

**CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
ACCOUNTANT'S REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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Independent Auditor's Report

Mayor and City Council
City of Altheimer Water and Sewer Department

Opinion

I have audited the financial statements of City of Altheimer Water and Sewer Department, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Altheimer Water and Sewer Department as of December 31, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of City of Altheimer Water and Sewer Department and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 if required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Altheimer Water and Sewer Department ability to continue as a going concern within one year from the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS 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 GAAS, I:

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 City of Altheimer Water and Sewer Department 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Altheimer Water and Sewer Department's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 14, 2023 on my consideration of the City of Altheimer Water and Sewer Department internal control over financial reporting and on my 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 my 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 Altheimer Water and Sewer Department internal control over financial reporting and compliance.



Alan K. Minor
Certified Public Accountant

November 14, 2023

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

CASH IN BANK - CHECKING (SIMMONS 4370 & 4265)	21,470	
CASH IN BANK - CHECKING (FBT 1045)	709,088	
ACCOUNTS RECEIVABLE	190,199	
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	<u>-95,720</u>	
TOTAL CURRENT ASSETS	<u>94,479</u>	825,037

RESTRICTED ASSETS

CERTIFICATE OF DEPOSIT - 101617108	66,018	
CERTIFICATE OF DEPOSIT - 142554 - DEBT SERV. RESERVE	14,964	
CHECKING - 11760201 - DEBT SERV. RESERVE	15,031	
CHECKING - 4400 & 8089 - CUSTOMER DEPOSITS	<u>65,140</u>	
TOTAL RESTRICTED ASSETS		161,153

PROPERTY, PLANT AND EQUIPMENT

WATER AND SEWER SYSTEM	2,332,303	
OFFICE EQUIPMENT	<u>17,100</u>	
	2,349,403	
LESS ACCUMULATED DEPRECIATION	<u>-1,734,639</u>	
TOTAL FIXED ASSETS		<u>614,764</u>

TOTAL ASSETS		\$ <u>1,600,954</u>
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SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
CURRENT PORTION OF LONG TERM DEBT	<u>40,964</u>	
TOTAL CURRENT LIABILITIES		40,964
LONG TERM DEBT		
NOTES PAYABLE	569,030	
DUE TO GENERAL FUND	<u>410,657</u>	
TOTAL LONG TERM DEBT		979,687
OTHER LIABILITIES		
CUSTOMER DEPOSITS	<u>68,971</u>	
TOTAL OTHER DEPOSITS		68,971
NET ASSETS		
WITH RESTRICTIONS	161,153	
WITHOUT RESTRICTIONS	<u>350,179</u>	
TOTAL NET ASSETS		<u>511,332</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,600,954</u>

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022

REVENUES		
WATER	109,170	
SEWER	68,491	
GARBAGE	44,403	
GRANT	700,000	
INTEREST	716	
OTHER	<u>42,164</u>	
TOTAL REVENUES		\$ 964,944
EXPENSES		
PERSONNEL COSTS	116,598	
GARBAGE PICKUP	44,659	
FUEL	4,632	
WATER SUPPLIES	17,352	
SEWER SUPPLIES	1,067	
UTILITIES	41,701	
PROFESSIONAL SERVICES	4,500	
DEPRECIATION	58,308	
REPAIRS & MAINTENANCE	2,881	
POSTAGE	1,213	
WATER PLANT EXPENSE	8,509	
SEWER PLANT EXPENSE	7,819	
DUES & FEES	590	
INSURANCE	2,618	
INTEREST	<u>28,944</u>	
TOTAL EXPENSES		\$ <u>341,391</u>
EXCESS REVENUES OVER EXPENSES		\$ 623,553

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2022

NET ASSETS - BEGINNING OF YEAR	\$	-112,221
CURRENT YEAR EXCESS REVENUES OVER EXPENSES		<u>623,553</u>
NET ASSETS - END OF YEAR	\$	511,332

