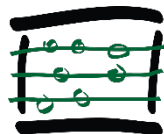


City of Carlisle Water and Sewer Department

Independent Auditors' Report
with
Financial Statements
and
Supplemental Information

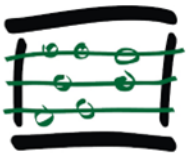
For the Years Ended December 31, 2021 and 2020



Abacus CPAs, LLC[®]
Better Guidance. Smarter Decisions.

City of Carlisle Water and Sewer Department
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December 31, 2021 and 2020

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Independent Auditors' Report

Mayor and City Council
City of Carlisle Water and Sewer Department
Carlisle, Arkansas

Adverse Opinion

We have audited the accompanying financial statements of the City of Carlisle Water and Sewer Department (the "Utility"), as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Carlisle Water and Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the City of Carlisle Water and Sewer Department, as of December 31, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented financial statements to display the financial position and changes in financial position of its business-type activities due to pervasive errors and omissions. During the audit, we identified material weaknesses and significant deficiencies in internal control over financial reporting that led to the inability to reconcile bank accounts, missing or incomplete accounts receivable data, and a lack of timely adjustments. These deficiencies resulted in the use of significant estimates to record account balances and transactions that could not be substantiated through reliable records. In addition, intergovernmental transactions were not properly recorded, and recordkeeping practices were inconsistent and insufficient to support financial statement amounts in accordance with accounting principles generally accepted in the United States of America. The combined effect of these matters is pervasive to the financial statements, and we were unable to obtain sufficient appropriate audit evidence to support numerous balances and disclosures. Accordingly, we determined that the financial statements are not presented fairly in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Carlisle 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 adverse audit opinion.

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 Carlisle 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.

Auditors' Responsibility

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 Auditors' 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 Utility'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 Utility'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.

Other Matters

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 on pages 4-8 and 26-27 be presented to supplement the basic financial statements. Such information, 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 Auditors' 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 June 30, 2025, on our consideration of City of Carlisle 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 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 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 Carlisle Water and Sewer Department's internal control over financial reporting and compliance.

Abacus CPAs, LLC

Springfield, Missouri
June 30, 2025

**City of Carlisle Water and Sewer Department
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020**

This section presents management's analysis of the financial condition and activities of the City of Carlisle Water and Sewer Department (the Utility) for the years ended December 31, 2021 and 2020.

Financial Highlights

Management believes the City of Carlisle Water and Sewer Department's financial condition is stable. The Utility is responsible for complying with debt covenants and financial policies and guidelines set by the City Council. The following are key financial highlights:

Total assets at year-end 2021, were \$4,060,836 and exceeded liabilities in the amount of \$1,856,902, a decrease in assets of 3.7% from 2020. Total assets at year-end 2020, were \$4,216,591 and exceeded liabilities in the amount of \$1,812,339, an increase in assets of 2.5% from 2019.

Operating revenue was \$797,822 in 2021, which was an increase of 1.1% or \$8,754 from 2020. Operating revenue was \$789,068 in 2020, which was a decrease of 3.4% or \$27,787 from 2019.

In 2021, Operating expenses other than depreciation decreased \$28,423 or 5.1% from 2020. In 2020, Operating expenses other than depreciation increased \$7,230 or 1.3% from 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 4,060,836	\$ 4,216,591	\$ 4,310,686
Deferred Outflows of Resources	22,412	41,252	29,616
Total Liabilities	2,203,934	2,404,252	2,452,976
Deferred Inflows of Resources	97,517	7,961	6,145
Net Position Invested in Capital Assets	1,286,099	1,349,401	1,400,775
Restricted Net Position	170,816	192,537	173,126
Unrestricted Net Position	324,882	303,692	307,279
Total Net Position	1,781,797	1,845,630	1,881,181
Change in Net Position	(63,833)	(35,551)	73,960

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the City of Carlisle Water and Sewer Department's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

**City of Carlisle Water and Sewer Department
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020**

Overview of the Financial Statements - (continued)

The financial statements include a statement of net assets; a statement of activities; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the Utility on an accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of activities presents the results of the business activities over the course of the fiscal year, as well as information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. Supplementary information comparing the budget to actual expenses is also provided.

Summary of Organization and Business

The Utility provides retail water and wastewater collection and treatment service to approximately 855 customers within the corporate limits of Carlisle, Arkansas.

The facilities of the Utility include water and sewage treatment facilities acquired or contracted at a cost of approximately \$7.5 million.

The Utility operates under the direction of the City Council of the City of Carlisle, Arkansas.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operation expenses are funded by customer revenue. The acquisition and construction of capital assets are funded by sewer revenue bonds.

