capital, and net position components.

Depreciation is provided in the enterprise fund of the City of Huttig, Arkansas Water and Sewer System in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. The estimated useful lives are as follows:

Water and Sewer System (original), Buildings, Wells and Equipment	40 years
Truck and Backhoe	10 years
Sewer System (New) Plant and Equipment	40 years

(6) Payable from Restricted Assets

The City of Huttig, Arkansas Water and Sewer System restricts certain assets for payment of meter deposits of their customers. These assets are as follows:

Cash in Bank-Meter Deposits Reserve	\$ 15,656
	<u>\$ 15,656</u>

(7) Credit Risk

The City of Huttig, Arkansas Water and Sewer System provides water and sewer services to the citizens and commercial or industrial business located in the system's service area.

(8) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B: Capital Assets

The following is a summary of the property, plant, and equipment of the City of Huttig, Arkansas Water and Sewer System as recorded December 31, 2021.

<u>Capital Assets</u>	<u>Cost</u> <u>12-31-21</u>	<u>Depreciation</u> <u>Allowance</u>	<u>Book Value</u> <u>12-31-21</u>
Land	\$ 15,180	\$	\$ 15,180
Water System	2,859,152	895,152	1,964,000
Sewer System	621,858	422,049	199,809
Total	<u>\$ 3,496,190</u>	<u>\$ 1,317,201</u>	<u>\$ 2,178,989</u>

Depreciation for the year 2021 totaled \$85,118.

The following is a summary of additions to property, plant and equipment for the year ending December 31, 2021.

	<u>Cost</u> <u>12-31-20</u>	<u>Add/Trans</u> <u>12-31-21</u>	<u>Dis/Trans</u> <u>12-31-21</u>	<u>Cost</u> <u>12-31-21</u>
Land	\$ 15,180	\$	\$	\$ 15,180
Water System	2,859,152			2,859,152
Sewer System	615,790	6,068		621,858
Total	<u>\$ 3,490,122</u>	<u>\$ 6,068</u>	<u>\$</u>	<u>\$ 3,496,190</u>

The City of Huttig, Arkansas, on June 12, 2017, issued its \$525,000 Water Revenue Bond, Series 2017A. The bond is issued to the Arkansas Development Finance Authority as part of the Arkansas Drinking Water Revolving Loan Fund, administered by the Arkansas Natural Resources Commission.

The ordinance authorizing the issuance of the bond and the Memorandum of Agreement between the parties requires that the City of Huttig, Arkansas establish a depreciation reserve to be in an amount equal to 6% of the gross monthly revenue of the water system until the fund contains at least \$210,000.

Note C: Fair Value

The carrying amount reflected in the Combined Statement of Net Position relative to cash and cash equivalents approximates the respective fair values of such accounts. The long-term debt, as presented in the statement of net position, approximates the market price of such instruments of similar circumstances.

Note D: Public Fund Deposits and Investments

State Statutes and Ordinances of the city govern the investment policies of the City of Huttig, Arkansas Water and Sewer System. Statutes do not require collateralization for demand deposits, time deposits and certificates of deposit in excess of coverage afforded by the Federal Deposit Insurance Corporation.

Obligations that may be pledged as collateral are obligations of the United States of America. However, agencies of the federal government wherein federal funds are involved generally require collateralization.

The city's deposits and investments are categorized below to indicate the risk level assumed by the city as of December 31, 2021.

Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (B) Collateralized by/with securities held by the pledging financial institutions trust department or agent in the entity's name.
- (C) Uncollateralized

Investment Categories of Credit Risk

- (1) Insured or registered securities held by the entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counter party trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the entity's name.

<u>Deposit Category</u>	<u>Water & Sewer System</u>	<u>Total Carrying Amount</u>	<u>Bank Balances</u>
Cash and Certificates-Total	\$ <u>184,125</u>	\$ <u>184,125</u>	\$ <u>186,752</u>
Cash and Certificates A		\$ 184,125	\$ 186,752
Cash and Certificates B		0	0
Cash and Certificates C		0	0
ADFA Trust Fund		0	0
		\$ <u>184,125</u>	\$ <u>186,752</u>

The financial institution issued a pledge of securities in amounts sufficient to cover the balances in excess of FDIC amounts. However, none of the securities are issued in the entity's name. The reported amounts do not consider any funds other than funds of the water and sewer systems of the City of Huttig, Arkansas.

