

TOWN OF PERRY, ARKANSAS  
MUNICIPAL WATER AND SEWER DEPARTMENT  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

JONES and LAWTON, CPAS, P.A.  
A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Perry Municipal Water and Sewer Department, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perry Municipal Water and Sewer Department as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Perry Municipal Water and Sewer Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 Perry Municipal Water and Sewer Department's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 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 generally accepted 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, including omissions, 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, 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 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 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

October 19, 2022



**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<b><u>ASSETS</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and Cash Equivalents (Note 2)			
Unrestricted		\$ 31,228	\$ 23,631
Restricted		81,763	84,453
Accounts Receivable		15,162	12,929
Inventories		8,500	8,500
Property and Equipment (Note 3)			
Water & Sewer System		1,751,001	1,727,544
Buildings		33,500	33,500
Equipment		139,192	139,192
Land		35,000	35,000
		<u>1,958,693</u>	<u>1,935,236</u>
Less: Accumulated Depreciation		<u>854,831</u>	<u>815,020</u>
		<u>1,103,862</u>	<u>1,120,216</u>
		<u><u>\$ 1,240,515</u></u>	<u><u>\$ 1,249,729</u></u>

	<b><u>LIABILITIES</u></b>		
Accounts Payable		3,475	3,441
Accrued Expenses		1,255	1,073
Accrued Interest Payable		429	441
Customer Deposits		23,832	24,370
Long-term Liabilities: (Note 4)			
Due Within 1 Year		13,622	13,023
Due in More Than 1 Year		<u>421,585</u>	<u>435,228</u>
		<u>464,198</u>	<u>477,576</u>

	<b><u>NET POSITION</u></b>		
Unrestricted Net Assets		718,386	712,070
Restricted Net Assets		<u>57,931</u>	<u>60,083</u>
		<u>776,317</u>	<u>772,153</u>
		<u><u>\$ 1,240,515</u></u>	<u><u>\$ 1,249,729</u></u>

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

<b>OPERATING REVENUES</b>	<b>2021</b>	<b>2020</b>
Water and Sewer Revenues	\$ 194,868	\$ 165,861
<b>OPERATING EXPENSES</b>		
<b>WATER DISTRIBUTION AND SEWER EXPENSES</b>		
Contract Labor	13,840	15,882
Police Protection	3,600	3,200
Utilities	5,284	4,516
Water	43,604	40,053
Garbage Disposal	13,636	14,115
Repairs & Replacements	18,035	15,200
Vehicle Gas & Maintenance	261	378
Insurance Veh & Bldg	1,552	1,414
Depreciation Expense	39,781	39,508
Interest Expense	19,872	20,464
	<u>159,465</u>	<u>154,730</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries	18,100	16,800
Payroll Taxes	1,378	1,088
Bank Charges	1,472	1,281
Memberships, Dues & Fees	5,000	4,145
Office Supplies	2,374	2,426
Audit Expense	2,000	2,000
Professional Services	888	993
Depreciation Expense	30	30
	<u>31,242</u>	<u>28,763</u>
<b>OTHER REVENUES AND EXPENSES</b>		
Interest Income	3	3
Other Income	0	38
	<u>3</u>	<u>41</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	4,164	(17,591)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>772,153</u>	<u>789,744</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 776,317</u>	<u>\$ 772,153</u>

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 4,164	\$ (17,591)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	39,811	39,538
Interest Expense Included in Operating Loss	19,872	20,464
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(2,233)	(1,288)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	34	(11,294)
Accrued Expenses	182	(33)
Customer Deposits	(538)	(464)
	<u>57,128</u>	<u>46,923</u>
<b>Net Cash Provided by Operating Activities</b>	<u>61,292</u>	<u>29,332</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Paid on Long-term Debt	(19,884)	(20,476)
Principal Payments on Long-term Debt	(13,044)	(12,451)
<b>Net Cash Used by Financing Activities</b>	<u>(32,928)</u>	<u>(32,927)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(23,457)	(11,750)
<b>Net Cash Used by Investing Activities</b>	<u>(23,457)</u>	<u>(11,750)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,907	(15,345)
<b>CASH AND CASH EQUIVALENTS, BEG OF YEAR</b>	<u>108,084</u>	<u>123,429</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 112,991</u>	<u>\$ 108,084</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Reconciliation of Cash to the Statement of Net Position		
Unrestricted Cash	\$ 31,228	\$ 23,631
Restricted Cash	81,763	84,453
	<u>\$ 112,991</u>	<u>\$ 108,084</u>
 Cash Paid During the Year for Interest	 <u>\$ 19,884</u>	 <u>\$ 20,476</u>