Financial Analysis

The comparative financial statements on pages 8 through 11 and other selected information listed below serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

City of Carlisle Water and Sewer Department
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020

Other Selected Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 % Change</u>
Selected data for analysis:				
Customers at year end	855	820	945	4.3%
Revenue:				
Utility revenue	\$ 797,822	\$ 789,068	\$ 816,855	1.1%
Total Revenue	\$ 797,822	\$ 789,068	\$ 816,855	1.1%
Utilities Expenses:				
Expenses excluding depreciation and amortization	\$ 529,530	\$ 557,953	\$ 550,723	-5.1%
Total Expenses	\$ 529,530	\$ 557,953	\$ 550,723	-5.1%
Ratio of operating revenue to:				
Operating expenses, excluding depreciation	1.51	1.41	1.48	6.5%
Operating expenses, total	0.99	1.03	1.18	-3.8%
Total assets	0.20	0.19	0.19	5.0%
Net position	0.42	0.43	0.43	-2.3%
Debt related ratios:				
Debt to net position	1.03	1.17	1.20	-11.9%

General Trend and Significant Events

The population of Carlisle, Arkansas remained generally constant for December 2021 and December 2020, while the number of customers serviced by the Utility increased by 35 customers from 820 to 855 during the same period.

Financial Condition

The Utility's financial condition remained stable. Total unrestricted assets at December 31, 2021 increased \$21,191 or 7.0%. Restricted and invested in capital assets at December 31, 2021 were represented by an decrease of \$85,023 or 5.5% which was the result of a decrease in restricted cash and capital investments. Total unrestricted assets at December 31, 2020 decreased \$3,588 or 1.2%. Restricted and invested in capital assets at December 31, 2020 were represented by an decrease of \$31,963 or 2.0% which was the result of an decrease capital investments.

Operating revenue for 2021 were \$8,754 higher than 2020 while accounts receivable at year-end increased by \$1,955. Operating revenues for 2020 were \$27,787 greater than 2019 while accounts receivable at year-end increased by \$15,884.

**City of Carlisle Water and Sewer Department
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020**

Results of Operations

Net Operating Income:

The net operating (loss) income was \$(9,813) in 2021 and \$20,453 in 2020, a negative change resulting largely in both years from a decrease of customer base for 2020 and increase in depreciation. The net operating revenues was \$797,822 in 2021 and \$789,068 in 2020, a positive change resulting largely from more usage in both years by the customer base.

Expenses:

The Utility's operating expense increased from \$768,615 in 2020 to \$807,635 or from 97.4% of operating revenue in 2020 to 101.2% in 2021. The Utility's operating expense increased from \$693,242 in 2019 to \$768,615 or from 84.9% of operating revenue in 2019 to 97.4% in 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Variance %</u>
Salaries and related taxes	\$ 105,909	\$ 156,007	\$ 158,190	-32.11%
Utilities and telephone	71,839	74,944	79,841	-4.14%
Depreciation and amortization	278,105	210,662	142,519	32.01%
Insurance	35,543	34,515	29,450	2.98%
Repairs and chemicals	51,116	41,411	57,055	23.43%
Other	265,123	251,076	226,187	5.59%
Total Operating Expenses	<u>\$ 807,635</u>	<u>\$ 768,615</u>	<u>\$ 693,242</u>	<u>5.08%</u>

Capital Assets and Long-Term Debt

The investment in plant and equipment decreased by \$63,302 as a result of capital acquisitions from prior years being depreciated in 2021 and no large additions in 2021. The investment in plant and equipment decreased by \$51,374 as a result of capital acquisitions during prior years being depreciated in 2020 and no large additions in 2020.

Final Comments

The Utility has maintained its mission of providing affordable, efficient, and reliable wastewater services.

Contacting the Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, and granting agencies with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If there are questions about this report or a need for additional financial information arises, contact the City of Carlisle Water and Sewer Department, P.O. Box 49, Carlisle, Arkansas, 72024-0049.

City of Carlisle Water and Sewer Department
 Statements of Net Position
 December 31, 2021 and 2020

Assets

	2021	2020
Current Assets:		
Cash	\$ 474,835	\$ 364,687
Accounts receivable, less allowance for uncollectibles of \$39,529 and \$31,285 in 2021 and 2020	103,541	101,586
Total Current Assets	578,376	466,273
Restricted Assets:		
Cash - restricted	55,698	74,969
Cash - debt service fund	170,816	165,216
Total Restricted Assets	226,514	240,185
Property, Plant and Equipment:		
Land	49,732	49,732
Water & sewer plant	6,661,853	6,655,536
Operating equipment	677,787	660,186
Buildings	113,840	113,840
Accumulated depreciation	(4,247,266)	(3,969,161)
Net Property, Plant and Equipment	3,255,946	3,510,133
Total Assets	4,060,836	4,216,591
Deferred Outflows of Resources	22,412	41,252
Total Assets and Deferred Outflows of Resources	\$ 4,083,248	\$ 4,257,843

See Accompanying Notes to Financial Statements.