Note E: Long-Term Liabilities-Enterprise Funds:

The long-term liabilities of the City of Huttig, Arkansas Water and Sewer Systems consist of the following bond payable as of December 31, 2021. All assets of the system are pledged to secure the liabilities.

ADFA Bond Series 2017A at 1.5% interest rate in the amount of \$525,000. Payable over a period of 20 years beginning October 15, 2020.

The long-term liabilities transactions relative to the ADFA Bond payable are as follows:

ADFA Bond Payable; January 1, 2021	\$ 448,501
Borrowings	0
Principal Payments	<u>20,777</u>
Balance, December 31, 2021	<u>\$ 427,724</u>

The annual requirements to amortize the ADFA bond payable, is as follows:

Year Ending December 31	Payment Amount	Servicing Fee	Loan Interest	Principal Payment
2022	\$ 31,861	\$ 4,224	\$ 6,337	\$ 21,300
2023	31,861	4,010	6,015	21,836
2024	31,861	3,790	5,686	22,385
2025	31,860	3,565	5,348	22,947
2026	31,860	3,334	5,001	23,525
2027-2031	159,303	12,998	19,497	126,808
2032-2036	159,303	6,288	9,434	143,581
2037-2040	<u>46,464</u>	<u>449</u>	<u>673</u>	<u>45,342</u>
	<u>\$ 524,373</u>	<u>\$ 38,658</u>	<u>\$ 57,991</u>	<u>\$ 427,724</u>

Note F: Insurance Coverage

Property Insurance-Arkansas Municipal League:

Policy Period: April 20, 2021, through April 20, 2022, covering the certain fixed property of the City of Huttig, Arkansas and the City of Huttig, Arkansas Water and Sewer System. The policy contains a provision for a deductible of \$5,000 on each property.

Vehicle Coverage-Arkansas Municipal League:

Policy Period: January 27, 2021, through January 26, 2022, covering the trucks, tractors, automobiles, and related equipment, (collision and liability coverage) of the City of Huttig, Arkansas Water and Sewer System. The policy contains a provision for a deductible of \$500 on each property including both collision and liability coverage.

Workmen's Compensation-Arkansas Municipal League:

Policy period: January 1, 2021, through December 31, 2021, Statutory Coverage as required by the State of Arkansas

Fidelity Bond Coverage-Governmental Bonding Board-Fidelity Bond Trust

Policy Period: January 1, 2021, through December 31, 2021. Fidelity Bond (Self-insured trust) established by Act 728 of 1987. Coverage: all employees of the city, \$250,000 with \$1,000 deductible.

All insurance costs relative to the City of Huttig, Arkansas Water and Sewer System were paid by the City of Huttig, Arkansas General Fund.

Note H: Management Review

The management of the City of Huttig, Arkansas Water and Sewer System has evaluated subsequent events through January 22, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINING STATEMENT OF NET POSITION
December 31, 2021

ASSETS

	<u>Water System</u>	<u>Sewer System</u>	<u>Combined</u>
<u>Current Assets</u>			
Cash in Banks, Inclusive of \$3,724 Restricted			
Meter Deposits Fund	\$ 111,500	\$ 1,738	\$ 113,238
Accounts Receivable-Customers	23,397	9,409	32,806
Accounts Receivable-General Fund	<u>5,685</u>		<u>5,685</u>
Total Current Assets	<u>\$ 140,582</u>	<u>\$ 11,147</u>	<u>\$ 151,729</u>
<u>Restricted Assets</u>			
Cash in Bank, Net of \$3,724 Restricted Meter Deposits	\$ 15,656	\$	\$ 15,656
Cash in Bank, ADFA Escrow Account	7,966		7,966
Cash in Bank, Depreciation Fund	<u>47,565</u>		<u>47,565</u>
Total Restricted Assets	<u>\$ 71,187</u>	<u>\$</u>	<u>\$ 71,187</u>
<u>Capital Assets</u>			
Land	\$	\$ 15,180	\$ 15,180
Water-Sewer, Buildings, Wells & Equipment	2,802,453		2,802,453
Trucks and Backhoe	56,699		56,699
Sewer System, Plant and Equipment		<u>621,858</u>	<u>621,858</u>
Total	<u>\$ 2,859,152</u>	<u>\$ 637,038</u>	<u>\$ 3,496,190</u>
Accumulated Depreciation	<u>895,152</u>	<u>422,049</u>	<u>1,317,201</u>
Net Capital Assets	<u>\$ 1,964,000</u>	<u>\$ 214,989</u>	<u>\$ 2,178,989</u>
 Total Assets	 <u>\$ 2,175,769</u>	 <u>\$ 226,136</u>	 <u>\$ 2,401,905</u>

