

City of Manila Water and Sewer Fund  
A Component Unit of the City of Manila, Arkansas

Audited Financial Statements  
and Supplementary Information

For the Years Ended December 31, 2023 and 2022

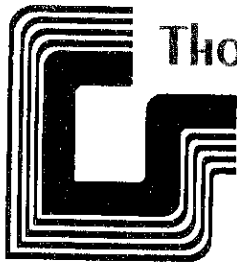
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City of Manila Water and Sewer Fund  
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Audited Financial Statements  
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For the Years Ended December 31, 2023 and 2022

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# THOMAS, SPEIGHT & NOBLE

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable Tracey Reinhart, Mayor  
And the Members of the City Council  
City of Manila, Arkansas

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the City of Manila Water and Sewer Fund, a component unit of the City of Manila, 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 City of Manila Water and Sewer Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Manila Water and Sewer Fund, 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.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Manila Water and Sewer Fund and are not intended to present fairly the financial position of the City of Manila, Arkansas, and the results of its operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Manila, Arkansas, 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 the City of Manila Water and Sewer Fund, a component unit of the City of Manila, Arkansas'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.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Manila, Arkansas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Manila, Arkansas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manila Water and Sewer Fund's basic financial statements. The budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is 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 a report dated November 15, 2024, on our consideration of the City of Manila Water and Sewer Fund'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 the City of Manila Water and Sewer Fund's internal control over financial reporting and compliance.

*Thomas, Speight & Noble, CPAs*

Osceola, Arkansas  
December 15, 2024

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 811,131	\$ 592,648
Certificates of deposit	250,567	248,494
Customer accounts receivable, net	102,332	91,817
Total current assets	<u>1,164,030</u>	<u>932,959</u>
<b>NON-CURRENT ASSETS</b>		
Cash and cash equivalents - restricted	155,030	143,136
Capital assets		
Capital assets, net of accumulated depreciation	2,079,430	2,158,083
Total non-current assets	<u>2,234,460</u>	<u>2,301,219</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,398,490</u></u>	<u><u>\$ 3,234,178</u></u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,132	\$ 4,435
Due to other funds	26,908	24,762
Total current liabilities	<u>33,040</u>	<u>29,197</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer deposits	<u>117,807</u>	<u>108,170</u>
<b>TOTAL LIABILITIES</b>	150,847	137,367
<b>NET POSITION</b>		
Net investment in capital assets	2,079,430	2,158,083
Unrestricted	1,168,213	938,728
Total net position	<u>3,247,643</u>	<u>3,096,811</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 3,398,490</u></u>	<u><u>\$ 3,234,178</u></u>

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

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>OPERATING REVENUES</b>		
Water revenue	\$ 591,993	\$ 431,555
Sewer revenue	333,784	324,951
Miscellaneous income	37,528	18,207
Total operating revenues	<u>963,305</u>	<u>774,713</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	241,533	231,272
Payroll taxes	18,587	17,840
Employee benefits	27,707	23,758
Sales tax	65,222	56,618
Contract labor	13,596	43,292
Chemicals	44,227	32,823
Supplies and uniforms	58,181	29,447
Utilities	88,467	91,224
Insurance	9,289	6,479
Professional fees	21,672	13,339
System repairs	169,761	183,576
Fuel	20,745	37,618
Postage	8,040	6,450
Depreciation	126,039	137,960
Permits and licenses	4,160	-
Water sampling	7,189	7,007
Training	1,872	1,419
Retirement	5,335	3,617
Miscellaneous	4,877	6,368
Total operating expenses	<u>936,499</u>	<u>930,107</u>
<b>OPERATING INCOME (LOSS)</b>	<u>26,806</u>	<u>(155,394)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	19,016	1,927
Interest expense	-	(185)
Total Non-operating revenues (expenses)	<u>19,016</u>	<u>1,742</u>
<b>CAPITAL CONTRIBUTIONS/TRANSFERS</b>		
Transfers From/(To) - Other City Funds	105,010	238,480
Total Capital Contributions/Transfers	<u>105,010</u>	<u>238,480</u>
<b>CHANGE IN NET POSITION</b>	150,832	84,828
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>3,096,811</u>	<u>3,011,983</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 3,247,643</u></u>	<u><u>\$ 3,096,811</u></u>

