

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
1106 WEST B STREET
P O BOX 945
RUSSELLVILLE, AR 72811

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552
FAX (479) 968-8855

INDEPENDENT AUDITORS' REPORT

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, Arkansas

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Perry Municipal Water and Sewer Department, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Perry Municipal Water and Sewer Department's 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 financial position of the Perry Municipal Water and Sewer Department, as of December 31, 2023 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Perry Municipal Water and Sewer Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Perry Municipal Water and Sewer Department'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.

Auditors' Responsibilities for the Audits 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 auditors' 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 audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Perry Municipal Water and Sewer 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Perry Municipal Water and Sewer Department'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and supplementary information, on pages 13 – 15, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry Municipal Water and Sewer Department's basic financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our 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 the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of the Perry Municipal Water and Sewer Department's internal control over financial reporting and on 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 Perry Municipal Water and Sewer Department's internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering Perry Municipal Water and Sewer Department's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
November 22, 2024

A handwritten signature in blue ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 32,999	\$ 58,004
Restricted	78,254	82,210
Accounts Receivable	17,392	15,812
Inventories	8,500	8,500
Prepaid Expenses	1,015	0
Other Receivable	6,905	0
Loan to Town of Perry	10,000	0
Property and Equipment (Note 3)		
Water & Sewer System	1,766,197	1,759,247
Buildings	33,500	33,500
Equipment	139,192	139,192
Land	35,000	35,000
	<u>1,973,889</u>	<u>1,966,939</u>
Less: Accumulated Depreciation	930,932	894,134
	<u>1,042,957</u>	<u>1,072,805</u>
	<u><u>\$ 1,198,022</u></u>	<u><u>\$ 1,237,331</u></u>

LIABILITIES

Accounts Payable	15,060	5,058
Accrued Expenses	1,503	1,210
Accrued Interest Payable	402	416
Customer Deposits	29,077	23,229
Long-term Liabilities: (Note 4)		
Due Within 1 Year	14,902	14,247
Due in More Than 1 Year	392,454	407,357
	<u>453,398</u>	<u>451,517</u>

NET POSITION

Net Invested in Capital Assets	635,601	651,201
Restricted	49,177	58,981
Unrestricted	59,846	75,632
	<u>744,624</u>	<u>785,814</u>
	<u><u>\$ 1,198,022</u></u>	<u><u>\$ 1,237,331</u></u>

See Independent Auditors' Report and Notes To Financial Statements

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water and Sewer Revenues	\$ 192,946	\$ 176,439
Cares Act Income	0	29,109
	<u>192,946</u>	<u>205,548</u>
OPERATING EXPENSES		
WATER DISTRIBUTION AND SEWER EXPENSES		
Water	70,063	44,659
Garbage Disposal	19,137	16,131
Contract Labor	18,497	17,035
Repairs & Maintenance	19,785	20,390
Utilities	4,922	7,369
Police Protection	3,600	2,400
Vehicle Gas & Maintenance	1,633	89
Insurance Veh & Bldg	1,971	1,115
Depreciation Expense	36,738	39,243
Interest Expense	18,666	19,313
	<u>195,012</u>	<u>167,744</u>
ADMINISTRATIVE EXPENSES		
Salaries	19,036	18,000
Payroll Taxes	1,568	1,377
Bank Charges	4,205	1,852
Memberships, Dues & Fees	5,982	2,067
Office Supplies	3,364	2,457
Professional Services	5,000	2,500
Depreciation Expense	60	60
	<u>39,215</u>	<u>28,313</u>
OTHER INCOME (EXPENSE)		
Interest Income	91	6
	<u>91</u>	<u>6</u>
CHANGE IN NET POSITION	(41,190)	9,497
NET POSITION, BEGINNING OF YEAR	<u>785,814</u>	<u>776,317</u>
NET POSITION, END OF YEAR	<u><u>\$ 744,624</u></u>	<u><u>\$ 785,814</u></u>

