

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
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DECEMBER 31, 2022

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**City of Piggott**  
**Municipal Light, Water & Sewer**  
194 W Court St, Piggott AR 72454  
Phone (870) 598-3243 Fax (870) 598-2768

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Municipal Light, Water & Sewer is a municipally-owned entity, which is a component unit of the City of Piggott. Municipal water and sewer services were authorized on October 4, 1921, and the creation of a light and power plant was likewise approved in the following year on March 7, 1922, all by ordinances of the City of Piggott.

Municipal Light, Water & Sewer provides electric, water and sewer, and trash services to the customer-owners of Piggott, Arkansas. MLWS customers benefit from the economy and convenience of having all multiple utility services provided by one company. Our purpose is to provide our customers with reliable and affordable service. By operating efficiently, controlling our costs, and engaging in effective financial planning, we can meet our goals of low rates, commitment to community growth and strong customer service.

As management of Light, Water & Sewer, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Municipal Light, Water & Sewer for the fiscal years ended December 31, 2022 and 2021. Please read this discussion in conjunction with the financial statements and notes following this section.

**FINANCIAL STATEMENT OVERVIEW**

The annual report consists of the basic financial statements, the notes to the financial statements and the auditor's reports.

***Basic Financial Statements***

MLWS is an enterprise fund, which provides the same type of information you would find in a business-type activity. MLWS provides separate information for the Light, Water/Sewer, and Trash departments since they are considered to be major funds of MLWS.

MLWS maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The financial statements offer short-term and long-term financial information about our activities.

The Statement of Net Position presents information on MLWS's assets and liabilities, with the difference between the two reported as net position. This statement provides information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). Net position increases when revenues exceed expenses. Over time, increases or decreases in net position may serve as one indicator of MLWS's financial health.

The Statement of Revenues, Expenses and Changes in Net Position presents information on MLWS's

revenues and expenses during the fiscal years presented. This statement measures the success of MLWS's operations and can be used to determine whether we have successfully recovered all of our costs.

The Statement of Cash Flows provides information about MLWS's cash receipts and payments from operations, as well as funds provided and used in investing and financing activities. This statement provides information pertaining to MLWS's cash sources, uses, and changes in cash balances during the years presented.

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the basic financial statements. Much of the information presented in this discussion is detailed further in the notes to the financial statements.

## **FINANCIAL HIGHLIGHTS**

The following summarizes MLWS's financial position at December 31, 2022 and 2021.

### **CONDENSED COMBINED STATEMENT OF NET POSITION**

	<b>2022</b>	<b>2021</b>
Current Assets	\$ 3,984,054.85	\$ 3,136,388.60
Capital Assets	3,834,756.65	3,953,057.47
Restricted Assets	1,067,139.10	1,018,217.56
Other Assets	<u>189,472.56</u>	<u>206,495.19</u>
Total Assets	\$ 9,075,423.16	\$ 8,314,158.82
Deferred Outflows of Resources - Pension	\$ 225,820.00	\$ 9,363.03
Current Liabilities	744,776.03	595,153.77
Non-Current Liabilities	<u>3,048,561.85</u>	<u>2,393,779.80</u>
Total Liabilities	\$ 3,793,337.88	\$ 2,988,933.57
Deferred Inflows of Resources - Pension	\$ 145,838.00	\$ 672,820.99
Net Position	\$ 5,362,067.28	\$ 4,661,767.29

- The assets of MLWS exceeded its liabilities at December 31, 2022, by \$5,282,085.28. Of this amount, \$2,239,404.63 (unrestricted net position) may be used to meet the ongoing obligations to our customers and creditors.
- Restricted assets consist entirely of cash and cash equivalents held for bond reserve, debt service, future capital asset purchases and customer deposits.
- Non-current liabilities consist of \$2,003,168.67 of outstanding bonded debt, \$961,104.00 net pension liability, and \$168,427.81 of deposits paid by customers to secure utility services.

The following summarizes MLWS's operating results for the fiscal years ended December 31, 2022 and 2021.

