

**CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
ACCOUNTANT'S REPORT AND FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**ALAN K. MINOR
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Independent Auditor's Report

Mayor and City Council
City of Altheimer Water and Sewer Department

Report on the Financial Statements

I have audited the accompanying statement of financial position of the City of Altheimer Water and Sewer Department, as of December 31, 2017, and the related statements of activities, net assets, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise City of Altheimer Water and Sewer Department's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Altheimer Water and Sewer Department as of December 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated April 23, 2018 on my consideration of the City of Altheimer Water and Sewer Department's 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's internal control over financial reporting and compliance.



Alan K. Minor
Certified Public Accountant

April 23, 2018

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS			
CASH IN BANK - CHECKING		15,700	
ACCOUNTS RECEIVABLE	185,903		
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	<u>-102,905</u>		
		<u>82,998</u>	
TOTAL CURRENT ASSETS			98,698
RESTRICTED ASSETS			
CERTIFICATE OF DEPOSIT - 101617108		64,124	
CERTIFICATE OF DEPOSIT - 142554 - DEBT SERV. RESERVE		14,827	
CHECKING - 11760201 - DEBT SERV. RESERVE		15,030	
CHECKING - 4400 & 8089 - CUSTOMER DEPOSITS		<u>56,280</u>	
TOTAL RESTRICTED ASSETS			150,261
PROPERTY, PLANT AND EQUIPMENT			
WATER AND SEWER SYSTEM		2,332,303	
OFFICE EQUIPMENT		<u>17,100</u>	
		2,349,403	
LESS ACCUMULATED DEPRECIATION		<u>-1,443,099</u>	
TOTAL FIXED ASSETS			<u>906,304</u>
TOTAL ASSETS		\$	<u>1,155,263</u>

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
CURRENT PORTION OF LONG TERM DEBT	<u>32,699</u>	
TOTAL CURRENT LIABILITIES		32,699
LONG TERM DEBT		
NOTES PAYABLE	761,122	
DUE TO GENERAL FUND	<u>161,353</u>	
TOTAL LONG TERM DEBT		922,475
OTHER LIABILITIES		
CUSTOMER DEPOSITS	<u>60,107</u>	
TOTAL OTHER DEPOSITS		60,107
NET ASSETS		
RESTRICTED	150,261	
UNRESTRICTED	<u>-10,279</u>	
TOTAL NET ASSETS		<u>139,982</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,155,263</u>

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

REVENUES		
WATER	99,759	
SEWER	71,157	
GARBAGE	50,619	
INTEREST	452	
OTHER	<u>62,960</u>	
 TOTAL REVENUES	 \$	 284,947
 EXPENSES		
PERSONNEL COSTS	147,499	
GARBAGE PICKUP	42,507	
FUEL	3,406	
EXCISE TAXES	13,300	
WATER SUPPLIES	2,182	
SEWER SUPPLIES	802	
UTILITIES	26,751	
PROFESSIONAL SERVICES	4,375	
DEPRECIATION	58,308	
REPAIRS & MAINTENANCE	12,875	
POSTAGE	1,370	
WATER PLANT EXPENSE	6,629	
TRAVEL & MEETINGS	1,000	
INSURANCE	1,506	
INTEREST	37,062	
OTHER	<u>851</u>	
 TOTAL EXPENSES	 \$	 <u>360,423</u>
 EXCESS EXPENSES OVER REVENUES	 \$	 -75,476

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2017

NET ASSETS - BEGINNING OF YEAR	\$	218,990
PRIOR PERIOD ADJUSTMENT TO REMOVE GRANT FUNDS FROM OPERATING CASH BALANCE		<u>-3,532</u>
NET ASSETS - BEGINNING OF YEAR AS ADJUSTED		215,458
CURRENT YEAR EXCESS EXPENSES OVER REVENUES		<u>-75,476</u>
NET ASSETS - END OF YEAR	\$	139,982

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
EXCESS EXPENSES OVER REVENUES		-75,476
ADJUSTMENTS TO RECONCILE EXCESS EXPENSES OVER REVENUES TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION	58,308	
DECREASE IN ACCOUNTS RECEIVABLE	4,807	
INCREASE IN CUSTOMER DEPOSITS	<u>4,200</u>	
		<u>67,315</u>
NET CASH USED BY OPERATING ACTIVITIES		-8,161
CASH FLOWS FROM FINANCING ACTIVITIES		
DECREASE IN NOTES PAYABLE	-32,327	
INCREASE IN DUE TO GENERAL FUND	<u>49,897</u>	
NET CASH PROVIDED BY FINANCING ACTIVITIES		17,570
NET INCREASE IN CASH		9,409
CASH, BEGINNING OF YEAR		<u>156,552</u>
CASH, END OF YEAR	\$	165,961

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALTHEIMER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017 the Altheimer Water and Sewer Department had approximately 314 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, 2017.

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, 2015 to 2017 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, 2017 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, 2017:

	<u>Balance</u>
4.5% note payable to United States Department of Agriculture, due in monthly installments of \$2,955, beginning June 1, 1006, through the year 2035, secured by property, plant and equipment, an pledge of future revenues.	\$ 416,797
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.	24,277

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.	244,304
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.	102,983
2% note payable to Arkansas Natural Resources Commission, payable at \$1,433 annually, secured by sewer plant improvements.	<u>5,460</u>
Total	793,821
Less: Current Portion	<u>-32,699</u>
Long Term Debt – Notes Payable	\$ 761,122

5 year maturities of long term debt include \$32,699 for 2018, \$34,334 for 2019, \$36,051 for 2020, \$37,854 for 2021, \$39,747 for 2022, and \$613,136 thereafter.

NOTE 4: CONCENTRATIONS

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. At December 31, 2017 there were no concentrations or vulnerabilities that require disclosure in the financial statements.

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, 2017 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, 2017, 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 April 23, 2018.

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

April 23, 2018