

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

**MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, ARKANSAS 72396**

MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marianna Municipal Waterworks Commission
Marianna, Arkansas 72360

Opinions

We have audited the accompanying financial statements of the business-type activities of Marianna Municipal Waterworks as of and for the years ended August 31, 2023, and 2022 and the related notes to the financial statements, which collectively comprise the Marianna Municipal Waterworks' 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 business-type activities of the Marianna Municipal Waterworks, as of August 31, 2023, and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marianna Municipal Waterworks, 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 Marianna Municipal Waterworks ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marianna Municipal Waterworks 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

Marianna Municipal Waterworks 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 5–7 and 22 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

As discussed in Note A, the accompanying financial statements of the Marianna Municipal Waterworks are intended to present the financial position, and the changes in financial position and the cash flows of the City that is attributable to the transactions of the Marianna Municipal Waterworks. They do not purport to and do not, present fairly the financial position of the Marianna Municipal Waterworks, as of August 31, 2023, and 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2024, on our consideration of the Marianna Municipal Waterworks' internal control over financial reporting and 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 the 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 Marianna Municipal Waterworks' internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

January 10, 2024

**MARIANNA MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2023 and 2022**

Within this section of the Marianna Municipal Waterworks' financial report, the Waterworks' management provides narrative discussion and analysis of the financial activities of the Waterworks for the years ended August 31, 2023 and 2022. The Waterworks' financial performance is discussed and analyzed with the context of the accompanying financial statements and disclosures following this section.

Using this annual report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Waterworks as a whole and present a longer term view of the Waterworks' finances. The Statement of Cash Flows provides a summary of the changes in cash and cash equivalents for the year. Information is included in the notes to financial statements to disclose accounting policies and additional financial detail amounts shown in the financial statements. A report on internal control is also included.

Reporting on Marianna Municipal Waterworks as a whole

Our analysis of the Waterworks as a whole follows in the next section. The Waterworks operates as a business-type activity providing water utilities to its customers. Its revenues must be sufficient to cover the cost of operations, payments of indebtedness, and cost of improvements to the system. One of the most important questions asked about the Waterworks' finances is "Is the Waterworks as a whole better off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Waterworks as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Waterworks' net position and changes in them. You can think of the Waterworks' net position (the difference between assets and liabilities) as one way to measure the Waterworks' financial health. Over time, increases or decreases in the net position are one indicator of whether the financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the conditions of the water and sewer system, to assess the overall health of the Waterworks.

**MARIANNA MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
August 31, 2023 and 2022**

Financial Highlights:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Net Position	\$ 4,836,601	\$ 4,663,293	\$ 4,511,817
Increase (decrease) in Net Position	657,514	173,308	151,476
Ending Net Position	<u>\$ 5,494,115</u>	<u>\$ 4,836,601</u>	<u>\$ 4,663,293</u>

The following table summarizes the Waterworks' net position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 1,291,950	\$ 1,645,428	\$ 1,425,533
Restricted Assets	489,459	426,432	365,643
Capital Assets	<u>4,071,073</u>	<u>3,151,149</u>	<u>3,293,748</u>
Total Assets	<u>\$ 5,852,482</u>	<u>\$ 5,223,009</u>	<u>\$ 5,084,924</u>
Current Liabilities	\$ 202,760	\$ 197,129	\$ 200,288
Long-term Liabilities	<u>155,607</u>	<u>189,279</u>	<u>221,343</u>
Total Liabilities	<u>358,367</u>	<u>386,408</u>	<u>421,631</u>
Net Position			
Unrestricted	1,565,562	1,860,042	1,605,077
Restricted for Debt Service	46,680	46,680	46,680
Net Investment in Capital Assets	<u>3,881,873</u>	<u>2,929,879</u>	<u>3,011,536</u>
Total Net Position	<u>5,494,115</u>	<u>4,836,601</u>	<u>4,663,293</u>
Total Liabilities and Net Position	<u>\$ 5,852,482</u>	<u>\$ 5,223,009</u>	<u>\$ 5,084,924</u>

