

**City of Berryville
Berryville, Arkansas**

**Financial Statements
December 31, 2022**

**CITY OF BERRYVILLE, ARKANSAS
FINANCIAL STATEMENTS - MODIFIED ACCRUAL BASIS
DECEMBER 31, 2022**

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THE
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— CPA • PLLC —

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

Opinion

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the trust funds, and the aggregate remaining fund information of the City of Berryville, Arkansas (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements and required supplementary information, which collectively comprise the City's basic financial statements as listed in the table of contents. In my opinion, the financial statements present fairly, in all material respects, the respective financial position – modified accrual basis, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the trust funds, and the aggregate remaining fund information of the City of Berryville, Arkansas, as of December 31, 2022, and the respective changes in financial position – modified accrual basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis for Opinion

I conducted my audit in accordance with generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States (GAGAS)*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Significant adjustments were proposed and made with regard to the activity in the restricted bond cash accounts. The City depends on outside accounting assistance to accurately record these accounts.

Other Matters

Required Supplementary Information

The City has not presented a management's discussion and analysis and all of the budget to actual comparisons that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the financial statements.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements taken as a whole. Proprietary Funds Combining financial statements, All Other Funds in the Aggregate Combining financial statements, Agency Funds Combining financial statements, and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Combining Balance Sheet Proprietary Funds – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds – Modified Accrual Basis, Combining Balance Sheet All Other Funds in the Aggregate – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Fund Balances All Other Funds in the Aggregate– Modified Accrual Basis, Combining Balance Sheet Trust Funds – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Fund Balances Trust – Modified Accrual Basis, Schedule of Capital Assets and the Schedule of Bonds Outstanding have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note 1.

The financial statements have been presented in a format required by the Arkansas Division of Legislative Audit. Therefore, they do not include Government Wide Activities financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1. This includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. 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 City's ability to continue as a going concern for the next fiscal year.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAGAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAGAS, I:

- 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 the City'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

The Kelly Firm CPA, PLLC
The Killingsworth Firm CPA, PLLC

December 29, 2023
Berryville, Arkansas

CITY OF BERRYVILLE, ARKANSAS
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2022

	General Fund	Street Fund	Proprietary Funds	Other Funds in the Aggregate	Trust Funds	Total
Assets						
Cash and Cash Equivalents	\$ 2,257,484	\$ 782,532	\$ 812,642	\$ 628,971	\$ -	\$ 4,481,629
Investments - Certificates of Deposit	719,490	-	506,389	17,128	-	1,243,007
Accounts Receivable	193,815	40,327	327,276	8,856	-	570,274
Inter-fund Transfers Receivable	-	-	-	-	-	-
Restricted and Committed Assets	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	871,588	1,404	19,433	892,425
Investments - Certificates of Deposit	-	-	-	-	-	-
Investments - Brokerage Account	-	-	-	269,513	-	269,513
Property and Equipment, Net	-	-	16,727,722	-	-	16,727,722
Investments - Industrial Park Land	-	-	-	77,917	-	77,917
Other Assets	-	-	-	-	-	-
Total Assets	\$ 3,170,789	\$ 822,859	\$ 19,245,617	\$ 1,003,789	\$ 19,433	\$ 24,262,487
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 16,181	\$ 1,213	\$ 5,797	\$ 1,515	\$ -	\$ 24,706
Inter-fund Transfers Payable	-	-	87,144	-	-	87,144
Accrued Interest	-	-	-	-	-	-
Payroll and Related Taxes Payable	-	-	-	-	-	-
Sales Tax Payable	-	-	19,328	-	-	19,328
Current Liabilities Payable from Restricted Assets	-	-	-	-	-	-
Customer Meter Deposits	-	-	93,083	-	-	93,083
Revenue Bonds Payable	-	-	5,003,785	-	-	5,003,785
Total Liabilities	16,181	1,213	5,209,137	1,515	-	5,228,046
Fund Balance						
Nonspendable	-	-	-	77,917	-	77,917
Restricted	-	-	93,083	192,292	19,433	304,808
Committed	-	-	-	732,065	-	732,065
Assigned	-	-	-	-	-	-
Unassigned	3,154,608	821,646	-	-	-	3,976,254
Unrestricted Net Position of Proprietary Funds	-	-	8,261,113	-	-	8,261,113
Contributed Fund Balance	-	-	5,682,284	-	-	5,682,284
Total Fund Balance	3,154,608	821,646	14,036,480	1,002,274	19,433	19,034,441
Total Liabilities and Fund Balance	\$ 3,170,789	\$ 822,859	\$ 19,245,617	\$ 1,003,789	\$ 19,433	\$ 24,262,487