City of Carlisle Water and Sewer Department
 Statements of Net Position
 December 31, 2021 and 2020

Liabilities and Net Position

	2021	2020
Current Liabilities (Payable from Current Assets):		
Other liabilities	\$ 9,131	\$ 11,398
Vacation payable	4,304	3,576
Due to related parties	127,528	-
Total Current Liabilities	140,963	14,974
Current Liabilities (Payable from Restricted Assets):		
Current maturities of long-term debt	192,227	194,503
Accrued interest payable	2,405	2,757
Customer meter deposits	55,699	47,648
Total Current Liabilities	250,331	244,908
Long-Term Liabilities:		
Bonds payable, net of current portion	1,775,215	1,963,472
Net pension liability	37,425	180,898
Total Long-Term Liabilities	1,812,640	2,144,370
Total Liabilities	2,203,934	2,404,252
Deferred Inflows of Resources	97,517	7,961
Net Position		
Invested in capital assets, net of related liabilities	1,286,099	1,349,401
Restricted for:		
Customer meter deposits	-	27,321
Capital activity and debt reserve	170,816	165,216
Total Restricted	170,815	192,538
Unrestricted	324,882	303,692
Total Net Position	1,781,797	1,845,630
Total Liabilities and Net Position	\$ 4,083,248	\$ 4,257,843

See Accompanying Notes to Financial Statements.

City of Carlisle Water and Sewer Department
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues:		
Water	\$ 422,689	\$ 442,104
Sewer	316,725	292,783
Miscellaneous	58,408	54,181
Total Operating Revenues	797,822	789,068
Operating Expenses:		
Salaries and related taxes	105,909	156,007
Equipment rental	38,141	112
Materials and operating supplies	67,353	54,396
Utilities and telephone	71,839	74,944
Depreciation and amortization	278,105	210,662
Legal and professional	1,950	8,385
Retirement	16,737	78,464
Insurance	35,543	34,515
Lab analysis	8,748	9,252
Repairs and chemicals	51,116	41,411
Bad debt expense	11,511	540
Vehicle expense	15,625	17,893
Miscellaneous	105,058	82,034
Total Operating Expenses	807,635	768,615
Net Operating (Loss) Income	(9,813)	20,453
Other Revenue (Expense):		
Interest income	82	121
Interest expense	(54,102)	(56,125)
Total Other (Expense)	(54,020)	(56,004)
(Decrease) in Net Position	(63,833)	(35,551)
Net Position, Beginning of Year	1,845,630	1,881,181
Net Position, End of Year	\$ 1,781,797	\$ 1,845,630

See Accompanying Notes to Financial Statements.

City of Carlisle Water and Sewer Department
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Cash received from:		
Customers	\$ 737,459	\$ 719,003
Other operating activities	58,408	54,181
Cash paid for:		
Goods and services	(280,896)	(333,849)
Salaries, wages and related benefits	(158,075)	(181,509)
Net Cash Provided by Operating Activities	356,896	257,826
Cash Flows from Capital & Financing Activities:		
Bonds issued	-	63,047
Bond principal paid	(190,532)	(164,915)
Bond interest paid	(54,102)	(56,125)
Purchases of property and equipment	(23,918)	(57,443)
Net Cash (Used in) Capital & Financing Activities	(268,552)	(215,436)
Cash Flows from Investing Activities:		
Increase in meter deposits liability	8,051	729
Interest income	82	121
Net Cash Provided by Investing Activities	8,133	850
Net Increase in Cash and Cash Equivalents	96,477	43,240
Cash and Restricted Cash, Beginning of Year	604,872	561,632
Cash and Restricted Cash, End of Year	\$ 701,349	\$ 604,872
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating (loss) income	\$ (9,813)	\$ 20,453
Depreciation	278,105	210,662
Changes in assets and liabilities:		
Accounts receivable	(1,955)	(15,884)
Deferred pension outflows	18,840	(11,636)
Other liabilities	(2,267)	(10,367)
Accrued vacation	728	-
Due to related parties	127,528	-
Accrued interest payable	(352)	23
Net pension liability	(143,474)	62,759
Deferred pension inflows	89,556	1,816
Net Cash Provided by Operating Activities	\$ 356,896	\$ 257,826
Supplemental Disclosure:		
Cash paid for interest	\$ 54,454	\$ 56,103

See Accompanying Notes to Financial Statements.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding City of Carlisle Water and Sewer Department (the Utility)'s financial statements. The financial statements and notes are representations of the Utility's management, which is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

General Information

City of Carlisle Water and Sewer Department provides water and/or sewer services to approximately 1,000 residential and commercial users in the City of Carlisle (the City). As a component unit of a municipality, the City of Carlisle Water and Sewer Department is not subject to income tax. The accompanying financial statements have been prepared only for the reporting entity of the City of Carlisle Water and Sewer Department, which operates as a proprietary fund of the City of Carlisle, and do not purport to disclose other activities of the City of Carlisle. Accordingly, other funds of the City have been excluded from the reporting entity.