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

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 962,428	\$ 774,681
Cash payments (to) from suppliers for goods and services	(565,082)	(594,568)
Cash payments to employees	(241,536)	(231,272)
Net cash provided by (used in) operating activities	<u>155,810</u>	<u>(51,159)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	-	(12,293)
Interest payments on long-term debt	-	(185)
Purchase of capital assets	(47,386)	(112,506)
Payments received from (paid to) related parties	105,010	238,480
Net cash provided by (used in) financing activities	<u>57,624</u>	<u>113,496</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	19,016	1,927
Net cash provided by (used in) investing activities	<u>19,016</u>	<u>1,927</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	232,450	64,264
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>984,278</u>	<u>920,014</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,216,728</u></u>	<u><u>\$ 984,278</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 26,806	\$ (155,394)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	126,039	137,960
(Increase)/Decrease In:		
Customer accounts receivable	(10,516)	(7,981)
Increase/(Decrease) In:		
Accounts payable	1,698	(33,908)
Due to other funds	2,146	214
Customer deposits	9,637	7,950
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u><u>\$ 155,810</u></u>	<u><u>\$ (51,159)</u></u>

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



**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

**Organization**

The City of Manila Water and Sewer Fund (the Utility), a component unit of the City of Manila, Arkansas (the City) was established to provide water and sewer services to the residents of the City and to commercial and industrial customers located within the service area. The Utility is a component unit of the City and dependent on 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 Utility 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 Utility 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 Utility's assets, liabilities, net assets, 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 net 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 Utility considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Customer Accounts Receivable**

The Utility uses the direct write-off method for accounting for bad debt. Water charges receivable as shown in the statements of net position are stated at net realizable value. The use of this method is not materially different from the values reported under the allowance method.

**Cash and Cash Equivalents - Restricted**

Funds set aside to refund customer deposits are classified as cash and cash equivalents - restricted since their use is limited for that purpose.

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Notes to 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 Utility defines capital assets as assets with an initial, individual cost of more than \$3,000 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:

Distribution system	25-50 Years
Wells	20-25 Years
Buildings	20-30 Years
Office furniture and equipment	5-10 Years
Transportation and other equipment	3-5 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. Vacation days not used by the end of the year are not carried forward. Compensated absences have not been accrued and are not material to the financial statements.

**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 positions available, it is the Utility's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

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

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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

**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.

**Taxes**

The City, and therefore the Utility, is exempt from federal income taxes under Code Section 115 of the Internal Revenue Code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

**Budgets and Budgetary Accounting**

Prior to the beginning of the new fiscal year, the City Council adopts an annual budget for the Utility. The budget is adopted under a cash basis and does not include depreciation, certain capital expenditures, and non-operating income and expense items. All annual appropriations lapse at year-end and budgets are amended as needed.

**NOTE 2: DUE TO OTHER FUNDS**

Billing of sanitation fees is accomplished through the Utility's monthly billing process. At December 31, 2023 and 2022, sanitation fees in the amount of \$23,411 and \$22,574, respectively were owed to the General Fund.

**NOTE 3: CASH AND CASH EQUIVALENTS – RESTRICTED**

Cash and cash equivalents - restricted consists of cash reserves restricted by customer deposits.

	<u>2023</u>	<u>2022</u>
Cash reserved for customer deposits	<u>\$ 155,030</u>	<u>\$ 143,136</u>

**NOTE 4: LONG-TERM DEBT**

During June 2023, the Utility was approved for a 20-year loan with Arkansas Natural Resources Commission (ANRC) in the amount of \$958,200 to fund a water well. During September 2023, the Council approved a bid for the water well of \$1,287,306, to be paid with loan proceeds and the remainder to be paid by the City's General Fund.

A signed agreement for loan 02374-DW-L was executed on December 18, 2023, and funds of \$958,200 were disbursed in June 2024, with an interest rate of 1.75 percent. The Utility is responsible for full repayment of the loan, secured by revenues and distribution system of the Utility.

