

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT

DECEMBER 31, 2022 AND 2021

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Perry Municipal Water and Sewer Department, as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Perry Municipal Water and Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Perry Municipal Water and Sewer Department, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 the Perry Municipal Water and Sewer Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Perry Municipal Water and Sewer Department'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis page 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry Municipal Water and Sewer Department's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

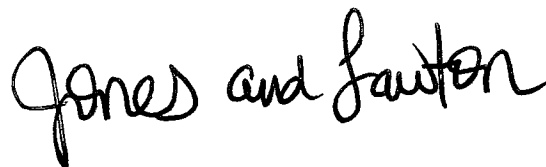
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of the Perry Municipal Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Perry Municipal Water and Sewer Department's 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 Perry Municipal Water and Sewer Department's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
October 26, 2023

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 58,004	\$ 31,228
Restricted	82,210	81,763
Accounts Receivable	15,812	15,162
Inventories	8,500	8,500
Property and Equipment (Note 3)		
Water & Sewer System	1,759,247	1,751,001
Buildings	33,500	33,500
Equipment	139,192	139,192
Land	35,000	35,000
	<u>1,966,939</u>	<u>1,958,693</u>
Less: Accumulated Depreciation	894,134	854,831
	<u>1,072,805</u>	<u>1,103,862</u>
	<u><u>\$ 1,237,331</u></u>	<u><u>\$ 1,240,515</u></u>

LIABILITIES

Accounts Payable	5,058	3,475
Accrued Expenses	1,210	1,255
Accrued Interest Payable	416	429
Customer Deposits	23,229	23,832
Long-term Liabilities: (Note 4)		
Due Within 1 Year	14,247	13,622
Due in More Than 1 Year	407,357	421,585
	<u>451,517</u>	<u>464,198</u>

NET POSITION

Unrestricted Net Assets	726,833	718,386
Restricted Net Assets	58,981	57,931
	<u>785,814</u>	<u>776,317</u>
	<u><u>\$ 1,237,331</u></u>	<u><u>\$ 1,240,515</u></u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING REVENUES	<u>2022</u>	<u>2021</u>
Water and Sewer Revenues	\$ 205,548	\$ 194,868
OPERATING EXPENSES		
WATER DISTRIBUTION AND SEWER EXPENSES		
Contract Labor	17,035	13,840
Police Protection	2,400	3,600
Utilities	7,369	5,284
Water	44,659	43,604
Garbage Disposal	16,131	13,636
Repairs & Replacements	20,390	18,035
Vehicle Gas & Maintenance	89	261
Insurance Veh & Bldg	1,115	1,552
Depreciation Expense	39,243	39,781
Interest Expense	19,313	19,872
	<u>167,744</u>	<u>159,465</u>
ADMINISTRATIVE EXPENSES		
Salaries	18,000	18,100
Payroll Taxes	1,377	1,378
Bank Charges	1,852	1,472
Memberships, Dues & Fees	2,067	5,000
Office Supplies	2,457	2,374
Professional Services	2,500	2,888
Depreciation Expense	60	30
	<u>28,313</u>	<u>31,242</u>
OTHER REVENUES AND EXPENSES		
Interest Income	6	3
	<u>6</u>	<u>3</u>
INCREASE IN NET POSITION	9,497	4,164
NET POSITION, BEGINNING OF YEAR	<u>776,317</u>	<u>772,153</u>
NET POSITION, END OF YEAR	<u><u>\$ 785,814</u></u>	<u><u>\$ 776,317</u></u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 9,497	\$ 4,164
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	39,303	39,811
Interest Expense Included in Operating Loss	19,313	19,872
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(650)	(2,233)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	1,583	34
Accrued Expenses	(45)	182
Customer Deposits	(603)	(538)
	<u>58,901</u>	<u>57,128</u>
Net Cash Provided by Operating Activities	<u>68,398</u>	<u>61,292</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid on Long-term Debt	(19,326)	(19,884)
Principal Payments on Long-term Debt	(13,603)	(13,044)
Net Cash Used by Financing Activities	<u>(32,929)</u>	<u>(32,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(8,246)	(23,457)
Net Cash Used by Investing Activities	<u>(8,246)</u>	<u>(23,457)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,223	4,907
CASH AND CASH EQUIVALENTS, BEG OF YEAR	<u>112,991</u>	<u>108,084</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 140,214</u></u>	<u><u>\$ 112,991</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Reconciliation of Cash to the Statement of Net Position		
Unrestricted Cash	\$ 58,004	\$ 31,228
Restricted Cash	82,210	81,763
	<u><u>\$ 140,214</u></u>	<u><u>\$ 112,991</u></u>
Cash Paid During the Year for Interest	<u><u>\$ 19,326</u></u>	<u><u>\$ 19,884</u></u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Perry Municipal Water and Sewer Department is engaged in providing water and sewer services to the general public located in Perry, Arkansas and the surrounding rural community.

