

**Independent Accountant's Report and Financial Statements**

**NORPHLET WATER AND SEWER SYSTEM**

**For the Year Ended December 31, 2020**

**NORPHLET WATER AND SEWER SYSTEM**  
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# PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY  
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## INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor and City Council Members  
Norphlet Water and Sewer System  
Norphlet, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of the Norphlet Water and Sewer System (the System), as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Norphlet Water and Sewer System as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity 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 Norphlet Water and Sewer System and do not purport to, and do not, present fairly the financial position of the City of Norphlet, Arkansas as of December 31, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

Management has omitted the management 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 Government 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023 on our consideration of the System’s 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* and should be read in conjunction with this report in considering the results of our audit.

*Parks & Company PLC*

June 12, 2023  
El Dorado, Arkansas

**NORPHLET WATER AND SEWER SYSTEM**  
**Statement of Net Position**  
**December 31, 2020**  
**ASSETS AND DEFERRED OUTFLOWS**

**Current Assets**

Cash - unrestricted	\$ 26,301
Accounts receivable, net	23,013
Inventory	62,403
Total current assets	111,717

**Non-current Assets**

Cash - restricted	88,928
Investments - restricted	3,000
Total non-current assets	91,928

**Capital Assets**

Capital assets, not being depreciated	32,866
Capital assets, being depreciated, net	1,432,821
Total capital assets	1,465,687

**TOTAL ASSETS AND DEFERRED OUTFLOWS**

**\$ 1,669,332**

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 1,003
Customer overpayments	8,952
Notes payable - current portion	90,571
Total current liabilities	100,526

**Non-current Liabilities**

Customer meter deposits	28,621
Due to Solid Waste Department	175,627
Notes payable	1,309,526
Total non-current liabilities	1,513,774
Total liabilities	1,614,300

**Net Position**

Invested in capital assets, net of related debt	65,590
Restricted - expendable for debt service	59,574
Restricted - expendable for meter deposit refunds	808
Restricted - expendable for capital projects	2,925
Unrestricted	(73,865)
Total net position	55,032

**TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**\$ 1,669,332**

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

**NORPHLET WATER AND SEWER SYSTEM**  
**Statement of Revenues, Expenses and Change in Net Position**  
**For the Year Ended December 31, 2020**

<b>Operating Revenues</b>	
Water charges	\$ 132,931
Sewer charges	85,252
Transfers	1,862
Other	7,199
	<hr/>
Total operating revenues	227,244
	<hr/>
<b>Operating Expenses</b>	
Salaries and wages	52,666
Payroll taxes	3,980
Contract Labor	45
Utilities and telephone	39,245
Maintenance, repair and supply	21,561
Insurance	2,621
Parts and supplies	6,424
Professional fees	11,388
Permits, licenses and fees	3,876
Water analysis and treatment	1,531
Office supplies and postage	2,474
Fuel and oil	1,293
Other	2,009
Depreciation	72,068
	<hr/>
Total operating expenses	221,181
	<hr/>
<b>Operating income</b>	<b>6,063</b>
	<hr/>
<b>Non-operating revenues (expenses)</b>	
Interest revenue	333
Interest expense	(50,460)
	<hr/>
Total non-operating revenues (expenses)	(50,127)
	<hr/>
<b>Change in net position</b>	<b>(44,064)</b>
	<hr/>
<b>Net Position, beginning of year</b>	<b>99,096</b>
	<hr/>
<b>Net Position, end of year</b>	<b>\$ 55,032</b>
	<hr/> <hr/>

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

**NORPHLET WATER AND SEWER SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Sales - use charges	\$ 221,161
Other receipts and deposits	9,061
Collection (refund) of meter deposits, net	(367)
Salaries and wages	(52,666)
Contract labor	(45)
Payroll taxes	(3,980)
Utilities and telephone	(39,245)
Maintenance, repairs and supplies	(17,380)
Insurance	(2,621)
Parts and supplies	(6,424)
Professional fees	(11,388)
Permits, license and fees	(3,876)
Water analysis	(1,531)
Office supplies and postage	(2,474)
Fuel and oil	(1,293)
Other administrative	(2,009)
	<u>84,923</u>
Net cash provided by operating activities	<u>84,923</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on debt	(22,812)
Interest payments on debt	(52,528)
	<u>(75,340)</u>
Net cash used by capital and related financing activities	<u>(75,340)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from investments	333
Overpayments (overpayments applied) by customers	(673)
	<u>(340)</u>
Net cash used by investing activities	<u>(340)</u>
Increase in cash	9,243
Cash, beginning of year	108,986
	<u>108,986</u>
Cash, end of year	<u>\$ 118,229</u>