See Independent Auditors' Report and Notes To Financial Statements

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PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Customers	\$ 197,214	\$ 175,186
Cares Act Income	0	\$ 29,109
Payments to Suppliers	(135,319)	(106,554)
Payments to Employees	(20,311)	(19,422)
Payments for Other Admin Costs	(20,667)	(9,921)
Net Cash Provided by Operating Activities	<u>20,917</u>	<u>68,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(6,950)	(8,246)
Net Cash Used by Investing Activities	<u>(6,950)</u>	<u>(8,246)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid on Long-term Debt	(18,680)	(19,326)
Principal Payments on Long-term Debt	(14,248)	(13,603)
Loan to Town of Perry	(10,000)	
Net Cash Used by Financing Activities	<u>(42,928)</u>	<u>(32,929)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,961)	27,223
CASH AND CASH EQUIVALENTS, BEG OF YEAR	<u>140,214</u>	<u>112,991</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 111,253</u></u>	<u><u>\$ 140,214</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u><u>\$ 18,680</u></u>	<u><u>\$ 19,326</u></u>
Reconciliation of Cash to the Statement of Net Position		
Unrestricted	\$ 32,999	\$ 58,004
Restricted	78,254	82,210
	<u><u>\$ 111,253</u></u>	<u><u>\$ 140,214</u></u>

See Independent Auditors' Report and Notes To Financial Statements

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PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income (Loss) from Operations	\$ (41,190)	\$ 9,497
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	36,798	39,303
Interest Expense Included in Operating Income (Loss)	18,666	19,313
(Increase) Decrease in Accounts Receivable	(1,580)	(650)
(Increase) Decrease in Other Receivable	(6,905)	0
(Increase) Decrease in Prepaid Expenses	(1,015)	0
Increase (Decrease) in Accounts Payable	10,002	1,583
Increase (Decrease) in Accrued Expenses	293	(45)
Increase (Decrease) in Customer Deposits	5,848	(603)
	<u>62,107</u>	<u>58,901</u>
Net Cash Provided by Operating Activities	<u><u>\$ 20,917</u></u>	<u><u>\$ 68,398</u></u>

See Independent Auditors' Report and Notes To Financial Statements

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Perry Municipal Water and Sewer Department is engaged in providing water and sewer services to the public located in Perry, Arkansas and the surrounding rural community.

Organization

The Perry Municipal Water and Sewer Department is governed by the Town Council of the Town of Perry, Arkansas. The Town Council approves the rate changes of the Department. The Department is a proprietary fund type utilizing enterprise funds to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

These financial statements represent only the component unit of the Water and Sewer Department and do not include data of the primary government entity and are in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

Cash Equivalents

The System considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Accounts Receivable and Bad Debts

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at cost and consist of construction and maintenance supplies related to the water and sewer systems.

Property and Equipment

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Water Distribution System	50 years
Sewer System	50 years
Equipment	5 years

Depreciation expenses for the years ended December 31, 2023 and 2022 amounted to \$36,798 and \$39,303, respectively.

Income Tax

The Perry Municipal Water and Sewer Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

Compensated absences

The Company accrues for the costs of compensated absences to the extent that the employee's right to receive payment related to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. Forfeiture due to turnover is not reasonably predictable except in instances when an employee gives their notice.

The Company has not accrued a liability for compensated absences in accordance with Accounting Standards Codifications 710, *Compensation* – General, as the amount of the liability could not be reasonably estimated at December 31, 2023 and 2022.

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Regulatory Environment

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Department of Health. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, trade receivables, and trade payables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, the Department had cash and cash equivalents as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted		
Water and Sewer Operating Fund	\$ 32,999	\$ 58,004
Restricted		
Debt Service Fund	34,761	34,571
Meter Deposit Fund	29,077	23,229
Depreciation Fund	14,416	24,410
	<u>78,254</u>	<u>82,210</u>
	<u>\$ 111,253</u>	<u>\$ 140,214</u>

The Debt Service Reserve Fund has been properly funded in accordance with USDA/RD requirements for the years ended December 31, 2023 and 2022.

