

Independent Auditor's Report and Financial Statements

WALDO WATER AND SEWER SYSTEM

December 31, 2021

WALDO WATER AND SEWER SYSTEM

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INDEPENDENT AUDITOR'S REPORT

PARKS & COMPANY PLC

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Waldo 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 Waldo Water and Sewer System and do not purport to, and do not, present fairly the financial position of the City of Waldo, 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.

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 July 2, 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

July 2, 2025
El Dorado, Arkansas

FINANCIAL STATEMENTS

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

ASSETS

Current Assets

Cash	\$ 509,290
Accounts receivable, net	45,279
Time deposits	227,784
Inventory	9,223
Other assets	3,905
Total current assets	795,481

Restricted Assets

Restricted -	
Cash	893
Escrowed bond funds	13,104
Total restricted assets	13,997

Non-Current Assets

Due from General Fund	180,000
Capital assets -	
Non-depreciable	18,822
Depreciable	6,363,038
Less: Accumulated depreciation	(2,765,625)
Total non-current assets	3,796,235

TOTAL ASSETS

\$ 4,605,713

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 15,547
Current portion of long-term debt	55,748
Total current liabilities	71,295

Non-Current Liabilities

Customer meter deposits	893
Bonds payable	966,971
Total non-current liabilities	967,864

TOTAL LIABILITIES

\$ 1,039,159

NET POSITION

Invested in capital assets, net of related debt	\$ 2,773,516
Restricted, expendable for debt service	13,997
Unrestricted	779,041
Total net position	3,566,554

TOTAL NET POSITION

\$ 3,566,554

TOTAL LIABILITIES AND NET POSITION

\$ 4,605,713

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

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

Operating Revenues

Usage charges	\$ 391,846
Fees and penalties	11,367
	<hr/>
Total operating revenues	403,213

Operating Expenses

Salaries and wages	80,054
Payroll taxes	6,305
Utilities and telephone	30,564
Maintenance, repair & supply	91,692
Insurance	3,898
Machine, truck, and automotive	2,620
Legal and accounting	8,500
Permits, licenses, and fees	2,300
Water analysis and treatment	5,196
Office supplies and postage	4,557
Travel	1,487
Dues and subscriptions	2,255
Other administrative	7,886
Depreciation	189,142
	<hr/>
Total operating expenses	436,456

Net operating income (loss) (33,243)

Non-operating income (expense)

Bond service fees	(10,632)
Interest income	1,494
Interest expense	(15,954)
	<hr/>
Total non-operating revenues (expenses), net	(25,092)

Change in net position (58,335)

Net Position, beginning of year 3,624,889

Net Position, end of year \$ 3,566,554

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

WALDO WATER AND SEWER SYSTEM
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Sales - use charges	\$ 379,107
Sales - other fees and penalties	11,367
Salaries and wages	(79,693)
Payroll taxes	(6,305)
Utilities and telephone	(30,564)
Maintenance, repairs and supplies	(90,781)
Insurance	(3,898)
Machine, truck and automotive	(2,620)
Legal and accounting	(8,500)
Permits, license and fees	(2,300)
Water analysis	(5,196)
Office supplies and postage	(4,558)
Travel	(1,487)
Dues and subscriptions	(2,255)
Other administrative	(7,886)
	<u>144,431</u>
Net cash provided by (used in) operating activities	<u>144,431</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

System and equipment purchases	(4,904)
Bond service fees	(10,632)
Bond principal paid	(54,380)
Bond interest paid	(15,954)
	<u>(85,870)</u>
Net cash used provided by (used in) capital and related financing activities	<u>(85,870)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Reinvestment of interest earned on time deposits	(970)
Interest received on deposit accounts	1,494
	<u>524</u>
Net cash provided by (used in) investing activities	<u>524</u>
Increase in cash and cash equivalents	59,085
Cash and cash equivalents, beginning of year	464,202
	<u>464,202</u>
Cash and cash equivalents, end of year	<u>\$ 523,287</u>

Reported on statement of net position as follows:

Cash	\$ 509,290
Restricted cash	893
Escrowed bond funds	13,104
	<u>13,104</u>
	<u>\$ 523,287</u>

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

WALDO WATER AND SEWER SYSTEM
Statement of Cash Flows
For the Year Ended December 31, 2021

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

Net operating income (loss)	(33,243)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	189,142
Decrease (increase) in accounts receivable	(12,820)
Decrease (increase) in other assets	80
Increase (decrease) in payables	<u>1,272</u>
Total adjustments	<u>177,674</u>
Net cash provided (used) by operating activities	<u><u>144,431</u></u>

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

NOTES TO FINANCIAL STATEMENTS

WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting and Presentation

The Utility is accounted for as an enterprise fund and uses the accrual basis of accounting. The Utility's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental 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 (a) operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or 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 producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Utility are charges to customers for water sales and wastewater services. Operating expenses for the Utility include the cost of pumping, treating, and delivering water and the treatment of wastewater for 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 Utility's policy is to use restricted resources first, as required, and 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.

Cash and Cash Equivalents

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable include balances due from customers for services or water provided and is reported net of an allowance for doubtful accounts in order to present the System's estimate of the amount that will be ultimately realized in cash. The System uses the allowance methodology for estimating possible uncollectible customer accounts. The allowance amount of \$35,900 as of December 31, 2021, approximates the balance of accounts delinquent more than 60 days.

Inventories

Inventories are valued at cost, which approximates market value.

Capital Assets

Capital assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are recorded at stated 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

Long-term Obligations

Long-term obligations are reported net of any applicable premiums or discounts. Premiums and discounts are deferred amortized over the life of the bonds using the effective interest method. Debt issuance costs, including underwriter fees, are reported as period costs when incurred.

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 and 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, customer deposits, 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* consists of all other position not included in the above categories.

Revenue Recognition

The System recognizes revenue as water 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 cyclical basis as well as an estimate of charges for services provided but unbilled for the period if the billing date precedes the end of the month. Unbilled amounts are calculated by deriving estimates based on average daily usage of the billing cycle immediately following the accounting period.

WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through July 2, 2025, which is the date the financial statements were available to be issued

NOTE 2: CASH AND TIME DEPOSITS

The System's cash and time deposits consisted of demand deposit (checking) accounts and certificates of deposit at a local financial institution and bond funds held in escrow by the System's bond agent. The carrying amount of the System's cash, time deposits and escrow funds as of December 31, 2021, was \$750,971. The corresponding aggregated bank balance for these accounts was \$752,085.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of 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. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2021, all system cash and time deposit accounts were insured by FDIC insurance or collateralized by bonds pledged by the custodial financial institution. As of December 31, 2021, \$13,104 of escrowed bond funds held by Arkansas Natural Resources Commission on behalf of the System were not insured under FDIC insurance or collateralized by pledged securities.

Credit Risk

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

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

**WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 2: CASH AND TIME DEPOSITS (Continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Fair Value	% of Total Deposits
Peoples Bank	Cash and time deposits	\$ 737,967	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).

As of December 31, 2021, the System's time deposits are valued at cost, which approximates fair value. There were no changes in the methodology used during the year ended December 31, 2021.

Interest Income

Interest income for 2021 was \$1,494 earned on various certificates of deposit and checking accounts.

NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 18,822	-	-	18,822
<i>Capital assets, being depreciated</i>				
Buildings	12,425	-	-	12,425
Computer and office equipment	16,022	-	-	16,022
Water system	4,447,859	-	-	4,447,859
Equipment	281,519	4,905	-	286,424
Sewer plant	1,600,309	-	-	1,600,309
<i>Total capital assets, being depreciated</i>	6,358,134	4,905	-	6,363,039
Less accumulated depreciation:	2,576,484	189,142	-	2,765,626
Capital assets, net	\$ 3,800,472			\$ 3,616,235

Depreciation expense for the year ended December 31, 2021, was \$189,142.

**WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 4: ACCOUNTS RECEIVABLE

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

Water	\$ 53,877
Sewer	24,430
Surcharges	<u>2,072</u>
Total	80,379
Less: Allowance for doubtful accounts	<u>(35,100)</u>
Accounts receivable, net	<u><u>\$ 45,279</u></u>

Accounts receivable at December 31, 2020 totaled \$32,459.

NOTE 5: METER DEPOSITS

The System eliminated the policy of customers paying a deposit to secure water services. During 2019 and 2020, the System refunded all customer deposits that could be identified. As of December 31, 2021, the remaining unclaimed account balance was \$893.

NOTE 6: BONDS PAYABLE

The System's Water Department had a bond payable as of December 31, 2021, in the amount of \$502,594 the Arkansas Natural Resources Commission (ANRC)/Arkansas Development Finance Authority (ADFA). The note is payable in semiannual installments of \$19,153 at a fixed interest rate of 1.50% with a 1.00% service fee. Interest and bond service fees paid on the loan in 2021 were \$7,824 and \$5,216, respectively. Principal, interest, and service fee payments until maturity are as follows:

Water Bond - WRD-003-880			
Year ending December 31,	Principal	Interest	Service Fee
2022	\$ 25,902	7,442	4,962
2023	26,554	7,051	4,701
2024	27,222	6,651	4,434
2025	27,906	6,240	4,160
2026	28,608	5,819	3,879
2027 - 2031	154,206	22,395	14,929
2032 - 2036	174,604	10,155	6,769
2037 - 2039	<u>37,592</u>	<u>424</u>	<u>283</u>
	<u><u>\$ 502,594</u></u>	<u><u>\$ 66,177</u></u>	<u><u>\$ 44,117</u></u>

**WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 6: BONDS PAYABLE (Continued)

The System's Sewer Department had a bond payable as of December 31, 2021, in the amount of \$520,125 to the Arkansas Natural Resources Commission (ANRC)/Arkansas Development Finance Authority (ADFA). The note is payable in semiannual installments of \$21,332 at a fixed interest rate of 1.50% with a 1.00% service fee. Interest and bond service fees paid on the loan in 2021 were \$8,130 and \$5,420, respectively. Principal, interest, and service fee payments until maturity are as follows:

Sewer Bond - WRD-004-005

Year ending December 31,	Principal	Interest	Service Fee
2022	\$ 29,846	7,691	5,127
2023	30,597	7,240	4,827
2024	31,367	6,778	4,519
2025	32,156	6,305	4,203
2026	32,965	5,819	3,880
2027 - 2031	177,688	21,379	14,253
2032 - 2036	185,506	7,277	4,851
	<u>\$ 520,125</u>	<u>\$ 62,489</u>	<u>\$ 41,660</u>

NOTE 7: WATER AND SEWER RATES

The water rate during 2021 was \$22.00 for the first 2,000 gallons, or portion thereof, of water consumption per month. For any use over 2,000 gallons the rate was \$2.25 per 1,000 gallons. The sewer rate was \$15.00 for the first 2,000 gallons per month, or portion thereof, and \$2.50 per each additional 1,000 gallons thereafter.

The System collects a \$3.00 per meter surcharge that is transferred to and used for the general operating expenses of the City's Fire Department and, when necessary and approved by the City Council, the purchase of equipment.

NOTE 8: RISK MANAGEMENT

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

The City of Waldo 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. The bond provides \$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.

**WALDO WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 9: COMMITMENTS AND CONTINGENCIES

Sewer Discharge Permit

The Arkansas Department of Environmental Quality requires that the Sewer Department's discharge plant meet certain requirements in order for the System to maintain its sewer discharge permit. As of December 31, 2021, the System believes it has complied with all of these requirements. This permit must be renewed annually.

