

HELENA-WEST HELENA MUNICIPAL WATER  
AND SEWER SYSTEM  
FINANCIAL STATEMENTS (AUDITED)  
DECEMBER 31, 2019

MEYER & WARD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 1045  
WYNNE, AR 72396

# HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM

## TABLE OF CONTENTS

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 6
Statement of Net Position	7 - 8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 15
Independent Auditors Report on Internal Control Over Financial Reporting and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16 - 17
Schedule of Findings and Responses	18
Schedule of Budget to Actual Comparison	19

Meyer & Ward, P.A.  
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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
Helena-West Helena Municipal Water and Sewer System  
Helena, AR

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Helena-West Helena Municipal Water and Sewer System as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. As discussed in Note A, the financial statements present only the Helena-West Helena Municipal Water and Sewer System financial statements and are not intended to present fairly the financial position of the City of Helena-West Helena, Arkansas and the results of its operation in conformity with generally accepted accounting principles.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Qualified Opinion***

As more fully described in Note G to the financial statements, For the year ended December 31, 2019, the Entity has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employee pension to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable. We also did not observe the taking of the physical inventories at December 31, 2019 since this date was prior to the time we were engaged as auditors for the Department. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

### ***Qualified Opinion***

In our opinion, except for the effects of the inventory adjustment, if, any, and the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Helena-West Helena Municipal Water and Sewer System as of December 31, 2019 and respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 4 – 6 and 18 be presented to supplement the basic financial statements. Such information, 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report November 4, 2021, on our consideration of the Helena-West Helena Municipal Water and Sewer 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* in considering Helena-West Helena Municipal Water and Sewer System's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.  
Certified Public Accountants  
Wynne, Arkansas 72396

November 4, 2021

**HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

Within this section of the Helena-West Helena Municipal Water and Sewer System's (the Entity) financial report, the Entity's management provides narrative discussion and analysis of the financial activities of the Entity for the year ended December 31, 2019. The Entity's financial performance is discussed and analyzed with the context of the accompanying financial statements and disclosures following this section.

**Using this annual report**

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Entity as a whole and present a longer-term view of the Entity's finances. The Statement of Cash Flows provides a summary of the changes in cash and cash equivalents for the year. Information is included in the Notes to Financial Statements to disclose accounting policies and additional financial detail amounts shown in the financial statements. A report on internal control is also included.

**Reporting on Helena-West Helena Municipal Water and Sewer System as a whole**

Our analysis of the Entity as a whole follows in the next section. The Entity operates as business-type activity providing water utilities to its customers. Its revenues must be sufficient to cover the cost of operations, payments of indebtedness, and cost of improvements to the system. One of the most important questions asked about the Entity's finances is, "Is the Entity as a whole better off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Entity as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Entity's net position and changes in net position. You can think of the Entity's net position (the difference between assets and liabilities) as one way to measure the Entity's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether the financial health is improving, or deteriorating. You will need to consider other nonfinancial factors, however, such as the conditions of the water and sewer system, to assess the overall health of the Entity.

**HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

Financial Highlights:

The Helena-West Helena Municipal Water and Sewer System was formed on January 1, 2017 by the merger of Helena Municipal Water and Sewer System, and the West Helena Municipal Water Department. Financial highlights are presented below for 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Beginning Net Position	\$ 10,510,314	\$ 11,444,979
Increase (Decrease) in Net Position	<u>(116,770)</u>	<u>(934,665)</u>
Ending Net Position	<u>\$ 10,393,544</u>	<u>\$ 10,510,314</u>

The following table summarizes the net position:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,296,387	\$ 1,005,193
Restricted assets	1,099,087	1,124,578
Capital assets	11,169,510	8,946,485
Other assets	345,695	345,695
Total assets	<u>\$ 13,910,679</u>	<u>\$ 11,421,951</u>
Current Liabilities	\$ 1,417,710	\$ 781,218
Long-term liabilities	<u>2,099,422</u>	<u>130,419</u>
Total liabilities	<u>3,517,132</u>	<u>911,637</u>
Net Position		
Unrestricted	1,538,590	1,698,829
Invested in capital assets	<u>8,854,954</u>	<u>8,811,485</u>
Total Net Position	<u>\$ 10,393,544</u>	<u>\$ 10,510,314</u>

The following schedule presents a summary of revenues and expenses for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 2,117,754	\$ 1,896,217
Operating Expenses	<u>2,326,298</u>	<u>2,470,534</u>
Operating Income	(208,544)	(574,317)
Other Income (Expenses)	91,774	(360,348)
	<u>\$ (116,770)</u>	<u>\$ (934,665)</u>

**HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At year-end December 31, 2019, the Entity had \$ 11,169,510 invested in capital assets. This represents a net increase of \$ 2,223,025 which is the result of depreciation expense recognized of \$ 365,236, and capital asset additions for 2019 of \$ 2,588,261.

