

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

**NORPHLET WATER AND SEWER SYSTEM**

**For the Year Ended December 31, 2021**

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

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CERTIFIED PUBLIC ACCOUNTANTS

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**MEMBER**  
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**MEMBER**  
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## **INDEPENDENT ACCOUNTANT'S REPORT**

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

### **Opinion**

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, 2021, and the related notes to the 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 financial position of the System as of December 31, 2021 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, 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 opinion.

### **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, 2021, 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

Norphlet Water and Sewer System  
Independent Accountant's Report  
(Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

**Required Supplementary Information**

Management has omitted the management 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 January 9, 2025 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*

January 9, 2025  
El Dorado, Arkansas

**NORPHLET WATER AND SEWER SYSTEM**  
**Statement of Net Position**  
**December 31, 2021**

**ASSETS AND DEFERRED OUTFLOWS**

**Current Assets**

Cash - unrestricted	\$ 28,600
Accounts receivable, net	21,835
Inventory	68,027
Total current assets	<u>118,462</u>

**Non-current Assets**

Cash - restricted	<u>96,598</u>
Total non-current assets	<u>96,598</u>

**Capital Assets**

Capital assets, not being depreciated	32,866
Capital assets, being depreciated, net	<u>1,363,957</u>
Total capital assets	<u>1,396,823</u>

<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>\$ 1,611,883</u></u>
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**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 1,184
Payroll Liabilities	1,092
Customer overpayments	8,783
Notes payable - current portion	<u>90,342</u>
Total current liabilities	101,401

**Non-current Liabilities**

Customer meter deposits	29,046
Due to Solid Waste Department	175,627
Due to General Fund	25,166
Notes payable	<u>1,286,072</u>
Total non-current liabilities	<u>1,515,911</u>
Total liabilities	<u>1,617,312</u>

**Net Position**

Net investment in capital assets	20,409
Restricted - expendable for debt service	67,065
Restricted - expendable for capital projects	9,435
Unrestricted	<u>(102,338)</u>
Total net position	<u>(5,429)</u>

<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u><u>\$ 1,611,883</u></u>
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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, 2021**

**Operating Revenues**

Water charges	\$ 132,436
Sewer charges	82,601
Other	5,143
	<hr/>
Total operating revenues	220,180
	<hr/>

**Operating Expenses**

Salaries and wages	48,824
Payroll taxes	3,678
Contract Labor	574
Utilities and telephone	37,299
Maintenance, repair and supplies	35,295
Insurance	1,533
Parts and supplies	7,822
Professional fees	13,157
Permits, licenses and fees	3,429
Water analysis and treatment	2,099
Office supplies and postage	2,682
Fuel and oil	1,837
Other	1,312
Depreciation	71,731
	<hr/>
Total operating expenses	231,272
	<hr/>

<b>Operating income (loss)</b>	<b>(11,092)</b>
	<hr/>

**Non-operating revenues (expenses)**

Interest revenue	343
Interest expense	(49,711)
	<hr/>
Total non-operating revenues (expenses)	(49,368)
	<hr/>

<b>Change in net position</b>	<b>(60,460)</b>
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<b>Net Position, beginning of year</b>	<b>55,031</b>
	<hr/>

<b>Net Position, end of year</b>	<b>\$ (5,429)</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, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Sales - use charges	\$ 216,228
Other receipts and deposits	5,143
Collection (refund) of meter deposits, net	425
Salaries and wages	(48,824)
Contract labor	(574)
Payroll taxes	(3,678)
Utilities and telephone	(37,299)
Maintenance, repairs and supplies	(39,828)
Insurance	(1,533)
Parts and supplies	(7,822)
Professional fees	(13,157)
Permits, license and fees	(3,429)
Water analysis	(2,099)
Office supplies and postage	(2,682)
Fuel and oil	(1,837)
Other administrative	(1,312)
	<hr/>
Net cash provided by operating activities	57,722

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

Transfers from City General Fund	25,164
Purchase of equipment	(2,866)
Principal payments on debt	(23,683)
Interest payments on debt	(49,711)
	<hr/>
Net cash used by capital and related financing activities	(51,096)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received from checking accounts	343
	<hr/>
Net cash used by investing activities	343
	<hr/>
Increase in cash	6,969
Cash, beginning of year	118,229
	<hr/>
Cash, end of year	\$ 125,198
	<hr/> <hr/>

