

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

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

PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS

TABLE OF CONTENTS

Independent Auditor's Report	1 - 3
Managements' Discussion and Analysis	4 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes In Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Responses	20 - 22
Schedule of Prior Year Findings	23
Budgetary Comparison Schedule	24

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
Parkin, Arkansas 72373

Opinions

We have audited the accompanying financial statements of the business-type activities of Parkin Municipal Waterworks as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Parkin Municipal Waterworks' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Parkin Municipal Waterworks, as of December 31, 2022, and 2021, and the 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.

Basis for Opinions

We conducted our audits 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 Parkin Municipal Waterworks, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Parkin Municipal Waterworks and do not purport to, and do not, present fairly the financial position, and the respective changes in financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkin Municipal Waterworks 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 Parkin Municipal Waterworks 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 Parkin Municipal Waterworks 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 4 through 6 and 24 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 dated July 3, 2024, on our consideration of the Parkin Municipal Waterworks' 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 the Parkin Municipal Waterworks' internal control over financial reporting and compliance.

Meyer & Ward

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

July 3, 2024

**PARKIN MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Within this section of the Parkin Municipal Waterworks' financial report, the Waterworks' management provides narrative discussion and analysis of the financial activities of the Waterworks for the year ended December 31, 2022. The Waterworks' 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 Waterworks as a whole and present a longer term view of the Waterworks' 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 Parkin Municipal Waterworks as a whole

Our analysis of the Waterworks as a whole follows in the next section. The Waterworks operates as a business-type activity providing water and sewer services 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 Waterworks' finances is: "Is the Waterworks 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 Waterworks 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 Waterworks' net position and the changes which have occurred during the year. You can think of the Waterworks' net position (the difference between its assets and liabilities) as one way to measure the Waterworks' financial health. 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 Waterworks.

**PARKIN MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
December 31, 2022**

Financial Highlights:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning Net Position	\$ 575,144	\$ 555,585	\$ 618,409
Increase (decrease) in Net Position	(54,281)	19,559	(62,824)
Ending Net Position	<u>\$ 520,863</u>	<u>\$ 575,144</u>	<u>\$ 555,585</u>

Assets, liabilities, and net position for 2022, 2021, and 2020 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 63,934	\$ 53,854	\$ 71,316
Restricted Assets	26,524	26,509	24,997
Capital Assets	1,385,567	1,467,491	1,450,568
	<u>\$ 1,476,025</u>	<u>\$ 1,547,854</u>	<u>\$ 1,546,881</u>
Current Liabilities	\$ 88,279	\$ 83,853	\$ 81,348
Other Liabilities	502	514	525
Long-Term Liabilities	866,381	888,343	909,423
Total Liabilities	<u>955,162</u>	<u>972,710</u>	<u>991,296</u>
Net Position			
Unrestricted	(2,885)	(541)	17,056
Restricted for Debt Service	17,623	17,613	17,605
Net Investment in Capital Assets	506,125	558,072	520,924
Net Position	<u>520,863</u>	<u>575,144</u>	<u>555,585</u>
Total Liabilities and Net Position	<u>\$ 1,476,025</u>	<u>\$ 1,547,854</u>	<u>\$ 1,546,881</u>

**PARKIN MUNICIPAL WATERWORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
December 31, 2022**

The following schedule presents a summary of revenues and expenditures for the year ended December 31, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 232,781	\$ 217,309	\$ 224,177
Operating Expenses	<u>233,015</u>	<u>212,219</u>	<u>205,338</u>
Operating Income	(234)	5,090	18,839
Other Income (Expenses)	<u>(54,047)</u>	<u>14,469</u>	<u>(81,663)</u>
Change in Net Position	<u>\$ (54,281)</u>	<u>\$ 19,559</u>	<u>\$ (62,824)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end December 31, 2022, the Waterworks had \$ 1,385,567 invested in capital assets. This represents a net decrease of \$81,924 which is the result of depreciation expense recognized for the year of \$81,924.