LIABILITIES AND NET POSITION

<u>Current Liabilities</u>			
Accounts Payable-Trade	\$ 1,103	\$ 1,904	\$ 3,007
Taxes Payable, Collected, Withheld and Accrued	4,040		4,040
Payable from Restricted Assets			
Customer Meter Deposits	15,656		15,656
Accrued Interest	2,262		2,262
Bond Payable-Current Portion	<u>21,300</u>		<u>21,300</u>
Total Current Liabilities	<u>\$ 44,361</u>	<u>\$ 1,904</u>	<u>\$ 46,265</u>
<u>Long Term Liabilities</u>			
Bond Payable-ADFA	<u>\$ 406,424</u>	<u>\$</u>	<u>\$ 406,424</u>
Total Long-Term Liabilities	<u>\$ 406,424</u>	<u>\$</u>	<u>\$ 406,424</u>
 Total Liabilities	 <u>\$ 450,785</u>	 <u>\$ 1,904</u>	 <u>\$ 452,689</u>
<u>Net Position</u>			
Investment in Capital Assets	\$ 1,536,276	\$ 214,989	\$ 1,751,265
Restricted: for Depreciation Fund	47,565		47,565
Unrestricted	<u>141,143</u>	<u>9,243</u>	<u>150,386</u>
Total Net Position	<u>\$ 1,724,984</u>	<u>\$ 224,232</u>	<u>\$ 1,949,216</u>
 Total Liabilities and Net Position	 <u>\$ 2,175,769</u>	 <u>\$ 226,136</u>	 <u>\$ 2,401,905</u>

See Independent Auditors' Report

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2021

	<u>Water System</u>	<u>Sewer System</u>	<u>Combined</u>
<u>Operating Revenues</u>			
Water Sales	\$ 127,582		\$ 127,582
Sewer Sales		15,287	15,287
Other Sales	5,270		5,270
Total Operating Income	<u>\$ 132,852</u>	<u>\$ 15,287</u>	<u>\$ 148,139</u>
<u>Operating Expenses</u>			
Salaries	\$ 67,200	\$	\$ 67,200
Labor	250		250
Payroll Taxes	5,140		5,140
Office Expense	2,973		2,973
Fuel Cost-Electricity	9,263	10,432	19,695
Repairs and Supplies	29,959	27,750	57,709
Laboratory Expenses		3,550	3,550
Vehicle Expense	4,207		4,207
Travel, Meals and School		814	814
Accounting and Auditing	3,127	3,127	6,254
Dues, Subscriptions and Licenses	4,207		4,207
Bad Debts	17,897		17,897
General Unclassified	506	207	713
Depreciation	65,899	19,219	85,118
Total Operating Expenses	<u>\$ 210,628</u>	<u>\$ 65,099</u>	<u>\$ 275,727</u>
Operating Income or (Loss) Prior to Transfers & Non-Op	<u>\$ (77,776)</u>	<u>\$ (49,812)</u>	<u>\$ (127,588)</u>
<u>Transfers In-Out</u>			
Proceeds from Allocated Special Sales Tax	\$ 13,150	\$ 34,638	\$ 47,788
Total Transfers In-Out	<u>\$ 13,150</u>	<u>\$ 34,638</u>	<u>\$ 47,788</u>
Income or (Loss) Prior to Non-Operating Rev (Exp)	<u>\$ (64,626)</u>	<u>\$ (15,174)</u>	<u>\$ (79,800)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	\$ 159	\$ 0	\$ 159
Interest Expense	(10,974)		(10,974)
Total Non-Operating Revenues (Expenses)	<u>\$ (10,815)</u>	<u>\$ 0</u>	<u>\$ (10,815)</u>
Net Income (Loss)	<u>\$ (75,441)</u>	<u>\$ (15,174)</u>	<u>\$ (90,615)</u>
Net Position, December 31, 2020	<u>1,800,425</u>	<u>239,406</u>	<u>2,039,831</u>
Net Position, December 31, 2021	<u>\$ 1,724,984</u>	<u>\$ 224,232</u>	<u>\$ 1,949,216</u>