The Department has adequate liquidity to meet the working capital requirements for the next operating cycle.

NOTE 3: PROPERTY AND EQUIPMENT (at Cost)

At December 31, 2023, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,759,247	\$ 6,950		\$ 1,766,197
Building	33,500			33,500
Equipment	139,192			139,192
Land	35,000			35,000
	<u>\$ 1,966,939</u>	<u>\$ 6,950</u>		<u>\$ 1,973,889</u>

At December 31, 2022, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,751,001	\$ 8,246		\$ 1,759,247
Building	33,500			33,500
Equipment	139,192			139,192
Land	35,000			35,000
	<u>\$ 1,958,693</u>	<u>\$ 8,246</u>		<u>\$ 1,966,939</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4: LONG-TERM DEBT

Long-term debt at December 31, 2023:

	<u>12-31-2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2023</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 316,254		\$ 9,826	\$ 306,428
4.5% note payable to Rural Development, payable in monthly installments of \$756 including interest, secured by the water system.	<u>105,350</u>		<u>4,422</u>	<u>100,928</u>
	<u>\$ 421,604</u>		<u>\$ 14,248</u>	<u>407,356</u>
Less Current Maturities Payable				<u>14,902</u>
				<u>\$ 392,454</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,902	\$ 18,026	\$ 32,928
2025	15,586	17,342	32,928
2026	16,303	16,625	32,928
2027	17,051	15,877	32,928
2028	17,835	15,093	32,928
2029-33	102,242	62,398	164,640
2034-38	127,986	36,654	164,640
2039-43	<u>95,451</u>	<u>9,143</u>	<u>104,594</u>
	<u>\$ 407,356</u>	<u>\$ 191,158</u>	<u>\$ 598,514</u>

Long-term debt at December 31, 2022:

	<u>12-31-2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2022</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 325,649		\$ 9,395	\$ 316,254
4.5% note payable to Rural Development, payable in monthly installments of \$756 including interest, secured by the water system.	<u>109,558</u>		<u>4,208</u>	<u>105,350</u>
	<u>\$ 435,207</u>		<u>\$ 13,603</u>	<u>421,604</u>
Less Current Maturities Payable				<u>14,247</u>
				<u>\$ 407,357</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 14,247	\$ 18,681	\$ 32,928
2024	14,902	18,026	32,928
2025	15,586	17,342	32,928
2026	16,303	16,625	32,928
2027	17,051	15,877	32,928
2028-32	97,752	66,888	164,640
2033-37	122,365	42,275	164,640
2038-42	118,437	14,093	132,530
2043	<u>4,961</u>	<u>33</u>	<u>4,994</u>
	<u>\$ 421,604</u>	<u>\$ 209,840</u>	<u>\$ 631,444</u>

JONES and LAWTON, CPAs, P.A.
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PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: SCHEDULE OF RATES

The water and sewer rates during the year 2023 were unchanged from 2022, and were as follows:

Monthly Water Rates:

- Inside City Limits
 - a. Minimum charge on first 1,000 gallons, \$16.25.
 - b. Charge of \$5.80 per 1,000 gallons thereafter.
- Outside City Limits
 - a. Minimum charge on first 1,000 gallons, \$20.75.
 - b. Charge of \$5.80 per 1,000 gallons thereafter.

Monthly Sewer Rates:

- a. Minimum charge on first 1,000 gallons, \$6.50.
- b. Charge of \$2.00 per 1,000 gallons for the next 4,000 gallons.
- c. Charge of \$1.50 per 1,000 gallons for over 5,000 gallons.

Note that in May, 2023, the water supplier began charging a surcharge of \$5.00 to Perry Municipal Water and Sewer Department for each of its customers. Accordingly, each customer's bill from Perry Municipal Water and Sewer Department was increased by a similar surcharge charged by the water supplier. When the water supplier began to charge this surcharge, an error was made and each account was charged \$7.75, rather than \$5.00. The water supplier has issued a refund for the overpayment in 2024 and a receivable for the 2023 overpayment has been recorded.

