

CITY OF COAL HILL, ARKANSAS
WATER AND SEWER DEPARTMENT
SEPTEMBER 30, 2023 and 2022

CITY OF COAL HILL, ARKANSAS
WATER AND SEWER DEPARTMENT
SEPTEMBER 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

City Council and Management
Coal Hill Water and Sewer Department
Coal Hill, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Coal Hill Water and Sewer Department, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Coal Hill Water and Sewer Department'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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Coal Hill Water and Sewer Department, as of September 30, 2023 and 2022, 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 and the standards applicable to financial 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 Coal Hill Water and Sewer Department 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 Coal Hill Water and Sewer Department'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 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 Coal Hill Water and Sewer Department'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 Coal Hill Water and Sewer Department'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. The MD&A is on page 13 and there was no budget for this audit period. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coal Hill Water and Sewer Department's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2024, on our consideration of the Coal Hill Water and Sewer Department'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 solely 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 the effectiveness of the Coal Hill Water and Sewer Department's 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 Coal Hill Water and Sewer Department's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
February 6, 2024



CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 168,273	\$ 149,627
Restricted	134,659	133,387
Accounts Receivable	69,929	60,290
Property and Equipment (Note 4)		
Land and Improvements	11,250	11,250
Water Distribution System	1,812,635	1,812,635
Sewer Treatment Plant	2,639,120	2,639,120
Equipment	162,701	162,701
	<u>4,625,706</u>	<u>4,625,706</u>
Less: Accumulated Depreciation	3,501,953	3,367,122
	<u>1,123,753</u>	<u>1,258,584</u>
	<u>1,496,614</u>	<u>1,601,888</u>

LIABILITIES

Accounts Payable	45,946	32,435
Accrued Expenses	11,487	8,853
Customer Deposits	62,205	58,423
Long-term Liabilities (Note 5)		
Due Within 1 year	55,000	55,000
Due in More Than 1 year	775,889	830,114
	<u>950,527</u>	<u>984,825</u>

NET POSITION

Invested in Capital Assets		
Investment in General Fixed Assets	1,894,594	1,894,594
Contributed Capital, Net of Accumulated Amortization of \$467,041 and \$453,676, Respectively	54,194	67,559
Restricted Net Assets	72,454	72,688
Unrestricted Net Assets (Deficit)	(1,475,155)	(1,417,778)
	<u>546,087</u>	<u>617,063</u>
	<u>\$ 1,496,614</u>	<u>\$ 1,601,888</u>

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water and Sewer Sales	\$ 538,777	\$ 505,410
Other Income	9,711	30,664
	548,488	536,074
 OPERATING EXPENSES		
Contract Labor	11,679	19,062
Depreciation and Amortization	134,831	140,812
Insurance - Employees	5,427	4,974
Insurance - Other	3,237	1,998
License, Dues and Fees	5,780	11,760
Office Expense	6,032	5,193
Operating Supplies	46,708	76,623
Payroll Taxes	5,458	8,761
Professional Fees	5,000	5,000
Repairs and Maintenance	0	1,136
Retirement	1,460	1,396
Salaries	81,910	73,143
Utilities and Telephone	36,225	33,736
Vehicle Expense	2,578	1,723
Water Purchases	244,534	220,905
Water Sample Testing	3,931	2,949
Bond Issue Costs	1,200	1,200
	595,990	610,371
 Operating Loss	(47,502)	(74,297)
 OTHER INCOME (EXPENSE)		
Interest Income	4,387	3,240
Interest Expense	(27,861)	(29,949)
	(23,474)	(26,709)
 DECREASE IN NET POSITION	(70,976)	(101,006)
 NET POSITION, BEGINNING OF YEAR	617,063	718,069
 NET POSITION, END OF YEAR	\$ 546,087	\$ 617,063

