

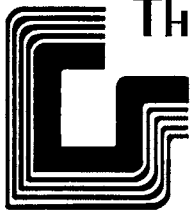
Corning Water and Sewer Department
Audited Financial Statements
And Supplementary Information
For the Years Ended December 31, 2023 and 2022

Thomas, Speight & Noble
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Corning Water and Sewer Department
Audited Financial Statements
And Supplementary Information
For the Year Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Corning, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Corning Water and Sewer Department (a component unit of the city of Corning, Arkansas) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Department's financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter discussed in the below paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position Corning Water and Sewer Department of Corning, Arkansas, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of our Qualified Opinion

As more fully described in Note 10 to the financial statements, for the years ended December 31, 2023 and 2022, the Department has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employee pension to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

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 Corning 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 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.

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 Corning 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 Responsibility 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Corning 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 Corning 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Water and Sewer Department's basic financial statements. The accompanying schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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 schedules or operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2025, on our consideration of Corning 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 Corning 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 Corning Water and Sewer Department's internal control over financial reporting and compliance.

Thomas, Speight and Noble, CPAs

Thomas, Speight & Noble, CPAs
Blytheville, Arkansas
January 13, 2025

**Corning Water and Sewer Department
Statements of Net Position
December 31, 2023 and 2022**

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 96,801	\$ 91,382
Customer accounts receivable, net	55,917	51,826
Prepaid insurance	7,681	7,681
Total current assets	160,399	150,889
NON-CURRENT ASSETS		
Cash and cash equivalents - restricted	987,163	894,966
Capital assets		
Capital assets, net of accumulated depreciation and amortization	9,085,884	9,209,856
Total non-current assets	10,073,047	10,104,822
TOTAL ASSETS	\$10,233,446	\$10,255,711
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	10,239	29,000
Sales tax payable	7,774	7,809
Compensated absences	3,336	387
Current portion of long-term debt	142,363	140,508
Total current liabilities	163,712	177,704
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	5,133,184	5,117,317
Due to industrial fund	59,194	73,594
Total long-term liabilities	5,192,378	5,190,911
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer deposits	41,490	41,490
TOTAL LIABILITIES	5,397,580	5,410,105
NET POSITION		
Net investment in capital assets	3,751,143	3,878,437
Restricted for debt service and depreciation	759,485	701,565
Restricted for sewer construction	111,876	79,891
Unrestricted	213,362	185,713
Total net position	4,835,866	4,845,606
TOTAL LIABILITIES AND NET POSITION	\$10,233,446	\$10,255,711

The accompanying notes are an integral part of these financial statements.

Corning Water and Sewer Department
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Water revenue	\$ 826,508	\$ 778,226
Sewer revenue	196,302	198,379
Installation	23,166	19,012
Grant income	102,093	-
Miscellaneous income	50,993	26,625
Total operating revenues	1,199,062	1,022,242
 OPERATING EXPENSES		
Water operating expenses	195,933	204,189
Sewer operating expenses	26,447	59,362
General and administrative expenses	426,017	404,578
Depreciation and amortization	414,801	411,057
Total operating expenses	1,063,198	1,079,186
 OPERATING INCOME (LOSS)	 135,864	 (56,944)
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	10,519	8,303
Interest expense	(156,123)	(154,411)
Total Non-operating revenues (expenses)	(145,604)	(146,108)
 CHANGE IN NET POSITION	 (9,740)	 (203,052)
 NET POSITION AT BEGINNING OF YEAR	 4,845,606	 5,048,658
NET POSITION AT END OF YEAR	\$ 4,835,866	\$ 4,845,606

The accompanying notes are an integral part of these financial statements.

