

**CITY OF MANILA, ARKANSAS
WATER AND SEWER DEPARTMENT**

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

(With Independent Auditor's Report Thereon)

**Baker Firm, P.A.
110 W. Huntington Ave, Ste A
Jonesboro, AR 72401
(870) 203-0075**

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INDEPENDENT AUDITOR'S
REPORT

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Manila, Arkansas

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying modified cash basis financial statements of the City of Manila, Arkansas Water and Sewer Department (the Department), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the City of Manila, Arkansas Water and Sewer Department as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position and cash flows thereof for the years then ended, in accordance with the modified cash basis of accounting as described in Note 1(B).

Basis of Accounting

As disclosed in Note 1(B) to the financial statements, these financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for presentation of the financial statements in accounting the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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

GAAS 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 a 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 GAAS and Government Auditing Standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Emphasis of Matter

As discussed in Note 1(A), the financial statements present only the Department and do not purport to, and do not, present fairly the financial position balances and transactions that are directly attributable to the changes in financial position, or cash flows of the City of Manila, Arkansas. My opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated August 8, 2024, on my consideration of the Department's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on 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 the Department's internal control over financial reporting and compliance.

BAKER FIRM, P.A.

By: 

**Zac Baker, President
Jonesboro, Arkansas
August 8, 2024**

FINANCIAL STATEMENTS

**City of Manila, Arkansas
Water and Sewer Department
Statements of Net Position
Modified Cash Basis
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 556,113	\$ 515,430
Certificate of deposits	<u>247,260</u>	<u>245,792</u>
Total current assets	803,373	761,222
Restricted Assets		
Restricted cash	116,640	94,425
Restricted certificate of deposits		
Total restricted assets	<u>116,640</u>	<u>94,425</u>
Capital Assets, Net	1,548,075	1,614,605
Total Assets	<u><u>\$ 2,468,088</u></u>	<u><u>\$ 2,470,252</u></u>
<u>Liabilities and Net Position</u>		
Current Liabilities		
Customer deposits	\$ 116,640	\$ 94,425
Current portion of long-term debt	<u>12,293</u>	<u>18,110</u>
Total current liabilities	128,933	112,535
Long-Term Debt, Net	<u>-</u>	<u>12,293</u>
Total Liabilities	<u>128,933</u>	<u>124,828</u>
Net Position		
Net investment in capital assets	1,487,363	1,514,853
Unrestricted	<u>851,792</u>	<u>830,571</u>
Total net position	2,339,155	2,345,424
Total Liabilities and Net Position	<u><u>\$ 2,468,088</u></u>	<u><u>\$ 2,470,252</u></u>

City of Manila, Arkansas
Water and Sewer Department
Statements of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water service	\$ 346,276	\$ 309,081
Sewer service	285,125	295,112
Sanitation	284,352	276,123
Late fees and other charges	24,245	24,908
Sales tax	55,867	53,797
Other income	6,135	19,187
Total operating revenue	<u>1,002,000</u>	<u>978,208</u>
Operating Expenditures		
Salaries and wages	264,837	243,517
Payroll tax	21,073	19,101
Sales tax	55,385	53,369
Employee benefits	26,837	33,106
Uniform rental	3,718	3,761
Contract labor	23,638	13,360
License and fees	6,994	
Rent	4,000	
Retirement plan contribution	5,109	6,254
Insurance	2,722	2,242
Repairs and maintenance	137,035	126,982
Fuel	25,989	16,181
Utilities	73,151	75,293
Chemicals	14,274	1,072
General supplies	18,225	19,372
Postage	6,460	5,965
Professional services	2,783	21,793
Wastewater testing	6,719	6,240
Miscellaneous	7,895	11,987
Sanitation fees	267,813	318,640
Depreciation	71,560	77,235
Total operating expenditures	<u>1,046,217</u>	<u>1,055,470</u>
Operating Gain/(Loss)	<u>(44,217)</u>	<u>(77,262)</u>
Non-Operating Revenues (Expenditures)		
Federal grants		
Interest income	3,043	3,158
Interest expense	(906)	(1,905)
Nonoperating revenues (expenditures)	<u>2,137</u>	<u>1,253</u>
Income Before Other Revenue, Expenditures, Gains or Losses	<u>(42,080)</u>	<u>(76,009)</u>
Contributions to the City of Manila		
Contributions from the City of Manila	<u>35,811</u>	<u>30,419</u>
Change in Net Position	<u>(6,269)</u>	<u>(45,590)</u>
Net Position , Beginning of Year	<u>2,345,424</u>	<u>2,391,014</u>
Net Position, End of Year	<u>\$ 2,339,155</u>	<u>\$ 2,345,424</u>