## CONDENSED COMBINED OPERATING RESULTS

	2022	2021
Operating Revenues	\$ 5,151,934.51	\$ 5,375,644.27
Operating Expenses	3,856,367.64	5,014,949.68
Depreciation & Amortization	<u>331,135.59</u>	<u>331,966.67</u>
Net Operating Income (Loss)	964,431.28	28,727.92
Other Income (Expense)	578.50	401,461.91
Other Financing Sources (Uses):		
Transfer to City General Fund	<u>(264,709.79)</u>	<u>(7,026.35)</u>
Change in Net Position	700,299.99	423,163.48
Net Position - Beginning of Year	\$ 4,661,767.29	\$ 4,238,603.81
Contributions in Aid in Construction	<u>0.00</u>	<u>0.00</u>
Net Position - End of Year	\$ 5,362,067.28	\$ 4,661,767.29

## CAPITAL ASSETS

MLWS's investment in capital assets as of December 31, 2022, was \$1,780,262.16 (net of accumulated depreciation and related debt). This investment in capital assets includes land, building, production and distribution infrastructure and equipment, net of related debt. MLWS invested an additional \$13,162.38 in capital assets and retired \$0.00 of capital assets during the current fiscal year.

## DEBT ADMINISTRATION

On December 31, 2022, MLWS had total bonded debt of \$1,725,000. The debt was obtained to finance improvements and extensions to MLWS's operating systems. During 2022, Municipal Light, Water and Sewer retired \$265,490 of bond indebtedness. Details of MLWS's long-term debt obligations are found in the notes to the financial statements.

## ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

Though 2022 proved to be challenging for the electric industry, our retail rates have maintained competitiveness as the wholesale market price of energy and natural gas have risen. We expect this trend to continue strongly in 2023.

As we are finalizing completion of the necessary upgrades to our wastewater treatment facilities, we can move forward with other needed improvements of our water/sewer infrastructure. The cost-based water and sewer rate structure that was implemented in early 2022 will assist in improving our aging system.

We are striving to improve our financial position to provide the best services to the citizens of the City of Piggott at the best possible rate.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of MLWS's finances. If you have questions about this report or need additional information, contact the MLWS office at the following address:

Municipal Light, Water & Sewer  
Attention: Administrator of Utilities  
194 West Court Street  
Piggott, AR 72454-2638  
or call (870) 598-3243

**SCHERER, GRAYHAM & CLARK, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
Municipal Light, Water and Sewer  
Piggott, AR 72454

**Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Municipal Light, Water and Sewer, a component unit of the City of Piggott, Arkansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Municipal Light, Water and Sewer'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 business-type activities and each major fund of the Municipal Light, Water and Sewer, as of December 31, 2022, 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. 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 Municipal Light, Water and Sewer, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Municipal Light, Water and Sewer'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 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, 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 Municipal Light, Water and Sewer'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 Municipal Light, Water and Sewer'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 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 Municipal Light, Water and Sewer's basic financial statements. The combining and individual nonmajor fund financial statements 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



*Scherer, Grayham & Clark, LLP*

Scherer, Grayham & Clark, LLP  
Kennett, MO 63857  
June 23, 2023

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	<u>ASSETS</u>		
	<u>Electric</u>	<u>Water &amp; Sewer</u>	<u>Trash</u>
<u>CURRENT ASSETS:</u>			
Cash	\$ 1,798,117.92	\$ 605,811.90	\$ 44,414.88
Accounts Receivable, Net of Provision for Uncollectible Accounts of \$9,905.92 - Electric & \$3,329.52 - Water & Sewer	692,787.72	139,155.56	30,916.46
Inventories	221,842.68	100,001.18	0.00
Prepaid Expenses	<u>324,715.04</u>	<u>26,291.51</u>	<u>0.00</u>
Total Current Assets	3,037,463.36	871,260.15	75,331.34
<u>RESTRICTED AND BOARD DESIGNATED ASSETS:</u>			
Cash	835,401.53	231,737.57	0.00
<u>CAPITAL ASSETS:</u>			
Construction Work in Progress	0.00	315,654.26	0.00
Utility Plant in Service	10,658,668.17	6,551,946.59	0.00
Accumulated Depreciation	<u>(9,667,596.50)</u>	<u>(4,023,915.87)</u>	<u>0.00</u>
Net Capital Assets	991,071.67	2,843,684.98	0.00
<u>OTHER ASSETS:</u>			
Due from Water/Sewer	104,166.66	0.00	0.00
Unamortized Discount on Bond Issue	27,755.01	35,610.84	0.00
Unamortized Bond Issue Costs	<u>0.00</u>	<u>21,940.05</u>	<u>0.00</u>
Total Other Assets	<u>131,921.67</u>	<u>57,550.89</u>	<u>0.00</u>
Total Assets	<u>\$ 4,995,858.23</u>	<u>\$ 4,004,233.59</u>	<u>\$ 75,331.34</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources - Pension	<u>\$ 124,618.18</u>	<u>\$ 101,201.82</u>	<u>\$ 0.00</u>