Basis of Accounting

The financial statements of the Utility are prepared in accordance with generally accepted accounting principles (GAAP), as established for the Governmental Accounting Standards Board (GASB). Accordingly, the Utility uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Utility considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments, which consist of U.S. Government obligations, are stated at fair value. There were no investments at December 31, 2021 and 2020.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Summary of Significant Accounting Policies - (continued)

Comparative Data

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

Restricted Assets

Restricted assets include cash, cash equivalents, and investments whose use is restricted by the covenants of Water and Sewer bond issues.

Capital Assets

Purchased capital assets are stated at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is computed by the straight-line method over the following estimated useful lives:

Waterworks and sewer plant	10-40 1/3 years
Operating equipment	3-10 years
Office building	20 years
Office equipment	5-10 years
Furniture and fixtures	5-10 years

Capitalization of Interest

Interest is capitalized on major construction projects based on the applicable rate of borrowed funds for that project. If funds were required in excess of specifically borrowed funds, an average rate for all borrowed funds was used to capitalize interest.

Unamortized Bond Issuance Costs

Costs associated with the issuance of bonds are reported as current period expenses.

Revenue Recognition

The accounts receivable and revenue recognized are based on monthly meter readings by Utility personnel. Unbilled revenue represents approximately ten days of water consumption during any month that remains unbilled at the end of the month.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Summary of Significant Accounting Policies - (continued)

Basis for 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.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (“APERS”) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Therefore, these items will not be recognized as an expense or expenditure until a future period.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.

Net Position Classifications

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets, net of related debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provision, enabling legislation, or ordinance.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

2. Cash and Cash Equivalents

A reconciliation of cash per the statement of cash flows to the statements of net assets as of December 31, 2021 and 2020, respectively, follows:

	2021		
	Unrestricted	Restricted	Total
Cash at beginning of year	\$ 364,687	\$ 240,185	\$ 604,872
Net increase (decrease)	110,148	(13,671)	96,477
Cash at End of Year	\$ 474,835	\$ 226,514	\$ 701,349
	2020		
	Unrestricted	Restricted	Total
Cash at beginning of year	\$ 341,586	\$ 220,045	\$ 561,631
Net increase	23,101	20,140	43,241
Cash at End of Year	\$ 364,687	\$ 240,185	\$ 604,872

The Utility's funds are combined with the departmental bank accounts of the City of Carlisle in determining the appropriateness of collateralization from financial institutions.

The Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

Included in the Utility's total cash balances of \$701,349 and \$604,872 at December 31, 2021 and 2020, respectively, are deposits with financial institutions which are subject to concentrations to credit risk as follows:

	2021	
	Carrying Amount	Bank Balance
Insured (FDIC) and collateralized	\$ 500,000	\$ 500,000
Uninsured and uncollateralized	201,349	75,724
Total	\$ 701,349	\$ 575,724
	2020	
	Carrying Amount	Bank Balance
Insured (FDIC) and collateralized	\$ 500,000	\$ 500,000
Uninsured and uncollateralized	104,872	13,230
Total	\$ 604,872	\$ 513,230

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

3. Accounts Receivable

Accounts receivable at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Trade receivables, current	\$ 78,742	\$ 74,781
Trade receivables, past due	64,328	58,090
Total	\$ 143,070	\$ 132,871
Allowance for uncollectibles, beginning of year	\$ 31,285	\$ 30,745
Provision for bad debt expense	8,244	540
Allowance for Uncollectibles, End of Year	\$ 39,529	\$ 31,285
Accounts Receivable, Net Allowance for Uncollectibles	\$ 103,541	\$ 101,586

4. Capital Assets

	Balance 2020	Additions/ Transfers	Disposals/ Transfers	Balance 2021
Land	\$ 49,732	\$ -	\$ -	\$ 49,732
Water & sewer plant	6,655,536	6,317	-	6,661,853
Operating equipment	660,186	17,601	-	677,787
Buildings	113,840	-	-	113,840
Total Property, Plant and Equipment	\$ 7,479,294	\$ 23,918	\$ -	\$ 7,503,212
Accumulated depreciation	(3,969,161)	(278,105)	-	(4,247,266)
Net Property, Plant and Equipment	\$ 3,510,133	\$ (254,187)	\$ -	\$ 3,255,946
	Balance 2019	Additions/ Transfers	Disposals/ Transfers	Balance 2020
Land	\$ 49,732	\$ -	\$ -	\$ 49,732
Construction in progress	1,632,645	-	(1,632,645)	-
Water & sewer plant	5,003,317	1,652,219	-	6,655,536
Operating equipment	660,186	-	-	660,186
Buildings	75,971	37,869	-	113,840
Total Property, Plant and Equipment	\$ 7,421,851	\$ 1,690,088	\$ (1,632,645)	\$ 7,479,294
Accumulated depreciation	(3,758,499)	(210,662)	-	(3,969,161)
Net Property, Plant and Equipment	\$ 3,663,352	\$ 1,479,426	\$ (1,632,645)	\$ 3,510,133