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Customers	\$ 532,920	\$ 509,751
Other Operating Cash Receipts	9,711	30,664
Payments to Suppliers	(339,376)	(355,693)
Payments to Employees	(85,806)	(78,983)
Payments for Other Admin Costs	(19,475)	(27,519)
Net Cash Provided by Operating Activities	97,974	78,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	4,387	3,240
Net Cash Provided by Investing Activities	4,387	3,240
CASH FLOWS FROM FINANCING ACTIVITIES		
Interests Paid on Notes Payable	(28,218)	(30,306)
Repayment of Notes Payable	(54,225)	(54,225)
Net Cash Used by Financing Activities	(82,443)	(84,531)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	19,918	(3,071)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	283,014	286,085
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 302,932	\$ 283,014

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Reconciliation of Cash to Statements of Financial Position		
Unrestricted Cash	\$ 168,273	\$ 149,627
Restricted Cash	134,659	133,387
	\$ 302,932	\$ 283,014

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income (Loss) from Operations	\$ (47,502)	\$ (74,297)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	134,831	140,812
(Increase) Decrease in Accounts Receivable	(9,639)	(5,349)
(Increase) Decrease in Accrued Interest Receivable		
(Increase) Decrease in Prepaid Expenses		
Increase (Decrease) in Accounts Payable	13,511	6,834
Increase (Decrease) in Accrued Expenses	2,991	530
Increase (Decrease) in Customer Deposits	3,782	9,690
	145,476	152,517
Net Cash Provided by Operating Activities	\$ 97,974	\$ 78,220

See Independent Auditors' Report and Notes to Financial Statements

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The City of Coal Hill, Arkansas Water and Sewer Department is engaged in providing water and sewer services to the general public located in Coal Hill, Arkansas and the surrounding rural community.

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 and Amortization

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>
Water distribution system	40 years
Sewer system	40 years
Equipment	5 – 7 years

In 1987, the Department received grants in the amount of \$534,600 to finance the water distribution system. These grants are being amortized against contributed capital over a period of forty years. Amortization of these grants amounted to \$13,365 for each of the years ended September 30, 2023 and 2022.

Organization

The City of Coal Hill, Arkansas Water and Sewer Department is governed by the City Council Coal Hill, Arkansas. The Department is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as 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 system is regulated by the Environmental Protection Agency and the Arkansas Department of Health. 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 Department of Health.

Income Tax

The City of Coal Hill, Arkansas Water and Sewer Department is municipally owned and is exempt from Federal and State income tax.

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 the purposes of the statements of cash flows, cash and cash equivalents include “Cash and Cash Equivalents” and “Restricted Assets-Cash and Cash Equivalents”.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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. Generally accepted accounting principles 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. Past-due status is based on terms established by Ordinance 11-1-05. Late fees are charged on past-due amounts.

NOTE 2: CASH AND CASH EQUIVALENTS

At September 30, 2023 and 2022, the Department had unrestricted and restricted cash as follows:

<u>Unrestricted</u>	<u>2023</u>	<u>2022</u>
Operations & Revenue Fund	\$ 35,952	\$ 16,170
Depreciation Fund	18,136	17,318
Reserve Fund	4,095	4,089
Special Account Fund	30,090	32,050
Depreciation Fund Certificate of Deposit	80,000	80,000
	<u>\$ 168,273</u>	<u>\$ 149,627</u>
<u>Restricted</u>		
2016 Revenue Bonds- Bond Fund	27,976	31,804
2016 Revenue Bonds-Debt Service Reserve	44,478	43,160
Meter Deposit Fund	62,205	58,423
	<u>134,659</u>	<u>133,387</u>
	<u>\$ 302,932</u>	<u>\$ 283,014</u>

The 2016 Revenue Bonds-Bond Fund and 2016 Revenue Bonds-Debt Service Reserve appear to be properly funded in accordance with requirements of the City of Coal Hill, Arkansas Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 for the years ended September 30, 2023 and 2022.