NOTE 6: INSURANCE COVERAGE

For the years ended December 31, 2023 and 2022, the Department was covered by commercial property insurance in the amount of \$348,246 for each year. Insurance coverage was provided by Arkansas Municipal League Municipal Property and Vehicle Program. The Department was also covered by a Blanket Fidelity Bond of \$300,000 per occurrence, administered by the Arkansas Governmental Bonding Board.

NOTE 7: CONCENTRATION OF CREDIT RISK

The Department provides water services and sewer services (if applicable) to residents of Perry, Arkansas, and the surrounding rural community. The Department grants unsecured credit to its customers. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered. And there is no cash credit risk because the Departments balances are below the FDIC insurance limits.

NOTE 8: SUBSEQUENT EVENTS

The Department considers there to be no significant events to be reported through November 22, 2024, which is the date the financial statements were available to be issued.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023

Perry Municipal Water and Sewer Department's (the Department) discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the Department's financial activity
- Identify changes in the Department's financial position
- Identify individual fund issues or concerns

Overview of the Financial Statements

The financial statements of the Department presents information about the Department using accounting methods similar to those used by private business enterprises. These statements provide both long-term and short-term information about the Department's overall financial status.

The Statement of Net Position presents information on all the Department's assets and liabilities with the difference between the two reported as net position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Department's net position changed during the most recent and current years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The Statement of Cash Flows presents cash receipts and expenditures that result from operations, financing, and investing activities. These statements provide information regarding sources of cash and use of cash.

Notes to the Financial Statements presents additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Department

The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$737,719 (net position).

Total assets amounted to \$1,198,022 consisting of net capital assets of \$1,042,957 and other assets of \$155,065. Total assets decreased by \$39,309 during the current fiscal year. This decrease was due to the current year depreciation of \$36,798, plus a decrease in other assets of \$9,461, offset by an increase in capital assets of \$6,950.

Total liabilities amounted to \$453,398 consisting of long-term liabilities of \$392,454 and other liabilities of \$60,944. Total liabilities increased by \$1,881 during the current fiscal year. This increase was due to an increase in current liabilities of \$16,129 offset by a decrease in long term debt of \$14,248.

The Department experienced a decrease in total cash in the amount of \$28,961 during the current year. This net decrease consisted of an decrease in unrestricted cash of \$25,005 and a decrease in restricted cash of \$3,956.

Economic Factors

The Department indicated no changes due to current economic factors.

Request for Information

This report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Perry Water and Sewer Department, P.O. Box 36, Perry, Arkansas 72125.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
YEAR ENDED DECEMBER 31, 2023

Monthly Water and Sewer charges are based on water consumption, and the amount to be paid by each customer is computed on the basis of the schedule of rates disclosed in Note 5.

Note that in May, 2023, a surcharge of \$5.00 was added to each customer's bill to cover a similar surcharge charged by the water supplier.

The number of water and sewer customers billed during the year ended December 31, 2023 averaged 285.

Total gallons of water purchased during the year ended December 31, 2023 amounted to 18,961,800.

Total gallons of water sold during the year ended December 31, 2023 amounted to 16,372,100.

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Perry Municipal Water and Sewer Department officers as of December 31, 2023 were as follows:

Justin Crain	Mayor
Lori G. Petty	Water Clerk

See the accompanying Independent Auditors' 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*.

JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552
FAX (479) 968-8855

MEMBERS

AMERICAN INSTITUTE OF
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ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Perry Municipal Water and Sewer Department, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Perry Municipal Water and Sewer Department's basic financial statements, and have issued our report thereon dated November 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Perry Municipal Water and Sewer Department's internal control over financial reporting (internal control) as a basis for designing 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 Perry Municipal Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perry Municipal Water and Sewer 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

November 22, 2024