Depreciation expense for the years ended December 31, 2021 and 2020 was \$278,105 and \$210,662, respectively.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

5. Bonds Payable

Net changes in bonds payable for the year ended December 31, 2021:

	2020	Additions	Payments	2021
\$1,155,000 Series 2013 Water and Sewer Refunding Revenue Bonds due in annual installments ranging from \$90,000 to \$120,000 through 2024 with interest rates ranging from 2.4% to 3.2%.	\$ 455,000	\$ -	\$ (110,000)	\$ 345,000
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	372,853	-	(9,607)	363,246
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	893,590	-	(15,048)	878,542
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total price principal amount from the date of each advance at the rate of .50% per annum.	373,813	-	(38,519)	335,294

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

5. **Bonds Payable - (continued)**

First State Bank - \$86,145 loan payable in monthly installments of \$1,661 with interest at 4.625%.	62,719	-	(17,359)	45,360
Total Bonds Payable	<u>2,157,975</u>	<u>\$ -</u>	<u>\$ (190,533)</u>	<u>1,967,442</u>
Less: Current Portion	<u>(194,503)</u>			<u>(192,227)</u>
Net Long-Term Portion	<u>\$ 1,963,472</u>			<u>\$ 1,775,215</u>

Net changes in bonds payable for the year ended December 31, 2020:

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>
\$1,155,000 Series 2013 Water and Sewer Refunding Revenue Bonds due in annual installments ranging from \$90,000 to \$120,000 through 2024 with interest rates ranging from 2.4% to 3.2%.	\$ 560,000	\$ -	\$ (105,000)	\$ 455,000

United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	382,200	-	(9,347)	372,853
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United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	908,230	-	(14,640)	893,590
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City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

5. **Bonds Payable - (continued)**

United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total price principal amount from the date of each advance at the rate of .50% per annum.	329,953	63,047	(19,187)	373,813
First State Bank - \$86,145 loan payable in monthly installments of \$1,660.81 with interest at 4.625%.	79,460	-	(16,741)	62,719
Total Bonds Payable	<u>2,259,843</u>	<u>\$ 63,047</u>	<u>\$ (164,915)</u>	<u>2,157,975</u>
Less: Current Portion	<u>\$ (164,747)</u>			<u>\$ (194,503)</u>
Net Long-Term Portion	<u>\$ 2,095,096</u>			<u>\$ 1,963,472</u>

Interest expense and related fees during the years ended December 31, 2021 and 2020 totaled \$54,102 and \$56,125, respectively.

Water and sewer bonds constitute special obligations of the City solely secured by a lien on a pledge of the net revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Sales and use tax bonds are also secured by revenues of the City's 1/4% sales tax.

The annual requirements to amortize all bonds outstanding as of December 31, 2021, including interest payments, are as follows:

Year	Principal	Interest	Total
2022	\$ 192,227	\$ 46,096	\$ 238,323
2023	199,010	41,344	240,354
2024	197,124	36,358	233,482
2025	66,901	31,568	98,469
2026	67,866	30,799	98,665
2027-2031	293,952	141,693	435,645
2032-2036	176,864	118,996	295,860
2037-2041	202,902	92,958	295,860
2042-2046	232,774	63,086	295,860
2047-2051	174,601	34,074	208,675
2052-2056	163,221	7,653	170,874
Total	<u>\$ 1,967,442</u>	<u>\$ 644,625</u>	<u>\$ 2,612,067</u>

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

6. **Defined Benefit Pension Plan**

The employees of the Department are members of the Arkansas Public Employees Retirement System (APERS). The Governmental Accounting Standards Board established a new standard, GASB Statement No. 68, for measuring and recognizing pension liabilities, deferred inflows and outflows of resources and expenses for fiscal years beginning after June 15, 2014. The Department adopted GASB Statement No. 68 for the year ending December 31, 2015.