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

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	<u>LIABILITIES AND NET POSITION</u>		
	<u>Electric</u>	<u>Water &amp; Sewer</u>	<u>Trash</u>
<u>CURRENT LIABILITIES:</u>			
Payable from Current Assets			
Accounts Payable	\$ 311,657.78	\$ 28,027.52	\$ 2,528.22
Accrued Payroll Liabilities	101,017.50	89,236.87	0.00
Accrued Expenses	<u>10,205.00</u>	<u>13,797.85</u>	<u>0.00</u>
Total Payable from Current Assets	422,880.28	131,062.24	2,528.22
Payable from Restricted Assets			
Current Portion of Long Term Debt	<u>115,000.00</u>	<u>73,305.29</u>	<u>0.00</u>
Total Current Liabilities	537,880.28	204,367.53	2,528.22
<u>OTHER LIABILITIES:</u>			
Customer Deposits	159,406.21	9,021.60	0.00
Due to Electric Department	0.00	104,166.66	0.00
Net Pension Liability	633,063.40	328,040.60	0.00
Bonds Payable, Net of Current Portion	715,000.00	840,000.00	0.00
Notes Payable	<u>0.00</u>	<u>259,863.38</u>	<u>0.00</u>
Total Other Liabilities	<u>1,507,469.61</u>	<u>1,541,092.24</u>	<u>0.00</u>
Total Liabilities	<u>\$ 2,045,349.89</u>	<u>\$ 1,745,459.77</u>	<u>\$ 2,528.22</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources - Pension	<u>\$ 133,675.43</u>	<u>\$ 12,162.57</u>	<u>\$ 0.00</u>
<u>NET POSITION:</u>			
Invested in Capital Assets, Net of Related Debt	\$ 161,071.67	\$ 1,619,190.49	\$ 0.00
Contributions in Aid of Construction	38,271.32	236,990.67	0.00
Retained Earnings			
Restricted/Board Designated	835,401.53	231,737.57	0.00
Unrestricted	1,906,706.57	259,894.34	72,803.12
Grants - Federal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Net Position	<u>\$ 2,941,451.09</u>	<u>\$ 2,347,813.07</u>	<u>\$ 72,803.12</u>

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

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Electric	Water & Sewer	Trash
<b><u>OPERATING REVENUES:</u></b>			
Utility Charges	\$ 3,714,546.18	\$ 995,651.64	\$ 302,976.75
Other Operating Revenues	<u>109,650.12</u>	<u>22,709.78</u>	<u>6,400.04</u>
Total Operating Revenues	3,824,196.30	1,018,361.42	309,376.79
<b><u>OPERATING EXPENSES:</u></b>			
Production	1,116.69	59,260.57	0.00
Purchases	1,980,984.71	20,991.81	269,987.52
Distribution	405,592.03	370,774.26	0.00
Administrative & General	385,776.24	348,988.81	12,895.00
Depreciation	158,645.39	163,800.91	0.00
Amortization	<u>4,625.84</u>	<u>4,063.45</u>	<u>0.00</u>
Total Operating Expenses	<u>2,936,740.90</u>	<u>967,879.81</u>	<u>282,882.52</u>
Operating Income (Loss)	887,455.40	50,481.61	26,494.27
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest Income	12,615.59	4,840.71	258.85
Other Non-Operating Income (Expense)	10,779.39	22,880.47	(1,756.47)
Interest Expense	(21,372.52)	(27,667.52)	0.00
Disposal of Property	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Non-Operating Revenues (Expenses)	2,022.46	53.66	(1,497.62)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Transfer to City General Fund	(306,446.46)	0.00	0.00
Transfers between Funds	7,584.87	(6,991.04)	(593.83)
Transfers to Trash Department	0.00	0.00	0.00
Transfers to Parks and Recreation Fund	<u>41,736.67</u>	<u>0.00</u>	<u>0.00</u>
Total Other Financing Sources (Uses)	<u>(257,124.92)</u>	<u>(6,991.04)</u>	<u>(593.83)</u>
Change in Net Position	632,352.94	43,544.23	24,402.82
Net Position, Beginning of Year	2,309,098.15	2,304,268.84	48,400.30
Contributions in Aid of Construction	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Position, End of Year	<u>\$ 2,941,451.09</u>	<u>\$ 2,347,813.07</u>	<u>\$ 72,803.12</u>