Debt

At year-end, the Entity had outstanding debt of \$ 2,314,556 which is the result of \$ 2,184,137 funds borrowed and loan repayments of \$ 4,581.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The Entity has a water line improvement project in process at December 31, 2019. Estimated total costs of the project are approximately \$ 4,200,000. Costs incurred as of December 31, 2019 are \$ 2,166,136.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Entity's finances and to show the Entity's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kevin Smith, mayor, Helena-West Helena Municipal Water and Sewer System.

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash on hand and in banks	\$ 204,449	
Certificates of deposit	359,376	
Accounts receivable	600,586	
Unbilled accounts receivable	46,118	
Prepaid expenses	6,105	
Inventory	79,753	
Total Current Assets	<u>1,296,387</u>	.

RESTRICTED ASSETS

Cash in bank	206,117	
Certificates of deposit	892,970	
Total Restricted Assets	<u>1,099,087</u>	.

NET PROPERTY AND EQUIPMENT

11,169,510 .

OTHER ASSETS

Note receivable - City of Helena-West Helena	<u>345,695</u>	
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TOTAL ASSETS

\$ 13,910,679 .

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

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

CURRENT LIABILITIES

Accounts payable	\$ 893,617
Current portion of notes payable	215,134
Accrued expenses	24,286
Accrued vacation pay	28,168
Total Current Liabilities	<u>1,161,205</u>

CURRENT LIABILITIES PAYABLE  
FROM RESTRICTED ASSETS

Customer meter deposits	<u>256,508</u>
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LONG TERM LIABILITIES

Note Payable, net of current portion	<u>2,099,422</u>
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NET POSITION

Net investments in capital assets	8,854,954
Unrestricted	<u>1,538,590</u>
	<u>10,393,544</u>

TOTAL LIABILITIES AND NET POSITION

13,910,679

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

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
DECEMBER 31, 2019

OPERATING REVENUES	
Water fees	\$ 1,260,136
Sewer fees	756,407
Other revenues	101,211
Total Operating Revenues	<u>2,117,754</u>
OPERATING EXPENSES	
Communications	71,524
Dues and fees	9,939
Insurance	58,396
Franchise fees paid to City	22,668
Miscellaneous	58,874
Office supplies	60,699
Operating supplies and maintenance	698,938
Payroll taxes and fringe	209,426
Postage	17,966
Professional fees	22,218
Salaries	719,150
Truck expenses	16,205
Uniforms	8,977
Utilities	351,318
Total Operating Expenses	<u>2,326,298</u>
Income (Loss) from operations	<u>(208,544)</u>
OTHER INCOME AND (EXPENSES)	
Depreciation	(365,236)
Interest Expense	(3,715)
Grant Revenues	450,137
Interest Income	10,588
Net Other Income and (Expense)	<u>91,774</u>
Change in Net Position, Increase (Decrease)	(116,770)
NET POSITION - BEGINNING	<u>10,510,314</u>
NET POSITION - ENDING	<u><u>\$ 10,393,544</u></u>

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

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019

Cash Flows From Operating Activities:

Receipts from customers	\$ 1,905,167
Payments to suppliers	(1,187,674)
Payments to employees	<u>(719,150)</u>
Net cash provided by operating activities	<u>(1,657)</u>

Cash Flows From Capital and Related Financing Activities:

Purchase of property and equipment	(2,588,261)
Grant Receipts	450,137
Payments on notes payable	(4,581)
Interest Paid	(3,715)
Proceeds from notes payable	<u>2,184,137</u>
Net cash provided (used) by capital and related activities	<u>37,717</u>

Cash Flows From Investing Activities:

Interest income	10,588
(Purchases) Maturities of certificates of deposit	(1,708)
Transfers (to) from restricted accounts	<u>25,491</u>
Net cash provided (used) by investing activities	<u>34,371</u>

Increase (decrease) in cash and cash equivalents

70,431

Cash and cash equivalents, beginning of year

134,018

Cash and cash equivalents, end of year

\$ 204,449

Reconciliation of Operating Income to Net Cash Provided by  
Operating Activities:

Operating Income -(Loss)	\$ (208,544)
(Increase) Decrease in:	
Accounts receivable	(203,175)
Unbilled accounts receivable	(12,790)
Prepaid expense	(3,090)
Increase (Decrease) in :	
Accounts Payable	461,007
Accrued expenses	(39,437)
Accrued vacation pay	994
Customer Meter Deposits	<u>3,378</u>
	<u><u>\$ (1,657)</u></u>

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

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF ORGANIZATION** – Helena-West Helena Municipal Water and Sewer System is a fund of the City of Helena- West Helena, AR. The water and sewer system serves property located within the corporate limits of the City and certain properties located outside the City limits. The financial statements present only the Helena Water and Sewer System fund and are not intended to be government-wide financial statements for the City of Helena - West Helena.