Debt

At year end, the Waterworks had \$ 888,343 in outstanding debt. This represents a net decrease of \$ 21,076 which is the result of principal note payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Waterworks has no plans for any major changes for the upcoming 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 Waterworks' finances and to show the Waterworks' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dianne Patterson, Parkin City Mayor.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 and 2021**

ASSETS

	2022	2021
Current Assets		
Cash on Hand and in Banks	\$ 22,807	\$ 20,794
Accounts Receivable	38,229	29,940
Prepaid Expenses	2,898	3,120
Total Current Assets	63,934	53,854
Restricted Assets		
Cash in Banks	26,524	26,509
Capital Assets, Net	1,385,567	1,467,491
Total Assets	\$ 1,476,025	\$ 1,547,854

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

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 and 2021**

LIABILITIES AND NET POSITION

	2022	2021
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 21,962	\$ 21,076
Accounts Payable	8,597	8,118
Due to Other Funds	9,855	9,094
Customer Meter Deposits	47,865	45,565
Total Current Liabilities	88,279	83,853
Liabilities Payable from Restricted Assets:		
Accrued Interest	502	514
Total Liabilities Payable from Restricted Assets	502	514
Long-Term Debt:		
Notes Payable, Net of Current Portion	866,381	888,343
Total Liabilities	955,162	972,710
Net Position:		
Net Investment in Capital Assets	506,125	558,072
Restricted for debt service	17,623	17,613
Unrestricted	(2,885)	(541)
Total Net Position	520,863	575,144
Total Liabilities and Net Position	\$ 1,476,025	\$ 1,547,854

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

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	2022	2021
Operating Revenues		
Water Fees	\$ 136,855	\$ 123,943
Sewer Fees	78,117	75,887
Other Revenues	17,809	17,479
Total Operating Revenues	232,781	217,309
Operating Expenses		
Salaries and Fringe	53,791	46,232
Depreciation	81,924	80,234
Insurance	5,453	4,285
Miscellaneous	6,070	1,639
Office Supplies and Postage	4,092	4,251
Operating Supplies and Maintenance	30,599	23,034
Payroll Taxes	4,232	3,657
Professional Fees and Contract Labor	9,077	14,385
Taxes, Licenses, Dues, and Fees	5,300	4,395
Utilities	32,477	30,107
Total Operating Expenses	233,015	212,219
Operating Income (Loss)	(234)	5,090
Non Operating Revenues (Expenses)		
Interest Income	103	13
Transfers	(17,050)	(32,713)
Grant Income - American Rescue Plan		85,120
Interest Expense	(37,100)	(37,951)
Total Non-Operating Revenues (Expenses)	(54,047)	14,469
Change in Net Position	(54,281)	19,559
Beginning Net Position	575,144	555,585
Ending Net Position	\$ 520,863	\$ 575,144

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

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Receipts from Customers	\$ 226,792	\$ 221,626
Payments to Suppliers	(95,838)	(84,342)
Payments to Employees	(53,791)	(46,232)
Net Cash Provided by (Used in) Operating Activities	<u>77,163</u>	<u>91,052</u>
 Cash Flows from Capital and Related Financing Activities		
Purchases of Equipment	-	(97,157)
Grant for Construction	-	85,120
Principal Paid on Capital Debt	(21,076)	(20,225)
Interest Paid on Capital Debt	(37,112)	(37,962)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(58,188)</u>	<u>(70,224)</u>
 Cash Flows from Investing Activities		
Interest Income	103	13
Transfers to General Fund	(17,050)	(32,713)
Transfers (to) from Restricted Accounts	(15)	(1,512)
Net Cash Provided by (Used in) Investing Activities	<u>(16,962)</u>	<u>(34,212)</u>
 Increase (Decrease) in Cash and Cash Equivalents	2,013	(13,384)
Cash and Cash Equivalents, Beginning of Year	20,794	34,178
Cash and Cash Equivalents, End of Year	<u>\$ 22,807</u>	<u>\$ 20,794</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (234)	\$ 5,090
Depreciation and Amortization	81,924	80,234
(Increase) Decrease in Accounts Receivable	(8,289)	5,415
(Increase) Decrease in Prepaid Expenses	222	(1,337)
Increase (Decrease) in Other Payables	761	(760)
Increase (Decrease) in Accounts Payable	479	3,508
Increase (Decrease) in Customer Deposits	2,300	(1,098)
Total Adjustments	<u>77,397</u>	<u>85,962</u>
Net Cash Provided by Operating Activities	<u>\$ 77,163</u>	<u>\$ 91,052</u>

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

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Financial Reporting – Parkin Municipal Waterworks is a component unit of the City of Parkin, Arkansas. The accompanying financial statements present only the Parkin Municipal Waterworks and do not include all funds, account groups, and programs controlled by the City of Parkin. Other activities, funds, and account groups and programs are included in a government wide audit performed by the Arkansas Division of Legislative Audit. The Waterworks consist of an enterprise fund with the purpose of providing water and sewer services to the general public within the City’s service area. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business.

