

CITY OF ATKINS WATER AND SEWER SYSTEM  
JUNE 30, 2022 AND 2021

**CITY OF ATKINS, ARKANSAS**  
**WATER AND SEWER SYSTEM**  
**JUNE 30, 2022 AND 2021**

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# JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA  
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552  
FAX (479) 968-8855

## INDEPENDENT AUDITOR'S REPORT

City Council and Management  
City of Atkins Water and Sewer System  
Atkins, Arkansas

### Opinions

We have audited the accompanying financial statements of the City of Atkins Water and Sewer System as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City of Atkins Water and Sewer System's basic 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 City of Atkins Water and Sewer System, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Atkins 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 opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Atkins 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 opinions. 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 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, 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 Atkins 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 Atkins 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.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
December 10, 2022



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents: (Note 2)		
Unrestricted	\$ 559,291	\$ 581,423
Restricted	1,647,220	1,814,337
Accounts Receivable (Net of Allowance \$14,000) (Note 3)	131,315	161,398
Prepaid Expenses	35,191	31,925
Property and Equipment, at cost (Note 4)		
Land	277,566	277,566
Water Supply	1,387,199	1,387,199
Water Treatment Plant	6,386,576	6,358,402
Water Distribution	3,302,946	3,296,033
Water Service	378,312	378,312
Sewer Treatment Plants	3,303,220	3,286,103
Sewer Collection	679,660	675,972
Office Furniture and Equipment	46,166	60,811
Vehicles and Equipment	269,544	299,563
Buildings	77,710	77,710
Construction in Progress	2,600,984	904,874
	<u>18,709,883</u>	<u>17,002,545</u>
Less: Accumulated Depreciation	8,345,831	8,039,464
	<u>10,364,052</u>	<u>8,963,081</u>
	<u>12,737,069</u>	<u>11,552,164</u>

**LIABILITIES**

Accounts Payable	69,477	50,661
Accrued Expenses	14,060	12,260
Customer Deposits	145,644	139,888
Long-term Liabilities: (Note 5)		
Due Within 1 Year	50,000	50,000
Due in More Than 1 Year	1,955,000	2,005,000
	<u>2,234,181</u>	<u>2,257,809</u>

**NET POSITION**

Invested in Capital Assets	8,355,766	6,904,739
Restricted Net Assets	1,501,576	1,674,449
Unrestricted Net Assets	645,546	715,167
	<u>10,502,888</u>	<u>9,294,355</u>
	<u>\$ 12,737,069</u>	<u>\$ 11,552,164</u>

See Independent Auditors' Report and Notes To Financial Statements

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>OPERATING REVENUES</u></b>		
Water Sales	\$ 989,837	\$ 986,165
Water Taps	10,900	10,600
Sewer Service	355,557	346,045
Sewer Taps	708	1,000
Other Revenue	53,304	71,502
	<u>1,410,306</u>	<u>1,415,312</u>
<b><u>OPERATING EXPENSES</u></b>		
Water Distribution and Service	352,481	323,823
Water Treatment and Supply	728,734	644,175
Sewer Plant (South)	152,021	137,833
Sewer Plant (North)	146,406	121,258
Sewer Collection	209,402	194,239
Administrative Expenses	135,413	139,111
	<u>1,724,457</u>	<u>1,560,439</u>
Operating Loss	(314,151)	(145,127)
Interest Income	<u>2,055</u>	<u>3,288</u>
<b>DECREASE IN NET POSITION</b>	(312,096)	(141,839)
<b>NET POSITION, BEGINNING OF YEAR</b>	9,294,355	9,069,154
<b>CONTRIBUTION FROM CITY OF ATKINS</b>	<u>1,520,629</u>	<u>367,040</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 10,502,888</u></u>	<u><u>\$ 9,294,355</u></u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,440,389	\$ 1,382,476
Cash Payments to Suppliers for Goods and Services	(878,793)	(733,854)
Cash Payments to Employees for Services	(440,391)	(388,183)
<b>Net Cash Provided by Operating Activities</b>	<u>121,205</u>	<u>260,439</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Increase in Customers' Deposits	<u>5,756</u>	<u>7,718</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>5,756</u>	<u>7,718</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Revenue Bonds and Notes	(50,000)	(45,000)
Interest Paid	(81,556)	(81,258)
Contributions from City of Atkins	1,520,629	367,040
Purchase of Utility Plant	(1,707,338)	(555,264)
<b>Net Cash Used by Financing Activities</b>	<u>(318,265)</u>	<u>(314,482)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>2,055</u>	<u>3,288</u>
<b>Net Cash Provided by Investing Activities</b>	<u>2,055</u>	<u>3,288</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(189,249)	(43,037)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,395,760</u>	<u>2,438,797</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,206,511</u>	<u>\$ 2,395,760</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 559,291	\$ 581,423
Restricted Cash	1,647,220	1,814,337
	<u>\$ 2,206,511</u>	<u>\$ 2,395,760</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**STATEMENTS OF CASH FLOWS (continued)**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (314,151)	\$ (145,127)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	306,367	383,684
Interest Expense Included in Operating Income	81,556	81,259
(Increase) Decrease in Operating Assets		
Accounts Receivable	30,083	(32,836)
Prepaid Expenses	(3,266)	(2,909)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	18,816	(24,176)
Accrued Expenses	1,800	544
	<u>435,356</u>	<u>405,566</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 121,205</u></u>	<u><u>\$ 260,439</u></u>