Use of Estimates

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

Property and Equipment

The cost of property and equipment is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Water Distribution System	50 years
Sewer System	50 years
Equipment	5 years

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$39,303 and \$39,811, respectively.

Organization

The Perry Municipal Water and Sewer Department is governed by the Town Council of the City of Perry, Arkansas. The Department is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The Department applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 20, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

Regulatory Environment

The quality of water emitted from the sewer system is regulated by the Environmental Protection Agency and the Arkansas Department of Health. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

Revenue Recognition

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The billing to our customers is on a regular cycle and becomes an accounts receivable balance when the bill is generated and mailed. Revenue recognition occurs when the customer's payment is received and the deposit is recorded against their receivable.

Income Tax

The Perry Municipal Water and Sewer Department is municipally owned and is exempt from Federal and State income tax.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Inventories

Inventories are stated at cost

Cash Equivalents

For purposes of the Statements of Cash Flows, the Department considers cash to be cash in banks, including time deposits and cash equivalents held in restricted accounts.

Accounts Receivable and Bad Debts

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2022 and 2021, the Department had unrestricted and restricted cash as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted		
Water and Sewer Operating Fund	\$ 58,004	\$ 31,228
Restricted		
Debt Service Fund	34,571	34,423
Meter Deposit Fund	23,229	23,832
Depreciation Fund	24,410	23,508
	<u>82,210</u>	<u>81,763</u>
	<u>\$ 140,214</u>	<u>\$ 112,991</u>

It appears that the Debt Service Reserve Fund has been properly funded in accordance with USDA/RD requirements for the years ended December 31, 2022 and 2021.

NOTE 3: PROPERTY AND EQUIPMENT (at Cost)

At December 31, 2022, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,751,001	\$ 8,246		\$ 1,759,247
Building	33,500			33,500
Equipment	139,192			139,192
Land	<u>35,000</u>	<u> </u>		<u>35,000</u>
	<u>\$ 1,958,693</u>	<u>\$ 8,246</u>		<u>\$ 1,966,939</u>

At December 31, 2021, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,727,544	\$ 23,457		\$ 1,751,001
Building	33,500			33,500
Equipment	139,192			139,192
Land	<u>35,000</u>	<u> </u>		<u>35,000</u>
	<u>\$ 1,935,236</u>	<u>\$ 23,457</u>		<u>\$ 1,958,693</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4: LONG-TERM DEBT

Long-term debt at December 31, 2022 consists of the following:

	<u>12-31-2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2022</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 325,649		\$ 9,395	\$ 316,254
4.5% note payable to Rural Development, payable in monthly installments of \$756 including interest, secured by the water system.	<u>109,558</u>		<u>4,208</u>	<u>105,350</u>
	<u>\$ 435,207</u>		<u>\$ 13,603</u>	<u>421,604</u>
Less Current Maturities Payable				<u>14,247</u>
				<u>\$ 407,357</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 14,247	\$ 18,681	\$ 32,928
2024	14,902	18,026	32,928
2025	15,586	17,342	32,928
2026	16,303	16,625	32,928
2027	17,051	15,877	32,928
2028-32	97,752	66,888	164,640
2033-37	122,365	42,275	164,640
2038-42	118,437	14,093	132,530
2043	4,961	33	4,994

The Department paid \$19,313 in interest expense on long-term debt during the year ended December 31, 2022.

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

	<u>12-31-2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2022</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 334,631		\$ 8,982	\$ 325,649
4.5% note payable to Rural Development, payable in monthly installments of \$756 including interest, secured by the water system.	<u>113,620</u>		<u>4,062</u>	<u>109,558</u>
	<u>\$ 448,251</u>		<u>\$ 13,044</u>	<u>435,207</u>
Less Current Maturities Payable				<u>13,622</u>
				<u>\$ 421,585</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4: LONG-TERM DEBT (continued)

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 13,622	\$ 19,306	\$ 32,928
2023	14,249	18,679	32,928
2024	14,903	18,025	32,928
2025	15,587	17,341	32,928
2026	16,304	16,624	32,928
2027-31	93,464	71,176	164,640
2032-36	116,998	47,642	164,640
2037-41	122,051	19,507	141,558
2042-43	28,029	823	28,852

The Department paid \$19,872 in interest expense on long-term debt during the year ended December 31, 2021.

NOTE 5: SCHEDULE OF RATES

Monthly Water and Sewer Rates (Inside the city limits of Perry):

- a. Minimum charge on first 1,000 gallons, \$22.75.
- b. Charge of \$4.90 per 1,000 gallons thereafter.

Monthly Water Rates (Outside the city limits of Perry):

- a. Minimum charge on first 1,000 gallons, \$20.75.
- b. Charge of \$4.90 per 1,000 gallons thereafter.