Corning Water and Sewer Department
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,194,971	\$ 1,032,011
Cash payments to suppliers for goods and services	(457,443)	(498,192)
Cash payments to employees	(206,801)	(203,682)
Net cash provided by (used in) operating activities	530,727	330,137
Cash flows from capital and related financing activities:		
Proceeds of long-term debt	157,390	-
Principal payments on long-term debt	(154,068)	(139,789)
Interest payments on long-term debt	(156,123)	(154,411)
Payments to reserve accounts	(92,197)	(94,613)
Purchases of capital assets	(290,829)	(18,575)
Net cash provided by (used in) financing activities	(535,827)	(407,388)
Cash flows from investing activities:		
Interest received	10,519	8,303
Net cash provided by (used in) investing activities	10,519	8,303
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,419	(68,948)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	91,382	160,330
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 96,801	\$ 91,382
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 135,864	\$ (56,944)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	414,801	411,057
(Increase)/Decrease In:		
Customer accounts receivable	(4,091)	9,769
Increase/(Decrease) In:		
Accounts payable	(18,761)	(34,365)
Sales tax payable	(35)	620
Compensated absences	2,949	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 530,727	\$ 330,137

The accompanying notes are an integral part of these financial statements.

Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Organization

Corning Water and Sewer Department (the "Department") was established to provide water and sewer services to the residents and establishments of the City of Corning, Arkansas (the City) and the surrounding areas. The Department is controlled by and dependent upon the City's governing body. Control by and dependence upon the City was determined on the basis of the budget adoption to fund any deficit that may occur. The accompanying financial statements represent only the activities of the Department and are not intended to present that of the City or any of the City's activities.

Basis of Presentation and Accounting

The accounts of the Department are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Department's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded. Enterprise Funds use the accrual basis of accounting to record the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred. Net position is segregated into investment in capital assets, restricted and unrestricted components.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Department considers all unrestricted cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Customer Accounts Receivable

The Department carries its customer accounts receivable at cost, less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts customer receivable balances and establishes an allowance for doubtful accounts based on history of past write offs collections and current credit considerations.

Cash and Cash Equivalents - Restricted

Certain proceeds of the Department's revenue, as well as certain resources set aside for the debt service per debt covenants are classified as cash and cash equivalents - restricted on the statements of net position, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Funds set aside to refund customer deposits are classified as cash and cash equivalents - restricted since their use is limited for that purpose.

**Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Department defines capital assets as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses, and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Buildings and System	20-40 Years
Equipment	5-20 Years
Office Equipment	5-10 Years

Customer Deposits

Customer deposits are non-interest bearing and are held until the customer's service is terminated, at which time the deposit is applied to the final bill.

Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate. Employees may accrue and carry over unused vacation days, up to thirty days. Compensated absences are accrued at a rate of time and a half. Employees are unable to accumulate more than 240 hours of compensatory time.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Department's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Unrestricted– This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the City adopts an annual budget for the Department. The budget is adopted under a basis consistent with GAAP. All annual appropriations lapse at year-end.

Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 2: CASH AND CASH EQUIVALENTS - RESTRICTED

Cash and cash equivalents - restricted consist of cash reserves restricted by long-term debt covenants and customer deposits.

	<u>2023</u>	<u>2022</u>
Customer deposits	\$ 115,889	\$ 113,510
Debt service	319,549	292,676
Sewer Construction	111,678	79,891
Depreciation funds	<u>440,047</u>	<u>408,889</u>
	<u>\$ 987,163</u>	<u>\$ 894,966</u>