**Presented on Statement of Net Position as follows:**

Current assets	
Cash - unrestricted	\$ 26,301
Non-current assets	
Cash - restricted	91,928
	<u>91,928</u>
	<u>\$ 118,229</u>

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

**NORPHLET WATER AND SEWER SYSTEM**  
**Statement of Cash Flows (continued)**  
**For the Year Ended December 31, 2020**

**Reconciliation of net operating income to  
net cash provided by operating activities:**

Net operating income (loss)	<u>\$ 6,063</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	72,068
Collection (refund) of meter deposits, net	(367)
Decrease (increase) in accounts receivable	905
Decrease (increase) in inventory	4,181
Increase (decrease) in payables and payroll liabilities	<u>2,073</u>
Total adjustments	<u>78,860</u>
Net cash provided by operating activities	<u><u>\$ 84,923</u></u>

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



**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Norphlet Water and Sewer System (the "System") is an enterprise fund of the City of Norphlet, Arkansas governed by a 6 member council. The System provides water and sewer services to customers in the City of Norphlet.

***Basis of Accounting and Presentation***

The System's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The System applies all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements when accounting for and reporting its proprietary operations.

The System uses the accrual basis for accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

The System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the System are charges to customers for water and sewer sales and services. Operating expenses for the System include the cost of pumping, treating and delivering water and sewer discharge; administrative services; and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, the System's policy is to use restricted resources first, as required, then unrestricted resources as they are needed.

***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Deposits and Investments***

Cash includes amounts in demand and time deposit accounts. Certificates of deposit are reported at cost, which approximates fair value. The System had no other investment types at December 31, 2020.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Receivables***

The System uses the allowance methodology for estimating possible uncollectible accounts. The allowance at December 31, 2020 of \$1,500 approximates the balance of customer accounts delinquent more than 60 days.

***Inventories***

Inventories are valued at cost, which approximates market value.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The System uses the following estimated useful lives:

Land improvements	10 – 40 years
Buildings	10 – 40 years
Equipment	5 – 40 years

***Net Position***

Net position of the System is classified in three components. *Net position invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation reduced by the outstanding balances of borrowings, if any, used to finance the purchase or construction of those assets. *Restricted net position* represents assets which are restricted either for debt service or capital projects. Net position restricted for debt service is related to assets which are restricted for use pursuant to borrowing agreements. *Unrestricted net position* is the remaining assets less the remaining liabilities that do not meet the definition of net position invested in capital assets, net of related debt; or net position restricted for debt service or capital projects.

***Compensated Absences***

System policies permit full-time employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense is recognized as vacation benefits are used. Vacation benefits are lost if not used by the end of the year. Sick leave benefits are recognized only when the time off occurs.

***Subsequent Events***

Management has evaluated subsequent events through June 12, 2023, the date the financial statements were available to be issued.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS**

At December 31, 2020, the System's deposits consisted of demand deposits and time deposits in the form of certificates of deposit. The system had no other investment types at December 31, 2020.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2020, the System held no debt securities.

***Custodial Risk***

Custodial risk is the risk that, in the event of failure of a depository institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At December 31, 2020, the System had bank balances of \$121,938 and book balances of \$118,079 which were fully insured by FDIC.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the System's investing activities are managed under the stewardship of the Norphlet City Council. Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of the United States government (for which the full faith and credit of the United States government are pledged), (2) certificates of deposit at savings and loan associations or federally-insured banks when secured by acceptable collateral, (3) savings accounts at savings and loan associations and banks, to the extent fully insured, and (4) any bond, note or other indebtedness insured by the United States government or those agencies insured and guaranteed by the federal government.

The System can legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest to a limited extent in equity securities. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts in excess of insured amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

***Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System does not purchase foreign investments.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System had concentrations of credit risk of over 5% by issuer that are required to be disclosed as follows:

Issuer	Investment Type	Fair Value	% of Total Deposits and Investments
Smackover State Bank	Cash and certificates of deposit	\$ 118,079	100.00%

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

***Fair Value Measurements***

U.S. GAAP requires the System to disclose fair value measurements at the statement of net position date. The FASB has established a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements).

