

**POTTSVILLE MUNICIPAL WATER AND SEWER
DEPARTMENT
DECEMBER 31, 2021 AND 2020**

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

**City Council and Management
Pottsville Municipal Water and Sewer Department
Pottsville, Arkansas**

We have audited the accompanying financial statements of Pottsville Municipal Water and Sewer Department (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pottsville Municipal Water and Sewer Department as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on page 11 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 September 23, 2022, on our consideration of the Department's internal control over financial reporting and on compliance and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and other matters and not to provide an opinion on the internal control over financial reporting or on compliance or other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
September 23, 2022

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

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 289,278	\$ 141,137
Restricted	304,342	279,964
Accounts Receivable - Net	81,121	93,151
	<u>674,741</u>	<u>514,252</u>
Property And Equipment		
Water System	2,489,453	2,420,080
Sewer System	3,814,718	3,733,981
Buildings	274,173	269,436
Automobiles and Equipment	311,800	252,341
Office Equipment	72,226	72,226
Land	112,083	112,083
	<u>7,074,453</u>	<u>6,860,147</u>
Less: Accumulated Depreciation	3,528,293	3,309,407
	<u>3,546,160</u>	<u>3,550,740</u>
	<u>4,220,901</u>	<u>4,064,992</u>

LIABILITIES

Accounts Payable	26,330	23,500
Accrued Expenses	8,196	10,044
Customer Deposits	102,286	101,821
Long-term Liabilities (Note 3)		
Due Within 1 Year	170,000	165,000
Due in More Than 1 Year	2,620,000	2,675,000
	<u>2,926,812</u>	<u>2,975,365</u>

NET POSITION

Unrestricted Net Assets	1,092,033	911,484
Restricted Net Assets	202,056	178,143
	<u>1,294,089</u>	<u>1,089,627</u>
	<u>\$ 4,220,901</u>	<u>\$4,064,992</u>

See Independent Auditors' Report and Notes to Financial Statements

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

OPERATING REVENUES

	<u>2021</u>	<u>2020</u>
Water and Sewer Revenues	\$ 634,520	\$ 649,543
Hook-up Fees and Other Income	404,999	384,535
Interest Income	841	2,687
Cares Act Income	343,846	0
	<u>1,384,206</u>	<u>1,036,765</u>

OPERATING EXPENSES

Water Purchases	229,839	154,531
Salaries	228,720	178,437
Utilities	69,164	60,463
Auto	13,965	13,382
Insurance	36,376	34,600
Supplies and Maintenance	156,583	174,232
Office Supplies and Postage	36,420	51,391
Taxes and Permits	18,679	15,849
Depreciation	218,886	180,587
Professional Fees	8,000	7,700
Retirement Expense	26,768	24,729
Miscellaneous	58,209	26,228
	<u>1,101,609</u>	<u>922,129</u>
Operating Income	282,597	114,636
Interest Expense	<u>(78,135)</u>	<u>(81,338)</u>
INCREASE IN NET POSITION	204,462	33,298
NET POSITION, BEGINNING OF YEAR	<u>1,089,627</u>	<u>1,056,329</u>
NET POSITION, END OF YEAR	<u>\$ 1,294,089</u>	<u>\$ 1,089,627</u>

See Independent Auditors' Report and Notes to Financial Statements

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 204,462	\$ 33,298
Adjustments to Reconcile Change in Net Income to Net Cash Provided by Operating Activities:		
Depreciation	218,886	180,587
(Increase) Decrease:		
Accounts Receivable	12,030	(6,495)
Increase (Decrease):		
Accounts Payable	2,830	3,188
Accrued Expenses	(1,848)	(4,356)
Customer Deposits	465	(53,922)
Total Adjustments	<u>232,363</u>	<u>119,002</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>436,825</u>	<u>152,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(214,306)	(351,828)
NET CASH USED BY INVESTING ACTIVITIES	<u>(214,306)</u>	<u>(351,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) Decrease in Bonds Payable	0	(135,000)
Proceeds from Bonds Payable - Series 2021	2,715,000	0
Repayment of Bonds Payable	(2,765,000)	0
Loans from General Fund	0	100,066
NET CASH USED BY FINANCING ACTIVITIES	<u>(50,000)</u>	<u>(34,934)</u>
NET INCREASE (DECREASE) IN CASH	172,519	(234,462)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>421,101</u>	<u>655,563</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 593,620</u></u>	<u><u>\$ 421,101</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	<u>\$ 79,963</u>	<u>\$ 82,663</u>
Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 289,278	\$ 141,137
Restricted Cash	304,342	279,964
	<u><u>\$ 593,620</u></u>	<u><u>\$ 421,101</u></u>

See Independent Auditors' Report and Notes to Financial Statements

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pottsville Municipal Water and Sewer Department is a municipal corporation governed by an elected Mayor-Council form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board (GASB) Statement No. 14 have been considered. These financial statements represent only the Water and Sewer Department ("the Department") fund and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Fund Accounting

The accounts of the City 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. Government 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 Department are grouped in the financial statements into one fund type and one generic fund as follows:

Organization

Enterprise funds-Enterprise Funds are used 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.