**City of Manila, Arkansas
Water and Sewer Department
Statements of Cash Flows
Modified Cash Basis
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,002,000	\$ 978,208
Cash payments to suppliers for goods and services	(709,820)	(734,718)
Cash payments to employees	(264,837)	(243,517)
Net cash provided/(used) by operating activities	<u>27,343</u>	<u>(27)</u>
Cash flows from non-capital financing activities:		
Contribution from the City of Manila	35,811	
Net change in customer deposits	23,462	4,928
Net cash provided/(used) by non-capital financing activities	<u>59,273</u>	<u>4,928</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(18,110)	(17,395)
Interest payments on long-term debt	(906)	(1,621)
Purchases of capital assets	(5,033)	
Net cash provided/(used) in financing activities	<u>(24,049)</u>	<u>(19,016)</u>
Cash flows from investing activities:		
Customer deposits		
Interest received	331	661
Net cash provided/(used) by investing activities	<u>331</u>	<u>661</u>
Net Increase (decrease) in Current and Restricted Cash	62,898	(13,454)
Cash And Cash Equivalents - Beginning Of Year	609,855	623,309
Cash And Cash Equivalents - End Of Year	<u>\$ 672,753</u>	<u>\$ 609,855</u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Operating gain (loss)	\$ (44,217)	\$ 45,492
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	71,560	77,235
Net Cash Provided By Operating Activities	<u>\$ 27,343</u>	<u>\$ 122,727</u>
Reconciliation of Cash to Statement of Net Position-Modified Cash Basis		
Current assets- cash and cash equivalents	\$ 556,113	\$ 515,430
Restricted assets- cash and cash equivalents	116,640	94,425
	<u>\$ 672,753</u>	<u>\$ 609,855</u>

NONCASH TRANSACTIONS

	<u>2021</u>	<u>2020</u>
Notes payable debt paid by the City of Manila		(30,135)
Interest paid by the City of Manila		\$ (284)
Interest on investments	\$ 2,518	

NOTES TO THE FINANCIAL
STATEMENTS

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Organization

The City of Manila, Arkansas Water and Sewer provides water sales and sewer treatment services to the citizens of the City of Manila, Arkansas (the City) and to commercial and industrial customers located within the service area. The City Council serves as the governing board of the Department and approves rates for user charges.

These financial statements include the City's Water and Sewer Fund (the Department) and present only balances and transactions that are directly attributable to the Water and Sewer Funds. They are not intended to present, and do not present, the financial position and changes therein of the City or its proprietary funds. The Water and Sewer Fund has no potential component units required to be evaluated for inclusion in its reporting entity.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Department are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The basis of accounting determines when transactions and economic events are reflected in financial statements and measurement focus identifies which transactions and events should be recorded. The measurement focus of an enterprise fund is usually an economic resources measurement focus, the objectives of which are the determination of an operating income, changes in financial position and cash flow. Under an economic resource measurement focus, all assets, deferred inflows (outflows) of resources and liabilities are reported. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred. However, as explained in the paragraph that follows, certain modifications to the economic resources measurement focus result from the basis of accounting utilized by the Department.

The Department records all transactions on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under the modified cash basis of accounting, the Department generally recognizes assets, liabilities, deferred inflows (outflows) of resources, revenues and expenditures when cash is received or paid. Therefore, these financial statements do not report accounts receivable and revenues for services billed or provided, but not collected. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received before year end for which payment has not yet been made. The only transactions reported on these financial statements that are not directly attributable to the receipts or disbursements of cash are depreciation of the Department's capital assets over the estimated useful lives of the assets.

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

The presentation of the Department's financial statements follows the requirements of GASB Statement standards, as applicable to enterprise funds. In accordance with the requirements of this standard, the Department's net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable.

In addition, operating revenues and expenditures are derived from or related directly to the distribution of water and sewer and are distinguished from non-operating revenues and expenditures for purposes of presentation in the Department's statements of revenues, expenditures and charges in net position – modified cash basis. Operating revenues consist primarily of user charges and operating expenditures include the costs of maintaining and operating the water distribution and wastewater systems. Non-operating revenues and expenditures consist of those revenues and expenditures that are related to financing and investing type activities. When an expenditure is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the Department's informal policy to apply the expenditure to the restricted net position to the extent such are available and then to the unrestricted net position.

C. Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Department considers all cash balance on hand, demand deposits, and highly liquid investments with an original maturity of three months or less to be cash equivalents.

D. Capital Assets

Capital assets consist of property, plant and equipment which are stated at historical cost or at estimated cost if actual historical cost information is not available. Contributed assets are recorded at their estimated fair value at the time of contribution. The cost of additions and major replacements of retired units of property are capitalized. The Department defines capital assets as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is reported as non-operating revenues or expenditures. The cost of current repairs, maintenance, and minor replacements is charged to expenditure when incurred.

Depreciation of capital assets is charged as an expenditure against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Water & Sewer Systems	25 - 50 Years
Wells	20 - 25 Years
Buildings	20 - 30 Years
Office Furniture and Equipment	5 - 10 Years
Transportation and Equipment	3 - 5 Years

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

E. Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

F. Net Position

Net position is classified in the following three components:

Net investment in capital assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expenditure is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Department's informal policy to apply those expenditures to restricted net position to the extent such are available and then to unrestricted net position.

Unrestricted– This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

G. Taxes

The City, and thus the Department, is exempt from federal income taxes under Code Section 115 of the Internal Revenue Code and is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

H. Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the City Council adopts an annual budget for the Department. The budget is adopted under a cash basis and does not include depreciation, certain capital expenditures, and non-operating income and expense items. All annual appropriations lapse at year-end and budgets are amended as needed.

I. Customer Deposits

Customer deposits are held until the customer's service is terminated; at which time the deposit is applied of the final bill.

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to the Department. In accordance with Arkansas State statutes, the Department requires full collateralization of cash balances above the Federal Deposit Insurance Corporation insurance limits. At December 31, 2021, and 2020, the Department's carrying balance and bank balance were insured by FDIC or collateralized with securities held by the Department's agent in the Department's name.

Restricted cash:

Customer Meter Deposit Fund

Represents funds required to have a balance equal to or greater than the outstanding customer meter/service deposit liability.

The following is a summary of the restricted cash and cash equivalents as of December 31, 2021, and 2020.

	2021	2020
Current restricted cash and cash equivalents		
Customer meter deposit fund	\$ 116,640	\$ 94,425

NOTE 3: CERTIFICATE OF DEPOSITS

As of December 31, 2021, the Department's certificate of deposits balance was \$247,260, the total amount was unrestricted.

As of December 31, 2020, the Department's certificate of deposits balance was \$245,792, the total amount was unrestricted.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2021, and 2020 follows:

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance 12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
Non-depreciable:				
Land	\$ 25,969	\$ -	\$ -	\$ 25,969
Depreciable:				
System Plant, Wells & Lines	2,741,786			2,741,786
Equipment and Vehicles	1,391,329	5,030		1,396,359
	4,133,115	5,030	-	4,138,145
Less accumulated depreciation	(2,544,479)	(71,560)		(2,616,039)
	1,588,636	(71,560)	-	1,522,106
Capital assets, net	\$ 1,614,605	\$ (71,560)	\$ -	\$ 1,548,075

	<u>Balance 12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>
Non-depreciable:				
Land	\$ 25,969	\$ -	\$ -	\$ 25,969
Depreciable:				
System Plant, Wells & Lines	2,741,786			2,741,786
Equipment and Vehicles	1,396,254		(4,925)	1,391,329
	4,138,040	-	(4,925)	4,133,115
Less accumulated depreciation	(2,472,169)	(77,235)	4,925	(2,544,479)
	1,665,871	(77,235)	-	1,588,636
Capital assets, net	\$ 1,691,840	\$ (77,235)	\$ -	\$ 1,614,605

NOTE 5: RETIREMENT PLAN

The Department participates in a defined contribution plan and has contracted with a private insurance carrier who maintains an account for the Department. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Department to contribute to the insurance carrier an amount up to 4% of the employee's base salary. Eligibility commences upon retirement. Earnings are credited to the employee's account quarterly. Employees are entitled only to funds deposited by them and on their behalf; therefore, there is no unfunded liability.

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

The Department's contribution to the plan for the years ended December 31, 2021, and 2020 was \$5,109 and \$6,254.