Arkansas Public Employees Retirement System (APERS) Plan Description

The Utility participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). APERS is a cost sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

6. Defined Benefit Pension Plan - (continued)

Benefits Provided - (continued)

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2020. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At December 31, 2021, the Utility reported a liability of \$37,425 for its proportionate share of the net pension liability. The collective Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Utility's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Utility's proportion was .0067%.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

6. Defined Benefit Pension Plan - (continued)

For the year ended December 31, 2021, the Utility recognized a pension expense of \$16,737. At December 31, 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,181	\$ (3,310)
Changes of assumptions	-	(362)
Net difference between projected and actual investment earnings on pension plan investments	-	(90,582)
Changes in proportions and differences between employer contributions and proportionate share of contributions	7,052	(3,263)
Contributions made subsequent to the measurement date, net change	14,179	-
Total	\$ 22,412	\$ (97,517)

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$14,179, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statements as follows:

2022	\$	(6,407)
2023		(20,083)
2024		(21,126)
2025		(27,489)
2026		-
Thereafter		-

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	26 years

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

6. Defined Benefit Pension Plan - (continued)

Actuarial Assumptions - (continued)

Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	3.9676

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary Assumption		2.50%
Net Expected Return		7.43%

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

6. Defined Benefit Pension Plan - (continued)

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

<u>Sensitivity of Discount Rate</u>		
1% Lower	Discount Rate	1% Higher
6.15%	7.15%	8.15%
\$ 140,187	\$ 37,425	\$ 47,443

7. Related Party Transactions

The Utility bills and collects cash services on behalf of the City, including the General Fund for Mosquito and Trash Departments. The Utility acts as a billing agent and remits collections to the appropriate departments after receipt. As of December 31, 2021, the Utility had collected amounts on behalf of other City departments that had not yet been remitted. These amounts are reported as Due to Related Parties on the statement of net position. The Utility owed \$88,964 to the General Fund and \$38,564 to the Street Fund for the year ended December 31, 2021. No amounts were owed as of the year ended December 31, 2020. Amounts owed were subsequently remitted in 2022.

8. Risk Management

The Utility has purchased insurance policies from the Arkansas Municipal League as well as commercial carriers for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Utility. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant changes in coverage compared to the prior year.

City of Carlisle Water and Sewer Department
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

9. Subsequent Events

Management has evaluated subsequent events through June 30, 2025 the date on which the financial statements were available to be issued.

Supplemental Information

City of Carlisle Water and Sewer Department
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Actual (Budgetary Basis) (See Note A)</u>	<u>Variance</u>
Operating Revenues:			
Water	\$ 450,000	\$ 422,689	\$ (27,311)
Sewer	300,000	316,725	16,725
Miscellaneous	72,200	58,408	(13,792)
Interest income	200	82	(118)
Total Operating Revenues	<u>822,400</u>	<u>797,904</u>	<u>(24,496)</u>
Operating Expenses:			
Salaries and related taxes	198,137	105,909	(92,228)
Materials and operating supplies	53,000	67,353	14,353
Utilities and telephone	76,350	71,839	(4,511)
Legal and professional	12,000	1,950	(10,050)
Retirement	24,587	16,737	(7,850)
Insurance	11,000	35,543	24,543
Lab analysis	13,000	8,748	(4,252)
Repairs and chemicals	160,000	51,116	(108,884)
Debt Service - principal	203,776	190,532	(13,244)
Debt Service - interest	20,303	54,102	33,799
Miscellaneous	160,813	170,335	9,522
Total Operating Expenses	<u>932,966</u>	<u>774,164</u>	<u>(158,802)</u>
Revenue (Under) in Excess of Expenses	<u>\$ (110,566)</u>	<u>\$ 23,740</u>	<u>\$ 134,306</u>

See Independent Auditors' Report on Supplementary Information.

City of Carlisle Water and Sewer Department
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2021

Note A - Budget-to-Actual Reconciliation

An explanation of differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Uses/Outflows of Resources	
Actual amounts (budgetary basis) from the Budgetary Comparison Schedule	\$ 23,740
Differences - budget to GAAP	
Depreciation of capital items for GAAP purposes	(278,105)
Debt service principal not an expense for GAAP purposes	<u>190,532</u>
Net (Decrease) in Net Position	<u><u>\$ (63,833)</u></u>

City of Carlisle Water and Sewer Department
Schedule of Water and Sewer Rates and Users
December 31, 2021

Water rates in effect at December 31, 2021 for commercial and residential users:

Minimum bill, first 1,000 gallons	\$	14.61
Next 38,000 gallons per month, per 1,000 gallons	\$	4.53
In excess of 39,000 gallons per month, per 1,000 gallons	\$	3.21

Sewer rates in effect at December 31, 2021 for commercial and residential users:

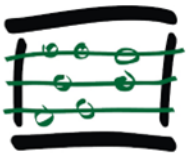
Minimum bill	\$	7.90
First 1,000 gallons	\$	7.90
Remaining gallons, per 1,000 gallons	\$	3.15

Number of users of water and sewer at December 31, 2021:

Commercial and residential users, approximately	855
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Total annual billable water by sewer users for the year ended December 31, 2021:

Commercial and residential users, approximately (gallons)	83,726,468
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**Independent Auditors' 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 Carlisle Water and Sewer Department
Carlisle, 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 Carlisle Water and Sewer Department, as of and for the years ended December 31, 2021 and 2020, and the related notes to financial statements, and have issued our report thereon dated June 30, 2025.