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The City of Atkins, Arkansas Water and Sewer System is engaged in providing water and sewer services to the general public located in Atkins, Arkansas, and water services to adjoining municipalities and water user associations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Depreciation**

The cost of the utility plant is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Sewer Treatment Plant	50 years
Sewer Distribution	33 years
Water Supply	100 years
Water Treatment Plant	100 years
Water Distribution	33 years
Water Service	25 years
Office Furniture and Equipment	5-10 years
Vehicles and Equipment	5-10 years
Buildings	30 years

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$377,531 and \$383,684.

**Organization**

The City of Atkins, Arkansas Water and Sewer System is governed by the City Council of the City of Atkins, Arkansas. The System is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The System applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

**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.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Tax**

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

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the City of Atkins, Arkansas Water and Sewer System considers cash to be cash in banks, including time deposits and cash equivalents held in restricted accounts.

**Accounts Receivable**

Accounts receivables are charged to bad debt expense using the allowance method for bad debts. Accounts receivables are presented net of the allowance for doubtful accounts.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At June 30, 2022 and 2021, the System had unrestricted and restricted cash shown as follows:

<u>Unrestricted</u>	<u>2022</u>	<u>2021</u>
Cash in Hand	\$ 245	\$ 245
Revenue Funds	1,118	13,200
Operations and Maintenance Funds	534,381	548,906
Payroll Account	<u>23,547</u>	<u>19,072</u>
	<u>559,291</u>	<u>581,423</u>
<u>Restricted</u>		
Meter Fund	148,879	143,070
Depreciation Funds	418,917	416,930
Rehabilitation Fund	51,440	51,173
Construction Fund	951,890	1,126,473
Bond and Debt Service Reserve Funds, Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	<u>76,094</u>	<u>76,691</u>
	<u>1,647,220</u>	<u>1,814,337</u>
	<u>\$ 2,206,511</u>	<u>\$ 2,395,760</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

An aged analysis of accounts receivable from users at June 30, 2022 is as follows:

Current	\$ 125,222
Past due:	
30 days	6,539
60 days	6,282
Over 90 days	<u>7,272</u>
	145,315
Less Allowance for Doubtful Accounts	<u>(14,000)</u>
	<u>\$ 131,315</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 4: PROPERTY AND EQUIPMENT**

Activity of the Property and Equipment consists of the following:

	Balance 6/30/2021	Additions	Disposals	Balance 6/30/2022
Land	\$ 277,566	\$	\$	\$ 277,566
Water Supply	1,387,199			1,387,199
Water Treatment Plant	6,358,402	28,174		6,386,576
Water Distribution	3,296,033	6,913		3,302,946
Water Service	378,312			378,312
Sewer Treatment Plant	3,286,103	17,117		3,303,220
Sewer Collection	675,972	3,688		679,660
Office Furniture and Equipment	60,811	3,405	18,050	46,166
Vehicles and Equipment	299,563	40,641	70,660	269,544
Buildings	77,710			77,710
Construction in Progress	904,874	1,696,110		2,600,984
	<u>\$ 17,002,545</u>	<u>\$ 1,796,048</u>	<u>\$ 88,710</u>	<u>\$ 18,709,883</u>

**NOTE 5: LONG-TERM REVENUE BONDS PAYABLE**

Long-term bonds payable collateralized by pledge of water and sewer revenue consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Atkins, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2018A. Interest ranges from 2.375% to 3.750% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2032 when the final redemption is due.	\$ 570,000	\$ 620,000
City of Atkins, Arkansas Water and Sewer Revenue Improvement Bonds, Series 2018B. Interest ranges from 4.0% to 4.375% and is payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption by lot in such manner as the trustee shall determine on June 1 of each year until June 1, 2048 when the final redemption is due.	1,435,000	1,435,000
	2,005,000	2,055,000
	50,000	50,000
Less Current Installments	<u>\$ 1,955,000</u>	<u>\$ 2,005,000</u>

Interest expense incurred in years ended June 30, 2022 and 2021 amounted to \$81,205 and \$81,207 respectively.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 5: LONG-TERM REVENUE BONDS PAYABLE (continued)**