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

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Electric</u>	<u>Water &amp; Sewer</u>	<u>Trash</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash Received from Customers	\$ 3,676,953.60	\$ 996,679.69	\$ 304,288.15
Cash Paid to Employees and Suppliers	<u>(2,840,424.49)</u>	<u>(933,358.34)</u>	<u>(282,606.66)</u>
Net Cash Provided by Operating Activities	836,529.11	63,321.35	21,681.49
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Increase (Decrease) in Customer Deposits	3,385.32	(1,506.33)	0.00
Increase (Decrease) in Postemployment Benefit Obligations	(42,244.27)	(42,637.69)	0.00
Payments (to) from Other Funds	<u>(85,520.35)</u>	<u>(43,230.77)</u>	<u>(593.83)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(124,379.30)	(87,374.79)	(593.83)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Interest Paid	(21,372.52)	(27,667.52)	0.00
Acquisition of Capital Assets	(4,022.30)	(9,140.08)	0.00
Disposal of Property	0.00	0.00	0.00
Redemption/Receipt of Bond Principal/Proceeds	<u>(110,000.00)</u>	<u>122,678.40</u>	<u>0.00</u>
Net Cash Provided by (Used in) Financing Activities	(135,394.82)	85,870.80	0.00
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Interest Received	12,615.59	4,840.71	258.85
Other Receipts (Expenses) - Non-Operating	<u>10,779.39</u>	<u>27,667.52</u>	<u>(1,756.47)</u>
Net Cash Provided by Investing Activities	<u>23,394.98</u>	<u>32,508.23</u>	<u>(1,497.62)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	600,149.97	94,325.59	19,590.04
Beginning Cash and Cash Equivalents	<u>2,033,369.48</u>	<u>743,223.28</u>	<u>24,824.84</u>
Ending Cash and Cash Equivalents	<u>\$ 2,633,519.45</u>	<u>\$ 837,548.87</u>	<u>\$ 44,414.88</u>
<b><u>SUMMARY OF ENDING CASH AND CASH EQUIVALENTS:</u></b>			
Unrestricted Cash	\$ 1,798,117.92	\$ 605,811.90	\$ 44,414.88
Restricted Cash	<u>835,401.53</u>	<u>231,737.57</u>	<u>0.00</u>
	<u>\$ 2,633,519.45</u>	<u>\$ 837,549.47</u>	<u>\$ 44,414.88</u>

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

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Electric</u>	<u>Water &amp; Sewer</u>	<u>Trash</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss) Before Depreciation & Amortization	\$1,050,726.63	\$ 218,345.97	\$ 26,494.27
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	(158,645.39)	(163,800.91)	0.00
Amortization	(4,625.84)	(4,063.45)	0.00
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(147,242.70)	(21,681.73)	(5,088.64)
(Increase) Decrease in Inventories	(18,713.80)	(355.60)	0.00
(Increase) Decrease in Prepaid Expenses	3,367.60	7,193.28	0.00
Increase (Decrease) in Accounts Payable	144,075.37	318.98	275.86
Increase (Decrease) in Accrued Payroll Liabilities	(30,662.66)	27,961.30	0.00
Increase (Decrease) in Accrued Expenses	<u>(1,750.10)</u>	<u>(596.49)</u>	<u>0.00</u>
Total Adjustments	<u>(214,197.52)</u>	<u>(155,024.62)</u>	<u>(4,812.78)</u>
Net Cash Provided by Operating Activities	<u>\$ 836,529.11</u>	<u>\$ 63,321.35</u>	<u>\$ 21,681.49</u>
<u>ADDITIONAL DISCLOSURES:</u>			
Total Interest Received	\$ 12,615.59	\$ 4,840.71	\$ 258.85
Total Interest Paid	\$ 21,372.52	\$ 27,667.52	\$ 0.00