At December 31, 2020, investments included certificates of deposits which are considered cash equivalents in the statement of cash flows.

***Investment Income***

Investment income consisted of \$333 earned on demand deposit accounts and certificates of deposit.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2020, was as follows:

	<b>Beginning</b>				<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
<b><i>Capital assets, not being depreciated</i></b>					
Land	32,866		-	-	32,866
<b><i>Total Capital assets, not being depreciated</i></b>	<b>32,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,866</b>
<b><i>Capital assets, being depreciated</i></b>					
Buildings, tanks and towers	175,090	-	-	-	175,090
Water wells	90,685	-	-	-	90,685
Water lines and extensions	246,215	-	-	-	246,215
Fire hydrants & water valves	97,396	-	-	-	97,396
Sewer System	589,985	-	-	-	589,985
Equipment	99,534	-	-	-	99,534
Water/Sewer project	1,483,637	-	-	-	1,483,637
	2,782,542	-	-	-	2,782,542
Less accumulated depreciation:	(1,277,653)	(72,067)	-	-	(1,349,720)
<b><i>Net capital assets, being depreciated</i></b>	<b>1,504,889</b>				<b>1,432,821</b>
<b>Total capital assets, net</b>	<b>\$ 1,537,755</b>				<b>\$ 1,465,687</b>

Depreciation expense for the year ended December 31, 2020, was \$72,067.

**NOTE 4 – RISK MANAGEMENT**

The System is exposed to various risks of loss from: torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption.

**NORPHLET WATER AND SEWER SYSTEM**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 5: ACCOUNTS RECEIVABLE**

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

Water	\$ 14,072
Sewer	9,283
Penalties	263
Miscellaneous fees	895
Total	<u>24,513</u>
Allowance for doubtful accounts	<u>(1,500)</u>
Accounts receivable, net	<u>\$ 23,013</u>

**NOTE 6: METER DEPOSITS**

The System maintains a detailed list of water and sewer deposits from customers. Total deposits were \$28,621 at December 31, 2020.

The following bank deposits are designated for repayment of member deposits:

Commercial checking	\$ 26,429
Certificates of deposit	3,000
Total	<u>\$ 29,429</u>

**NOTE 7: WATER AND SEWER RATES**

Residential customer's water charges are \$14.00 for the first 1,000 gallons of water consumption per month or portion thereof. For consumption in excess of 1,000 gallons, the charge is \$4.00 per 1,000 gallons used for the next 4,000 gallons, \$2.02 per 1,000 gallons used for the next 5,000 gallons, \$1.15 per 1,000 gallons used for the next 1,000,000 gallons and \$1.00 per 1,000 gallons used over 1,010,000 gallons. The sewer rate is \$20.00 for the first 1,000 gallons per month, \$6.50 per 1,000 gallons for the next 4,000 gallons and \$2.00 per 1,000 gallons over 5,000 gallons. Non-residential rates are \$30.00 (minimum) for the first 5,000 gallons and \$2.05 per 1,000 gallons over 5,000 gallons.

**NOTE 8 – RESTRICTED NET POSITION**

At December 31, 2020, the System had restricted net position of \$63,307, which was comprised of the following:

Designated Accounts for Customer Meter Deposits	\$ 29,429
Debt Service Reserve Account	59,574
Wastewater Escrow Account	2,925
Less: Deposit Liabilities	(28,621)
	<u>\$ 63,307</u>

**NOTE 9: LONG-TERM DEBT**

Long-term debt as of December 31, 2020 consists of the following:

CoBank loan payable; variable term interest 3.79% Matures October 2021	66,888
3.75% USDA Rural Development loan payable in monthly installments of \$3,299 including interest through November 2051 secured by irrevocable pledge of and lien on the system's revenue	612,801
3.75% USDA Rural Development loan payable in monthly installments of \$2,807 including interest through November 2051 secured by irrevocable pledge of and lien on the system's revenue	720,408
	<u>1,400,097</u>
Less: Current portion of long-term debt	(90,571)
Long-term debt net of current portion	<u><u>1,309,526</u></u>

The aggregate maturities of the long-term debt at December 31, 2020 are as follows:

	Principal	Interest
2021	90,571	51,702
2022	23,454	49,818
2023	24,366	48,906
2024	25,314	47,958
2025	26,298	46,974
2026-2030	147,653	218,707
2031-2035	178,691	187,669
2036-2030	215,146	150,107
2031-2045	261,711	104,649
2046-2050	316,725	49,635
2051-2055	90,168	2,522
Total	<u><u>1,400,097</u></u>	<u><u>958,647</u></u>

**NOTE 10 – INSURANCE**

The City of Norphlet utilizes the State of Arkansas Workers' Compensation Plan. Under this plan, the City is billed by the state for the City's claims.