SUPPLEMENTARY INFORMATION

WALDO WATER AND SEWER SYSTEM
Combining Schedule of Net Position
December 31, 2021

ASSETS	Water	Sewer	Total
Current Assets			
Unrestricted -			
Cash	\$ 462,600	46,690	509,290
Accounts receivable, net	31,749	13,530	45,279
Time deposits	174,473	53,311	227,784
Inventory	9,142	81	9,223
Other assets	1,745	2,160	3,905
Restricted -			
Cash	893	-	893
Escrowed bond funds	6,202	6,902	13,104
Total current assets	<u>686,804</u>	<u>122,674</u>	<u>809,478</u>
Non-Current Assets			
Due from General Fund	180,000		180,000
Capital assets -			
Non-depreciable	2,450	16,372	18,822
Depreciable	4,747,416	1,615,622	6,363,038
Less: Accumulated depreciation	<u>(1,958,979)</u>	<u>(806,646)</u>	<u>(2,765,625)</u>
Total non-current assets	<u>2,970,887</u>	<u>825,348</u>	<u>3,796,235</u>
TOTAL ASSETS	<u>\$ 3,657,691</u>	<u>948,022</u>	<u>4,605,713</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 8,419	7,128	15,547
Current portion of long-term debt	<u>25,902</u>	<u>29,846</u>	<u>55,748</u>
Total current liabilities	<u>34,321</u>	<u>36,974</u>	<u>71,295</u>
Non-Current Liabilities			
Customer meter deposits	893	-	893
Bonds payable	<u>476,692</u>	<u>490,279</u>	<u>966,971</u>
Total non-current liabilities	<u>477,585</u>	<u>490,279</u>	<u>967,864</u>
TOTAL LIABILITIES	<u>\$ 511,906</u>	<u>527,253</u>	<u>1,039,159</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 2,468,293	\$ 305,223	2,773,516
Restricted, expendable for debt service & refunds	7,095	6,902	13,997
Unrestricted	<u>670,397</u>	<u>108,644</u>	<u>779,041</u>
TOTAL NET POSITION	<u>\$ 3,145,785</u>	<u>420,769</u>	<u>3,566,554</u>

WALDO WATER AND SEWER SYSTEM
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Usage charges	\$ 256,780	135,066	391,846
Fees and penalties	10,009	1,358	11,367
Total operating revenues	<u>266,789</u>	<u>136,424</u>	<u>403,213</u>
Operating Expenses			
Salaries and wages	56,638	23,416	80,054
Payroll taxes	4,516	1,789	6,305
Utilities and telephone	11,325	19,239	30,564
Maintenance, repair & supply	17,874	73,818	91,692
Insurance	2,761	1,137	3,898
Machines, truck & automotive fuel	2,500	120	2,620
Legal and accounting	4,250	4,250	8,500
Permits, license, fees	100	2,200	2,300
Water analysis and treatment	-	5,196	5,196
Office supplies and postage	3,947	610	4,557
Travel	1,487	-	1,487
Dues and subscriptions	1,533	722	2,255
Other administrative	7,886	-	7,886
Depreciation	126,378	62,764	189,142
Total operating expenses	<u>241,195</u>	<u>195,261</u>	<u>436,456</u>
Net operating income (loss)	<u>25,594</u>	<u>(58,837)</u>	<u>(33,243)</u>
Non-operating income (expense)			
Bond service fees	(5,214)	(5,418)	(10,632)
Interest income	1,174	320	1,494
Interest expense	(7,824)	(8,130)	(15,954)
Total non-operating revenues (expenses)	<u>(11,864)</u>	<u>(13,228)</u>	<u>(25,092)</u>
Net income (loss)	<u>13,730</u>	<u>(72,065)</u>	<u>(58,335)</u>
Other financing sources:			
Transfers from (to) other funds, net	(42,517)	42,517	-
Total other financing sources	<u>(42,517)</u>	<u>42,517</u>	<u>-</u>
Change in net position	(28,787)	(29,548)	(58,335)
Net Position, beginning of year	<u>3,174,572</u>	<u>450,317</u>	<u>3,624,889</u>
Net Position, end of year	<u>\$ 3,145,785</u>	<u>420,769</u>	<u>3,566,554</u>