The following schedule presents a summary of revenues and expenses for the years ended August 31, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 1,086,024	\$ 1,081,818	\$ 1,064,554
Operating Expenses	<u>928,699</u>	<u>900,763</u>	<u>906,129</u>
Operating Income	157,325	181,055	158,425
Other Income (Expenses)	<u>500,189</u>	<u>(7,747)</u>	<u>(6,949)</u>
	<u>\$ 657,514</u>	<u>\$ 173,308</u>	<u>\$ 151,476</u>

**MARIANNA MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
August 31, 2023 and 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end August 31, 2023, the Waterworks had \$ 4,071,073 invested in capital assets. This represents a net decrease of \$ 919,924 which is the result of depreciation expense recognized of \$ 150,878 and additions of \$ 1,070,802.

Debt

At year end, the Waterworks had \$ 189,202 in outstanding notes payable. This represents a decrease of \$ 32,068 in principal repayments. No new debt was issued in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Waterworks does not anticipate a rate increase for next year. The Waterworks is also considering improvements to oxidation ponds. The total estimated costs may be approximately \$ 4,000,000 unless engineers are able to determine a more cost effective process.

CONTACTING THE WATERWORKS' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Waterworks' finances and to show the Waterworks' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Keasler, chairman of the Marianna Municipal Waterworks' Board of Directors.

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
STATEMENTS OF NET POSITION
AUGUST 31, 2023 and 2022**

ASSETS

	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$ 632,455	\$ 686,302
Certificates of Deposit	459,050	752,706
Accounts Receivable - Customers	124,091	128,700
Accounts Receivable - Unbilled	43,701	45,573
Inventory	23,308	23,214
Prepaid Expenses	9,094	8,682
Accrued Interest Receivable	251	251
Total Current Assets	1,291,950	1,645,428
Restricted Assets:		
Certificates of Deposit - Depreciation	442,779	379,752
Certificates of Deposit - Debt Service	46,680	46,680
Accrued Interest Receivable	-	-
Total Restricted Assets	489,459	426,432
Capital Assets, Net	4,071,073	3,151,149
Total Assets	\$ 5,852,482	\$ 5,223,009

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

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
STATEMENTS OF NET POSITION
AUGUST 31, 2023 and 2022**

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Current Portion of Long Term Debt	\$ 33,595	\$ 31,991
Accrued Interest	281	277
Accounts Payable & Accrued Liabilities	23,981	14,688
Due to Other Funds	56,155	56,627
Accrued Vacation Pay	7,115	8,637
	<u>121,127</u>	<u>112,220</u>
Payable From Restricted Assets:		
Customer Meter Deposits	<u>81,633</u>	<u>84,909</u>
Long Term Debt, less current portion	<u>155,607</u>	<u>189,279</u>
Total Liabilities	<u>358,367</u>	<u>386,408</u>
Net Position:		
Net Investment in Capital Assets	3,881,873	2,929,879
Restricted for Debt Service	46,680	46,680
Unrestricted	<u>1,565,562</u>	<u>1,860,042</u>
Total Net Position	<u>5,494,115</u>	<u>4,836,601</u>
Total Liabilities and Net Position	<u>\$ 5,852,482</u>	<u>\$ 5,223,009</u>

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

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Water Fees	\$ 730,092	\$ 726,348
Sewer Fees	300,627	301,800
Other Revenues	55,305	53,670
Total Operating Revenues	<u>1,086,024</u>	<u>1,081,818</u>
Operating Expenses:		
Depreciation	150,878	155,264
Equipment, Repairs & Maintenance	91,487	84,022
Insurance	34,161	30,582
Legal & Professional	10,361	8,571
Licenses & Permits	7,460	6,910
Meetings & Travel	385	920
Miscellaneous	300	8,081
Office Supplies	14,335	15,878
Operating Supplies & Maintenance	135,218	96,707
Outside Services	6,662	7,812
Salaries & Fringe	376,193	386,969
Utilities	101,259	99,047
Total Operating Expense	<u>928,699</u>	<u>900,763</u>
OPERATING INCOME (LOSS)	<u>157,325</u>	<u>181,055</u>
Non-operating Revenues (Expenses):		
Interest Income	10,462	3,986
Grant from Lee County	500,000	
Interest Expense	(10,273)	(11,733)
Total Non-Operating Revenues (Expenses)	<u>500,189</u>	<u>(7,747)</u>
Change in Net Position	657,514	173,308
Beginning Net Position	4,836,601	4,663,293
Ending Net Position	<u>\$ 5,494,115</u>	<u>\$ 4,836,601</u>