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 5: 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>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Capital assets not being depreciated:				
Land	\$ 25,970	\$ 40,000	\$ -	\$ 65,970
Capital assets being depreciated:				
Distribution system and wells	3,803,001	7,386	-	3,810,387
Equipment and vehicles	518,108	-	(127,159)	390,949
Buildings and furniture	597,646	-	-	597,646
Total capital assets being depreciated	4,918,755	7,386	(127,159)	4,798,982
Less: accumulated depreciation	(2,786,642)	(126,039)	127,159	(2,785,522)
Total capital assets, net of accumulated depreciation	\$ 2,158,083	\$ (78,653)	\$ -	\$ 2,079,430

	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2022</u>
Capital assets not being depreciated:				
Land	\$ 25,970	\$ -	\$ -	\$ 25,970
Capital assets being depreciated:				
Distribution system and wells	3,705,885	97,116	-	3,803,001
Equipment and vehicles	502,718	15,390	-	518,108
Buildings and furniture	597,646	-	-	597,646
Total capital assets being depreciated	4,806,249	112,506	-	4,918,755
Less: accumulated depreciation	(2,648,682)	(137,960)	-	(2,786,642)
Total capital assets, net of accumulated depreciation	\$ 2,183,537	\$ (25,454)	\$ -	\$ 2,158,083

Depreciation expense was \$126,039 and \$137,970 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 6: RISK MANAGEMENT AND LITIGATION**

The Utility 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 Utility.

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**NOTE 7: 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 Utility'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 Utility was required to secure additional deposits by pledging securities held by the pledging financial institution's trust department at years ended December 31, 2023 and 2022. Sufficient additional pledging was secured by the Utility.

**NOTE 8: MONTHLY WATER & SEWER RATES**

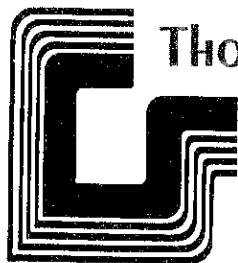
The City of Manila Water and Sewer Fund are determined each month by meter measurements. The rate schedule as of December 31, 2023 and 2022 is as follows:

2023 Authorized Rates	Water		Sewer	
	Residential	Commercial	Residential	Commercial
Gallons used	Rate	Rate	Rate	Rate
0-1000	12.000 flat rate	13.000 flat rate	11.000 flat rate	13.000 flat rate
1000+	3.500 per 1000 gallons	3.500 per 1000 gallons	2.000 per 1000 gallons	2.000 per 1000 gallons

2022 Authorized Rates	Water		Sewer	
	Residential	Commercial	Residential	Commercial
Gallons used	Rate	Rate	Rate	Rate
0-1000	10.000 flat rate	11.000 flat rate	11.000 flat rate	13.000 flat rate
1000+	2.000 per 1000 gallons	2.000 per 1000 gallons	2.000 per 1000 gallons	2.000 per 1000 gallons

**NOTE 9: SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition or disclosure through December 15, 2024, the date financial statements were available to be issued. Funding and construction of a new water well is underway, as mentioned previously in Note 4.



# THOMAS, SPEIGHT & NOBLE

A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE PRIVATE COMPANIES PRACTICE 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 Board of Directors of  
Manila Water and Sewer  
Manila, 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 Manila Water and Sewer. (the "Utility"), as of and for the years ended December 31, 2022 and 2023, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated December 15, 2024.

### 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 were not identified. We identified certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2023-001 that we consider to be material weakness.

### 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### City of Manila Water and Sewer's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on Utility's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Utility's response was not subjected to the other 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  
Osceola, Arkansas  
December 15, 2024

Manila Water and Sewer  
Schedule of Findings and Questioned Costs  
For the Years 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?

x Yes    No

Any significant deficiency(ies) identified?

   Yes x No

Any noncompliance material to financial statements noted?

   Yes x No

**Section II - Financial Statement Findings**

**Finding: 2023-001**

**Material Weakness - Internal Control over Financial Reporting**

**Segregation of duties**

Condition: Manila Water and Sewer 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 Utility's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: The Utility'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.