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Street Fund	Proprietary Funds	Other Funds in the Aggregate	Trust Funds	Total
Revenues						
Intergovernmental Revenue - State	\$ 137,600	\$ -	\$ -	\$ 12,379	\$ -	\$ 149,979
Taxes	84,766	643,344	-	-	-	728,110
Licenses and Permits	380,030	-	-	-	-	380,030
Grant Revenue	647,199	-	70,880	1,403,361	-	2,121,440
Fees, Fines and Forfeitures	147,273	-	-	-	-	147,273
Other	252,636	66,157	33,953	51,495	-	404,241
Interest and Dividends	14,139	4,271	26,945	4,025	98	49,478
Charges for Services	683,555	-	3,226,383	146,592	-	4,056,530
Total Revenue	2,347,198	713,772	3,358,161	1,617,852	98	8,037,081
Expenses						
Administrative	1,440,301	-	-	-	-	1,440,301
Rural Fire	-	-	-	36,512	-	36,512
Cemetery	-	-	-	58,244	-	58,244
Debt Service	-	-	-	600,832	-	600,832
Fire	173,981	-	-	-	-	173,981
Highways and Streets	-	816,988	-	-	-	816,988
Industrial Park	-	-	-	4,189,055	-	4,189,055
Law Enforcement	1,583,989	-	-	-	-	1,583,989
Museum	-	-	-	98,422	-	98,422
Parks and Recreation	-	-	-	695,267	-	695,267
Swimming Pool	-	-	-	49,185	-	49,185
Tourism	-	-	-	13,044	-	13,044
Retirement Plans	-	-	-	-	107,934	107,934
Proprietary	-	-	4,326,050	-	-	4,326,050
Total Expenses	3,198,271	816,988	4,326,050	5,740,561	107,934	14,189,804
Revenues in Excess of (Less Than) Expenses	(851,073)	(103,216)	(967,889)	(4,122,709)	(107,836)	(6,152,723)
Other Financing Sources (Uses)						
Sales Tax Revenue	2,941,166	195,103	309,653	775,609	-	4,221,531
Operating Transfer In	-	-	864,247	2,103,404	80,000	3,047,651
Operating Transfer Out	(1,599,527)	(1,183,854)	-	(264,270)	-	(3,047,651)
Transfer to State of Arkansas	-	-	-	-	-	-
Bond Proceeds Received	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Prior Year Other Financing Sources	517,065	-	-	-	-	517,065
Other Gain (Loss)	-	-	-	1,176,387	-	1,176,387
Total Other Financing Sources (Uses)	1,858,704	(988,751)	1,173,900	3,791,130	80,000	5,914,983
Revenues in Excess of (Less Than) Expenses and Other Sources (Uses)	1,007,631	(1,091,967)	206,011	(331,579)	(27,836)	(237,740)
Fund Balance						
Beginning of Year	2,146,977	1,913,613	13,830,469	1,333,853	47,269	19,272,181
End of Year	\$ 3,154,608	\$ 821,646	\$ 14,036,480	\$ 1,002,274	\$ 19,433	\$ 19,034,441

See Independent Auditor's Report and Notes to Financial Statements.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Berryville, Arkansas (the City) was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The financial statements of the reporting entity include those of the City (the primary government).

Basis of Presentation

The accounts of the City are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund balance, receipts, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into four generic fund types and one broad fund category as follows:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund heading in these financial statements includes the General Fund and the Payroll Fund.

The Street Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for maintaining and constructing highways and streets.

The Water and Waste Water Department is considered an enterprise fund, and therefore, the reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Water and Waste Water Fund is a major fund.

The Community Center Fund is considered an enterprise fund, and therefore, the reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues include membership fees and charges for services. Operating expenses include costs of services as well as utilities, insurance, maintenance, and personnel. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Community Center Fund is a major fund.

Trust Funds are funds holding assets for the benefit of others, such as the various retirement funds. The reporting focuses on any changes in net assets available to meet future obligations. A combining balance sheet and statement of receipts and disbursements is included in the supplementary information as noted in the table of contents.

Other Funds in the Aggregate consists of all funds included in the financial statements except for the General, Street, Water and Waste Water, Community Center, and Trust Funds. A combining balance sheet and statement of receipts and disbursements is included in the supplementary information as noted in the table of contents. The following types of funds are included in this category:

Special Revenue Funds account for the proceeds of special receipt sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. The Swimming Pool Fund is a non-major fund and is included with the other funds in the aggregate.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus

All funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. *Available* is defined as a period of not more than sixty days. Expenses are recognized when the related liability is incurred. The governmental type funds use the flow of current financial resources measurement focus, therefore, long-term capital assets and obligations are not reported. The enterprise funds use the flow of economic resources measurement focus.