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

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,089,229	\$ 1,079,600
Payments to suppliers	(394,363)	(364,196)
Payments to employees	(376,193)	(387,840)
Net cash provided by (used in) operating activities	<u>318,673</u>	<u>327,564</u>
 Cash Flows From Noncapital Financing Activities		
Transfer (to) from other funds	(472)	57
 Cash Flows From Capital and Related Financing Activities		
Principal paid on capital debt	(32,068)	(30,507)
Purchases of equipment	(1,070,802)	(12,665)
Interest paid on capital debt	(10,269)	(11,828)
Net cash provided by (used in) capital and related activities	<u>(1,113,139)</u>	<u>(55,000)</u>
 Cash Flows from Investing Activities		
Interest income	10,462	4,270
Grant Income	500,000	
Certificates of Deposit (purchases) maturities	293,656	(3,651)
Net transfers (to) from restricted accounts	(63,027)	(60,931)
Net cash provided by (used in) investing activities	<u>741,091</u>	<u>(60,312)</u>
Increase (Decrease) in cash and cash equivalents	(53,847)	212,309
Cash and cash equivalents, beginning of year	686,302	473,993
Cash and cash equivalents, end of year	<u>\$ 632,455</u>	<u>\$ 686,302</u>

(statement continued on next page)

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

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 and 2022**

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 157,325	\$ 181,055
Depreciation	150,878	155,264
(Increase) Decrease in:		
Accounts Receivable	4,609	(5,556)
Unbilled Receivables	1,872	2,156
Inventory	(94)	(113)
Prepaid Expenses	(412)	(564)
Increase (Decrease) in:		
Accounts Payable	9,293	(4,989)
Other Accrued Payables	(1,522)	(871)
Customer Meter Deposits	(3,276)	1,182
	\$ 318,673	\$ 327,564

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

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Financial Reporting Waterworks – Marianna Municipal Waterworks is a department of the City of Marianna, Arkansas. The accompanying financial statements present only the Marianna Municipal Waterworks and do not include all funds, account groups, and programs controlled by the City of Marianna. Other activities, funds, and account groups and programs are included in a government wide audit performed by the Arkansas Division of Legislative Audit.

Activities of the Marianna Municipal Waterworks are governed by a Commission established by city ordinance. The Waterworks serves the City of Marianna and the rural residents of the surrounding area.

Basis of accounting – The Marianna Municipal Waterworks uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents – The Marianna Municipal Waterworks considers all cash, savings accounts, and certificate of deposits purchased with a maturity of three months or less to be cash equivalents. However, all cash balances designated as restricted are excluded from Cash Equivalents.

Accounts Receivable - Accounts receivable arise from sales of water and sewer services to local customers. Accounts receivable are presented at estimated net realizable value. The direct charge-off method is used to record bad debt expense. No material difference results from use of the direct charge-off method rather than the allowance method as required by generally accepted accounting principles.

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

**NOTE A- ORGANIZATION AND SUMMARY OF SIGNFICANT
ACCOUNTING POLICIES (CONT'D)**

Property and Equipment – Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized, while minor repairs, replacements, and maintenance which does not improve or extend the life of such assets are charged to operations as incurred. Depreciation is provided by the straight-line method over the estimated lives of the assets, which range from 5 years for office and transportation equipment to 50 years for the water and sewer systems.

Restricted Assets - The Marianna Municipal Waterworks is required under the terms of various bond ordinances to establish and maintain prescribed cash balances that can only be used for specific purposes.