Basis of accounting – The Parkin Municipal Waterworks uses the accrual basis of accounting in accordance with generally accepted accounting principles.

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 these estimates.

Cash and Cash Equivalents – The Parkin Municipal Waterworks considers all cash, savings accounts, and certificate of deposits purchased with a maturity of three months or less to be cash equivalents. However, all cash balances designated as restricted per loan agreements or other purposes are excluded from Cash Equivalents.

Accounts Receivable - Accounts receivable arise from sales of water and sewer services to local customers. Accounts receivable are presented at estimated net realizable value. Accounts receivable are collateralized by customer deposits.

Capital Assets – Capital assets consist of Waterworks plant and equipment. These assets are stated at cost. Expenditures for major renewals and betterments are capitalized, while minor repairs, replacements, and maintenance which does 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 lives of the assets, which range from 7 - 10 years for office furniture and equipment, to 50 years for the water and sewer system.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE A- ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONT'D)

Restricted Assets – Restricted assets consist of funds established and maintained by the Waterworks to account for and hold debt service reserves.

Risk Management - The Parkin Municipal Waterworks minimizes risk of loss through purchase of commercial insurance coverage.

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 Waterworks' policy to apply those expenses to restricted net assets to the extent such as are available and then to unrestricted net assets.

Sales Tax – The Parkin Municipal Waterworks collects sales taxes on water sold, and remits taxes collected monthly to the State of Arkansas Department of Finance and Administration. Water fees are presented in the accompanying financial statements net of sales taxes.

Advertising – Advertising costs are expenses when incurred.

Net Position – Net Position is categorized as net investments in capital assets, restricted for debt services (pursuant to debt agreements), or unrestricted.

Credit Risk – Financial instruments which subject the Waterworks to concentration of credit risk consist principally of temporary cash investments. The entity places its temporary cash investments with financial institutions, and its policy is to limit the amount of credit risk exposure. The Waterworks' policy is to limit such investments to amounts covered by FDIC coverage and securities pledged to collateralize deposits. Credit risk from accounts receivable is limited due to the large number of customers and security deposits held as collateral.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE B – DEPOSITS WITH FINANCIAL INSTITUTIONS

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

Category 1- Insured or collateralized by the Waterworks or by its agent in the Waterworks’ name.

Category 2- Collateralized with securities held by the pledging financial institution’s trust department or by its agent in the Waterworks’ name.

Category 3- Uncollateralized.

At December 31, 2022, cash deposits categorized by level of risk are as follows

	1	2	3
Carrying Value	<u>\$ 49,331</u>	<u>\$ -</u>	<u>\$ -</u>

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE C- PROPERTY AND EQUIPMENT

A summary of property, plant and equipment for the Waterworks is presented below:

	December 31 2021	Additions	Deletions	December 31 2022
Not Subject to Depreciation:				
Land	\$ 28,683	\$ -	\$ -	\$ 28,683
Total	<u>28,683</u>	<u>-</u>	<u>-</u>	<u>28,683</u>
Subject to Depreciation:				
Utility Plant in Service	3,947,786	-	-	3,947,786
Improvements	49,750	-	-	49,750
Buildings	26,210	-	-	26,210
Equipment	152,477	-	-	152,477
Total	<u>4,176,223</u>	<u>-</u>	<u>-</u>	<u>4,176,223</u>
Less Accumulated Depreciation:				
Utility Plant in Service	(2,511,808)	(80,194)	-	(2,592,002)
Improvements	(49,750)	-	-	(49,750)
Buildings	(26,210)	-	-	(26,210)
Equipment	(149,647)	(1,730)	-	(151,377)
Total	<u>(2,737,415)</u>	<u>(81,924)</u>	<u>-</u>	<u>(2,819,339)</u>
Net Capital Assets	<u>\$ 1,467,491</u>	<u>\$ (81,924)</u>	<u>\$ -</u>	<u>\$ 1,385,567</u>