NOTE 3: CUSTODIAL CREDIT RISK OF BANK DEPOSITS

State law generally requires public funds be deposited in State of Arkansas banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may be in the form of checking, savings, and/or time deposit accounts. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Department's policy for custodial risk is compliant with state law. Due to the dollar amounts of cash deposits and investments, and the limits of the FDIC, the Department was required to secure additional deposits by pledging securities held by the pledging financial institution's trust department and there were no uninsured deposits at years ended December 31, 2023 and 2022.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 are as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Capital assets not being depreciated				
Land	\$ 33,239	\$ -	\$ -	\$ 33,239
Capital assets being depreciated				
Buildings and system	17,393,178	260,889	-	17,654,067
Equipment	438,292	29,940	-	468,232
Office equipment	<u>51,836</u>	<u>-</u>	<u>-</u>	<u>51,836</u>
Total capital assets being depreciated, net	<u>17,511,907</u>	<u>290,829</u>	<u>-</u>	<u>18,174,135</u>
Less accumulated depreciation for:				
Buildings and system	(8,245,685)	(404,417)	-	(8,650,102)
Equipment	(409,168)	(10,384)	-	(419,552)
Office equipment	<u>(51,836)</u>	<u>-</u>	<u>-</u>	<u>(51,836)</u>
Total accumulated depreciation	<u>(8,706,689)</u>	<u>(414,801)</u>	<u>-</u>	<u>(9,121,490)</u>
Total capital assets, net being depreciated, net	<u>(8,394,164)</u>	<u>(123,972)</u>	<u>-</u>	<u>9,052,645</u>
Total capital assets	<u>\$ 8,427,403</u>	<u>\$ (123,972)</u>	<u>\$ -</u>	<u>\$ 9,085,884</u>

**Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 4: CAPITAL ASSETS (CONTINUED)

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2022</u>
Capital assets not being depreciated				
Land	\$ 33,239	\$ -	\$ -	\$ 33,239
Capital assets being depreciated				
Buildings and system	17,382,638	10,540	-	17,393,178
Equipment	430,261	8,031	-	438,292
Office equipment	51,836	-	-	51,836
Total capital assets being depreciated, net	<u>17,864,735</u>	<u>18,571</u>	<u>-</u>	<u>17,883,306</u>
Less accumulated depreciation for:				
Buildings and system	(7,845,120)	(400,565)	-	(8,245,685)
Equipment	(398,679)	(10,489)	-	(409,168)
Office equipment	(51,836)	-	-	(51,836)
Total accumulated depreciation	<u>(8,295,635)</u>	<u>(411,054)</u>	<u>-</u>	<u>(8,706,689)</u>
Total capital assets, net being depreciated, net	<u>9,569,100</u>	<u>(392,483)</u>	<u>-</u>	<u>9,176,617</u>
Total capital assets	<u>\$ 9,602,339</u>	<u>\$ (392,483)</u>	<u>\$ -</u>	<u>\$ 9,209,856</u>

NOTE 5: CUSTOMER ACCOUNTS RECEIVABLE

Customer accounts receivable consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Customer accounts receivable	\$ 229,342	\$ 217,788
Allowance for doubtful accounts	<u>(173,425)</u>	<u>(165,962)</u>
Customer accounts receivable, net	<u>\$ 55,917</u>	<u>\$ 51,826</u>

NOTE 6: DUE TO OTHER FUNDS

On October 10, 2018, the Industrial Development Fund of the City of Corning, Arkansas loaned the Department \$128,500 free of interest. At December 31, 2023, the outstanding balance on this loan was \$73,594.

**Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 7: LONG-TERM DEBT

Long-term debt at December 31, 2023 and 2022 consists of the following:

	2023	2022
2003 Sewer Bond - United States Department of Agriculture, 4.50%, \$769,800; principal and interest payable monthly beginning December 25, 2003; maturing November 25, 2043. Secured by revenues and sewer system of Department.	\$ 549,650	\$ 566,443
2010 Water Bond - United States Department of Agriculture, 3.00%, \$4,680,000; principal and interest payable monthly beginning January 19, 2012; maturing December 20, 2050. Secured by revenues and water system of Department.	3,764,040	3,853,530
2020 Sewer Bond - United States Department of Agriculture, 1.75%, \$202,866; principal and interest payable monthly beginning July 29, 2020; maturing June 29, 2060. Secured by revenues and sewer system of Department.	947,457	823,452
Due to industrial fund - \$1,200 principal payments payable monthly beginning January 1, 2020	73,594	87,994
	\$ 5,334,741	\$ 5,331,419

Analysis of long-term debt changes to the Department's long-term debt are as follows:

	2023	2022
Total long-term debt at beginning of year	\$ 5,331,419	\$ 5,471,208
Additional borrowings	157,390	-
Bond payable retirement	(154,068)	(139,789)
Total long-term debt at the end of the year, net	5,334,741	5,331,419
Less current portion	(142,363)	(140,508)
Long-term debt, net of current portion	\$ 5,192,378	\$ 5,190,911