Risk Management - The Marianna Municipal Waterworks minimizes risk of loss through purchase of commercial insurance coverage.

Operating Revenues and Expenses – Operating Revenues and Expenses consists of those revenues that result from ongoing operations and are primarily charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary services. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Waterworks' policy to apply those expenses to restricted net assets to the extent such as are available and then to unrestricted net assets.

Sales Tax – The Marianna Municipal Waterworks collects sales taxes on water sold, and remits taxes collected monthly to the State of Arkansas Department of Finance and Administration. Water fees are presented in the accompanying financial statements net of sales taxes.

Net Position – Net Position is categorized as Net Investment in Capital Assets, Restricted for Debt Service (pursuant to debt agreements) or Unrestricted.

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE B – DEPOSITS WITH FINANCIAL INSTITUTIONS

The Waterworks’ policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Waterworks’ deposits are categorized to give an indication of the level of risk assumed by the Waterworks. The categories are described as follows:

Category 1- Insured or collateralized by the Waterworks or by its agent in the Waterworks’ name.

Category 2- Collateralized with securities held by the pledging financial institution’s trust Waterworks or by its agent in the Waterworks’ name.

Category 3- Uncollateralized.

At August 31, 2023, cash deposits categorized by level of risk are as follows:

carrying amount	category		
	1	2	3
\$ 1,580,964	\$ 500,000	\$ 1,080,964	\$ -

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE C- PROPERTY AND EQUIPMENT

A summary of property, plant and equipment for the Waterworks is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 27,284	\$ -	\$ -	\$ 27,284
Construction in progress	10,680	1,025,505	-	1,036,185
	<u>37,964</u>	<u>1,025,505</u>	<u>-</u>	<u>1,063,469</u>
Capital Assets Depreciated:				-
Water Plant	4,844,247	547	-	4,844,794
Sewer Plant	2,088,719	-	-	2,088,719
Tank and improvements	923,659	-	-	923,659
Building and Improvements	104,138	44,750	-	148,888
Equipment	802,402	-	-	802,402
	<u>8,763,165</u>	<u>45,297</u>	<u>-</u>	<u>8,808,462</u>
Less: Accumulated Depreciation				
Water Plant	(3,444,074)	(62,937)	-	(3,507,011)
Sewer Plant	(1,371,077)	(34,600)	-	(1,405,677)
Tank and Improvements	(139,799)	(21,067)	-	(160,866)
Building and Improvements	(74,187)	(1,914)	-	(76,101)
Equipment	(620,843)	(30,360)	-	(651,203)
Total	<u>(5,649,980)</u>	<u>(150,878)</u>	<u>-</u>	<u>(5,800,858)</u>
Net Capital Assets	<u>\$ 3,151,149</u>	<u>\$ 919,924</u>	<u>\$ -</u>	<u>\$ 4,071,073</u>

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE D- LONG TERM LIABILITIES

The following is a summary of the Marianna Water Waterworks' long-term debt at August 31, 2023 and 2022.

	2023	2022
5% Note Payable to USDA due in monthly installments of \$ 3,528 through 2028 secured by pledge of future revenues	\$ 189,202	\$ 221,270
Less Current Portion	(33,595)	(31,991)
Long-Term Debt, less current portion	\$ 155,607	\$ 189,279

A summary of future payments required at August 31, 2023 is as follows:

For the years ending August 31,	Principal	Interest	Total
2024	\$ 33,595	\$ 8,741	\$ 42,336
2025	35,338	6,998	42,336
2026	37,146	5,190	42,336
2027	39,046	3,289	42,335
2028	41,040	1,295	42,335
Five years ending 2033	3,037	288	3,325
	\$ 189,202	\$ 25,513	\$ 215,003

A summary of long-term debt activity is as follows:

	Balance 9/1/2022	Additions	Reductions	Balance 8/31/2023
	\$ 221,270	\$ -	\$ 32,068	\$ 189,202

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE E – RESTRICTED ACCOUNTS

The Debt Service Reserve and Depreciation Reserve cash accounts have been established pursuant to agreements with U.S. Rural Development. These accounts are to maintain monthly transfers as defined by loan agreements and are restricted for retirement of long-term debt and repairs. As of August 31, 2023, the Marianna Municipal Waterworks was in compliance with the required reserve amounts.