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
EXCESS REVENUES OVER EXPENSES		623,553
ADJUSTMENTS TO RECONCILE EXCESS REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	58,308	
INCREASE IN ACCOUNTS RECEIVABLE	-8,943	
INCREASE IN CUSTOMER DEPOSITS	<u>2,061</u>	
NET CASH USED BY OPERATING ACTIVITIES		<u>51,426</u> 674,979
CASH FLOWS FROM FINANCING ACTIVITIES		
DECREASE IN NOTES PAYABLE	-39,012	
INCREASE IN DUE TO GENERAL FUND	<u>35,400</u>	
NET CASH USED BY FINANCING ACTIVITIES		-3,612
NET INCREASE IN CASH		671,367
CASH, BEGINNING OF YEAR		<u>220,344</u>
CASH, END OF YEAR	\$	891,711

SUPPLEMENTAL DISCLOSURE OF INTEREST EXPENSE
INTEREST EXPENSE FOR THE YEAR WAS \$28,944.

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

City of Altheimer Water and Sewer Department renders services on a user charge basis to the general public as a component unit of the City of Altheimer, Arkansas. The financial statements presented are those of the Altheimer Water and Sewer Department only, and not the City of Altheimer. At December 31, 2022 the Altheimer Water and Sewer Department had approximately 301 users.

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 the reported amounts 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 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.

Basis of Accounting and Presentation

Revenues and expenses are recognized on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred. The organization reports its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. Net assets are shown by restricted and unrestricted components at December 31, 2022.

Property and Equipment

Property and equipment are recorded at cost. Depreciation has been computed using the straight line method with a 40 year useful life for the water and sewer system, and a 5 year useful life for equipment. Expenditures for major improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

The organization is recognized as a tax exempt component of the City of Altheimer. Accordingly, there are no income taxes reflected in the accompanying financial statements. The organization's tax forms and returns for the years ended December 31, 2020 to 2022 are subject to examination by federal authorities.

Cash and Cash Equivalents

The organization considers all highly liquid investments available for current use with original maturities of three months or less to be cash equivalents. At December 31, 2022 cash and cash equivalents consisted of demand deposits which were FDIC insured.

Accounts Receivable

Accounts receivable are reported at net realizable value after allowance for doubtful accounts.

NOTE 2: RESTRICTED ASSETS

In accordance with the terms of loan agreements with the United States Department of Agriculture (USDA), the City of Altheimer Water and Sewer Department maintains a separate bank account for water and sewer reserves. Customer meter deposits and funds designated for repayment of the loans from Arkansas Natural Resources are also held in separate restricted bank accounts.

NOTE 3: Notes Payable

Notes payable consisted of the following at December 31, 2022:

	<u>Balance</u>
4.5% note payable to United States Department of Agriculture, due in monthly installments of \$2,955, beginning June 1, 1996, through the year 2035, secured by property, plant and equipment, an pledge of future revenues.	\$ 323,325
4.5% note payable to United States Department of Agriculture, due in monthly installments of \$176, beginning June 1, 1996, through the year 2035, secured by property, plant and equipment, and pledge of future revenues.	18,572

4.5% note payable to United States Department of Agriculture due in monthly installments of \$1,499, beginning May 17, 2000, through the year 2039, secured by improvements to water system and pledge of future revenues.	205,165
5% note payable to Arkansas Natural Resources Commission, first payment of principal and interest of \$12,397 annually due beginning December 1, 2009, secured by water plant improvements.	<u>62,932</u>
Total	609,994
Less: Current Portion	<u>-40,964</u>
Long Term Debt – Notes Payable	\$ 569,030

5 year maturities of long term debt include \$40,964 for 2023, 43,676 for 2024, 45,784 for 2025, 47,994 for 2026, 48,104 for 2027 and \$383,472 thereafter.

NOTE 4: CONCENTRATIONS

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. During the year ended December 31, 2022 73% of the organization's revenues came from a nonrecurring grant.

NOTE 5: SUBSEQUENT EVENTS

The organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through the date of the audit report. There were no identified subsequent events that require recognition or disclosure in the financial statements.

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

Mayor and City Council
City of Altheimer Water and Sewer Department

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Altheimer Water and Sewer Department as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Altheimer Water and Sewer Department's basic financial statements, and have issued my report thereon dated November 14, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Altheimer Water and Sewer Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Altheimer Water and Sewer Department internal control. Accordingly, I do not express an opinion on the effectiveness of City of Altheimer Water and Sewer Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Altheimer Water and Sewer Department's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Alan K. Minor
Certified Public Accountant

November 14, 2023