Accordingly, in the Water and Waste Water Fund, which is an enterprise fund, property and equipment are capitalized and these capital costs are charged to operations over the assets' estimated economically useful lives. Depreciation of assets over their useful lives is consistent with accrual basis accounting and is included as a modification to the modified accrual basis. Furthermore, all long-term debt arising from accrual basis transactions, to be repaid from business-type resources, are reported as liabilities, whether current or non-current.

Assets, Liabilities and Fund Balances

Cash and Cash Equivalents include all demand and savings accounts and certificates of deposit.

Equity Classification and Fund Balances are classified as follows:

Nonspendable Fund Balances – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balances – The restricted fund balance classification includes amounts that have been restricted to specific purposes as imposed by creditors, grantors, contributors or laws or regulations of other governments through enabling legislations or constitutional provisions. It is the City's policy to first apply restricted resources when an expense is incurred for a purpose for which both restricted and unrestricted fund balances are available.

Committed Fund Balances – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, which is the city council.

Assigned Fund Balances – The assigned fund balance classification includes amounts that are constrained by the City's intent, rather than formal action, to be used for specific purposes, but are not restricted or committed.

Unassigned Fund Balances – The unassigned fund balance classification is the residual classification and represents fund balance that is spendable or has not been restricted, committed or assigned to specific purposes.

Net Position – The Water and Waste Water Department and the Community Center Fund are enterprise funds and classify their equity as net position.

Budgets and Budgetary Accounting

The City follows Arkansas Act 28 of 1959 in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

2. The City Council is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund may be approved by the City Council except, (1) that tax levies for specific purposes may not be diverted to another purpose, and (2) appropriated funds may not be diverted where any creditor would be prejudiced thereby.
3. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue Fund, and Special Assessment Funds.
4. Budgets for all funds were adopted on a modified cash basis except as noted.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from one fund which are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

	<u>Governmental Funds</u>	<u>Enterprise and Other Funds</u>	<u>Total</u>
Operating Transfers In	\$ --	\$ 3,047,651	\$ 3,047,651
Operating Transfers Out	(2,783,381)	(264,270)	(3,047,651)
	<u>\$ (2,783,381)</u>	<u>\$ 2,783,381</u>	<u>\$ --</u>

Accounting Estimates

The presentation of financial statements in conformity with the modified accrual basis of accounting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

The City's cash and investments consist of deposits with financial institutions and certificates of deposits. The City's investment policies are governed by state statutes. Deposits are carried at cost. The carrying amount of deposits is displayed on the balance sheet as Cash and Investments and Restricted Cash and Investments.

The City's deposits in excess of the FDIC insurance limit of \$250,000 at its primary bank are supported by an irrevocable standby letter of credit issued in its behalf by the Federal Home Loan Bank of Dallas. For the year ended December 31, 2022, the amount of the guaranty was \$5,000,000. As of August 31, 2023, the guaranty was renewed at \$5,000,000, with an expiration date of August 31, 2024.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

The City's bank deposits are categorized below as to the level of risk assumed by the entity at year-end.

	Bank Balance	Carrying Value
Insured	\$ 4,407,588	\$ 4,250,538
Guaranteed by standby letter of credit	2,366,523	2,366,523
Assets held in trust	269,513	269,513
Totals	\$ 7,043,624	\$ 6,886,574

The following is the detail of all cash and certificates of deposit:

Petty cash and change funds	\$	1,190
Operating funds and demand deposits		4,480,439
Certificates of deposit		1,243,007
Total unrestricted cash and certificates of deposit		5,724,636
Restricted cash		892,425
Certificates of deposit		--
Bond Funds		269,513
Total restricted cash and certificates of deposit		1,161,938
Total cash and certificates of deposit	\$	6,886,574

NOTE 3 - LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

Governmental Fund Types

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

Municipal Judge's and Clerk's Retirement

Municipal Judge's and Clerk's Retirement Funds are restricted to insured or collateralized bank deposits and interest-bearing securities issued by the State of Arkansas or the United States of America.

NOTE 4 - LEGAL DEBT LIMIT OF PROPERTY TAX SECURED BOND ISSUES

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value of real and personal property. At December 31, 2022 there were no property tax secured bond issues.

NOTE 5 - PLEDGED ASSETS

All fixed assets and revenues of the Water and Waste Water Fund are pledged as security for revenue bonds issued and outstanding as described in Note 9.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 - AGREEMENT WITH CARROLL-BOONE WATER DISTRICT

The City has contracted with Carroll-Boone Water District to purchase all its water from the District at one dollar and ninety cents (\$1.90) per thousand gallons. Additionally, the City may be required to pay its pro rata share of any revenue short fall of the District. Under this agreement, the City is subject to a demand charge of forty-eight point nine cents (\$0.489) per thousand gallons for water purchases from other sources.