Restricted accounts at August 31, 2023 and 2022 consist of the following:

	2023	2022
Certificates of Deposit - Depreciation	\$ 442,779	\$ 379,752
Certificates of Deposit - Debt Service	<u>46,680</u>	<u>46,680</u>
Total Restricted Assets	<u><u>489,459</u></u>	<u><u>426,432</u></u>

NOTE F – INVENTORY

Supplies and materials inventory are stated at the lower of cost or market. Cost is determined on the first in, first out basis.

NOTE G – DUE TO OTHER FUNDS

Due to other funds consists of amounts billed for mosquito control and trash services. The Waterworks bills and collects these charges for the City of Marianna, Arkansas. Transfers are made monthly to the City of Marianna General Fund.

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022**

NOTE H – CONCENTRATIONS

Revenues – Major Customers:

The Waterworks maintains a water supply agreement with the Lee County Water Association, Inc., a water company serving the rural areas of Lee, Monroe, and Phillips Counties in Eastern Arkansas. For the years ended August 31, 2023, and 2022 water sales to Lee County Water Association, Inc., totaled \$ 194,405 and 187,386 or approximately 18 % and 18 % of total water and sewer revenues.

NOTE I – EMPLOYEE RETIREMENT SYSTEM

The Waterworks participates in the City of Marianna Money Purchase Pension Plan and Trust. All full time employees are eligible to participate upon meeting minimum age and service requirements. Funding is provided by employee contributions and employer match. Total employer retirement contributions for the year ended August 31, 2023 and 2022 were \$ 9,145 and \$ 10,302.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report, no items were noted which would require disclosure.

NOTE K – CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred as of August 31, 2023 for construction of a new well. Total estimated costs for the project is approximately \$ 1,700,000.

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, ARKANSAS 72396

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Marianna Waterworks Board of Directors
Marianna, Arkansas 72360

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 business-type activities of the Marianna Municipal Waterworks, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Marianna Municipal Waterworks' basic financial statements, and have issued our report thereon dated January 10, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marianna Municipal Waterworks' 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 Waterworks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Waterworks' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marianna Municipal Waterworks' 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*.

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.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

January 10, 2024

**MARIANNA MUNICIPAL WATERWORKS
CITY OF MARIANNA, ARKANSAS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Water	\$ 710,500	\$ 730,092	\$ 19,592
Sewer	287,700	300,627	12,927
Other	61,500	55,305	(6,195)
Total Revenues	<u>1,059,700</u>	<u>1,086,024</u>	<u>26,324</u>
Operating Expenses:			
Depreciation	141,600	150,878	9,278
Equipment, Repairs, Maint	94,500	91,487	(3,013)
Insurance	50,200	34,161	(16,039)
Legal & Professional	8,000	10,361	2,361
Licenses & Permits	-	7,460	7,460
Meetings & Travel	-	385	385
Miscellaneous	30,500	300	(30,200)
Office Supplies	-	14,335	14,335
Operating Supplies & Maint	116,500	135,218	18,718
Outside Services	-	6,662	6,662
Salaries & Fringe	372,500	376,193	3,693
Utilities	92,500	101,259	8,759
Total Expenses	<u>906,300</u>	<u>928,699</u>	<u>22,399</u>
Income (Loss) from Operations	<u>153,400</u>	<u>157,325</u>	<u>3,925</u>
Nonoperating Revenues (Expenses):			
Interest Income	6,500	10,462	3,962
Grant from Lee County		500,000	500,000
Interest Expense	(11,830)	(10,273)	1,557
Net Non-Operating Revenues (Expenses)	<u>(5,330)</u>	<u>500,189</u>	<u>505,519</u>
Change in Net Position	<u>\$ 148,070</u>	<u>\$ 657,514</u>	<u>\$ 509,444</u>