Independent Auditors' Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) to determine the 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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 Utility's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-1 and 2021-2 to be material weaknesses. A *significant deficiency* is a deficiency, or 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. However, material weaknesses may exist that have not been identified.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-3, 2021-4, and 2021-5 to be significant deficiencies.

Independent Auditors' Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Utility's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Utility's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abacus CPAs, LLC

Springfield, Missouri
June 30, 2025

**City of Carlisle Water and Sewer Department
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

Material Weaknesses

2021-1: Cash - (repeated)

Condition: Bank reconciliations have not been prepared on a timely basis.

Criteria: Bank statements should be reconciled to the general ledger on a monthly basis with any necessary adjustments made on a timely basis.

Cause: Procedures to perform bank reconciliations have not been completed and levels of review over control and section do not exist.

Effect: Adjusting entries were required to increase bank balance by \$109,348.

Recommendation: Establish reviewing staff to ensure a reconciliation of bank balance to bank statement at the end of each month has been performed and adjustments are posted to the general ledger.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will ensure bank reconciliations are prepared in an appropriate manner.

2021-2: Accounts Receivable - (repeated)

Condition: Supporting documentation for monthly billings and adjustments for customer billing were not supported by adequate documentation.

Criteria: All transactions that occur should be supported by documentation that verifies the accuracy of financial reporting.

Cause: Procedures were not adequate to ensure that transactions occurred during the reporting periods. Levels of review over control also missing.

Effect: Adjusting entries were required to write off customer accounts receivable by \$11,511.

Recommendation: Multiple levels of review over revenue transactions and reports should be established. Additionally, record creation and retention policies should be created.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will ensure record retention and reviews occur.

Significant Deficiencies

2021-3: Recognition of funds not included in reporting entity

Condition: Cash, revenue, expenses, and other activity related to other City of Carlisle governmental funds were included in accounting system in error, and appropriate assets and liabilities were not recorded for intergovernmental activity.

Criteria: Separate funds for intergovernmental accounts should be held by separate departments or reported on by separate accounting systems. Any remittances or receivables to other related governmental funds or departments should be held in related party or intergovernmental accounts (due to/from).

Cause: No reviewer controls, recognition policies, or segregation of duties for city staff were present.

Effect: Adjusting entries were required to reclass and eliminate activity for funds outside of water and sewer and record due to related parties. Further adjustments are explained in Note 7.

City of Carlisle Water and Sewer Department
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Significant Deficiencies - (continued)

2021-3: Recognition of funds not included in reporting entity - (continued)

Recommendation: The City of Carlisle should separate and establish separate accounting systems for funds and/or departments. Additionally, reviewer controls and formal policies over recognition of intergovernmental activity should be established.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will review controls and policies for improvements.

2021-4: Inconsistent recognition methods - (repeated)

Condition: Major accounting sections do not have consistent recognition for transactions from year to year, or through the reporting periods.

Criteria: Major accounting sections should have set policies over what transactions classify to each section and the proper method of recording and classifying them into the accounting system.

Cause: Staffing having limited understanding of complex accounting transactions, no review controls in place, and proper policies for recognition are not establish or followed for major accounting sections.

Effect: Adjustments were necessary for multiple accounting sections to reclassify entries to the proper accounting section to ensure compliance with GAAP.

Recommendation: The City of Carlisle should establish formal policies and controls over major accounting sections.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will review controls and policies for improvements.

2021-5: Inappropriate record retention - (repeated)

Condition: Supporting documentation within the water department has not been created and used in the recording of transactions, or is not retained for the federal and other regulatory mandated periods.

Criteria: All transactions that occur should be supported by documentation that verifies the accuracy of financial reporting. Additionally, all supporting documentation should be held and stored for the federal and other regulatory mandated period and be easily accessible for future review.

Cause: No formal policy or reviewer controls are present. Additionally, staff does not suitable understanding or training in accounting or regulatory requirements to keep records in compliance.

Effect: Multiple adjustments were necessary to reverse or establish transactions that did not have adequate documentation.

Recommendation: The City of Carlisle should establish formal policies over record creation and retention, reviewer controls, and provide suitable training for staff assigned with accounting responsibilities that goes over required record retention.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will review controls and policies for improvements.

**City of Carlisle Water and Sewer Department
Status of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2021**

Significant Deficiencies

2020-1: Cash

Condition: Bank reconciliations have not been prepared on a timely basis.

Criteria: Bank statements should be reconciled to the general ledger on a monthly basis with any necessary adjustments made on a timely basis.