**BASIS OF ACCOUNTING** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles as applied to governmental entities.

**ACCOUNTS RECEIVABLE** – Accounts Receivable is presented net of an allowance for uncollectible accounts of \$ 71,952. Accounts receivable results from water services provided to consumers. Accounts receivable is collateralized by customer deposits.

**PROPERTY AND EQUIPMENT** – Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized while minor replacements, maintenance, and repairs, which do not improve or extend the life of such assets, are charged to operations as incurred. Depreciation is provided by the straight- line method over the estimated useful lives of the assets. Estimated useful lives range are 5 – 10 years for office furniture and equipment to 40 years for water system .

**CASH AND CASH EQUIVALENTS** – The Helena-West Helena Municipal Water and Sewer System considers all cash, and certificates of deposits purchased with a maturity of three months or less to be cash equivalents. Deposits restricted pursuant to loan agreements or for other purposes are not considered cash equivalents.

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

**ADVERTISING** – Advertising costs are expensed when incurred.

**SALES TAX** - Helena-West Helena Municipal Water and Sewer System is subject to state and local sales taxes on water sales. Revenues are presented net of sales taxes.

**OPERATING REVENUES AND EXPENSES** – Operating revenues and expenses consists of those revenues that result from ongoing operations, and are primarily charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from - nonexchange transactions or ancillary services. When an expenses is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Entity's policy to apply those expenses to restricted net assets to the extent such as are available and then to unrestricted net assets.

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE B: RESTRICTED ASSETS

Restricted funds consist of the following amounts:

Customer's deposit reserve	142,009
	<u>206,117</u>
Certificates of deposit:	
Depreciation	\$ 741,633
Meter deposits	151,337
	<u>892,970</u>
	<u>\$ 1,099,087</u>

The customer's deposit reserve is established to cover the Helena-West Helena Municipal Water and Sewer System's liability for customer deposits at December 31, 2019 of \$ 256,508.

The terms of the Entity's loan agreement require that a depreciation reserve be maintained that includes 3% of gross revenues until \$ 50,000 is accumulated.

NOTE C: CONTINGENCIES

The Helena-West Helena Municipal Water and Sewer System is subject to governmental regulations regarding water quality and waste disposal. Fines may result from noncompliance.

NOTE D: CONCENTRATION OF CREDIT RISKS

The entity's policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation Insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 2019. The categories of risk are described as follows:

Category 1 - Insured or collateralized by the entity or by the entity of its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institutions trust department or by its agent in the entity's name.

Category 3 - Uncollateralized

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE D: CONCENTRATION OF CREDIT RISKS – cont'd

At December 31, 2019, Deposits are categorized as follows:

	Category		
	1	2	3
Carrying amount			
<u>\$ 1,661,864</u>	<u>\$ 729,415</u>	<u>\$ 656,331</u>	<u>\$ 276,118</u>

Sales – All of the Helena-West Helena Municipal Water and Sewer System revenues are earned from water and sewer services provided to local area residents.

NOTE E: INVENTORY

Inventory consists of materials on hand for future use. Inventory is valued using the first-in, first-out method.

NOTE F: PROPERTY AND EQUIPMENT

A Summary of activity for property plant and equipment accounts is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets not subject to depreciation:				
Land	\$ 1,371,815	\$ -	\$ -	\$ 1,371,815
Construction in Progress	135,000	2,526,136	-	2,661,136
Assets subject to depreciation				
Intangible plant	110,409			110,409
Structure	1,173,056			1,173,056
Distribution, reservoir and related	13,513,972	-	-	13,513,972
Purification system	538,027			538,027
Other equipment	1,316,445	-		1,316,445
Sewer collection	5,427,861	62,125		5,489,986
	<u>22,079,770</u>	<u>62,125</u>	<u>-</u>	<u>22,141,895</u>
Total	23,586,585	2,588,261	-	26,174,846
Less Accumulated Depreciation	(14,640,100)	(365,236)	-	(15,005,336)
Net Property and Equipment	<u>\$ 8,946,485</u>	<u>\$ 2,223,025</u>	<u>\$ -</u>	<u>\$ 11,169,510</u>

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE G – EMPLOYEE'S RETIREMENT SYSTEM

All eligible employees participate in the Arkansas Employees Retirement System (APERS), a statewide cost-sharing multiple employer pension plan established by the authority of the Arkansas General Assembly. APERS provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. Contribution requirements are set forth by Arkansas Statute, and the Entity is required to contribute at an actuarially determined rate. For the years ended December 31, 2019 the Entity's contribution was \$ 98,276.