NOTE 6: INSURANCE COVERAGE

For the years ended December 31, 2022 and 2021, the Department was covered by commercial property insurance in the amount of \$336,300 for each year. Insurance coverage was provided by Arkansas Municipal League Municipal Property and Vehicle Program. The Department was also covered by a Blanket Fidelity Bond of \$300,000 per occurrence, administered by the Arkansas Governmental Bonding Board.

NOTE 7: NEW ACCOUNTING STANDARDS ADOPTED

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), established a new standard of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of other elements). The statement required outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial impact resulting from the implementation of GASB 63 in the Department's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statements of Net Assets" to "Statements of Net Position".

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2023, which is the date the financial statements were available to be issued.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

Perry Municipal Water and Sewer Department's (the Department) discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the Department's financial activity
- Identify changes in the Department's financial position
- Identify individual fund issues or concerns

Overview of the Financial Statements

The financial statements of the Department reports information about the Department using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the Department's overall financial status.

The Statement of Net Position present information on all the Department's assets and liabilities with the difference between the two reported as net position.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Department's net position changed during the most recent and current years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statement of Cash Flows report cash receipts and expenditures that result from operations, financing, and investing activities. These statements provide information regarding sources of cash and use of cash.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Department

The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$785,814 (net position).

Total assets amounted to \$1,237,331 consisting of net capital assets of \$1,072,805 and other assets of \$164,526. Total assets decreased by \$3,184 during the current fiscal year. This decrease was due to the current year depreciation of \$39,303, offset by an increase in other assets of \$27,873 and an increase in capital assets of \$8,246.

Total liabilities amounted to \$451,517 consisting of long-term liabilities of \$407,357 and other liabilities of \$44,160. Total liabilities decreased by \$12,681 during the current fiscal year. This decrease was due to a decrease in long term debt of \$14,228, and a net decrease in other current liabilities of \$1,547.

The Department experienced an increase in total cash in the amount of \$27,223 during the current year. This net increase consisted of an increase in unrestricted cash of \$26,776 and an increase in restricted cash of \$447.

Economic Factors

The Department indicated no changes due to current economic factors.

Request for Information

This report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Perry Water and Sewer Department, P.O. Box 36, Perry, Arkansas 72125.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
YEAR ENDED DECEMBER 31, 2022

Monthly Water and Sewer Rates: All charges shall be based on water consumption, and the amount to be paid by each customer shall be computed on the basis of the following schedule of rates:

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
For the first 1,000 gallons of water consumption per month, or portion thereof	\$ 22.75 (Minimum)	\$ 20.75 (Minimum)
Water consumption thereafter	4.90 per 1,000 gallons	4.90 per 1,000 gallons

The number of water and sewer customers billed during the year ended December 31, 2022 averaged 280.

Total gallons of water purchased during the year ended December 31, 2022 amounted to 18,633,900.

Total gallons of water sold during the year ended December 31, 2022 amounted to 16,200,500.

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Perry Municipal Water and Sewer Department officers as of December 31, 2022 were as follows:

Willie Summers	Mayor
Eva J. Coffman	Recorder-Treasurer
Lori G. Petty	Water Clerk

See the accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
BUDGETARY COMPARISON INFORMATION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Water and Sewer Revenues	\$ 205,548	\$ 157,000	48,548

OPERATING EXPENSES

WATER DISTRIBUTION AND SEWER EXPENSES

Contract Labor	17,035	15,800	1,235
Police Protection	2,400	3,600	(1,200)
Utilities	7,369	5,200	2,169
Water	44,659	40,000	4,659
Garbage Disposal	16,131	12,400	3,731
Repairs & Replacements	20,390	10,000	10,390
Vehicle Gas & Maintenance	89	1,000	(911)
Insurance Veh & Bldg	1,115	1,500	(385)
Depreciation Expense	39,243	0	39,243
Interest Expense	19,313	20,000	(687)
	<u>167,744</u>	<u>109,500</u>	<u>58,244</u>

ADMINISTRATIVE EXPENSES

Salaries	18,000	18,000	0
Payroll Taxes	1,377	1,377	0
Bank Charges	1,852	1,000	852
Memberships, Dues & Fees	2,067	5,000	(2,933)
Office Supplies	2,457	2,500	(43)
Professional Services	2,500	2,500	0
Depreciation Expense	60	0	60
	<u>28,313</u>	<u>30,377</u>	<u>(2,064)</u>

OTHER REVENUES AND EXPENSES

Interest Income	6	0	6
	<u>6</u>	<u>0</u>	<u>6</u>

DECREASE IN NET POSITION

	<u>\$ 9,497</u>	<u>\$ 17,123</u>	<u>(7,626)</u>
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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*

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Perry Municipal Water and Sewer Department, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise The Perry Municipal Water and Sewer Department's basic financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Perry Municipal Water and Sewer Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Perry Municipal Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of The Perry Municipal Water and Sewer Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Perry Municipal Water and Sewer Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

October 26, 2023

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.