See Independent Auditors' Report

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

	Water System	Sewer System	Combined
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers-Sales and Other	\$ 157,569	\$ 12,503	\$ 170,072
Cash Received from Customers-Meter Deposits	1,775		1,775
Cash Paid to Customers-Meter Deposits Refunds	(2,699)		(2,699)
Cash Paid to Employees for Services	(67,200)		(67,200)
Cash Paid for Employment Taxes	(5,117)		(5,117)
Cash Paid for Sales Tax Collections	(7,725)		(7,725)
Cash Paid for Goods and Services	(74,287)	(45,404)	(119,691)
Cash Paid for Garbage Fees	(1,134)		(1,134)
Cash Paid for Water Conservation Fee	(1,458)		(1,458)
Net Cash Provided (Used) by Operating Activities	<u>\$(276)</u>	<u>\$(32,901)</u>	<u>\$(33,177)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>			
Proceeds from Allocated Special Sales Tax	\$ 13,150	\$ 34,638	\$ 47,788
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ 13,150</u>	<u>\$ 34,638</u>	<u>\$ 47,788</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Bond Payment - Principal	\$(20,777)	\$	\$(20,777)
Bond Payment-Interest	(11,084)		(11,084)
Purchase of Equipment		(6,068)	(6,068)
Net Cash Provided (Used) by Capital And Related Financing Activities	<u>\$(31,861)</u>	<u>\$(6,068)</u>	<u>\$(37,929)</u>
<u>Cash Flows from Investing Activities</u>			
Interest Received on Cash Funds	\$ 159	\$	\$ 159
Net Cash Provided (Used) by Investing Activities	<u>\$ 159</u>	<u>\$</u>	<u>\$ 159</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$(18,828)	\$(4,331)	\$(23,159)
Cash and Cash Equivalents, Beginning of Year	<u>201,515</u>	<u>6,069</u>	<u>207,584</u>
Cash and Cash Equivalents, End of Year	<u>\$ 182,687</u>	<u>\$ 1,738</u>	<u>\$ 184,425</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$(77,776)	\$(49,812)	\$(127,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	65,899	19,219	85,118
(Increase) Decrease in Accounts Receivable	12,335	(2,784)	9,551
Increase (Decrease) in Accounts Payable	308	476	784
Increase (Decrease) in Taxes Payable	(118)		(118)
Increase (Decrease) (Net) in Customer Meter Deposits	(924)		(924)
Net Cash Provided (Used) by Operating Activities	<u>\$(276)</u>	<u>\$(32,901)</u>	<u>\$(33,177)</u>

See Independent Auditors' Report

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
WATER SYSTEM-BUDGET AND ACTUAL
For the year ended December 31, 2021

	Budget	Actual	Favorable (Unfavorable)
<u>Operating Revenues</u>			
Sales-Water and Other	\$ 120,400	\$ 132,852	\$ 12,452
Total Operating Revenues	<u>\$ 120,400</u>	<u>\$ 132,852</u>	<u>\$ 12,452</u>
<u>Operating Expenses</u>			
Salaries	\$ 67,400	\$ 67,450	\$(50)
Payroll Taxes	5,100	5,140	(40)
Office Expense	4,000	2,973	1,027
Fuel Cost-Electricity	8,000	9,263	(1,263)
Repairs and Maintenance	10,000	29,959	(19,959)
Vehicle Expense and Travel	6,000	4,207	1,793
Accounting and Auditing		3,127	(3,127)
Dues and Fees	400	4,207	(3,807)
Bad Debts		17,897	(17,897)
Unclassified and Insurance	7,000	506	6,494
Depreciation	9,500	65,899	(56,399)
Total Operating Expenses	<u>\$ 117,400</u>	<u>\$ 210,628</u>	<u>\$(93,228)</u>
Operating Income or (Loss) Prior to Transfers In-Out	<u>\$ 3,000</u>	<u>\$(77,776)</u>	<u>\$(80,776)</u>
<u>Transfers</u>			
Allocated Sales Tax and Miscellaneous	\$	\$ 13,150	\$ 13,150
Total Transfers In-Out	<u>\$</u>	<u>\$ 13,150</u>	<u>\$ 13,150</u>
Income or (Loss) Prior to Non-Operating Revenue (Expense)	<u>\$ 3,000</u>	<u>\$(64,626)</u>	<u>\$(67,626)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	\$	\$ 159	\$ 159
Interest Expense	<u></u>	<u>(10,974)</u>	<u>(10,974)</u>
Total Non-Operating Revenues (Expenses)	<u>\$</u>	<u>\$(10,815)</u>	<u>\$(10,815)</u>
Net Income (Loss)	\$ 3,000	\$(75,441)	\$(78,441)
Net Position, December 31, 2020	<u>1,800,425</u>	<u>1,800,425</u>	<u>0</u>
Net Position, December 31, 2021	<u>\$ 1,803,425</u>	<u>\$ 1,724,984</u>	<u>\$(78,441)</u>