NOTE 7 - RETIREMENT PLANS

Firemen's Pension Fund

The Firemen's Pension Fund was established and is maintained under Arkansas statutes and was administered by a board comprised of the Mayor (Chairman), the City Clerk (Secretary/Treasurer), and five active firemen until November, 2018.

The state of Arkansas Fire and Police Pension Review Board took over custodianship of the fund in November 2018 and is responsible for the coordination of the actuarial valuations performed on the Policeman's and Fireman's Pension and Relief Funds. All assets were transferred to the State of Arkansas in November, 2018.

Local Police and Fire Retirement System

Regular and volunteer firemen and policemen of the City whose date of hire is after December 31, 1982, are required to participate in the Arkansas Local Police and Fire Retirement System (LOPFI). LOPFI was established and is maintained under Arkansas statutes and is administered by a five-member board appointed by the Governor of Arkansas. A Financial report for the plan may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas 72203.

This plan is a multiple-employer public employee retirement system defined benefit plan providing death, disability, and retirement benefits for its members. Normal retirement age under this plan is age 55 with 20 years of credited service or age 60 with less than 20 years of credited service. An early retirement option, with reduced benefits, is available to employees age 50 with 20 years of service.

The normal costs are funded in the year in which incurred. The City contributes all of the actuarially computed contribution. This computed contribution is the present value of projected benefits estimated to be payable in the future as a result of employee service to date.

The State of Arkansas is responsible for the coordination of the actuarial valuations performed on the Arkansas Local Police and Fire Retirement System. Employees terminating from the plan before normal retirement age, with 5, but less than 20 years of credited service, may receive future benefits provided the employee does not withdraw his/her accumulated contributions and lives to his/her annuity starting date.

Municipal Judge and Clerk Retirement Fund

The City contributes a portion of court fees to the Arkansas District Judges Retirement System (ADJRS) and to the Arkansas Public Employees Retirement System (APERS). Any deficiencies for retirement obligations will be met by payment from the City's General Fund.

Money Purchase Pension Plan

The City adopted a money purchase pension plan, administered by Benjamin F. Edwards, effective March 1, 1993. Full time employees with one year of service and not covered by another City pension plan are eligible. The City contributes eleven percent (11%) of covered compensation of each participant. For the year ended December 31, 2022, the City contributed \$113,688 to the plan on a covered payroll of \$1,033,527.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 - WATER AND SEWER RATES

Water and Sewer rates are set by City Ordinance. The rates in effect as of January 1, 2022 were as follows:

<u>Water Rates</u>	<u>Inside City Limits</u> <u>01/01/22</u>	<u>Outside City Limits</u> <u>01/01/22</u>
First 2,000 gallons	\$12.30	\$22.70 minimum
Next 18,000 gallons	\$3.95	\$4.30 per 1,000 gallons
Next 80,000 gallons	\$3.70	\$4.05 per 1,000 gallons
Next 200,000 gallons	\$3.55	\$3.90 per 1,000 gallons
All usage in excess of 300,000 gallons	\$3.45	\$3.80 per 1,000 gallons
<u>Waste Water Rates</u>	<u>01/01/22</u>	
First 2,000 gallons	\$9.50 minimum	
Next 8,000 gallons	\$3.45 per 1,000 gallons	
Next 90,000 gallons	\$3.20 per 1,000 gallons	
Over 100,000 gallons	\$2.50 per 1,000 gallons	

NOTE 9 - LONG-TERM DEBT

Long-Term Debt of the Water and Sewer Department consists of revenue and sales tax bonds described as follows:

Water and Sewer Revenue Bonds Series 2020 issued in March 26, 2020, in the amount of \$3,910,000, payable from the revenues derived from the operation of the system and the first \$17,000 of monthly collections of a 1% sales and use tax, interest rates ranging from 2.5% to 3% and payable semi-annually on the 1 st of June and December. Principal payments are due in varying amounts on the 1 st of June.	\$ 3,375,000
Less Current Portion and Unamortized Bond Discount	<u>300,000</u>
Water and Sewer Bonds Outstanding, Net of Current Portion and Unamortized Bond Discount	<u>\$ 3,075,000</u>