The principal and interest payments due on long-term debt for the fiscal years succeeding June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 50,000	80,182	130,182
2024	50,000	78,807	128,807
2025	50,000	77,244	127,244
2026	55,000	75,682	130,682
2027	55,000	73,963	128,963
Thereafter	<u>1,745,000</u>	<u>917,132</u>	<u>2,662,132</u>
	<u>\$ 2,005,000</u>	<u>\$ 1,303,010</u>	<u>\$ 3,308,010</u>

**NOTE 6: MUNICIPAL WATER SALES**

The System sells water on a wholesale basis to the Pottsville Water System, Southwest Atkins Water Users Association and Tri-County Water Distribution District. These sales are made based on agreements with the customers with the price charged these customers revised annually. Water sold under these agreements amounts to approximately 35% and 28% of the total water sales reported in the accompanying statement of revenues, expenses and changes in net assets for 2022 and 2021, respectively.

**NOTE 7: RETIREMENT PLAN**

The System contributes to a Simplified Employee Plan (SEP) for the benefit of substantially all of its employees. In 2022 and 2021, the System contributed approximately \$52,206 and \$47,894, respectively to the SEP.

**NOTE 8: SCHEDULE OF RATES**

Monthly Water Rates

- A. Minimum charge of \$12.00
- B. First 10,000 gallons \$2.71 per 1,000 gallons
- C. Next 40,000 gallons \$2.03 per 1,000 gallons
- D. Next 50,000 gallons \$1.85 per 1,000 gallons
- E. All over 100,000 gallons \$1.69 per 1,000 gallons

Monthly Sewer Rates

- A. Minimum charge of \$12.00
- B. First 10,000 gallons \$3.15 per 1,000 gallons
- C. Next 50,000 gallons \$2.80 per 1,000 gallons
- D. Next 100,000 gallons \$1.84 per 1,000 gallons
- E. Next 200,000 gallons \$1.62 per 1,000 gallons
- F. All over 360,000 gallons \$1.47 per 1,000 gallons

**NOTE 9: INSURANCE COVERAGE**

The System is covered by commercial property insurance for the years ending June 30, 2022 and 2021 in the current amount of \$3,839,400 for buildings, storage tanks, equipment and personal property. Insurance coverage was provided by Lafayette Insurance Company, policy # 70304967.

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 10: CONCENTRATION OF CREDIT RISK**

The City maintains cash balances with several banks located in Arkansas. The balances at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The City has obtained pledged securities for all funds that exceed this FDIC limit.

**NOTE 11: CONTRIBUTION TO NET POSITION**

At June 30, 2022 and 2021, the City of Atkins had paid \$1,520,629 and \$367,040, respectively, toward the cost of renovation and expansion of the water treatment plant and other improvements. The improvements were completed during the fiscal years ended June 30, 2022 and 2021.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated events through December 10, 2022, which is the date the financial statements were available to be issued.

***SUPPLEMENTARY INFORMATION***

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2022**

The City of Atkins, Arkansas Water and Sewer System discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the System's financial activity
- Identify changes in the System's financial position
- Identify individual fund issues or concerns

**Overview of the Financial Statements**

The Financial Statements of the System, reports information about the System using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the System's overall financial status. Following the financial statements are the Notes to the Financial Statements which provide explanations and additional detailed information.

The Statements of Net Position present information on all the System's assets and liabilities with the difference between the two reported as Net Position. The statements provide one way to measure the financial health of the System by providing the basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the System'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 System**

The assets of the System exceeded its liabilities at the close of the most recent fiscal year by \$10,502,888 (net position). Of this amount, \$645,546 (unrestricted net assets) may be used to meet the System's ongoing obligations to customers and creditors.

The largest portion of the System's net assets representing 79.6% reflects its investment in capital assets, net of the related debt, used to acquire the assets. The System uses these capital assets to provide services to its customers. The related debt will be repaid with resources provided by the System's customers through rates and fees.

Total assets amounted to \$12,737,069 consisting of net capital assets of \$10,364,052 and other assets of \$2,373,017. Total assets increased 10.3% or \$1,184,905 during the current fiscal year. This increase was the net result of the net decrease in other assets of \$216,066 and the net increase in fixed assets of \$1,707,338.

Total liabilities amounted to \$2,234,181 consisting of long-term liabilities of \$2,005,000 and other liabilities of \$252,809. Total liabilities decreased 1.0% or \$23,628 during the current fiscal year. This decrease was the result of a decrease in long term debt totaling \$50,000, offset by a net increase in other liabilities of \$26,372.

The System experienced a decrease in total cash in the amount of \$189,249 during the current year. This decrease was the result of a decrease in unrestricted cash in the amount of \$22,132 and a decrease in restricted cash in the amount of \$167,117. The total unrestricted cash amounted to \$559,291 and the restricted cash amounted to \$1,647,220. The specific breakdowns of these amounts can be found in Note 2.