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE D- LONG-TERM DEBT

The following is a summary of the Parkin Municipal Waterworks' long-term notes payable:

	2022	2021
4.125% Note Payable due to USDA, due in monthly installments of \$4,130 through 2047, secured by pledge of future revenues and water and sewer system	\$ 789,693	\$ 808,422
4.125% Note Payable due to USDA, due in monthly installments of \$539 through 2047, secured by pledge of future revenues and water and sewer system	98,650	100,997
	888,343	909,419
Less Current Portion	(21,962)	(21,076)
Long-Term Debt, Net of Current Portion	\$ 866,381	\$ 888,343

A summary of long-term debt activity is as follows:

Notes Payable:

	12/31/2021	Additions	Reductions	12/31/2022
USDA Note	\$ 808,422	\$ -	\$ (18,729)	789,693
USDA Note	100,997	-	(2,347)	98,650
	\$ 909,419	\$ -	\$ (21,076)	\$ 888,343

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE D- LONG-TERM DEBT (Cont'd)

A schedule of the future payments required on notes payable is as follows:

For the years ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 21,962	\$ 36,226	\$ 58,188
2024	22,784	35,404	58,188
2025	23,843	34,345	58,188
2026	24,845	33,343	58,188
2027	25,890	32,298	58,188

For the five years ending December 31,			
2032	146,537	144,403	290,940
2037	180,157	110,783	290,940
2042	221,364	69,573	290,937
2047	220,961	19,767	240,728
2052			-
Total	<u>\$ 888,343</u>	<u>\$ 516,142</u>	<u>\$ 1,404,485</u>

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE E – RESTRICTED ACCOUNTS

Restricted Accounts at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Cash:		
Customer Meter Deposits	\$ 8,901	\$ 8,896
Debt Service	17,623	17,613
Total Restricted Accounts	<u>\$ 26,524</u>	<u>\$ 26,509</u>

NOTE F – DUE TO OTHER FUNDS

Due to other funds consists of amounts billed for trash and mosquito control services. The Entity bills and collects these charges for the City of Parkin, Arkansas.

NOTE G – CONCENTRATIONS

During the years ended December 31, 2022 and 2021, water sales to the Parkin Rural Water Authority were \$ 44,071 and \$ 38,589. This represents 32% and 31% of water revenues for the years ended December 31, 2022, and 2021.

NOTE H – CONTINGENCIES

The Waterworks is subject to governmental regulations regarding water quality and waste disposal. Fines may result from noncompliance.

NOTE I – SUBSEQUENT EVENTS

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

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*

To the Mayor and City Council
Parkin, Arkansas 72373

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Parkin Municipal Waterworks, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Parkin Municipal Waterworks' basic financial statements and have issued our report thereon dated July 3, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parkin Municipal Waterworks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Parkin Municipal Waterworks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Parkin Municipal Waterworks' internal control.

Our 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. *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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (#22-001, and #22-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parkin Municipal Waterworks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (#22-003, and 22-004.)

The Parkin Municipal Waterworks' Response to Findings

The Parkin Municipal Waterworks' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Parkin Municipal Waterworks' response was 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 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.

Meyer & Ward

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

July 3, 2024

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2022**

MATERIAL WEAKNESS:

22-001 Segregation of Duties

CONDITION: The Parkin Municipal Waterworks does not have enough employees for the 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 financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

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

RECOMMENDATION: The Entity's management should review all transactions and accounting records, and reconciliations in order to compensate for the limited number of employees. This review should be performed monthly and documented. Additionally management should consider additional staff, or reassignment of job duties to improve segregation of duties.

RESPONSE: We agree with this recommendation and will begin implementation as soon as possible.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022**

MATERIAL WEAKNESS:

22-002 Reconciliation of Accounts

CONDITION: The Parkin Municipal Waterworks system of internal control does not include controls to provide for reconciliation of bank accounts, and accounts receivable customer detail to the general ledger control account.