Aggregate Maturities of the Series 2020 Bonds at December 31, 2022 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 300,000	\$ 84,975	\$ 384,975
2024	310,000	76,725	386,725
2025	320,000	69,475	389,475
2026	330,000	62,975	392,975
2027	340,000	50,551	390,551
2028 to 2032	<u>1,775,000</u>	<u>115,211</u>	<u>1,890,211</u>
Totals	\$ 3,375,000	\$ 459,912	\$ 3,834,912
Unamortized Discount	<u>(0)</u>		
Net Balance	<u>\$ 3,375,000</u>		

The Series 2020 Bonds were issued to refund the Series 2012 Bonds previously outstanding. Interest costs on the Series 2020 for the year ended December 31, 2022 were \$92,225.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

In addition to the Water and Sewer Bonds described above the City has issued other bonds. Under the modified accrual basis of accounting, these bonds are not presented in the combined balance sheet of All Other Funds in the Aggregate or the General or Street Funds.

Sales and Use Tax Bonds Series 2017 issued October 10, 2017, in the amount of \$6,465,000, payable from the City's 0.5% sales and use tax, interest rate varying from 2.0% to 3.0%, payable annually on the 1st of September, beginning September 1, 2018. There are sinking fund requirements for the bonds maturing in 2021 – 2030.

Year	Principal	Interest	Total
2023	\$ 485,000	\$ 110,738	\$ 595,738
2024	495,000	101,138	596,138
2025	505,000	91,238	596,238
2026	515,000	77,981	592,981
2027	530,000	64,463	594,463
2028 to 2030	1,685,000	102,150	1,787,150
Totals	<u>\$ 4,215,000</u>	<u>\$ 547,708</u>	<u>\$ 4,762,708</u>

In addition, the Water and Sewer Department issued Water and Sewer Revenue Bonds on August 27, 2018, in the amount of \$1,681,000, payable from revenues of the water and waste water system, interest rate of 2.75%, payable interest only for the first two years and then \$5,951 per month, including interest, until paid

Year	Principal	Interest	Total
2023	\$ 27,121	\$ 44,291	\$ 71,412
2024	27,950	43,462	71,412
2025	28,779	42,633	71,412
2026	29,461	41,951	71,412
2027	30,281	41,131	71,412
2028 to 2032	164,535	192,525	357,060
2033 to 2037	188,759	168,301	357,060
Thereafter	1,131,899	345,827	1,477,726
Totals	<u>\$ 1,628,785</u>	<u>\$ 920,121</u>	<u>\$ 2,548,906</u>

The aggregate maturities of all bonds outstanding as of December 31, 2022, are as follows:

Year	Principal	Interest	Total
2023	\$ 812,121	\$ 240,004	\$ 1,052,125
2024	832,950	221,325	1,054,275
2025	853,779	203,346	1,057,125
2026	874,461	182,907	1,057,368
2027	900,281	156,145	1,056,426
2028 to 2032	3,624,535	409,886	4,034,421
Thereafter	1,320,658	514,128	1,834,786
Totals	<u>\$ 9,218,785</u>	<u>\$ 1,927,741</u>	<u>\$ 11,146,526</u>

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The City of Berryville retired total debt in the amount of \$791,394 during 2022, Interest paid on the 2017 Sales and Use Tax Bond Series was \$120,338. Interest paid on the 2018 Water and Sewer Revenue Bonds was \$45,018.

Reconciliation of debt for the year ended December 31, 2022 is as follows:

	1/1/2022	Debt Issued	Debt Retired	12/31/2022
SERIES 2017 ST BONDS	\$ 4,690,000	\$ ---	\$ 475,000	\$ 4,215,000
SERIES 2018 WS BONDS	1,655,179	---	26,394	1,628,785
SERIES 2020 WS BONDS	<u>3,665,000</u>	<u>---</u>	<u>290,000</u>	<u>3,375,000</u>
	<u>\$10,010,179</u>	<u>\$ ---</u>	<u>\$ 791,394</u>	<u>\$ 9,218,785</u>

NOTE 10 – FAIR VALUE OF INVESTMENTS

All investments in cash and securities are Level 1 in the fair value hierarchy, utilizing quoted prices in active markets for identical assets.

NOTE 11 – RESTRICTED AND COMMITTED ASSETS

Restricted assets are cash reserves restricted by Bond or Loan covenants. These covenants establish the reserve funds, the manner of accumulation, and allowable expenditures. The City was in compliance with the bond covenants as of December 31, 2022.

Committed assets are cash reserves designated for future purposes by those charged with governance (City Council).

NOTE 12- CONCENTRATIONS

The City of Berryville Water and Waste Water Department is operating a water and sewer system in Berryville, Arkansas. Although the Department has a diverse customer base, a portion of its customer's ability to honor their water and waste water bill is dependent upon the economy of Northwest Arkansas.