See Independent Auditors' Report

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
SEWER SYSTEM-BUDGET AND ACTUAL
For the year ended December 31, 2021

	Budget	Actual	Favorable (Unfavorable)
<u>Operating Revenues</u>			
Sales-Sewer and Other	\$ 12,000	\$ 15,287	\$ 3,287
Total Operating Revenues	<u>\$ 12,000</u>	<u>\$ 15,287</u>	<u>\$ 3,287</u>
<u>Operating Expenses</u>			
Fuel Costs-Electricity	\$ 5,500	\$ 10,432	\$(4,932)
Office Expense and Other	0	4,148	(4,148)
Repairs and Maintenance	3,000	27,750	(24,750)
Laboratory Expense	3,000	3,550	(550)
Depreciation	0	19,219	(19,219)
Total Operating Expenses	<u>\$ 11,500</u>	<u>\$ 65,099</u>	<u>\$(53,599)</u>
Operating Income or (Loss) Prior to Transfers In-Out	<u>\$ 500</u>	<u>\$(49,812)</u>	<u>\$(50,312)</u>
<u>Transfers</u>			
Allocated Special Sales Tax and Miscellaneous	\$	\$ 34,638	\$ 34,638
Total Transfers In-Out	<u>\$</u>	<u>\$ 34,638</u>	<u>\$ 34,638</u>
Income or Loss Prior to Non-Operating Income (Expenses)	<u>\$ 500</u>	<u>\$(15,174)</u>	<u>\$(15,674)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	\$	\$ 0	\$
Total Non-Operating Revenues (Expenses)	<u>\$</u>	<u>\$ 0</u>	<u>\$</u>
Net Income (Loss)	\$ 500	\$(15,174)	\$(15,674)
Net Position-December 31, 2020	<u>239,406</u>	<u>239,406</u>	
Net Position-December 31, 2021	<u>\$ 239,906</u>	<u>\$ 224,232</u>	<u>\$(15,674)</u>

See Independent Auditors' Report

SUPPLEMENTARY NON-FINANCIAL INFORMATION

WOOD AND WOOD, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

K. DALE WOOD, CPA (dec'd)
WALTER D. WOOD, CPA
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INDEPENDENT AUDITORS' 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 of Huttig, Arkansas Water and Sewer System
Huttig, Arkansas 71747

We have audited, 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, the financial statements of the City of Huttig, Arkansas Water and Sewer System, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City of Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas's basic financial statements, and have issued our report thereon dated January 22, 2024.

Internal Control over Financial Reporting

In planning and performing our audit, we considered, the City of Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas' internal control over financial reporting to determine the 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 Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas' 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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 21-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huttig, Arkansas Water and Sewer System of the City of Huttig, Arkansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

A handwritten signature in black ink, appearing to read "Wood and Wood, Ltd.", is positioned above the printed name of the firm.

Wood and Wood, Ltd.
Magnolia, AR

January 22, 2024

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2021

Section I-Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued:	Unqualified
Internal Control over Financial Reporting:	
Material Weaknesses Identified?	No
Significant Deficiency Identified, Not Considered A Material Weakness	Yes
Noncompliance Material to Financial Statements Noted?	No

Section II-Financial Statement Findings

Item No. 21-1

Condition:	Absence of appropriate segregation of duties consistent with appropriate control objective; (ie; inherent limitation due to small number of employed personnel). This is a repetitive finding.
Questioned Cost:	None
Effect:	Not Determinable
Cause:	Small Number of Employees
Recommendation:	We recommend the development of policies and procedures that would further segregate the duties of employed personnel.
Management Response:	Segregation of duties in the situation where a limited number of personnel is required is difficult. We will attempt to develop policies and procedures in this area wherever and whenever possible, without the hiring of an additional employee, which at this time is not justifiable economically.

CITY OF HUTTIG, ARKANSAS WATER AND SEWER SYSTEM
Enterprise Funds of the City of Huttig, Arkansas

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
December 31, 2020

Financial Statements Findings

Condition:	During our engagement it was noted that the absence of appropriate segregation of duties consistent with appropriate control objectives, ie, inherent limitation due to a small number of employed personnel.
Questioned Cost:	None
Response:	This finding is a repetitive finding. The condition is inherent. The hiring of additional personnel to meet or attain control objectives is not cost effective.