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. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

Under this basis of accounting and measurement focus, the Department applies all Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) statements and interpretations issued after November 30, 1989 developed for business enterprises. The Department does not apply FASB ASC statements and interpretations whose provisions are limited to not-for-profit organizations or address issues concerning primarily such organizations.

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 purposes of the Statements of Cash Flows, cash and cash equivalents include "Cash and cash equivalents" and "Restricted Assets-Cash and cash equivalents".

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Regulatory Environment

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

Income Tax

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

Depreciation

Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	<u>Years</u>
Water and sewer system	40
Building	40
Automobiles and equipment	5
Office equipment	5

Property and Equipment

	<u>Balance</u> <u>12-31-2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-2021</u>
Land	\$ 112,083	\$		\$ 112,083
Water System	2,420,080	39,373		2,489,453
Sewer System	3,733,981	80,737		3,814,718
Vehicles	252,341			311,800
Office Equipment	72,226			72,226
Building	269,436	4,737		274,173
	<u>\$ 6,860,147</u>	<u>\$ 351,828</u>		<u>\$ 7,074,453</u>

Fair Value of Financial Instruments

The Department's financial instruments include cash, cash equivalents and trade securities. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Capitalization of Interest Costs

The Department capitalizes interest costs as part of the total acquisition costs of construction related to the addition to and/or improvement of facilities. Interest costs capitalized include only the interest incurred during the construction period on debt used to finance the project. The interest capitalization period commences with the first expenditure for the project and continues until the constructed project is substantially complete and ready for its intended use, at which time interest capitalization ceases.

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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. 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.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash balance is composed of unrestricted and restricted funds as follows:

	<u>2021</u>	<u>2020</u>
<u>Unrestricted</u>		
Water system operating fund	<u>\$ 289,278</u>	<u>\$ 141,137</u>
<u>Restricted</u>		
Depreciation fund	29,122	29,122
Bond debt service fund	172,934	149,021
Meter deposit fund	<u>102,286</u>	<u>101,821</u>
	<u>304,342</u>	<u>279,964</u>
	<u>\$ 593,620</u>	<u>\$ 421,101</u>

NOTE 3: LONG-TERM DEBT

Long-term debt at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
City of Pottsville Arkansas Water & Sewer Refunding and Improvement Revenue Bonds – Series 2021		
Interest ranges from 2.0% to 3.25% and are payable semiannually on June 1 and December 1. The bonds are subject to a mandatory sinking fund redemption by lot in such manner as the trustee shall determine on December 1 of each year until December 1, 2039 when the full redemption is due.	<u>\$ 2,690,000</u>	<u>\$ 2,740,000</u>
City of Pottsville – General Fund – Building	<u>100,000</u>	<u>100,000</u>
	<u>2,790,000</u>	<u>2,840,000</u>
Less: Current maturities	<u>170,000</u>	<u>165,000</u>
	<u>\$ 2,620,000</u>	<u>\$ 2,675,000</u>

In October 2021, the City issued the City of Pottsville, Arkansas Water And Sewer Refunding Revenue Bonds Series 2021 in the amount of \$2,715,000. The proceeds of the bond issue, after payment of issuance and underwriter discount, were used to payoff the Series 2016 bond issue. Bond issuance costs of \$44,169 are expensed in the current period.

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 3: LONG-TERM DEBT (continued)

The principal and interest payments due on long-term debt for the years succeeding December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 170,000	\$ 44,950	\$ 214,950
2023	175,000	41,550	216,550
2024	180,000	38,050	218,050
2025	185,000	34,450	219,450
2026	185,000	33,063	218,063
Thereafter	<u>1,895,000</u>	<u>166,687</u>	<u>2,061,687</u>
	<u>\$ 2,790,000</u>	<u>\$ 358,750</u>	<u>\$ 3,148,750</u>

NOTE 4: SCHEDULE OF RATES

Monthly Water Rates:

Inside City Limits

- a. Minimum charge on first 1,000 gallons, \$20.00.
- b. Charge of \$3.41 per 1,000 gallons for the next 5,000 gallons.
- c. Charge of \$2.89 per 1,000 gallons for the next 4,000 gallons.
- d. Charge of \$2.36 per 1,000 gallons for the usage over 10,000 gallons.