Maturities of long-term debt at December 31, 2021 are as follows:

	Principal	Interest	Total
2024	\$ 142,363	\$ 151,829	\$ 294,192
2025	147,023	147,169	294,192
2026	151,005	142,687	293,692
2027	157,169	137,023	294,192
2028	161,462	132,730	294,192
Thereafter	4,575,719	1,825,624	6,401,343
	\$ 5,334,741	\$ 2,537,062	\$ 7,871,803

Interest expense was \$156,123 for year ended December 31, 2023 and \$154,411 for year ended December 31, 2022.

**Corning Water and Sewer Department
Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 7: LONG-TERM DEBT (CONT'D)

The Department's outstanding notes to United States Department of Agriculture (USDA) contain a disclosure stating that upon default of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the USDA at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Department (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expense for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it.

Default under the provisions of this resolution or any instrument incident to the making or insuring the loan may be construed by the USDA to constitute default under any other instrument held by the USDA and execute or assumed by the Department and default under way any such instrument may be construed by the USDA to constitute default hereunder.

NOTE 8: RISK MANAGEMENT AND LITIGATION

The Department is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of any actual or potential claims as of December 31, 2023 and 2022 will not materially affect the financial condition of the Department.

NOTE 9: MONTHLY WATER RATES

Current rates were established by Ord No. 2013-05 and are as follows:

	<u>Water</u>		
First	1,000 gallons (minimum)	\$	7.00
Next	6,000 gallons @ amount per 1,000 gallons	\$	6.50
Next	3,000 gallons @ amount per 1,000 gallons	\$	5.50
Next	3,000 gallons @ amount per 1,000 gallons	\$	4.00
Over	15,000 gallons @ amount per 1,000 gallons	\$	1.25

At December 31, 2023 and 2022, the Department served 1,457 and 1,467 customers, respectively.

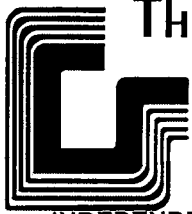
NOTE 10: RETIREMENT PLAN

All eligible employees participate in the Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing, multiple employer pension plan established by the authority of the Arkansas General Assembly. APERS provides retirement, disability, and survivor benefits to eligible employees and elected officials of state and local governmental entities in Arkansas. Contribution requirements are set forth by Arkansas Statute, and the Department is required to contribute at an actuarially determined rate. For the years ended December 31, 2023 and 2022, the Department's contribution was \$30,976 and \$26,437, respectively.

Because the plan is a multi-employer defined benefit pension plan, accounting principles generally accepting in the United States of America require the cost of employee's pensions to be recognized over the employer's respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets. APERS has provided the necessary information for the entire City of Corning, Arkansas, however, we were unable to determine the specific amounts allocable to the Department.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 13, 2025, the date on which the financial statements were available to be issued.



THOMAS, SPEIGHT & Noble

A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE PRIVATE COMPANIES SECTION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Corning, 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 Corning Water and Sewer Department (a component of the city of Corning, Arkansas), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corning Water and Sewer Department's basic financial statements and have issued our report thereon dated January 13, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corning 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corning Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corning 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corning 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 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corning Water and Sewer Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Corning Water and Sewer Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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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.

Thomas, Speight & Noble, CPAs

Thomas, Speight, & Noble, CPAs
Blytheville, Arkansas
January 13, 2025

**Corning Water and Sewer Department
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weakness(es) identified?

Yes No

Any significant deficiency(ies) identified?

Yes No

Any noncompliance material to financial statements noted?

Yes No

Section II - Financial Statement Findings

Finding: 2023-001

Material Weakness - Internal Control over Financial Reporting

Segregation of duties

Condition: Corning Water and Sewer Department does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the Department's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: The Department's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.