Because the plan is a multi-employer defined benefit pension plan, accounting principles generally accepted in the United States of America require the cost of employee's pensions to be recognized over the employee's respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets. APERS has provided the necessary information for the entire City of Helena-West Helena. We were unable to determine the specific amounts allocable to the Helena-West Helena Municipal Water and Sewer System.

NOTE H: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. No events were noted which would require disclosure.

NOTE I: CONSTRUCTION IN PROGRESS

Construction in progress consists of a water line improvement project. The estimated total cost of the project is approximately \$ 4,200,000. Costs incurred to date at year end were \$ 2,661,136. ( See Note F).

NOTE J : ACCOUNTS PAYABLE – CITY OF HELENA-WEST HELENA

Accounts payable includes \$ 782,586 payable to the City of Helena- West Helena. This payable represents sanitation fees collected by Helena- West Helena Water system to be paid to the City of Helena –West Helena.



**MEYER & WARD, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**P.O. BOX 1045**  
**WYNNE, ARKANSAS 72396**

**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  
Helena-West Helena Municipal Water and Sewer System  
Helena, AR

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business type activities of Helena Water and Sewer System as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 4, 2021.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Helena-West Helena Municipal Water and Sewer 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 Helena-West Helena Municipal Water and Sewer System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. (#19 – 1 and #19 -2 ).

### *Compliance and Other Matters*

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

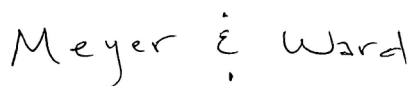
### Helena-West Helena Municipal Water and Sewer System's Response to Findings

Helena-West Helena Municipal Water and Sewer System's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Helena-West Helena Municipal Water and Sewer System's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Meyer & Ward, P.A.

A handwritten signature in cursive script that reads "Meyer & Ward".

Certified Public Accountants

Wynne, AR 72396

November 4, 2021

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Internal control

# 19-01

Condition: The Entity does not have enough employees to provide for appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the transaction process. Adequate segregation of duties is an essential part of effective internal control structure.

Effect: Inadequate segregation of duties reduces the Entity's control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: The Mayor and Council should review all transactions, and accounting records, in order to compensate for the limited number of employees.

Response: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, management supervises all employees, and the council reviews all financial records.

#19- 02 – Bank Reconciliations

CONDITION – All bank accounts should be reconciled to the General Ledger on a monthly basis.

CRITERIA – Bank accounts should be reconciled monthly to the General Ledger monthly in order to ensure that cash transactions are all recorded.

RECOMMENDATION –We recommend that all bank accounts be reconciled monthly by a responsible employee who is not otherwise involved in the cash receipts or cash disbursements process. The reconciliation should also be reviewed by management.

RESPONSE: Management will implement the reconciliation process as soon as possible.

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM  
SCHEDULE OF BUDGET TO ACTUAL COMPARISON  
FOR YEAR ENDED DECEMBER 31, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Water fees	\$ 1,260,136	\$ 1,223,144	\$ 36,992
Sewer fees	756,407	707,564	48,843
Other revenues	101,211	2,100	99,111
Total Operating Revenue	<u>2,117,754</u>	<u>1,932,808</u>	<u>184,946</u>
OPERATING EXPENSES:			
Communications	71,524	7,615	63,909
Dues and fees	9,939	7,466	2,473
Insurance	58,396	26,910	31,486
Franchise fees paid to City	22,668		22,668
Miscellaneous	58,874	3,030	55,844
Office supplies	60,699		60,699
Operating supplies and maintenance	698,938	466,303	232,635
Payments in lieu of taxes		60,000	(60,000)
Payroll taxes and fringe	209,426	294,081	(84,655)
Postage	17,966	19,625	(1,659)
Professional fees	22,218	6,666	15,552
Salaries	719,150	655,600	63,550
Truck expense	16,205	40,108	(23,903)
Uniforms	8,977	5,362	3,615
Utilities	351,318	258,054	93,264
Total Operating Expenses	<u>2,326,298</u>	<u>1,850,820</u>	<u>475,478</u>
Income (Loss) from Operations	<u>(208,544)</u>	<u>81,988</u>	<u>(290,532)</u>
OTHER INCOME AND (EXPENSES)			
Depreciation and amortization	(365,236)	-	(365,236)
Grant Revenues	450,137		450,137
Interest expense	(3,715)		(3,715)
Interest income	10,588	8,282	2,306
Net Other Income (and Expense)	<u>91,774</u>	<u>8,282</u>	<u>83,492</u>
CHANGE IN NET POSITION	<u>\$ (116,770)</u>	<u>\$ 90,270</u>	<u>\$ (207,040)</u>