

**MARIANNA MUNICIPAL WATERWORKS  
CITY OF MARIANNA, ARKANSAS  
FINANCIAL STATEMENTS  
AUGUST 31, 2024 and 2023**

**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, 2024, and 2023 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, 2024, and 2023, 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.

***Emphasis of Matter***

As discussed in Note A, the accompanying financial statements of the City of 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 City of Marianna Municipal Waterworks. They do not purport to, and do not, present fairly the financial position of the City of Marianna Arkansas, as of August 31, 2024 and 2023, the changes in its financial position,

or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **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 Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 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

December 14, 2024

**MARIANNA MUNICIPAL WATERWORKS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2024 and 2023**

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, 2024 and 2023. 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, 2024 and 2023**

**Financial Highlights:**

	2024	2023	2022
Beginning Net Position	\$ 5,494,115	\$ 4,836,601	\$ 4,663,293
Increase (decrease) in Net Position	54,642	657,514	173,308
Ending Net Position	<u>\$ 5,548,757</u>	<u>\$ 5,494,115</u>	<u>\$ 4,836,601</u>

The following table summarizes the Waterworks' net position

	2024	2023	2022
Current Assets	\$ 1,290,177	\$ 1,291,950	\$ 1,645,428
Restricted Assets	462,227	489,459	426,432
Capital Assets	4,120,455	4,071,073	3,151,149
Total Assets	<u>\$ 5,872,859</u>	<u>\$ 5,852,482</u>	<u>\$ 5,223,009</u>
Current Liabilities	\$ 203,448	\$ 202,760	\$ 197,129
Long-term Liabilities	120,654	155,607	189,279
Total Liabilities	<u>324,102</u>	<u>358,367</u>	<u>386,408</u>
Net Position			
Unrestricted	1,537,614	1,565,562	1,860,042
Restricted for Debt Service	46,680	46,680	46,680
Net Investment in Capital Assets	3,964,463	3,881,873	2,929,879
Total Net Position	<u>5,548,757</u>	<u>5,494,115</u>	<u>4,836,601</u>
Total Liabilities and Net Position	<u>\$ 5,872,859</u>	<u>\$ 5,852,482</u>	<u>\$ 5,223,009</u>

The following schedule presents a summary of revenues and expenses for the years ended August 31, 2024, 2023, and 2022.

	2024	2023	2022
Operating Revenues	\$ 1,067,202	\$ 1,086,024	\$ 1,081,818
Operating Expenses	1,044,832	928,699	900,763
Operating Income	22,370	157,325	181,055
Other Income ( Expenses)	32,272	500,189	(7,747)
	<u>\$ 54,642</u>	<u>\$ 657,514</u>	<u>\$ 173,308</u>



**MARIANNA MUNICIPAL WATERWORKS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)  
August 31, 2024 and 2023**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At year end August 31, 2024, the Waterworks had \$ 4,120,455 invested in capital assets. This represents a net decrease of \$ 49,382 which is the result of depreciation expense recognized of \$ 178,961 and additions of \$ 228,343.

Debt

At year end, the Waterworks had \$ 155,992 in outstanding notes payable. This represents a decrease of \$ 33,210 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, 2024 and 2023**

**ASSETS**

	<u>2024</u>	<u>2023</u>	
Current Assets:			.
Cash and Cash Equivalents	\$ 618,461	\$ 632,455	
Certificates of Deposit	470,243	459,050	
Accounts Receivable - Customers	117,390	124,091	
Accounts Receivable - Unbilled	46,825	43,701	
Inventory	27,965	23,308	
Prepaid Expenses	9,042	9,094	
Accrued Interest Receivable	251	251	
Total Current Assets	<u>1,290,177</u>	<u>1,291,950</u>	.
Restricted Assets:			
Certificates of Deposit - Depreciation	415,547	442,779	
Certificates of Deposit - Debt Service	<u>46,680</u>	<u>46,680</u>	.
Total Restricted Assets	<u>462,227</u>	<u>489,459</u>	.
Capital Assets, Net	<u>4,120,455</u>	<u>4,071,073</u>	.
Total Assets	<u><u>\$ 5,872,859</u></u>	<u><u>\$ 5,852,482</u></u>	:

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

**MARIANNA MUNICIPAL WATERWORKS  
CITY OF MARIANNA, ARKANSAS  
STATEMENTS OF NET POSITION  
AUGUST 31, 2024 and 2023**

**LIABILITIES AND NET POSITION**

	<u>2024</u>	<u>2023</u>
Current Liabilities:		
Current Portion of Long Term Debt	\$ 35,338	\$ 33,595
Accrued Interest	231	281
Accounts Payable & Accrued Liabilities	13,474	23,981
Due to Other Funds	55,816	56,155
Accrued Vacation Pay	8,411	7,115
	<u>113,270</u>	<u>121,127</u>
Payable From Restricted Assets:		
Customer Meter Deposits	<u>90,178</u>	<u>81,633</u>
Long Term Debt, less current portion	<u>120,654</u>	<u>155,607</u>
Total Liabilities	<u>324,102</u>	<u>358,367</u>
Net Position:		
Net Investment in Capital Assets	3,964,463	3,881,873
Restricted for Debt Service	46,680	46,680
Unrestricted	<u>1,537,614</u>	<u>1,565,562</u>
Total Net Position	<u>5,548,757</u>	<u>5,494,115</u>
Total Liabilities and Net Position	<u><u>\$ 5,872,859</u></u>	<u><u>\$ 5,852,482</u></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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Water Fees	\$ 717,227	\$ 730,092
Sewer Fees	288,703	300,627
Other Revenues	61,272	55,305
Total Operating Revenues	<u>1,067,202</u>	<u>1,086,024</u>
Operating Expenses:		
Depreciation	178,961	150,878
Equipment, Repairs & Maintenance	107,529	91,487
Insurance	34,386	34,161
Legal & Professional	10,091	10,361
Licenses & Permits	7,550	7,460
Meetings & Travel	1,245	385
Miscellaneous		300
Office Supplies	14,957	14,335
Operating Supplies & Maintenance	125,967	135,218
Outside Services	6,945	6,662
Salaries & Fringe	456,738	376,193
Utilities	100,463	101,259
Total Operating Expense	<u>1,044,832</u>	<u>928,699</u>
OPERATING INCOME (LOSS)	<u>22,370</u>	<u>157,325</u>
Non-operating Revenues (Expenses):		
Interest Income	13,848	10,462
Gain on Sale of Equipment	27,500	
Grant from Lee County	-	500,000
Interest Expense	(9,076)	(10,273)
Total Non-Operating Revenues (Expenses)	<u>32,272</u>	<u>500,189</u>
Change in Net Position	54,642	657,514
Beginning Net Position	5,494,115	4,836,601
Ending Net Position	<u>\$ 5,548,757</u>	<u>\$ 5,494,115</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,079,324	\$ 1,089,229
Payments to suppliers	(422,949)	(394,363)
Payments to employees	(456,738)	(376,193)
Net cash provided by (used in) operating activities	<u>199,637</u>	<u>318,673</u>
Cash Flows From Noncapital Financing Activities		
Transfer (to) from other funds	(339)	(472)
Cash Flows From Capital and Related Financing Activities		
Proceeds on sale of assets	27,500	
Principal paid on capital debt	(33,210)	(32,068)
Purchases of equipment	(228,343)	(1,070,802)
Interest paid on capital debt	(9,126)	(10,269)
Net cash provided by (used in) capital and related activities	<u>(243,179)</u>	<u>(1,113,139)</u>
Cash Flows from Investing Activities		
Interest income	13,848	10,462
Grant Income	-	500,000
Certificates of Deposit (purchases) maturities	(11,193)	293,656
Net transfers (to) from restricted accounts	<u>27,232</u>	<u>(63,027)</u>
Net cash provided by (used in) investing activities	29,887	741,091
Increase (Decrease) in cash and cash equivalents	(13,994)	(53,847)
Cash and cash equivalents, beginning of year	<u>632,455</u>	<u>686,302</u>
Cash and cash equivalents, end of year	<u><u>\$ 618,461</u></u>	<u><u>\$ 632,455</u></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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income ( Loss)	\$ 22,370	\$ 157,325
Depreciation	178,961	150,878
(Increase) Decrease in:		
Accounts Receivable	6,701	4,609
Unbilled Receivables	(3,124)	1,872
Inventory	(4,657)	(94)
Prepaid Expenses	52	(412)
Increase (Decrease) in:		
Accounts Payable	(10,507)	9,293
Other Accrued Payables	1,296	(1,522)
Customer Meter Deposits	8,545	(3,276)
	<u>\$ 199,637</u>	<u>\$ 318,673</u>

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

**MARIANNA MUNICIPAL WATERWORKS**  
**CITY OF MARIANNA, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2024 and 2023**

**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, 2024 and 2023**

**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, 2024 and 2023**

**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, 2024, cash deposits categorized by level of risk are as follows:

carrying amount	category		
	1	2	3
<u>\$ 1,550,931</u>	<u>\$ 500,000</u>	<u>\$ 1,050,931</u>	<u>\$ -</u>

**MARIANNA MUNICIPAL WATERWORKS**  
**CITY OF MARIANNA, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2024 and 2023**