**Corning Water and Sewer Department
Consolidating Statement of Net Position
December 31, 2023**

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents - unrestricted	\$ (399,448)	\$ 496,249	\$ 96,801
Customer accounts receivable, net	41,933	13,984	55,917
Prepaid insurance	7,681	-	7,681
Total current assets	<u>(349,834)</u>	<u>510,233</u>	<u>160,399</u>
NON-CURRENT ASSETS			
Cash and cash equivalents - restricted	695,282	291,881	987,163
Capital assets			
Capital assets, net of accumulated depreciation and amortization	<u>7,209,346</u>	<u>1,876,538</u>	<u>9,085,884</u>
Total non-current assets	<u>7,904,628</u>	<u>2,168,419</u>	<u>10,073,047</u>
TOTAL ASSETS	<u><u>\$7,554,794</u></u>	<u><u>\$2,678,652</u></u>	<u><u>\$10,233,446</u></u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 7,755	\$ 2,484	\$ 10,239
Sales tax payable	7,774	-	7,774
Compensated absences	3,336	-	3,336
Current portion of long-term debt	<u>89,469</u>	<u>52,894</u>	<u>142,363</u>
Total current liabilities	<u>108,334</u>	<u>55,378</u>	<u>163,712</u>
LONG-TERM LIABILITIES			
Long-term debt, net of current portion	<u>3,674,571</u>	<u>1,517,807</u>	<u>5,192,378</u>
Total long-term liabilities	<u>3,674,571</u>	<u>1,517,807</u>	<u>5,192,378</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Customer deposits	<u>41,490</u>	<u>-</u>	<u>41,490</u>
TOTAL LIABILITIES	<u><u>3,824,395</u></u>	<u><u>1,573,185</u></u>	<u><u>5,397,580</u></u>
NET POSITION			
Net investment in capital assets	3,445,306	305,837	3,751,143
Restricted for debt service	579,165	180,320	759,485
Restricted for sewer construction	-	111,876	111,876
Unrestricted	<u>(485,524)</u>	<u>698,886</u>	<u>213,362</u>
Total net position	<u>3,538,947</u>	<u>1,296,919</u>	<u>4,835,866</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$7,363,342</u></u>	<u><u>\$2,870,104</u></u>	<u><u>\$10,233,446</u></u>

Corning Water and Sewer Department
Consolidating Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
OPERATING REVENUES			
Revenues	\$ 826,508	\$ 196,302	\$ 1,022,810
Installation	23,166	-	23,166
Grant income	-	102,093	102,093
Miscellaneous income	50,993	-	50,993
Total operating revenues	<u>900,667</u>	<u>298,395</u>	<u>1,199,062</u>
OPERATING EXPENSES			
Salaries	206,801	-	206,801
Payroll taxes	15,963	-	15,963
Retirement	30,976	-	30,976
Employee benefits	60,665	-	60,665
Advertising	385	-	385
Dues and subscriptions	17,964	-	17,964
Vehicle expense	22,844	-	22,844
Legal and accounting	33,535	-	33,535
Sewer analysis	-	1,803	1,803
Contract labor	6,046	-	6,046
Telephone	10,069	-	10,069
Utilities	44,572	857	45,429
Chemicals	150	-	150
Insurance	27,985	1,705	29,690
Office expense	6,122	-	6,122
Data processing	6,957	-	6,957
Repairs and maintenance	33,118	23,787	56,905
Supplies	499	-	499
Travel	1,564	-	1,564
Uniforms	2,408	-	2,408
Miscellaneous	265	-	265
Purchased water	91,358	-	91,358
Depreciation	336,680	78,121	414,801
Total operating expenses	<u>956,926</u>	<u>106,273</u>	<u>1,063,199</u>
OPERATING INCOME (LOSS)	(56,259)	192,122	135,863
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	10,519	10,519
Interest expense	(114,378)	(41,744)	(156,122)
Total Non-operating revenues (expenses)	<u>(114,378)</u>	<u>(31,225)</u>	<u>(145,603)</u>
CHANGE IN NET POSITION	<u>\$ (170,637)</u>	<u>\$ 160,897</u>	<u>\$ (9,740)</u>