During 2022, service to one customer accounted for more than 50% of all water and waste water service receipts.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 – FUND BALANCE AND NET POSITION

Nonspendable, restricted, committed, assigned and unassigned fund balances, and net position and contributed equity are as follows:

	<u>General</u>	<u>Street Fund</u>	<u>Proprietary Funds</u>	<u>Other Funds and Trust Funds</u>
Nonspendable:				
Land	\$ -	\$ -	\$ -	\$ 77,917
Restricted:				
Fire, Police, Street	-	-	-	-
Industrial Park	-	-	-	1,404
Park Commission	-	-	-	--
Water and Wastewater	-	-	93,083	---
Bond Payment	-	-	--	269,513
Park Commission	--	--	--	---
Firemen's Pension & Relief	-	-	-	--
Local Firemen's Retirement	-	-	-	4,143
Local Police Retirement	-	-	-	15,290
Thomas Estate Cemetery Trust	-	-	-	3,283
Rural Fire Fund	-	-	-	187,605
Committed:				
Saunders Museum	-	-	-	159,340
Cemetery Fund	-	-	-	209,021
Park Commission Fund	-	-	-	16,365
Tourism Commission Fund	-	-	-	49,192
Industrial Park Fund	-	-	-	25,744
Swimming Pool	--	-	-	2,890
Capital Improvements Reserve	-	-	-	-
Unassigned:	3,154,608	821,646	-	--
Unrestricted Net Position	-	-	8,261,113	-
Contributed Equity	-	-	5,682,284	-
Total Fund Balance and Net Position	<u>\$ 3,154,608</u>	<u>\$ 821,646</u>	<u>\$ 14,036,480</u>	<u>\$ 1,021,707</u>

NOTE 14 - RISK MANAGEMENT

The City's comprehensive risk management program is administered with the assistance of a professional risk management broker. The City is exposed to the risk of various losses such as theft of, damage to, and destruction of assets; errors and omissions; and personal injury. The City limits losses and manages risk through the purchase of insurance policies with several different carriers. In addition, the City instituted various safety programs to reduce losses. The budgeting process includes provision for accumulating funds to cover deductibles and any minor items, which would not be covered by commercially purchased policies. There have been no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage in the past three fiscal years.

NOTE 15 – ACCOUNTS RECEIVABLE

Receivables include amounts due from other governments as well as amounts due from water and waste water customers. No allowance for bad debts has been provided, as all amounts due from other governments was collected in January 2023 and any uncollectible amounts on water and waste water receivables has traditionally been insignificant and would not be material to the financial statements.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 16 - CAPITAL ASSETS

The financial statements include only the capital assets of the Water and Waste Water Department. The assets are recorded at cost and depreciation is taken over estimated lives of 5-40 years. Depreciation expense for the year ended December 31, 2022 was \$711,267, and accumulated depreciation at December 31, 2022 was \$15,757,263.

Changes in capital assets for the Water and Waste-Water Department for the year ended December 31, 2022 were as follows:

	1/1/2022	Additions	Deletions	12/31/2022
Land, Buildings, & Equipment	\$ 32,287,843	\$ 197,142	\$ ---	\$ 32,484,985
Accumulated Depreciation	<u>(15,045,996)</u>	<u>(711,267)</u>	<u>---</u>	<u>(15,757,263)</u>
	<u>\$ 17,241,847</u>	<u>\$ (514,125)</u>	<u>\$ ---</u>	<u>\$ 16,727,722</u>

A supplemental Schedule of Capital Assets is included which summarizes cost and, if applicable, accumulated depreciation for all fixed assets owned by the City of Berryville.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2023, the date on which the financial statements were available to be issued.

CITY OF BERRYVILLE, ARKANSAS
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GENERAL AND STREET FUNDS - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
REQUIRED SUPPLEMENTARY INFORMATION