NOTE 3: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

Deposits in financial institutions are financial instruments that could potentially subject the Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The Department maintains all deposit balances in one financial institution and at times may exceed federally insured limits. The Department has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on deposits. Bank balances of \$302,932 were insured by the FDIC limit of \$250,000 and collateralized by \$100,000 in pledged securities from First Security Bank for the year ended September 30, 2023. Bank balances of \$280,071 were insured by the FDIC limit of \$250,000 and collateralized by \$100,000 in pledged securities from First Security Bank for the year ended September 30, 2022.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 4: PROPERTY AND EQUIPMENT

As of September 30, 2023, property and equipment consists of the following:

2023	Beg Bal	Additions	Deletions	End Bal
Water System	\$ 1,812,635			\$ 1,812,635
Sewer System	2,639,120			2,639,120
Equipment	162,701			162,701
Land	<u>11,250</u>			<u>11,250</u>
	<u>\$ 4,625,706</u>			<u>\$ 4,625,706</u>

As of September 30, 2022, property and equipment consists of the following:

2022	Beg Bal	Additions	Deletions	End Bal
Water System	\$ 1,812,635			\$ 1,812,635
Sewer System	2,639,120			2,639,120
Equipment	162,701			162,701
Land	<u>11,250</u>			<u>11,250</u>
	<u>\$ 4,625,706</u>			<u>\$ 4,625,706</u>

NOTE 5: LONG-TERM DEBT AND BONDS PAYABLE

Long-term debt at September 30, 2023 consists of the following:

	<u>9-30-2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>9-30-2023</u>
City of Coal Hill, Arkansas Water and Sewer Revenue Refunding And Improvement Bonds Series 2016. Interest ranges from 1.7% to 3.55% and is payable semi-annually on December 1 and June 1 of each year. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption. Bonds maturing on June 1 in the years 2020, 2025, 2030 and 2035 are subject to mandatory sinking fund redemption.	\$ 895,000		\$ 55,000	\$ 840,000
Less current portion				<u>55,000</u>
Less original issue discount				785,000
				<u>9,111</u>
				<u>\$ 775,889</u>

Annual requirements to amortize outstanding debt at September 30, 2022 are as follows:

	Principal	Interest	Total
2024	\$ 55,000	\$ 26,671	\$ 81,671
2025	60,000	25,241	85,241
2026	60,000	23,681	83,681
2027	60,000	21,806	81,806
2028	65,000	19,931	84,931
2029-33	345,000	68,194	413,194
2034-35	<u>195,000</u>	<u>10,631</u>	<u>205,631</u>
	<u>\$ 840,000</u>	<u>\$ 196,155</u>	<u>\$ 1,036,155</u>

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 5: LONG-TERM DEBT AND BONDS PAYABLE (continued)

Long-term debt at September 30, 2022 consists of the following:

	<u>9-30-2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>9-30-2022</u>
City of Coal Hill, Arkansas Water and Sewer Revenue Refunding And Improvement Bonds Series 2016. Interest ranges from 1.7% to 3.55% and is payable semi-annually on December 1 and June 1 of each year. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption. Bonds maturing on June 1 in the years 2020, 2025, 2030 and 2035 are subject to mandatory sinking fund redemption.	\$ 950,000		\$ 55,000	\$ 895,000
Less current portion				55,000
				840,000
Less original issue discount				9,886
				\$ 830,114

Annual requirements to amortize outstanding debt at September 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 55,000	\$ 28,101	\$ 83,101
2024	55,000	26,671	81,671
2025	60,000	25,241	85,241
2026	60,000	23,681	83,681
2027	60,000	21,806	81,806
2028-32	335,000	99,013	434,013
2033-35	<u>270,000</u>	<u>19,743</u>	<u>289,743</u>
	<u>\$ 895,000</u>	<u>\$ 224,256</u>	<u>\$ 1,119,256</u>

NOTE 6: CONCENTRATION OF CREDIT RISK

The Department provides water and sewer services to residential, farm, commercial, and industrial customers in Coal Hill, Arkansas and surrounding areas. The Department operates from its primary facilities in Coal Hill, Arkansas. The Department grants unsecured credit to customers located in the vicinity of the operating location.