**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	1,036,185	112,343	(1,148,528)	-
	<u>1,063,469</u>	<u>112,343</u>	<u>(1,148,528)</u>	<u>27,284</u>
Capital Assets Depreciated:				-
Water Plant	4,844,794	1,148,528	-	5,993,322
Sewer Plant	2,088,719	-	-	2,088,719
Tank and improvements	923,659	-	-	923,659
Building and Improvements	148,888	-	-	148,888
Equipment	802,402	116,000	(20,548)	897,854
	<u>8,808,462</u>	<u>1,264,528</u>	<u>(20,548)</u>	<u>10,052,442</u>
Less: Accumulated Depreciation				
Water Plant	(3,507,011)	(62,428)	-	(3,569,439)
Sewer Plant	(1,405,677)	(34,555)	-	(1,440,232)
Tank and Improvements	(160,866)	(20,900)	-	(181,766)
Building and Improvements	(76,101)	(3,033)	-	(79,134)
Equipment	(651,203)	(58,045)	20,548	(688,700)
Total	<u>(5,800,858)</u>	<u>(178,961)</u>	<u>20,548</u>	<u>(5,959,271)</u>
Net Capital Assets	<u>\$ 4,071,073</u>	<u>\$ 1,197,910</u>	<u>\$ (1,148,528)</u>	<u>\$ 4,120,455</u>

**MARIANNA MUNICIPAL WATERWORKS  
CITY OF MARIANNA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2024 and 2023**

**NOTE D- LONG TERM LIABILITIES**

The following is a summary of the Marianna Water Waterworks' long-term debt at August 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
5% Note Payable to USDA due in monthly installments of \$ 3,528 through 2028 secured by pledge of future revenues	\$ 155,992	\$ 189,202
Less Current Portion	<u>(35,338)</u>	<u>(33,595)</u>
Long-Term Debt, less current portion	<u>\$ 120,654</u>	<u>\$ 155,607</u>

A summary of future payments required at August 31, 2024 is as follows:

For the years ending August 31,	Principal	Interest	Total
2025	\$ 35,338	\$ 6,998	\$ 42,336
2026	37,146	5,190	42,336
2027	39,047	3,289	42,336
2028	41,041	1,295	42,336
2029	3,420	14	3,434
Five years ending 2034	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 155,992</u>	<u>\$ 16,786</u>	<u>\$ 172,778</u>

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

Balance 9/1/2023	Additions	Reductions	Balance 8/31/2024
<u>\$ 189,202</u>	<u>\$ -</u>	<u>\$ 33,210</u>	<u>\$ 155,992</u>

**MARIANNA MUNICIPAL WATERWORKS  
CITY OF MARIANNA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2024 and 2023**

**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, 2024, the Marianna Municipal Waterworks was in compliance with the required reserve amounts.

Restricted accounts at August 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Certificates of Deposit - Depreciation	\$ 415,547	\$ 442,779
Certificates of Deposit - Debt Service	<u>46,680</u>	<u>46,680</u>
Total Restricted Assets	<u><u>462,227</u></u>	<u><u>489,459</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, 2024 and 2023**

**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, 2024, and 2023 water sales to Lee County Water Association, Inc., totaled \$ 193,015 and 194,405 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, 2024 and 2023 were \$ 8,659 and \$ 9,145.

**NOTE J – SUBSEQUENT EVENTS**

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

**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 Commission  
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, 2024, 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 December 14, 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

December 14, 2024

**MARIANNA MUNICIPAL WATERWORKS  
CITY OF MARIANNA, ARKANSAS  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Water	\$ 730,000	\$ 717,227	\$ (12,773)
Sewer	290,000	288,703	(1,297)
Other	54,600	61,272	6,672
Total Revenues	<u>1,074,600</u>	<u>1,067,202</u>	<u>(7,398)</u>
Operating Expenses:			
Depreciation	141,600	178,961	37,361
Equipment, Repairs, Maint	89,300	107,529	18,229
Insurance	42,000	34,386	(7,614)
Legal & Professional	8,250	10,091	1,841
Licenses & Permits	-	7,550	7,550
Meetings & Travel	-	1,245	1,245
Miscellaneous	22,800	-	(22,800)
Office Supplies	-	14,957	14,957
Operating Supplies & Maint	123,600	125,967	2,367
Outside Services	-	6,945	6,945
Salaries & Fringe	390,000	456,738	66,738
Utilities	99,200	100,463	1,263
Total Expenses	<u>916,750</u>	<u>1,044,832</u>	<u>128,082</u>
Income (Loss) from Operations	<u>157,850</u>	<u>22,370</u>	<u>(135,480)</u>
Nonoperating Revenues (Expenses):			
Interest Income	7,800	13,848	6,048
Gain on Sale of Equipment		27,500	27,500
Interest Expense	(8,700)	(9,076)	(376)
Net Non-Operating Revenues (Expenses)	<u>(900)</u>	<u>32,272</u>	<u>33,172</u>
Change in Net Position	<u>\$ 156,950</u>	<u>\$ 54,642</u>	<u>\$ (102,308)</u>