**See Independent Auditors' Report**

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**YEAR ENDED JUNE 30, 2022**

**Economic Factors**

The System indicated no changes related to current economic factors.

**Request for Information**

This report is designed to provide a general overview of the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atkins, Arkansas Water and Sewer System, 220 East Main Street, Atkins, Arkansas 72823.



**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**WATER DISTRIBUTION AND SERVICE OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 105,262	\$ 88,805
Payroll Taxes	8,393	6,855
Operating Supplies	63,392	63,250
Outside Services	15,000	14,929
Insurance	9,056	6,164
Truck Expenses	15,074	12,771
Depreciation - Water Distribution	89,269	89,645
Depreciation - Water Service	5,432	5,794
Interest	2,326	2,499
Utilities	7,708	5,309
Fringe Benefits	31,569	27,409
Travel	0	393
	<u>\$ 352,481</u>	<u>\$ 323,823</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**WATER TREATMENT AND SUPPLY OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 179,698	\$ 159,898
Payroll Taxes	14,764	12,432
Supplies	20,710	22,157
Repairs	0	345
Chemicals	171,799	140,830
Utilities	64,328	64,760
Insurance	28,342	22,685
Interest	2,482	2,666
Truck Expense	5,383	2,343
Outside Services	24,736	6,675
Depreciation - Treatment and Supply	181,017	176,704
Fringe Benefits	35,475	32,680
	<u>\$ 728,734</u>	<u>\$ 644,175</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**SOUTH SEWER PLANT OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 28,697	\$ 23,981
Payroll Taxes	2,317	1,859
Supplies	10,761	15,642
Outside Services	6,638	7,206
Insurance	5,513	2,629
Truck Expense	2,311	845
Interest	12,672	13,487
Depreciation - Sewer Plant	45,033	44,265
Utilities	27,485	18,904
Chemicals	2,752	4,243
Fringe Benefits	7,842	4,772
	<u>\$ 152,021</u>	<u>\$ 137,833</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**NORTH SEWER PLANT OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 16,692	\$ 10,508
Payroll Taxes	1,439	829
Operating Supplies	828	922
Chemicals	2,398	638
Vehicle Expense	2,311	797
Insurance	1,028	315
Interest	6,851	7,043
Outside Services	3,943	5,319
Utilities	62,584	49,245
Depreciation - North Plant	40,611	40,870
Fringe Benefits	7,721	4,772
	<u>\$ 146,406</u>	<u>\$ 121,258</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**SEWER COLLECTION OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 67,502	\$ 67,033
Payroll Taxes	5,510	5,135
Supplies	23,690	19,363
Utilities	10,605	15,803
Insurance	570	508
Interest Expense	57,168	55,512
Truck Expense	6,526	5,433
Outside Services	10,509	2,874
Depreciation	11,641	11,317
Fringe Benefits	12,059	10,244
Returned Checks	3,622	1,017
	<u>\$ 209,402</u>	<u>\$ 194,239</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**ADMINISTRATIVE OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Office Salaries	\$ 42,541	\$ 37,958
Payroll Taxes	3,175	2,929
Utilities	5,454	5,049
Postage	11,617	9,427
Office Supplies	6,635	6,061
Miscellaneous Operating Expense	13,566	31,049
Cash Over and Short	62	42
Legal and Accounting	11,049	9,836
Depreciation	22,076	15,089
Insurance and Bonds	5,925	9,717
Licenses and Permits	9,813	8,454
Trust Fees - 2004 Bonds	3,500	3,500
	<u>\$ 135,413</u>	<u>\$ 139,111</u>

**CITY OF ATKINS, ARKANSAS WATER AND SEWER SYSTEM**  
**CUSTOMER AVERAGE AND WATER USAGE**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>AVERAGE NUMBER OF:</b>		
Water Customers	1,914	1,926
Sewer Customers	1,025	1,032
 <b>WATER USAGE:</b>		
Water Gallons	405,989,056	415,814,800
Sewer Gallons	<u>98,584,000</u>	<u>93,614,700</u>
Total Water Gallons Used	<u><u>504,573,056</u></u>	<u><u>509,429,500</u></u>

# JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

## MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA  
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552  
FAX (479) 968-8855

## INDEPENDENT AUDITOR'S 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 Council and Management  
City of Atkins Water and Sewer System  
Atkins, Arkansas

We 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 Atkins Water and Sewer System, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise City of Atkins Water and Sewer System's basic financial statements, and have issued our report thereon dated December 10, 2022.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atkins Water and Sewer System's internal control over financial reporting (internal control) as a basis for designing 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 City of Atkins Water and Sewer System's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Atkins Water and Sewer System'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.

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Atkins Water and Sewer System's financial statements are free from 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 financial statements. 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.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
December 10, 2022