Outside City Limits

- a. Minimum charge on first 1,000 gallons, \$24.00.
- b. Charge of \$4.20 per 1,000 gallons for the next 5,000 gallons.
- c. Charge of \$3.68 per 1,000 gallons for the next 4,000 gallons.
- d. Charge of \$2.63 per 1,000 gallons for the usage over 10,000 gallons.

Monthly Sewer Rates:

- a. Minimum charge on first 1,000 gallons, \$15.00.
- b. Charge of \$4.20 per 1,000 gallons for the next 5,000 gallons.
- c. Charge of \$3.68 per 1,000 gallons for the next 4,000 gallons.
- d. Charge of \$2.63 per 1,000 gallons for the usage over 10,000 gallons.

NOTE 5: INSURANCE COVERAGE

Company: Arkansas Municipal League
Policy No.: 03250
Expiration: 12-19-22
Coverage: Water and sewer buildings, and equipment - \$1,926,000

Company: Arkansas Municipal League
Policy No.: 03250
Expiration: 11-08-22
Coverage: Automobile liability and physical damage

Company: Arkansas Fidelity Bond Trust Fund
Policy No.: FBTF12
Expiration: 06-30-22
Coverage: \$300,000

Company: Municipal League Worker's Compensation Trust
Policy: Workers compensation
Expiration: 12-31-21

JONES and LAWTON, CPAs, P.A.
A PROFESSIONAL ASSOCIATION
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POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6: RETIREMENT PLAN

The Department maintains a 403(b) Retirement Plan administered by the Arkansas Public Retirement System. All employees who choose to participate are required to make a 5% salary reduction contribution to the Plan. The Department makes a contribution of 15.32% of salary. The Department contributions for 2021 and 2020 were \$26,768 and \$24,729 respectively.

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

POTTSVILLE MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

Pottsville Municipal Water and Sewer Department 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 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 changed during the most recent and current years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

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

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

Financial Analysis of the Department

The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$1,294,089 (net position).

Total assets amounted to \$4,220,901 consisting of net capital assets of \$3,546,160 and other assets of \$674,741. Total assets increased by \$155,909 during the current fiscal year. This change was due to an increase in capital assets of \$214,306, a net increase in other assets of \$160,489, offset by an increase in accumulated depreciation of \$218,886.

Total liabilities amounted to \$2,926,089 consisting of long-term liabilities of \$2,790,000 and other liabilities of \$136,812. Total liabilities decreased by \$48,553 during the current fiscal year. \$50,000 of this change was due to net decrease in long term debt, and a net increase in other liabilities of \$1,447.

The Department experienced an increase in total cash in the amount of \$172,519 during the current year. This increase consisted of an increase in unrestricted cash in the amount of \$148,141 and an increase in restricted cash in the amount of \$24,378.

Economic Factors

The Department indicated no changes due to current economic factors.

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 Pottsville Municipal Water and Sewer, 173 E Ash Street, Pottsville, Arkansas 72858.

JONES and LAWTON, CPAs, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council and Management
Pottsville Municipal Water and Sewer Department
Pottsville, Arkansas

We have audited the financial statements of Pottsville Municipal Water and Sewer Department as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated September 23, 2022. The report on the Department as of and for the years ended December 31, 2021 and 2020 was qualified because the Department elected not to implement GASB Statement No. 34. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

Segregation of Duties

A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute and record the same transaction. Due to having a limited number of personnel to handle accounting functions, some duties and functions performed are contrary to ideal control procedures. However, the Department has attempted to segregate duties to the extent management feels possible with the limited number of staff available.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

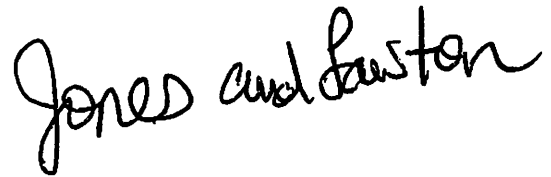
Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Purpose of this Report

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 and is intended for the information and use of management and the City Council of Pottsville, Arkansas. Accordingly, this report is not intended to be, and should not be, used by anyone other than these specified parties, for any other purposes.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
September, 23, 2022

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