Cause: Procedures to perform bank reconciliations have not been completed and levels of review over control and section do not exist.

Effect: Adjusting entries were required to increase bank balance by \$94,122.

Recommendation: Establish reviewing staff to ensure a reconciliation of bank balance to bank statement at the end of each month has been performed and adjustments are posted to the general ledger.

Current Status: This finding has not been corrected as of December 31, 2021.

2020-2: Accounts Receivable

Condition: Supporting documentation for monthly billings and adjustments for customer billing were not supported by adequate documentation.

Criteria: All transactions that occur should be supported by documentation that verifies the accuracy of financial reporting.

Cause: Procedures were not adequate to ensure that transactions occurred during the reporting periods. Levels of review over control also missing.

Effect: Adjusting entries were required to write off customer accounts receivable by \$540.

Recommendation: Multiple levels of review over revenue transactions and reports should be established. Additionally, record creation and retention policies should be created.

Current Status: This finding has not been corrected as of December 31, 2021.

2020-3: Inconsistent recognition methods

Condition: Major accounting sections do not have consistent recognition for transactions from year to year, or through the reporting periods.

Criteria: Major accounting sections should have set policies over what transactions classify to each section and the proper method of recording and classifying them into the accounting system.

Cause: Staffing having limited understanding of complex accounting transactions, no review controls in place, and proper policies for recognition are not establish or followed for major accounting sections.

Effect: Adjustments were necessary for multiple accounting sections to reclassify entries to the proper accounting section to ensure compliance with GAAP.

Recommendation: The City of Carlisle should establish formal policies and controls over major accounting sections.

Current Status: This finding has not been corrected as of December 31, 2021.

City of Carlisle Water and Sewer Department
Status of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2021

Significant Deficiencies - (continued)

2020-4: Inappropriate record retention

Condition: Supporting documentation within the water department has not been created and used in the recording of transactions, or is not retained for the federal and other regulatory mandated periods.

Criteria: All transactions that occur should be supported by documentation that verifies the accuracy of financial reporting. Additionally, all supporting documentation should be held and stored for the federal and other regulatory mandated period and be easily accessible for future review.

Cause: No formal policy or reviewer controls are present. Additionally, staff does not suitable understanding or training in accounting or regulatory requirements to keep records in compliance.

Effect: Multiple adjustments were necessary to reverse or establish transactions that did not have adequate documentation.

Recommendation: The City of Carlisle should establish formal policies over record creation and retention, reviewer controls, and provide suitable training for staff assigned with accounting responsibilities that goes over required record retention.

Current Status: This finding has not been corrected as of December 31, 2021



June 23, 2025

Sabrena Shipley
Abacus CPAs, LLC
1835 E Republic Rd Ste 200
Springfield MO 65804

Dear Ms. Shipley:

The City of Carlisle has received the 2020 and 2021 Water & Sewer Department Audit Findings and Recommendations and the Mayor, and I understand these findings.

2021-1 Cash; 2021-2 Accounts Receivable; 2021-3 Recognition of funds not included in reporting entity; 2021-4 Inconsistent recognition methods; 2021-5 Inappropriate record retention

2020-1 Cash; 2020-2 Accounts Receivable; 2020-3 Inconsistent recognition methods; 2020-4 Inappropriate record retention

The Department has installed an interface that will bring RVS files into our accounting system, CSA. This was done beginning August 2023 and bank accounts have been reconciled from August 31, 2023 and forward. Prior to this, previous personnel did not complete reconciliations as required that will cause a finding till this point. Invoices and reconciliations are to be reviewed and approved by a Council Member and the Department Head. Also, training to ensure coding, billing and receipts are properly entered in our current system has been done and is ongoing.

Revenues for trash, mosquito and leaf/limb collected by the water department will be transferred to the general and street funds as appropriate in a timely manner going forth.

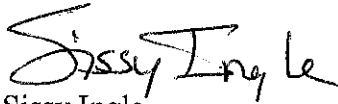
Records will be retained as required.

We believe that these actions constitute an adequate response to the audit findings mentioned above.

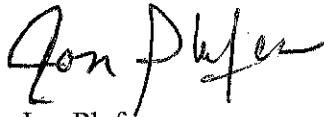
Please feel free to give me a call at 870.552.9420 if you need additional information or have questions.

**City of Carlisle • P.O. Box 49 • 215 South Court Street • Carlisle, AR 72024
Phone (870) 552-9420 • Fax (870) 552-3677**

Sincerely,

A handwritten signature in black ink that reads "Sissy Ingle". The signature is written in a cursive style with a large initial "S".

Sissy Ingle
Clerk/Treasurer
City of Carlisle

A handwritten signature in black ink that reads "Jon Plafcan". The signature is written in a cursive style with a large initial "J".

Jon Plafcan
Mayor
City of Carlisle

cc: Austin Bordovsky