NOTE 6: COMMITMENTS

Long-Term Debt

The Department's long-term debt at December 31, 2021, and 2020, were as follows:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2021</u>	<u>Maturities To December 31, 2021</u>
8/15/2018	8/15/2022	4%	\$ 70,100	\$ 12,293	\$ 54,806

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2020</u>	<u>Maturities To December 31, 2020</u>
8/15/2018	8/15/2022	4%	\$ 70,100	\$ 30,403	\$ 39,697

Changes in long-term debt for the years ended December 31, 2021 and 2020, were as follows:

December 31, 2021					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 30,403		\$ 18,110	\$ 12,293	\$ 12,293

December 31, 2020					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 77,933		\$ 47,530	\$ 30,403	\$ 18,110

Pledged Revenue- Notes

For the year ending December 31, 2021, the Department's outstanding notes from direct borrowings were secured with collateral of equipment.

**City of Manila, Arkansas
Water and Sewer Department
Notes to Financial Statements
December 31, 2021 and 2020**

NOTE 6: COMMITMENTS (continued)

Maturities of long-term debt on December 31, 2021, were as follows:

	Bonded Debt		Direct Borrowings		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	<u> </u>	<u> </u>	\$ 12,293	\$ 384	<u>\$ 12,677</u>

NOTE 7: RISK MANAGEMENT AND LITIGATION

The Department is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized only when the claim is paid. In determining claims, events that might create claims, but for which none have been reported, are considered. There has been no significant reduction in the Department's coverage during the years ended December 31, 2021, and 2020. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three years.

NOTE 8: CONTRIBUTION FROM THE CITY OF MANILA

December 31, 2021

The City of Manila used proceeds from the issuance of Sales and Use Tax Refunding and Improvement Bonds, Series 2020 to pay for repair and maintenance for the Department. The total transfer from the City was \$35,811.

December 31, 2020

The City of Manila used proceeds from the issuance of Sales and Use Tax Refunding and Improvement Bonds, Series 2019 to pay off debt from a notes payable for principal of \$30,135 and interest and fees of \$284 for the Water and Sewer Department.

NOTE 8: SUBSEQUENT EVENTS

- A. During June 2023, the Department was approved for a 20-year loan with Arkansas Natural Resources Commission (ANRC), for a water well of \$958,200.
- B. During July 2023, the Department was awarded a \$200,000 grant from Mississippi County from the American Rescue Plan Act (ARPA).
- C. During September 2023, the Council approved a bid for a water well of \$1,287,306, with \$958,200 paid from proceeds from the ANRC loan and the remainder paid from funds from the Mississippi County grant.

OTHER INFORMATION

**City of Manila, Arkansas
Water and Sewer Department
Other Information
Schedule of Sewer Rates
December 31, 2021**

Residential Users	
	<u>Water Usage Rates</u>
Rates	
First 1,000 gallons	\$10.00
All over 1,000 gallons	\$2.00 per thousand
	<u>Sewer Usage Rates</u>
Rates	
First 1,000 gallons	\$12.00
All over 1,000 gallons	\$2.00 per thousand

Commercial Users	
	<u>Water Usage Rates</u>
Rates	
First 1,000 gallons	\$11.00
All over 1,000 gallons	\$2.00 per thousand
	<u>Sewer Usage Rates</u>
Rates	
First 1,000 gallons	\$13.00
All over 1,000 gallons	\$2.00 per thousand

OTHER REQUIRED REPORT

**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**

**To the Honorable Mayor and City Council
City of Manila, Arkansas**

I 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 **City of Manila, Arkansas, Water and Sewer Department** (the Department), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, and have issued my report thereon dated August 8, 2024.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Department's internal control.

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

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. I did identify a certain deficiency in internal control described below that I consider to be a material weakness. The material weakness was as follows:

**2021-001
Segregation of Duties**

Criteria: Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements.

Condition: The Department has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Cause: Cost/benefit implications hinder the Department's ability to adequately segregate financial accounting duties among employees.

Effect or Potential Effect: Financial accounting duties are not distributed among the Department's employees to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected.

Recommendation: To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

Views of responsible officials and planned corrective actions: The Department is aware of the deficiency and will continue to mitigate the deficiency with increased oversight by the governing body.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Manila, Arkansas Water and Sewer Response to Finding

The Department's response to the finding identified in my audit is described above. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

BAKER FIRM, P.A.

By: 

**Zac Baker, President
Jonesboro, Arkansas
August 8, 2024**