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 general public located in Perry, Arkansas and the surrounding rural community.

***Use of Estimates***

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

***Property and Equipment***

The cost of property and equipment 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 expense for the years ended December 31, 2021 and 2020 amounted to \$39,811 and \$39,538, respectively.

***Organization***

The Perry Municipal Water and Sewer Department is governed by the Town Council of the City of Perry, Arkansas. The Department is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The Department applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 20, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

***Regulatory Environment***

The quality of water emitted from the sewer system 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.

***Income Tax***

The Perry Municipal Water and Sewer Department is municipally owned and is exempt from Federal and State income tax.

***Inventories***

Inventories are stated at cost

***Cash Equivalents***

For purposes of the Statements of Cash Flows, the Department considers cash to be cash in banks, including time deposits and cash equivalents held in restricted accounts.



**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

***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.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At December 31, 2021 and 2020, the Department had unrestricted and restricted cash as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted		
Water and Sewer Operating Fund	\$ 31,228	\$ 23,631
Restricted		
Debt Service Fund	34,423	39,277
Meter Deposit Fund	23,832	24,370
Depreciation Fund	23,508	20,806
	<u>81,763</u>	<u>84,453</u>
	<u>\$ 112,991</u>	<u>\$ 108,084</u>

It appears that the Debt Service Reserve Fund has been properly funded in accordance with USDA/RD requirements for the years ended December 31, 2021 and 2020.

**NOTE 3: PROPERTY AND EQUIPMENT (at Cost)**

At December 31, 2021, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,727,544	\$ 23,457		\$ 1,751,001
Building	33,500			33,500
Equipment	139,192			139,192
Land	35,000			35,000
	<u>\$ 1,935,236</u>	<u>\$ 23,457</u>		<u>\$ 1,958,693</u>

**NOTE 4: LONG-TERM DEBT**

Long-term debt at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 325,649	\$ 334,631
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>113,620</u>
	435,207	448,251
Less: current maturities	<u>13,622</u>	<u>13,023</u>
	<u>\$ 421,585</u>	<u>\$ 435,228</u>

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4: LONG-TERM DEBT (continued)**

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

	Principal	Interest	Total
2022	\$ 13,622	\$ 19,306	\$ 32,928
2023	14,249	18,679	32,928
2024	14,903	18,025	32,928
2025	15,587	17,341	32,928
2026	16,304	16,624	32,928
Thereafter	360,542	139,148	499,690

The Department paid \$19,872 and \$20,464 in interest expense on long-term debt during the years ended December 31, 2021 and 2020, respectively.

**NOTE 5: SCHEDULE OF RATES**

Monthly Water and Sewer Rates (Inside the city limits of Perry):

- a. Minimum charge on first 1,000 gallons, \$22.75.
- b. Charge of \$4.90 per 1,000 gallons thereafter.

Monthly Water Rates (Outside the city limits of Perry):

- a. Minimum charge on first 1,000 gallons, \$20.75.
- b. Charge of \$4.90 per 1,000 gallons thereafter.

**NOTE 6: INSURANCE COVERAGE**

For the years ended December 31, 2021 and 2020, the Department was covered by commercial property insurance in the amount of \$336,300 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: NEW ACCOUNTING STANDARDS ADOPTED**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), established a new standard of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of other elements). The statement required outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial impact resulting from the implementation of GASB 63 in the Department's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statements of Net Assets" to "Statements of Net Position".

