

HELENA-WEST HELENA MUNICIPAL WATER
AND SEWER SYSTEM
FINANCIAL STATEMENTS (AUDITED)
DECEMBER 31, 2022

MEYER & WARD, P.A.
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HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM

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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 Audit of the Financial Statements

Qualified Opinion

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, 2022 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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, 2022 and 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 Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Helena-West Helena Water and Sewer 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. As more fully described in Note G to the financial statements, for the year ended December 31, 2022, 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, 2022 since this date was prior to the time we were engaged as auditors for Entity. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Helena-West Helena Municipal Water and Sewer System and do not purport to, and do not, present fairly the financial position of the City of Helena-West Helena, Arkansas as of December 31, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principals generally accepted int 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 Helena-West Helena Water and Sewer 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Helena West Helena Municipal Water and Sewer Systems 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 Helena-West Helena Water and Sewer 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.

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 5 – 7 and 21 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 October 19, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Helena-West Helena Water and Sewer System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in

considering 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

October 19, 2023

**HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022. 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, 2022**

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 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Beginning Net Position	\$ 9,613,756	\$ 10,331,921
Increase (Decrease) in Net Position	<u>59,467</u>	<u>(718,165)</u>
Ending Net Position	<u>\$ 9,673,223</u>	<u>\$ 9,613,756</u>

The following table summarizes the net position:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 1,467,946	\$ 1,474,767
Restricted assets	1,112,126	1,155,770
Capital assets	12,276,427	12,721,454
Other assets	<u>345,695</u>	<u>345,695</u>
Total assets	<u>\$ 15,202,194</u>	<u>\$ 15,697,686</u>
Current Liabilities	\$ 1,960,967	\$ 2,161,188
Long-term liabilities	<u>3,568,004</u>	<u>3,922,742</u>
Total liabilities	<u>5,528,971</u>	<u>6,083,930</u>
Net Position		
Unrestricted	1,484,216	1,070,349
Invested in capital assets	<u>8,189,007</u>	<u>8,543,407</u>
Total Net Position	<u>\$ 9,673,223</u>	<u>\$ 9,613,756</u>

The following schedule presents a summary of revenues and expenses for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 3,239,733	\$ 2,676,390
Operating Expenses	<u>2,626,380</u>	<u>2,918,577</u>
Operating Income	613,353	(242,187)
Other Income (Expenses)	<u>(553,886)</u>	<u>(475,978)</u>
	<u>\$ 59,467</u>	<u>\$ (718,165)</u>

**HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end December 31, 2022, the Entity had \$ 12,276,427 invested in capital assets. This represents a net increase of \$ 445,027 which is the result of depreciation expense recognized of \$ 494,494 and capital asset additions for 2022 of \$ 49,467

Debt

At year-end, the Entity had outstanding debt of \$ 3,827,712, a decrease of \$ 350,335 which is the result of loan repayments.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Entity has no plans for significant capital improvements or rate changes in the next year.

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 Calvin Murdock, Water Department Manager, Helena-West Helena Municipal Water and Sewer System.

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS	
Cash on hand and in banks	\$ 102,038
Certificates of deposit	242,088
Accounts receivable	938,159
Unbilled accounts receivable	105,300
Prepaid expenses	607
Inventory	<u>79,754</u>
Total Current Assets	<u>1,467,946</u>
RESTRICTED ASSETS	
Cash in bank	199,269
Certificates of deposit	<u>912,857</u>
Total Restricted Assets	<u>1,112,126</u>
NET PROPERTY AND EQUIPMENT	<u>12,276,427</u>
OTHER ASSETS	
Note receivable - City of Helena-West Helena	<u>345,695</u>
TOTAL ASSETS	<u>\$ 15,202,194</u>