WALDO WATER AND SEWER SYSTEM
Comparative Schedule of Net Position – Water
December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Unrestricted -		
Cash	\$ 462,600	405,560
Accounts receivable, net	31,749	21,639
Time deposits	174,473	173,762
Due from General Fund	180,000	180,000
Inventory	9,142	9,142
Other assets	1,745	1,826
Restricted -		
Cash	893	893
Escrowed bond funds	6,202	6,202
Total current assets	<u>866,804</u>	<u>799,024</u>
Non-Current Assets		
Capital assets -		
Non-depreciable	2,450	2,450
Depreciable	4,747,416	4,742,510
Less: Accumulated depreciation	<u>(1,958,979)</u>	<u>(1,832,601)</u>
Total non-current assets	<u>2,790,887</u>	<u>2,912,359</u>
TOTAL ASSETS	<u>\$ 3,657,691</u>	<u>3,711,383</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,419	8,058
Current portion of long-term debt	<u>25,902</u>	<u>25,266</u>
Total current liabilities	<u>34,321</u>	<u>33,324</u>
Non-Current Liabilities		
Customer meter deposits	893	893
Bonds payable	<u>476,692</u>	<u>502,594</u>
Total non-current liabilities	<u>477,585</u>	<u>503,487</u>
TOTAL LIABILITIES	<u>\$ 511,906</u>	<u>536,811</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 2,468,293	2,384,499
Restricted, expendable for debt service	7,095	6,202
Unrestricted	<u>670,397</u>	<u>783,873</u>
TOTAL NET POSITION	<u>\$ 3,145,785</u>	<u>3,174,574</u>

WALDO WATER AND SEWER SYSTEM
Comparative Schedule of Revenues, Expenses and Changes in Net Position - Water
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Usage charges	\$ 256,780	236,992
Fees and penalties	10,009	6,263
	<u>266,789</u>	<u>243,255</u>
Operating Expenses		
Salaries and wages	56,638	31,064
Payroll taxes	4,516	2,537
Utilities and telephone	11,325	13,935
Maintenance, repair & supply	17,874	15,627
Insurance	2,761	2,996
Machine, truck & automotive	2,500	2,413
Legal and accounting	4,250	8,500
Permits, license, fees	100	100
Water analysis and treatment	-	962
Office supplies and postage	3,947	3,764
Travel	1,487	82
Dues and subscriptions	1,533	1,361
Other administrative	7,886	7,812
Depreciation	126,378	126,346
	<u>241,195</u>	<u>217,499</u>
Net operating income (loss)	<u>25,594</u>	<u>25,756</u>
Non-operating income (expense)		
Bond service fees	(5,214)	(5,525)
Interest income	1,174	9,948
Interest expense	(7,824)	(8,288)
	<u>(11,864)</u>	<u>(3,865)</u>
Net income (loss)	<u>13,730</u>	<u>21,891</u>
Other financing sources:		
Transfers from (to) other funds, net	(42,517)	7,694
	<u>(42,517)</u>	<u>7,694</u>
Change in net position	(28,787)	29,585
Net Position, beginning of year	3,174,574	3,144,989
Net Position, end of year	<u>\$ 3,145,787</u>	<u>3,174,574</u>

WALDO WATER AND SEWER SYSTEM
Comparative Schedule of Net Position – Sewer
December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Unrestricted -		
Cash	\$ 46,690	44,646
Accounts receivable, net	13,530	10,820
Time deposits	53,311	53,052
Inventory	81	81
Other assets	2,160	2,160
Restricted -		
Escrowed bond funds	6,902	6,902
Total current assets	<u>122,674</u>	<u>117,661</u>
Non-Current Assets		
Capital assets -		
Non-depreciable	16,372	16,372
Depreciable	1,615,622	1,615,622
Less: Accumulated depreciation	<u>(806,646)</u>	<u>(743,882)</u>
Total non-current assets	<u>825,348</u>	<u>888,112</u>
TOTAL ASSETS	<u>\$ 948,022</u>	<u>1,005,773</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,128	6,217
Current portion of long-term debt	<u>29,846</u>	<u>29,114</u>
Total current liabilities	<u>36,974</u>	<u>35,331</u>
Non-Current Liabilities		
Bonds payable	<u>490,279</u>	<u>520,125</u>
Total non-current liabilities	<u>490,279</u>	<u>520,125</u>
TOTAL LIABILITIES	<u>\$ 527,253</u>	<u>555,456</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 305,223	338,873
Restricted, expendable for debt service	6,902	6,902
Unrestricted	<u>108,644</u>	<u>104,542</u>
TOTAL NET POSITION	<u>\$ 420,769</u>	<u>450,317</u>