NOTE 7: CONTRACTUAL AGREEMENTS AND MAJOR SUPPLIER

The Department has a 20-year contractual agreement with the City of Clarksville, Arkansas to purchase its water supply exclusively from the City of Clarksville. Under the contract, the Department may purchase an amount equal to its full water requirements, not to exceed 10,000,000 gallons per month. It is understood that water being delivered to the Department is considered to be that not presently needed by the water system of the City of Clarksville. If, at any time, the governing body of the City of Clarksville determines that water is not available in sufficient quantity to sell, the Department has the obligation to reduce its consumption of water to the amount specified by the City of Clarksville. Either party can terminate the contract with one year's advance written notice. The Department purchased all of its water from the City of Clarksville during the years ended September 30, 2023 and 2022.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 8: CONTINGENCIES

Risk of Loss and Insurance

Significant losses are covered by insurance for all major programs for which the Department retains risk of loss. These insurance coverages were provided by the Arkansas Municipal League for the years ended September 30, 2023 and 2022.

The Department was covered by commercial property insurance in the amount of \$781,165 for 2023 and \$799,008 for 2022 for buildings, storage tanks, hardware equipment and personal property.

The Department's workforce is covered in the City policy with the Municipal League Workers' Compensation Trust.

NOTE 9: PENSION PLAN

The City of Coal Hill, Arkansas sponsors a salary deferral-SIMPLE IRA pension plan. Eligible City employees may contribute a portion of their pretax income into a retirement fund. The City has elected to match employee contributions of up to three percent of compensation. The City of Coal Hill, Arkansas Department of Water and Sewer contributed \$1,460 and \$1,396 for the years ended September 30, 2023 and 2022, respectively.

NOTE 10: SCHEDULE OF RATES

All charges shall be based on water consumption, and shall be computed on the basis of the following schedule of rates:

Rates Effective 10-1-2023:

	<u>Inside City</u>	<u>Outside City</u>	<u>Wastewater Customers</u>
Water			
For the first 1,000 gallons per month, or portion thereof	\$ 25.00	\$ 33.00	
Thereafter, per 1,000 gallons	5.75	6.00	
Sewer (All Wastewater Consumers)			
For the first 1,000 gallons			\$ 16.28
Thereafter, per 1,000 gallons			2.35

Rates Effective 10-1-2022:

Water			
For the first 1,000 gallons per month, or portion thereof	\$ 25.00	\$ 33.00	
Thereafter, per 1,000 gallons	5.75	6.00	
Sewer (All Wastewater Consumers)			
For the first 1,000 gallons			\$ 16.28
Thereafter, per 1,000 gallons			2.35

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 6, 2024, which is the date the financial statements were available to be issued.

CITY OF COAL HILL, ARKANSAS WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023

City of Coal Hill, Arkansas Water and Sewer Department's 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 of 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 changes during the most recent fiscal year. 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 \$546,087 (Net Position).

Total assets amounted to \$1,496,614 consisting of net capital assets of \$1,123,753 and other assets of \$372,861. Total assets decreased by \$105,274 during the current fiscal year. The net decrease was due to the current fiscal year's depreciation of \$134,831 offset by a net increase in other assets of \$29,557.

Total liabilities amounted to \$950,527, consisting of long-term liabilities of \$775,889 and other liabilities of \$174,638. Total liabilities decreased by \$34,298 during the current fiscal year. The net decrease was due to the change in principal of the long-term debt of \$54,225 offset by a net increase in the current liabilities of \$19,927.

The Department experienced an increase in total cash in the amount of \$19,918 during the current fiscal year. This increase consisted of an increase in restricted cash of \$18,646 and an increase in unrestricted cash of \$1,272.

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 City of Coal Hill, Arkansas Water and Sewer Department, P.O. Box 38, Coal Hill, Arkansas 72832.

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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
Coal Hill Water and Sewer Department
Coal Hill, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Coal Hill Water and Sewer Department, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise The Coal Hill Water and Sewer Department's basic financial statements, and have issued our report thereon dated February 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Coal Hill Water and Sewer Department'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 The Coal Hill Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of The Coal Hill 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.

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

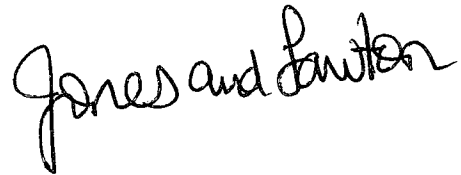
As part of obtaining reasonable assurance about whether The Coal Hill Water and Sewer Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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
February 6, 2024

A handwritten signature in cursive script that reads "Jones and Lawton".