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, 2022

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 1,121,175
Current portion of notes payable	259,708
Accrued expenses	<u>310,568</u>
Total Current Liabilities	<u>1,691,451</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Customer meter deposits	<u>269,516</u>
LONG TERM LIABILITIES	
Note Payable, net of current portion	<u>3,568,004</u>
NET POSITION	
Net investments in capital assets	8,189,007
Unrestricted	<u>1,484,216</u>
	<u>9,673,223</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 15,202,194</u></u>

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, 2022

OPERATING REVENUES	
Water fees	\$ 1,711,734
Sewer fees	805,192
Grant Revenue	650,000
Other revenues	72,807
Total Operating Revenues	<u>3,239,733</u>
OPERATING EXPENSES	
Communications	223,078
Dues and fees	9,884
Insurance	53,434
Miscellaneous	46,589
Office supplies	41,516
Operating supplies and maintenance	835,942
Payroll taxes and fringe	306,083
Postage	16,563
Professional fees	38,750
Salaries	837,559
Truck expenses	21,779
Uniforms	4,033
Utilities	191,170
Total Operating Expenses	<u>2,626,380</u>
Income (Loss) from operations	<u>613,353</u>
OTHER INCOME AND (EXPENSES)	
Depreciation	(494,494)
Interest Expense	(66,800)
Interest Income	7,408
Net Other Income and (Expense)	<u>(553,886)</u>
Change in Net Position, Increase (Decrease)	59,467
NET POSITION - BEGINNING	<u>9,613,756</u>
NET POSITION - ENDING	<u>\$ 9,673,223</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, 2022

Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,539,558
Grant Receipts	650,000
Payments to suppliers	(1,966,089)
Payments to employees	(837,559)
Net cash provided by operating activities	<u>385,910</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(49,467)
Proceeds from notes payable	
Payments on notes payable	(350,335)
Interest Paid	(66,800)
Net cash provided (used) by capital and related activities	<u>(466,602)</u>
Cash Flows From Investing Activities:	
Interest income	7,408
(Purchases) Maturities of certificates of deposit	121,423
Transfers (to) from restricted accounts	43,644
Net cash provided (used) by investing activities	<u>172,475</u>
Increase (decrease) in cash and cash equivalents	91,783
Cash and cash equivalents, beginning of year	43,707
Cash and cash equivalents, end of year	<u>\$ 135,490</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income -(Loss)	\$ 613,353
(Increase) Decrease in:	
Accounts receivable	(57,169)
Unbilled accounts receivable	905
Prepaid expense	(7)
Increase (Decrease) in :	
Accounts Payable	(293,229)
Accrued expenses	115,968
Accrued vacation pay	
Customer Meter Deposits	6,089
	<u>\$ 385,910</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, 2022

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 \$ 223,852. 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 expense 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, 2022

NOTE B: RESTRICTED ASSETS

Restricted funds consist of the following amounts:

Cash:		
Construction	\$	618
Debt Service		39,694
Customer's deposit reserve		158,957
		199,269
Certificates of deposit:		
Depreciation	\$	759,293
Meter deposits		153,564
		912,857
		\$ 1,112,126

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, 2022 of \$ 269,516.

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, 2022. 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, 2022

NOTE D: CONCENTRATION OF CREDIT RISKS – cont'd

At December 31, 2022, Deposits are categorized as follows:

Carrying amount	Category		
	1	2	3
\$ 1,456,252	\$ 617,123	\$ 795,633	\$ 43,496

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
Assets subject to depreciation				
Intangible plant	110,409			110,409
Structure	1,173,056			1,173,056
Distribution, reservoir and related	17,873,937	12,679	-	17,886,616
Purification system	538,027			538,027
Other equipment	1,474,683	36,788		1,511,471
Sewer collection	5,968,959	-		5,968,959
	<u>27,139,071</u>	<u>49,467</u>	<u>-</u>	<u>27,188,538</u>
Total	28,510,886	49,467	-	28,560,353
Less Accumulated Depreciation	(15,789,432)	(494,494)	-	(16,283,926)
Net Property and Equipment	<u>\$ 12,721,454</u>	<u>\$ (445,027)</u>	<u>\$ -</u>	<u>\$ 12,276,427</u>

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 the Entity’s contribution was \$ 173,459.