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

Current assets	
Cash - unrestricted	\$ 28,600
Non-current assets	
Cash - restricted	96,598
	<hr/>
	\$ 125,198
	<hr/> <hr/>

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, 2021**

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

Net operating income (loss)	\$ (11,092)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	71,731
Collection (refund) of meter deposits, net	425
Decrease (increase) in accounts receivable	1,178
Decrease (increase) in inventory	(5,625)
Increase (decrease) in payables and payroll liabilities	1,274
Customer overpayments (overpayments applied)	<u>(169)</u>
Total adjustments	<u>68,814</u>
Net cash provided by operating activities	<u><u>\$ 57,722</u></u>

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



**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**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 is accounted for as an enterprise fund and uses the accrual basis of accounting. The System's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

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 deposit accounts and petty cash held at the System office.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**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, 2021 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.

***Revenue Recognition***

The Utility recognizes revenue as water and sewer services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period include amounts billed to customers on a cycle basis. Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes that are collected on behalf of government authorities, concurrent with revenue-producing activities, are primarily excluded from revenue.

***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 January 9, 2025, the date the financial statements were available to be issued.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**NOTE 2: DEPOSITS AND INVESTMENTS**

At December 31, 2021, the System's deposits consisted of demand deposits. The system had no investments at December 31, 2021.

***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, 2021, 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, 2021, the System had bank balances of \$129,101 and book balances of \$125,048 which were fully insured by FDIC.

***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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total Deposits and Investments</u>
Smackover State Bank	Cash	\$ 125,048	100.00%

***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, 2021, the System had no investments subject to fair value measurement.

***Investment Income***

Investment income consisted of \$343 earned on demand deposits.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2021, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending 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	2,866	-	-	102,400
Water/Sewer project	1,483,637	-	-	-	1,483,637
	2,782,542	2,866	-	-	2,785,408
Less accumulated depreciation:	(1,349,720)	(71,731)	-	-	(1,421,451)
<b><i>Net capital assets, being depreciated</i></b>	<b>1,432,822</b>				<b>1,363,957</b>
<b>Total capital assets, net</b>	<b>\$ 1,465,688</b>				<b>\$ 1,396,823</b>

Depreciation expense for the year ended December 31, 2021, was \$71,731.

**NOTE 4 – RISK MANAGEMENT**

The System is exposed to various risks of loss from: torts; theft of, damage to and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee accident benefits.

The City of Norphlet utilizes the Arkansas Municipal League Risk Management Pool (AML) for worker's compensation, vehicle, property, and accidental death and dismemberment insurance. The AML Risk Management Pool is a self-insured fund. The System pays annual premiums to AML for their participation in the fund.

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.

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2021, consisted of the following:

Water	\$ 10,147
Sewer	6,839
Late charges	307
Adjustments	(1,394)
Sales Tax	810
Past Due	6,626
Total	<u>23,335</u>
Allowance for doubtful accounts	<u>(1,500)</u>
Accounts receivable, net	<u><u>\$ 21,835</u></u>

**NOTE 6: METER DEPOSITS**

The System maintains a detailed list of water and sewer deposits from customers. Total deposits were \$29,046 at December 31, 2021.

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

Commercial checking	<u>\$ 27,033</u>
Total	<u><u>\$ 27,033</u></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, 2021, the System had restricted net position totaling \$76,500, which was comprised of the following:

Designated Accounts for Customer Meter Deposits	\$ 27,033
Debt Service Reserve Account	67,065
Wastewater Escrow Account	2,295
Short Lived Asset Account	7,140
Less: Deposit Liabilities	<u>(27,033)</u>
	<u><u>\$ 76,500</u></u>

**NORPHLET WATER AND SEWER SYSTEM**  
**Notes to Financial Statements**  
**December 31, 2021**

**NOTE 9: LONG-TERM DEBT**

Long-term debt as of December 31, 2021 consists of the following:

CoBank loan payable; variable term interest 3.79% matures January 2022	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	601,910
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	707,616
	<hr/> 1,376,414
Less: Current portion of long-term debt	(90,342)
Long-term debt net of current portion	<hr/> <hr/> 1,286,072