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

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Light, Water and Sewer is a component unit of the City of Piggott, Arkansas. These financial statements present the financial position, results of operations and cash flows of Municipal Light, Water and Sewer and are not intended to present that of the City of Piggott or any of its other activities. The city owned utility operates as an enterprise fund and as such accounts for activities that are financed and operated in a manner similar to a private business for which periodic determination of revenues, expenses and net income is desirable. Municipal Light, Water and Sewer renders services to the general public on a user charge basis.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measuring focus identifies which transactions and events should be recorded. Enterprise funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Cash Equivalents

For the purpose of the cash flow statement, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues are recognized at the end of each year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Inventories

Inventories for all governmental funds are valued at cost.

Other Assets

Other assets held are recorded and accounted for at cost.

Restricted Assets

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt.

Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

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Utility Plant

Utility Plant is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible utility plant is charged as an expense against operations, and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable assets are as follows:

Buildings	20-40 years
Furniture and Vehicles	3-25 years

Bond Discount

The bond discount is being amortized on a straight-line basis over the life of the related bond issue.

Bond Issue Costs

Bond issue costs are amortized on a straight-line basis over the life of the related bond issue.

Customer Deposits

Customer deposits are non-interest bearing and are held until the customer's service is terminated, at which time the deposit is applied to the final bill. As of December 31, 2022, these funds are not maintained in a restricted account.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Net Position

Unreserved retained earnings represent the net position available for future operations or distribution. Reserved retained earnings represent net position that have been identified for specific purposes.

Net Position Classification

Net position is required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- a) Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- b) Restricted - consists of those assets that have constraints placed upon their use imposed either by



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creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

- c) Unrestricted - consists of the net amount of assets that do not meet the definition of restricted or net investment in capital assets.

Vacation, Sick Leave, and Other Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

Estimates

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

Statement of Cash Flows Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Government, the statement of cash flows has been presented using the direct method of reporting.

2) CASH AND CASH INVESTMENTS

Piggott Municipal Light, Water and Sewer's funds are required to be deposited and invested under the terms of a depository contract pursuant to Arkansas statutes. The depository bank places approved pledged securities for safekeeping and trust with the Piggott Municipal Light, Water and Sewer's agent bank in an amount sufficient to protect Piggott Municipal Light, Water and Sewer's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2022, none of Piggott Municipal Light, Water and Sewer's investment balances were exposed to credit risk.

Piggott Municipal Light, Water and Sewer may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. Piggott Municipal Light, Water and Sewer had no such investments as December 31, 2022.

Interest rate risk - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the Utility's investment policy, all investments are monitored for changes in the effective yield.

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3) RESTRICTED AND BOARD DESIGNATED ASSETS

Restricted assets consist of the following:

Electric System Refunding and Improvement Revenue Bonds, Series 2017	
General Obligation Bond Fund	\$ 74,577.83
Debt Service Reserve Fund	67,705.00

Water and Sewer Refunding and Construction Revenue Bonds Series 2016	
Revenue Bond Fund	7,379.18
Debt Service Reserve Fund	43,248.29

Board designated:

Electric depreciation & vehicle replacement funds	693,118.70
Water/sewer depreciation & vehicle replacement funds	<u>181,110.10</u>

Total Restricted and Board Designated Assets	<u>\$ 1,067,139.10</u>
--	------------------------

4) OPERATING REVENUE

A summary of operating revenues at December 31, 2022 is as follows:

	<u>Electric</u>	<u>Water &amp; Sewer</u>	<u>Trash</u>
Commercial	\$ 1,075,598.37	\$ 0.00	\$ 0.00
Residential	2,156,945.51	0.00	0.00
Water	0.00	570,766.12	0.00
Sewer	0.00	424,885.52	0.00
Interdepartmental	84,495.03	0.00	0.00
Security Lights/Public Street Lights	165,872.36	0.00	0.00
PCH/Industrial	231,634.91	0.00	0.00
Other Miscellaneous	109,650.12	22,709.78	6,400.04
Trash	<u>0.00</u>	<u>0.00</u>	<u>302,976.75</u>
	<u>\$ 3,824,196.30</u>	<u>\$ 1,018,361.42</u>	<u>\$ 309,376.79</u>

5) CAPITAL ASSETS

Utility Plant activity for the year ended December 31, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Electric Department:</u>				
Land & Land Rights	\$ 17,224.00	\$ 0.00	\$ 0.00	\$ 17,224.00
Structures & Improvements	1,489,820.47	0.00	0.00	1,489,820.47

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Office Furniture & Equipment	126,368.07	0.00	0.00	126,368.07
Transportation Equipment	1,065,438.23	0.00	0.00	1,065,438.23
Equipment	4,471,086.61	1,566.00	0.00	4,472,652.61
Transformers	1,123,829.51	0.00	0.00	1,123,829.51
Service Lines & Meters	605,084.07	2,456.30	0.00	607,540.37
Street Lighting/Signal System	188,261.99	0.00	0.00	188,261.99
Poles, Towers & Fixtures	791,576.30	0.00	0.00	791,576.30
Conductors	756,230.18	0.00	0.00	756,230.18
Tools, Shop & Garage Equipment	19,726.44	0.00	0.00	19,726.44
Total	10,654,645.87	4,022.30	0.00	10,658,668.17
Less: Accumulated Depreciation	9,508,951.11	158,645.39	0.00	9,667,596.50
Net Utility Plant	<u>\$ 1,145,694.76</u>	<u>\$ (154,623.09)</u>	<u>\$ 0.00</u>	<u>\$ 991,071.67</u>
<u>Water Department</u>				
Land & Land Rights	\$ 3,616.00	\$ 0.00	\$ 0.00	\$ 3,616.00
Structures & Improvements	1,697,589.67	0.00	0.00	1,697,589.67
Vehicles & Equipment	519,413.15	0.00	0.00	519,413.15
Distribution Mains	758,387.92	0.00	0.00	758,387.92
Service Lines, Meters & Hydrants	810,055.73	4,600.38	0.00	814,656.11
Total	3,789,062.47	4,600.38	0.00	3,793,662.85
Less: Accumulated Depreciation	1,958,251.78	108,459.73	0.00	2,066,711.51
Net Utility Plant	<u>\$ 1,830,810.69</u>	<u>\$ (103,859.35)</u>	<u>\$ 0.00</u>	<u>\$ 1,726,951.34</u>
<u>Sewer Department</u>				
Land & Land Rights	\$ 33,152.00	\$ 0.00	\$ 0.00	\$ 33,152.00
Structures & Improvements	1,836,698.10	0.00	0.00	1,836,698.10
Pumping Station Structures	108,026.97	0.00	0.00	108,026.97
Vehicles & Equipment	197,036.17	4,539.70	0.00	201,575.87
Distribution Mains	574,091.83	0.00	0.00	574,091.83
Office Furniture & Equipment	4,738.97	0.00	0.00	4,738.97
Total	2,753,744.04	4,539.70	0.00	2,758,283.74
Less: Accumulated Depreciation	1,901,908.18	55,296.18	0.00	1,957,204.36
Net Utility Plant	<u>\$ 851,835.86</u>	<u>\$ (50,756.48)</u>	<u>\$ 0.00</u>	<u>\$ 801,079.38</u>

6) BONDS PAYABLE

The following is a summary of long-term debt principal transactions for the year ended December 31, 2022:

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Payable at January 1	\$ 1,885,000.00
Additions	0.00
Retirements	<u>160,000.00</u>
Payable at December 31	<u>\$ 1,725,000.00</u>

Bonds payable at December 31, 2022 consists of the following:

Electric System Refunding Revenue Bonds, Series 2017 Interest Rate 1.0% to 2.75%, Due July 1, 2029	\$ 830,000.00
Water and Sewer Refunding and Construction Revenue Bonds, Series 2016, Interest Rate 1.125% to 3.250%, Due December 1, 2036	<u>895,000.00</u>
Total	1,725,000.00
Total Debt Current Maturities	<u>170,000.00</u>
Net Long-Term Bonds Payable	<u>\$ 1,555,000.00</u>

The total indebtedness matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 170,000.00	\$ 47,546.26	\$ 217,546.26
2024	170,000.00	44,365.00	214,365.00
2025	170,000.00	42,715.00	212,715.00
2026	170,000.00	36,005.00	206,005.00
2027 - 2036	<u>1,045,000.00</u>	<u>140,792.50</u>	<u>1,185,792.50</u>
	<u>\$ 1,725,000.00</u>	<u>\$ 311,423.76</u>	<u>\$ 2,036,423.76</u>

7) PENSION

*Plan Description* - Municipal Light, Water and Sewer participates in the Arkansas Public Employees Retirement System (APERS), a cost-sharing multi-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under the system. The plan was established by the authority of the Arkansas General Assembly. The costs of administering the plan are paid out of the investment earnings. APERS issues a financial report which may be obtained from APERS at 124 W. Capitol, Suite 400, Little Rock, AR 72201 or by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

*Benefits Provided* - APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation, and includes contributory and non-contributory plans. Generally, members are eligible to retire with full benefit at age 65 with 5 years of service or at any age with 28 years of service. Reduced retirement benefits are also available at age 55

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with 5 years service or at any age with 25 years service. Also, members are eligible for disability and death benefits after 5 years of service.

*Contributions* - Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute at least 5% of their salary. Municipal Light, Water and Sewer's contribution to the plan was \$115,062.32 for the year ended December 31, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources to Pensions - Net pension liability was determined by actuarial valuation as of June 30, 2022. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to total contributions of all participating employers. Net pension liability of Municipal Light, Water and Sewer was \$961,104 as of June 30, 2022.

Deferred outflows & inflows of resources related to pensions for Municipal Light, Water and Sewer were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,070.00	\$ (11,604.00)
Changes of assumptions	0.00	0.00
Changes in proportion and differences between employer contributions and proportionate share	4.00	(134,234.00)
Net difference between projected and actual earnings on pension plan investments	<u>202,746.00</u>	<u>0.00</u>
	<u>\$ 225,820.00</u>	<u>\$ (145,838.00)</u>

Amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>
\$ (20,674)	\$ (25,666)	\$ (15,071)	\$ 141,393	\$ -	\$ -

Actuarial Assumptions - The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)

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Remaining Amortization Period	25 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7989

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2022, are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37 %	6.22 %
International Equity	24 %	6.69 %
Real Assets	16 %	4.81 %
Absolute Return	5 %	3.05 %
Domestic Fixed	18 %	0.57 %
	100 %	
Total Real Rate of Return		4.93 %
Plus: Price Inflation - Actuary Assumption		2.50 %
Net Expected Return		7.43 %

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*Discount Rate* - A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make a projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

**Sensitivity of Discount Rate**

1% Lower 6.15%	Discount Rate 7.15%	1% Higher 8.15%
\$ 1,527,980	\$ 961,104	\$ 493,097

8) RISK MANAGEMENT AND LITIGATION

Municipal Light, Water and Sewer is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims as of December 31, 2022, will not materially affect the financial condition of the Fund.

9) SOLID WASTE

The City of Piggott enacted an Ordinance providing for the collection and disposal of residential solid waste and requires each resident, household, or other dwelling to participate in the refuse collection services contracted for by the City. The City of Piggott has an agreement with Shelton Sanitation, Inc. for the collection of solid waste. Per the Agreement, MLWS bills each occupied residential unit located in the City for the monthly collection charge plus state and local sales taxes on the resident's utility bill. At the end of the month MLWS pays the Collector their fees for the collection of refuse for that month. MLWS prepares the reports and pays all necessary state sales taxes due to the State of Arkansas. MLWS is paid a fee of \$1,000 per month for the administration of solid waste billing and collection.