Employees are covered under the state blanket bond coverage through Arkansas Fidelity Bond Trust with \$250,000 Employee Bond Coverage with a \$1,000 deductible. This bond covers all City employees in cash handling positions including those at the System.

**SUPPLEMENTARY INFORMATION**

**NORPHLET WATER AND SEWER SYSTEM**  
**Comparative Statement of Net Position**  
**December 31, 2020**

**ASSETS AND DEFERRED OUTFLOWS**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash - unrestricted	\$ 26,301	\$ 25,274
Accounts receivable, net	23,013	23,918
Inventory	62,403	66,584
Other assets	-	-
Total current assets	111,717	115,776
<b>Non-current Assets</b>		
Cash - restricted	88,928	80,712
Investments - restricted	3,000	3,000
Total non-current assets	91,928	83,712
<b>Capital Assets</b>		
Capital assets, not being depreciated	32,866	32,866
Capital assets, being depreciated, net	1,432,821	1,504,889
Total capital assets	1,465,687	1,537,755
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	 <b>\$ 1,669,332</b>	 <b>\$ 1,737,243</b>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,003	\$ 3,076
Customer overpayments	8,952	8,279
Note payable - current portion	90,571	21,730
Total current liabilities	100,526	33,085
<b>Long-term Liabilities</b>		
Customer meter deposits	28,621	28,255
Due to Solid Waste Department	175,627	175,627
Note payable	1,309,526	1,401,180
Total liabilities	1,614,300	1,638,147
<b>Net Position</b>		
Invested in capital assets, net of related debt	65,590	(60,782)
Restricted - expendable for debt service	59,574	52,057
Restricted - expendable for meter deposit refunds	808	1,119
Restricted - expendable for capital projects	2,925	2,281
Unrestricted	(73,865)	104,421
Total net position	55,032	99,096
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 1,669,332</b>	<b>\$ 1,737,243</b>



**NORPHLET WATER AND SEWER SYSTEM**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Usage charges	\$ 218,183	\$ 227,418
Transfers	1,862	-
Other income	7,199	4,653
Total operating revenues	<u>227,244</u>	<u>232,071</u>
<b>Operating Expenses</b>		
Salaries and wages	52,666	83,717
Payroll taxes	3,980	6,898
Contract labor	45	840
Utilities and telephone	39,245	35,238
Maintenance, repair and supply	21,561	22,035
Insurance	2,621	712
Parts and supplies	6,424	6,667
Professional fees	11,388	38,055
Permits, license, fees	3,876	2,810
Water analysis and treatment	1,529	12,402
Office supplies and postage	2,474	2,722
Travel	-	751
Fuel and oil	1,293	1,181
Other	2,009	384
Depreciation	72,068	72,460
Total operating expenses	<u>221,179</u>	<u>286,872</u>
<b>Operating income</b>	<u>6,065</u>	<u>(54,801)</u>
<b>Non-operating revenues (expenses)</b>		
Interest revenue	333	439
Interest expense	(50,460)	(53,494)
Total non-operating revenues (expenses)	<u>(50,127)</u>	<u>(53,055)</u>
<b>Change in net assts</b>	<u>(44,062)</u>	<u>(107,856)</u>
<b>Net Position, beginning of year</b>	<u>99,096</u>	<u>206,952</u>
<b>Net Position, end of year</b>	<u>\$ 55,032</u>	<u>\$ 99,096</u>

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## 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*

The Honorable Mayor and City Council Members  
City of Norphlet, 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 Norphlet Water and Sewer System (the System), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 12, 2023.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

*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 combination of significant 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 to those charged with governance.

Our consideration of the internal control over financial reporting 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, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of 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*.

**NORPHLET WATER AND SEWER SYSTEM**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2020**

**Norphlet Water and Sewer System**  
**Report on Internal Control over Financial Reporting and Compliance (continued)**

**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 result of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Parks & Company PLC*

June 12, 2023  
El Dorado, Arkansas