	General			Street Fund		
	Budget	Actual	Over/ (Under) Budget	Budget	Actual	Over/ (Under) Budget
Revenues						
Intergovernmental Revenue - State	\$ 124,000	\$ 137,600	\$ 13,600	\$ 410,000	\$ -	\$ (410,000)
Taxes	2,681,000	3,025,932	344,932	258,000	838,448	580,448
Licenses and Permits	17,000	380,030	363,030	-	-	-
Grant Revenue	-	647,199	647,199	-	-	-
Fees, Fines and Forfeitures	118,000	147,273	29,273	-	-	-
Other	325,500	252,636	(72,864)	82,000	66,157	(15,843)
Interest and Dividends	7,500	14,139	6,639	3,000	4,271	1,271
Charges for Services	638,000	683,555	45,555	-	-	-
Total Revenue	3,911,000	5,288,363	1,377,363	753,000	908,876	155,876
Expenses						
Administrative	1,302,400	1,440,301	137,901	\$ -	\$ -	-
Capital Outlay	-	-	-	100,000	316,384	216,384
Fire	133,300	173,981	40,681	-	-	-
Highways and Streets	-	-	-	625,700	500,605	(125,095)
Law Enforcement	1,139,600	1,583,989	444,389	-	-	-
Museum	-	-	-	-	-	-
Total Expenses	2,575,300	3,198,271	622,971	725,700	816,988	91,288
Revenues In Excess of (Less Than) Expenses	1,335,700	2,090,092	754,392	27,300	91,888	64,588
Other Financing Sources (Uses)						
Operating Transfer In	-	-	-	-	-	-
Operating Transfer Out	(1,230,000)	(1,599,527)	(369,527)	-	-	-
Other Gain (Loss)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,230,000)	(1,599,527)	(369,527)	-	-	-
	\$ 105,700	\$ 490,565	\$ 384,865	\$ 27,300	\$ 91,888	\$ 64,588

See Independent Auditor's Report and Notes to Financial Statements.

**CITY OF BERRYVILLE, ARKANSAS
COMBINING BALANCE SHEET
PROPRIETARY FUNDS - MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2022**

ASSETS

	<u>Water and Waste Water</u>	<u>Community Center</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 642,292	\$ 170,350	\$ 812,642
Investments - Certificates of Deposit	506,389	-	506,389
Accounts Receivable	327,276	-	327,276
Inter-fund Transfers Receivable	-	-	-
Total Current Assets	<u>1,475,957</u>	<u>170,350</u>	<u>1,646,307</u>
Restricted and Committed Assets			
Cash and Cash Equivalents	871,588	-	871,588
Investments - Certificates of Deposit	-	-	-
Investments - Brokerage Account	-	-	-
Total Restricted Assets	<u>871,588</u>	<u>-</u>	<u>871,588</u>
Property and Equipment, Net	<u>16,727,722</u>	<u>-</u>	<u>16,727,722</u>
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 19,075,267</u>	<u>\$ 170,350</u>	<u>\$ 19,245,617</u>

LIABILITIES AND NET POSITION

Current Liabilities			
Accounts Payable	\$ 3,439	\$ 2,358	\$ 5,797
Inter-fund Transfers Payable	87,144	-	87,144
Accrued Interest	-	-	-
Payroll and Related Taxes Payable	-	-	-
Sales Tax Payable	19,328	-	19,328
Current Portion of Long-Term Debt	327,121	-	327,121
Total Current Liabilities	<u>437,032</u>	<u>2,358</u>	<u>439,390</u>
Current Liabilities Payable from Restricted Assets			
Customer Meter Deposits	93,083	-	93,083
Total Current Liabilities from Restricted Assets	<u>93,083</u>	<u>-</u>	<u>93,083</u>
Long-Term Debt			
Revenue Bonds Payable	4,676,664	-	4,676,664
Total Long-Term Liabilities	<u>4,676,664</u>	<u>-</u>	<u>4,676,664</u>
Total Liabilities	<u>5,206,779</u>	<u>2,358</u>	<u>5,209,137</u>
Net Position			
Restricted	93,083	-	93,083
Assigned	-	-	-
Unrestricted Net Position	8,093,121	167,992	8,261,113
Contributions and Grants	5,682,284	-	5,682,284
Total Net Position	<u>13,868,488</u>	<u>167,992</u>	<u>14,036,480</u>
Total Liabilities and Net Position	<u>\$ 19,075,267</u>	<u>\$ 170,350</u>	<u>\$ 19,245,617</u>

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Waste and Waste Water</u>	<u>Community Center</u>	<u>Total Proprietary</u>
Revenues			
Charges for Services	\$ 3,014,326	\$ 212,057	\$ 3,226,383
Total Operating Revenue	<u>3,014,326</u>	<u>212,057</u>	<u>3,226,383</u>
Expenses			
Operating Expenses	2,646,671	824,207	3,470,878
Depreciation	717,929	-	717,929
Total Expenses	<u>3,364,600</u>	<u>824,207</u>	<u>4,188,807</u>
Operating Income (Loss)	<u>(350,274)</u>	<u>(612,150)</u>	<u>(962,424)</u>
Non-Operating Revenues (Expenses)			
Interest Income	26,315	630	26,945
Sales Tax Revenue	309,653	-	309,653
Grant Revenue	70,880	-	70,880
Other Income	32,292	1,661	33,953
Bond Interest	(137,243)	-	(137,243)
Bond Cost Amortization	-	-	-
Bond Proceeds	-	-	-
Bond Issue Costs	-	-	-
Transfers In (Out)	264,270	599,977	864,247
Total Non-Operating Revenues (Expenses)	<u>566,167</u>	<u>602,268</u>	<u>1,168,435</u>
Net Income (Loss)	215,893	(9,882)	206,011
Net Position, Beginning of Year	<u>13,652,595</u>	<u>177,874</u>	<u>13,830,469</u>
Net Position, End of Year	<u>\$ 13,868,488</u>	<u>\$ 167,992</u>	<u>\$ 14,036,480</u>