10) NOTE PAYABLE

On July 23, 2020, City of Piggott entered into an agreement with Arkansas Department of Transportation to advance fees in the amount of \$366,105.67 to relocate various water mains, sewer main and other facilities. The agreement specifies that City of Piggott will repay fees of \$18,305.29 annually over 20 years beginning March 1, 2021. Municipal, Water and Sewer manages the debt and pays City of Piggott to repay Arkansas Department of Transportation. As of December 31, 2022, Municipal Light, Water and Sewer received

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\$278,168.67. The total indebtedness matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 18,305.29	\$ 0.00	\$ 18,305.29
2024	18,305.29	0.00	18,305.29
2025	18,305.29	0.00	18,305.29
2026	18,305.29	0.00	18,305.29
2027 - 2040	<u>256,273.93</u>	<u>0.00</u>	<u>256,273.93</u>
	<u>\$ 329,495.09</u>	<u>\$ 0.00</u>	<u>\$ 329,495.09</u>

11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2023, the date which the financial statements were available to be issued.



**SCHERER, GRAYHAM & CLARK, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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*

Mayor and City Council  
Municipal Light, Water and Sewer  
Piggott, Arkansas 72454

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Municipal Light, Water and Sewer, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Municipal Light, Water and Sewer's basic financial statements, and have issued our report thereon dated June 23, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Municipal Light, Water and Sewer'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 Municipal Light, Water and Sewer's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Light, Water and Sewer'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Municipal Light, Water and Sewer'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which

are described in the accompanying schedule of findings and questioned costs as item 2022-001.

### **Municipal Light, Water and Sewer's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Municipal Light, Water and Sewer's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Municipal Light, Water and Sewer's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Scherer, Grayham & Clark, LLP*

Scherer, Grayham & Clark, LLP  
Kennett, MO 63857  
June 23, 2023

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**Section I - Summary of Audit Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

- |   |                       |                                 |
|---|-----------------------|---------------------------------|
| • Material weakness(es) identified?       | <u>          </u> yes | <u>  X  </u> no                 |
| • Significant deficiency(ies) identified: | <u>  X  </u> yes      | <u>          </u> none reported |

Noncompliance material to financial statements noted?	<u>          </u> yes	<u>  X  </u> no
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**Section II - Financial Statement Findings**

**SIGNIFICANT DEFICIENCIES**

2022-001 Segregation of duties

*Condition:* Municipal Light, Water and Sewer has one person performing accounts payable functions, payroll functions, and general ledger maintenance. Also, they approve invoices and sign checks. There are some mitigating controls in place but complete segregation of duties is not present in the accounting system.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Cause:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel and the assignment of duties prohibit segregation of duties. Municipal Light, Water and Sewer does have some mitigating controls in place to offset some of the risks of the lack of segregation of duties.

MUNICIPAL LIGHT, WATER AND SEWER  
CITY OF PIGGOTT, ARKANSAS  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**Financial Statement Finding**

2021-001 Segregation of duties

**Auditors' Recommendation:**

We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

**Status:**

Uncorrected

City of Piggott  
Municipal Light, Water & Sewer

194 W Court St, Piggott AR 72454  
Phone (870) 598-3243 Fax (870) 598-2768

CORRECTIVE ACTION PLAN

June 23, 2023

Municipal Light, Water and Sewer respectfully submits the following corrective action plan for the year ended December 31, 2022.

Contact information for the individual responsible for the corrective action:

Brian Haley - Utility Administrator  
Municipal Light, Water and Sewer  
City of Piggott, Arkansas  
194 W Court St  
Piggott, AR 72454  
(870) 598-3243

Audit Period: Year ended December 31, 2022

The findings from the December 31, 2022 schedule of findings and questioned costs - Financial Statement Audit are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2022-001 Segregation of Duties

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Action Taken:* Municipal Light, Water and Sewer has moved an employee to a position to perform accounts payable functions and is printing out all general journal entries to be signed off on by an additional employee. Also, per our purchasing policy, purchases include a Purchase Order created and approved by the the Utility Administrator that is attached to each invoice.

*Completion Date:* Not applicable.

Sincerely,

Brian Haley - Utility Administrator  
Municipal Light, Water and Sewer  
City of Piggott, Arkansas