WALDO WATER AND SEWER SYSTEM
Comparative Schedule of Revenues, Expenses and Changes in Net Position - Sewer
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Usage charges	135,066	128,343
Fees and penalties	1,358	1,462
Total operating revenues	<u>136,424</u>	<u>129,805</u>
Operating Expenses		
Salaries and wages	23,416	33,567
Payroll taxes	1,789	2,741
Utilities and telephone	19,239	19,556
Maintenance, repair & supply	73,818	11,152
Insurance	1,137	1,437
Machine, truck & automotive	120	121
Legal and accounting	4,250	8,500
Permits, license, fees	2,200	2,160
Water analysis and treatment	5,196	5,125
Office supplies and postage	610	547
Dues and subscriptions	722	677
Other administrative	-	1,618
Depreciation	62,764	66,441
Total operating expenses	<u>195,261</u>	<u>153,642</u>
Net operating income (loss)	<u>(58,837)</u>	<u>(23,837)</u>
Non-operating income (expense)		
Bond service fees	(5,418)	(5,776)
Interest income	320	1,082
Interest expense	(8,130)	(8,665)
Total non-operating revenues (expenses)	<u>(13,228)</u>	<u>(13,359)</u>
Net income (loss)	<u>(72,065)</u>	<u>(37,196)</u>
Other financing sources:		
Transfers from (to) other funds, net	42,517	(7,694)
Total other financing sources	<u>42,517</u>	<u>(7,694)</u>
Change in net position	(29,548)	(44,890)
Net Position, beginning of year	<u>450,317</u>	<u>495,207</u>
Net Position, end of year	<u>\$ 420,769</u>	<u>450,317</u>

GOVERNMENT AUDITING STANDARDS REPORT

PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN
INSTITUTE OF CPAS

441 N. WASHINGTON AVE.
EL DORADO, ARKANSAS 71730
(870) 862-3401

MEMBER ARKANSAS
SOCIETY OF CPAS

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

The Honorable Mayor and City Council Members
City of Waldo, 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 business-type activities of the Waldo 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 July 2, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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.

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. We identified deficiency 2021-001 in internal control, described in the accompanying schedule of findings and responses, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parks & Company PLC

July 2, 2025

**Waldo Water and Sewer System
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Findings – Financial Statement Audits

2021-001 Segregation of duties

Condition: The System has one person who receives customer payments, prepares the deposits and posts the transactions to the customer's accounts.

Criteria: Internal controls should be in place to provide adequate segregation of duties with regard to cash receipts and disbursements. When proper segregation of duties is not possible due to staff size limitations, the City Council or other city employees should act as a mitigating control.

Cause: The System has only one person in the office handling accounting activities and one person in the office handling billing activities.

Effect: Due to lack of proper segregation of duties there is the potential for material misstatement of the financial statements or material misappropriation of assets due to error or fraud occurring and not being prevented or detected in a timely manner.

Recommendation: Procedures should be implemented whereby:

- 1) A person other than the water/sewer clerk receives all payments (mail or in person); makes a log of payments received, provides the log to a different person (not the water/sewer clerk) who should then prepare and make the bank deposit. The log and deposit slips should be given to the water/sewer clerk for entry into the water/sewer accounting system
- 2) All customer account adjustments should be reviewed by an adequate level of management.
- 3) All credits and adjustments to customer accounts should be reviewed and approved by the City Council when adequate segregation of duties at the staff level is not possible.

Response: The City Council acknowledges the lack of segregation of duties in the water and sewer department. It is the goal of the Council to implement the recommendations to the best of their ability and to serve as a mitigating control due to the small staff size.