CRITERIA: The Entity is accountable for public funds. A system of internal control should include timely reconciliations for cash accounts and the accounts receivable control accounts. Account reconciliations should be prepared by responsible parties who are otherwise independent of the transaction process.

EFFECT: If appropriate reconciliations are not prepared, all transactions may not be posted, and all transactions posted may not be valid.

RECOMMENDATION: All cash accounts and accounts receivable should be reconciled monthly, and all differences should be resolved on a timely basis, and the reconciliations should be reviewed and approved by management.

RESPONSE: Management will implement this recommendation immediately.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022**

22-003 Noncompliance: USDA Loan Assistance CFDA#10.760
Debt Service Reserve Accounts

CONDITION: The Parkin Municipal Waterworks does not maintain the required debt service reserves as established by the USDA loan agreement.

CRITERIA: The terms of the loan agreement require the Entity to maintain a debt service account to provide for future debt payments.

EFFECT: Failure to maintain the required reserve is noncompliance with the terms of the loan agreement.

RECOMMENDATION: The Entity should make additional transfers to the reserve account.

RESPONSE: Additional transfers will be made when funds are available.

#22-004 – Noncompliance: USDA Loan Assistance CFDA 10.760 Cash Transfers:

CONDITION – Terms of the loan agreements with USDA specify that loans are secured by pledge of water and sewer revenues. During our audit we noted transfers of \$ 17,050 were made to other funds without lender approval.

CRITERIA – Terms of the loan agreements require the Entity use water and sewer revenue funds for the operation of the water and sewer system, and to fund required debt service reserve accounts.

EFFECT – Transfers to other funds without lender authorization is noncompliance with the terms of the loan agreement.

RECOMMENDATION – Transfers to other funds should not be made without lender approval.

RESPONSE- Management will seek lender approval for transfers.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2022**

Prior year finding #21-001 – Lack of Segregation of Duties

This finding has been repeated as material weakness finding #22-001.

Prior year finding #21-002 – Accounts Receivable Management

This finding has been repeated as finding # 22-002.

Prior year finding #21-003 – Noncompliance: Debt Service Reserve

This finding has been repeated as finding #22-003.

Prior year finding #21-004 – Noncompliance: USDA Loan Assistance CFDA 10.760 Cash Transfers:

Transfers of water and sewer funds were also noted in current year – finding #22-004.

**PARKIN MUNICIPAL WATERWORKS
CITY OF PARKIN, ARKANSAS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues:			
Water Fees	\$ 136,855	\$ 300,000	\$ (163,145)
Sanitation	-	80,000	(80,000)
Pest Control	-	18,000	(18,000)
Sales Tax	-	17,500	(17,500)
Sewer Fees	78,117	110,000	(31,883)
Other Revenues	17,809	13,760	4,049
Total Operating Revenues	<u>232,781</u>	<u>539,260</u>	<u>(306,479)</u>
Operating Expenses:			
Salaries and Fringe	53,791	50,000	(3,791)
Depreciation	81,924	-	(81,924)
Insurance	5,453	700	(4,753)
Miscellaneous	6,070	3,390	(2,680)
Office Supplies and Postage	4,092	6,000	1,908
Operating Supplies and Maintenance	30,599	15,880	(14,719)
Payroll Taxes	4,232	4,550	318
Professional Fees and Contract Labor	9,077	11,000	1,923
Taxes, Licenses, Dues and Fees	5,300	3,805	(1,495)
Water Bond Expense	-	64,900	64,900
Utilities	32,477	34,500	2,023
Total Operating Expenses	<u>233,015</u>	<u>194,725</u>	<u>(38,290)</u>
OPERATING INCOME (LOSS)	<u>(234)</u>	<u>344,535</u>	<u>(344,769)</u>
Non-operating Revenues (Expenses)			
Interest Income	103		103
Transfers	(17,050)	138,000	(155,050)
Interest Expense	(37,100)	-	(37,100)
Total Non-operating Revenues (Expenses)	<u>(54,047)</u>	<u>138,000</u>	<u>(192,047)</u>
Change in Net Position	<u>\$ (54,281)</u>	<u>\$ 482,535</u>	<u>\$ (536,816)</u>