**NOTE 8: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 19, 2022, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2021**

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 reports 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 present 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 present 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 report 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 provide 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 \$776,317 (net position).

Total assets amounted to \$1,240,515 consisting of net capital assets of \$1,103,862 and other assets of \$136,653. Total assets decreased by \$9,214 during the current fiscal year. This decrease was due to the current year depreciation of \$39,811, offset by an increase in other assets of \$7,140 and an increase in capital assets of \$23,457.

Total liabilities amounted to \$464,198 consisting of long-term liabilities of \$435,207 and other liabilities of \$28,991. Total liabilities decreased by \$13,378 during the current fiscal year. This decrease was due to payments on long term debt of \$13,044, and a net decrease in other current liabilities of \$334.

The Department experienced an increase in total cash in the amount of \$4,907 during the current year. This net increase consisted of an increase in unrestricted cash of \$7,597 and a decrease in restricted cash of \$2,690.

**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, 2021**

Monthly Water and Sewer Rates: All charges shall be based on water consumption, and the amount to be paid by each customer shall be computed on the basis of the following schedule of rates:

	<b><u>Inside City Limits</u></b>	<b><u>Outside City Limits</u></b>
For the first 1,000 gallons of water consumption per month, or portion thereof	\$ 22.75 (Minimum)	\$ 20.75 (Minimum)
Water consumption thereafter	4.90 per 1,000 gallons	4.90 per 1,000 gallons

The number of water and sewer customers billed during the year ended December 31, 2021 averaged 277.

Total gallons of water purchased during the year ended December 31, 2021 amounted to 22,656,600.

Total gallons of water sold during the year ended December 31, 2021 amounted to 14,690,900.

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, 2021 were as follows:

Willie Summers	Mayor
Eva J. Coffman	Recorder-Treasurer
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*.

**PERRY MUNICIPAL WATER AND SEWER DEPARTMENT**  
**BUDGETARY COMPARISON INFORMATION**  
**YEAR ENDED DECEMBER 31, 2021**

**OPERATING REVENUES**

	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b>VARIANCE</b>
Water and Sewer Revenues	\$ 194,868	\$ 155,000	39,868

**OPERATING EXPENSES**

**WATER DISTRIBUTION AND SEWER EXPENSES**

Contract Labor	13,840	16,000	(2,160)
Police Protection	3,600	3,600	0
Utilities	5,284	5,000	284
Water	43,604	42,500	1,104
Garbage Disposal	13,636	13,200	436
Repairs & Replacements	18,035	10,000	8,035
Vehicle Gas & Maintenance	261	1,000	(739)
Insurance Veh & Bldg	1,552	1,500	52
Depreciation Expense	39,781	0	39,781
Interest Expense	19,872	32,928	(13,056)
	<u>159,465</u>	<u>125,728</u>	<u>33,737</u>

**ADMINISTRATIVE EXPENSES**

Salaries	18,100	18,100	0
Payroll Taxes	1,378	1,385	(7)
Bank Charges	1,472	1,000	472
Memberships, Dues & Fees	5,000	4,000	1,000
Office Supplies	2,374	3,500	(1,126)
Audit Expense	2,000	2,000	0
Professional Services	888	0	888
Depreciation Expense	30	0	30
	<u>31,242</u>	<u>29,985</u>	<u>1,257</u>

**OTHER REVENUES AND EXPENSES**

Interest Income	<u>3</u>	<u>0</u>	<u>3</u>
	<u>3</u>	<u>0</u>	<u>3</u>

**DECREASE IN NET POSITION**

	<u>\$ 4,164</u>	<u>\$ (713)</u>	<u>4,877</u>
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## **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 of Perry, Arkansas  
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 Perry Municipal Water and Sewer Department, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Perry Municipal Water and Sewer Department's internal control over financial reporting (internal control) to determine 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 purposes.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas  
October 19, 2022

*Jones and Lawton*