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 : ACCOUNTS PAYABLE – CITY OF HELENA-WEST HELENA

Accounts payable includes \$ 1,005,163 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.

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J: NOTES PAYABLE

Notes Payable at December 31, 2022 consists of the following:

3.9 % Note Payable to USDA, due in annual installments of \$ 9846, through 2038, secured by pledge of future revenues	\$ 115,576
2.55% Note payable to Arkansas Natural Resource Commission, due in annual installments of \$ 4979 through June 1, 2040	71,155
4.0% Note payable to Partners Bank, payable in monthly installments of \$ 2,347 through February 2024 secured by transportation equipment	32,041
4.0% Note payable to Partners Bank, payable in monthly installments of \$ 2,347 through February 2024 secured by transportation equipment	34,236
1% bonds payable, due in semi annual installments which will range from \$ 106,032 to \$ 115,874 through October 14, 2039 secured by pledge of future revenues	3,574,704
	3,827,712
Less current maturities	(259,708)
Long-term debt, net of current maturities	\$ 3,568,004

Notes payable activity is summarized as following:

Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022
\$ 4,178,047	\$ -	\$ (350,335)	\$ 3,827,712

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE K – GRANT REVENUES

Grant revenues received for water and sewer system improvements during the year ended December 31, 2022, are as follows:

Covid 19 State and Local Fiscal Recovery Fund	<u>\$ 650,000</u>
	<u>\$ 650,000</u>

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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, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 19, 2023.

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. (#22 – 1 and #22-2).

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.

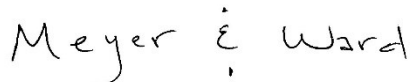
Helena-West Helena Municipal Water and Sewer System's Response to Findings

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
October 19, 2023

HELENA-WEST HELENA MUNICIPAL WATER AND SEWER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Internal control

22-01

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.

#22- 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, 2022

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Water fees	\$ 1,711,734	\$ 2,138,689	\$ (426,955)
Sewer fees	805,192	833,777	(28,585)
Grant Revenue	650,000		650,000
Other revenues	72,807	25,000	47,807
Total Operating Revenue	<u>3,239,733</u>	<u>2,997,466</u>	<u>242,267</u>
OPERATING EXPENSES:			
Communications	223,078	90,901	132,177
Dues and fees	9,884	4,330	5,554
Insurance	53,434	32,973	20,461
Miscellaneous	46,589	76,466	(29,877)
Office supplies	41,516	34,645	6,871
Operating supplies and maintenance	835,942	878,913	(42,971)
Payments in lieu of taxes	-	128,004	(128,004)
Payroll taxes and fringe	306,083	299,938	6,145
Postage	16,563	17,713	(1,150)
Professional fees	38,750	38,108	642
Salaries	837,559	774,657	62,902
Truck expense	21,779	37,087	(15,308)
Uniforms	4,033	6,478	(2,445)
Utilities	191,170	248,912	(57,742)
Total Operating Expenses	<u>2,626,380</u>	<u>2,669,125</u>	<u>(42,745)</u>
Income (Loss) from Operations	<u>613,353</u>	<u>328,341</u>	<u>285,012</u>
OTHER INCOME AND (EXPENSES)			
Depreciation and amortization	(494,494)	-	(494,494)
Interest expense	(66,800)	(298,073)	231,273
Interest income	7,408	-	7,408
Net Other Income (and Expense)	<u>(553,886)</u>	<u>(298,073)</u>	<u>(255,813)</u>
CHANGE IN NET POSITION	<u>\$ 59,467</u>	<u>\$ 30,268</u>	<u>\$ 29,199</u>