The aggregate maturities of the long-term debt at December 31, 2021 are as follows:

	Principal	Interest
2022	90,342	49,939
2023	24,366	48,906
2024	25,314	47,958
2025	26,298	46,974
2026	27,321	45,951
2027-2031	153,396	212,964
2032-2036	185,641	180,719
2037-2041	224,664	141,696
2042-2046	269,382	94,470
2047-2051	288,602	43,969
2052-2056	61,088	1,454
Total	<hr/> 1,376,414	<hr/> 915,000

## **SUPPLEMENTARY INFORMATION**

**NORPHLET WATER AND SEWER SYSTEM**  
**Comparative Statement of Net Position**  
**For the Year Ended December 31, 2021**

**ASSETS AND DEFERRED OUTFLOWS**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash - unrestricted	\$ 28,600	\$ 26,301
Accounts receivable, net	21,835	23,012
Inventory	68,027	62,403
Total current assets	<u>118,462</u>	<u>111,716</u>
<b>Non-current Assets</b>		
Cash - restricted	96,598	88,928
Investments - restricted	-	3,000
Total non-current assets	<u>96,598</u>	<u>91,928</u>
<b>Capital Assets</b>		
Capital assets, not being depreciated	32,866	32,866
Capital assets, being depreciated, net	1,363,957	1,432,821
Total capital assets	<u>1,396,823</u>	<u>1,465,687</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>\$ 1,611,883</u></u>	<u><u>\$ 1,669,331</u></u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,184	\$ 1,003
Payroll liabilities	1,092	\$ -
Customer overpayments	8,783	8,952
Note payable - current portion	90,342	90,571
Total current liabilities	101,401	100,526
<b>Long-term Liabilities</b>		
Customer meter deposits	29,046	28,621
Due to Solid Waste Department	175,627	175,627
Due to General Fund	25,166	
Note payable	1,286,072	1,309,526
Total non-current liabilities	1,515,911	1,513,774
Total liabilities	<u>1,617,312</u>	<u>1,614,300</u>
<b>Net Position</b>		
Net investment in capital assets	20,409	65,590
Restricted - expendable for debt service	67,065	59,574
Restricted - expendable for capital projects	9,435	2,925
Unrestricted	(102,338)	(73,058)
Total net position	<u>(5,429)</u>	<u>55,031</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u><u>\$ 1,611,883</u></u>	<u><u>1,669,331</u></u>



**NORPHLET WATER AND SEWER SYSTEM**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Usage charges	\$ 215,037	\$ 218,183
Transfers	-	\$ 1,862
Other income	5,143	7,199
Total operating revenues	<u>220,180</u>	<u>227,244</u>
<b>Operating Expenses</b>		
Salaries and wages	48,824	52,666
Payroll taxes	3,678	3,980
Contract labor	574	45
Utilities and telephone	37,299	39,245
Maintenance, repair and supplies	35,295	21,561
Insurance	1,533	2,621
Parts and supplies	7,822	6,424
Professional fees	13,157	11,388
Permits, license, fees	3,429	3,876
Water analysis and treatment	2,099	1,532
Office supplies and postage	2,682	2,474
Fuel and oil	1,837	1,293
Other	1,312	2,009
Depreciation	71,731	72,068
Total operating expenses	<u>231,272</u>	<u>221,182</u>
<b>Operating income</b>	<u>(11,092)</u>	<u>6,062</u>
<b>Non-operating revenues (expenses)</b>		
Interest revenue	343	333
Interest expense	(49,711)	(50,460)
Total non-operating revenues (expenses)	<u>(49,368)</u>	<u>(50,127)</u>
<b>Change in net assts</b>	<u>(60,460)</u>	<u>(44,065)</u>
<b>Net Position, beginning of year</b>	<u>55,031</u>	<u>99,096</u>
<b>Net Position, end of year</b>	<u><u>\$ (5,429)</u></u>	<u><u>\$ 55,031</u></u>

# **PARKS & COMPANY PLC**

A PROFESSIONAL LIMITED COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 9, 2025.

### **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.

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

**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*.

**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*

January 9, 2025  
El Dorado, Arkansas