Manila Water and Sewer  
Schedule of Findings and Questioned Costs  
For the Years Ended December 31, 2022

**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: 2022-001**

**Material Weakness - Internal Control over Financial Reporting**

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

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**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Budgetary Comparison**  
**For the Year Ended December 31, 2023**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Water revenue	\$ 536,926	\$ 591,993	\$ 55,067
Sewer revenue	325,000	333,784	8,784
Water meter sales	18,572	27,100	8,528
Miscellaneous income	-	10,428	10,428
Total operating revenues	880,498	963,305	82,807
<b>OPERATING EXPENSES</b>			
Salaries and wages	209,520	241,533	(32,013)
Payroll taxes	16,000	18,587	(2,587)
Employee benefits	38,211	33,042	5,169
Contract labor	20,000	13,596	6,404
Supplies	22,214	58,181	(35,967)
Utilities	91,750	88,467	3,283
Insurance	96,241	9,289	86,952
Professional fees	14,500	21,672	(7,172)
Fuel	39,000	20,745	18,255
System repairs	108,000	169,761	(61,761)
Postage	6,000	8,040	(2,040)
Depreciation	-	126,039	(126,039)
Chemicals	36,100	44,227	(8,127)
Permits and licenses	3,000	4,160	(1,160)
Water sampling	7,400	7,189	211
Training	3,700	1,872	1,828
Bad debt	-	2,964	(2,964)
Sales tax payment	75,167	65,222	9,945
Miscellaneous	-	1,913	(1,913)
Total operating expenses	786,803	936,499	(149,696)
<b>OPERATING INCOME (LOSS)</b>	93,695	26,806	(66,889)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	500	19,016	18,516
Total Non-operating revenues (expenses)	500	19,016	18,516
<b>CAPITAL CONTRIBUTIONS/TRANSFERS</b>			
Transfers From/(To) - Other City Funds	40,000	105,010	65,010
Total Capital Contributions/Transfers	-	105,010	65,010
<b>CHANGE IN NET POSITION</b>	<u>\$ 94,195</u>	<u>\$ 150,832</u>	<u>\$ 16,637</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>		<u>3,096,811</u>	
<b>NET POSITION AT END OF YEAR</b>		<u>\$ 3,247,643</u>	

**City of Manila Water and Sewer Fund**  
**(A Component Unit of the City of Manila, Arkansas)**  
**Budgetary Comparison**  
**For the Year Ended December 31, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Water revenue	\$ 361,000	\$ 431,555	\$ 70,555
Sewer revenue	386,233	324,951	(61,282)
Miscellaneous income	10,000	18,207	8,207
Total operating revenues	<u>757,233</u>	<u>774,713</u>	<u>17,480</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	182,960	231,272	(48,312)
Payroll taxes	14,006	17,840	(3,834)
Employee benefits	42,796	27,375	15,421
Contract labor	18,000	43,292	(25,292)
Supplies	27,428	29,447	(2,019)
Utilities	66,500	91,224	(24,724)
Insurance	5,101	6,479	(1,378)
Professional fees	18,500	13,339	5,161
Fuel	28,500	37,618	(9,118)
System repairs	178,000	186,575	(8,575)
Postage	6,000	6,450	(450)
Depreciation	-	137,960	(137,960)
Chemicals	21,600	32,823	(11,223)
Water sampling	7,400	7,007	393
Training	3,500	1,419	2,081
Bad debt	1,900	3,098	(1,198)
Sales tax	31,000	56,618	(25,618)
Health department charges	2,000	-	2,000
Miscellaneous	2,200	3,270	(1,070)
Total operating expenses	<u>657,391</u>	<u>933,107</u>	<u>(275,715)</u>
<b>OPERATING INCOME (LOSS)</b>	99,842	(158,394)	(255,235)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	335	1,927	1,592
Interest expense	-	(185)	(185)
Total Non-operating revenues (expenses)	<u>335</u>	<u>1,742</u>	<u>1,407</u>
<b>CAPITAL CONTRIBUTIONS/TRANSFERS</b>			
Transfers From/(To) - Other City Funds	-	238,480	238,480
Total Capital Contributions/Transfers	<u>-</u>	<u>238,480</u>	<u>238,480</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 100,177</u>	<u>\$ 81,828</u>	<u>\$ (15,348)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>		<u>3,011,983</u>	
<b>NET POSITION AT END OF YEAR</b>		<u>\$ 3,093,811</u>	