**CITY OF BERRYVILLE, ARKANSAS
COMBINING BALANCE SHEET
ALL OTHER FUNDS IN THE AGGREGATE
MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2022**

	Saunders Museum Fund	Cemetery Fund	Rural Fire Fund	Park Commission Fund	Industrial Park Fund	Tourism Commission Fund	Swimming Pool Fund	Thomas Estate Cemetery Trust	Debt Service Fund	Total All Other Funds
Assets										
Cash and Cash Equivalents	\$ 139,260	\$ 207,545	\$ 187,605	\$ 14,928	\$ 25,744	\$ 47,716	2,890	\$ 3,283	\$ -	\$ 628,971
Investments - Certificates of Deposit	17,128									17,128
Accounts Receivable	2,952	1,476		2,952		1,476				8,856
Restricted and Committed Assets										
Cash and Cash Equivalents					1,404					1,404
Investments - Certificates of Deposit										
Investments - Brokerage Account								269,513		269,513
Investments - Industrial Park Land					77,917					77,917
Total Assets	\$ 159,340	\$ 209,021	\$ 187,605	\$ 17,880	\$ 105,065	\$ 49,192	\$ 2,890	\$ 3,283	\$ 269,513	\$ 1,003,789
Liabilities and Fund Balance										
Liabilities										
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,515
Payroll and Related Taxes Payable	-	-	-	-	-	-	-	-	-	-
Sales Tax Payable	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	1,515	-	-	-	-	-	1,515
Fund Balance										
Nonspendable					77,917					77,917
Restricted			187,605		1,404			3,283		192,292
Committed	159,340	209,021		16,365	25,744	49,192	2,890		269,513	732,065
Assigned										
Unassigned										
Total Fund Balance	159,340	209,021	187,605	16,365	105,065	49,192	2,890	3,283	269,513	1,002,274
Total Liabilities and Fund Balance	\$ 159,340	\$ 209,021	\$ 187,605	\$ 17,880	\$ 105,065	\$ 49,192	\$ 2,890	\$ 3,283	\$ 269,513	\$ 1,003,789

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
ALL OTHER FUNDS IN THE AGGREGATE
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Saunders Museum Fund	Cemetery Fund	Rural Fire Fund	Park Commission Fund	Industrial Park Fund	Tourism Commission Fund	Swimming Pool Fund	Thomas Estate Cemetery Trust	Debt Service Fund	Total All Other Funds
Revenues										
Taxes	\$ -	\$ 12,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,379
Grant Revenue	5,000	-	-	96,481	1,301,880	-	-	-	-	1,403,361
Other	7,908	167	24,980	18,440	-	-	-	-	-	51,495
Interest and Dividends	826	1,135	1,392	94	276	200	20	82	-	4,025
Charges for Services	-	-	-	124,046	-	-	22,546	-	-	146,592
Total Revenue	13,734	13,681	26,372	239,061	1,302,156	200	22,566	82	-	1,617,852
Expenses										
Rural Fire	-	-	36,512	-	-	-	-	-	-	36,512
Cemetery	-	58,244	-	-	-	-	-	-	-	58,244
Debt Service	-	-	-	-	-	-	-	600,832	-	600,832
Industrial Park	-	-	-	-	4,189,055	-	-	-	-	4,189,055
Museum	98,422	-	-	-	-	-	-	-	-	98,422
Parks and Recreation	-	-	-	695,267	-	-	-	-	-	695,267
Swimming Pool	-	-	-	-	-	-	49,185	-	-	49,185
Tourism	-	-	-	-	-	13,044	-	-	-	13,044
Total Expenses	98,422	58,244	36,512	695,267	4,189,055	13,044	49,185	-	600,832	5,740,561
Revenues in Excess of (Less Than) Expenses	(84,688)	(44,563)	(10,140)	(456,206)	(2,886,899)	(12,844)	(26,619)	82	(600,832)	(4,122,709)
Other Financing Sources (Uses)										
Sales Tax Revenue	55,246	27,623	-	55,246	-	27,623	-	-	609,871	775,609
Operating Transfer In	-	-	-	405,000	1,673,404	-	25,000	-	-	2,103,404
Operating Transfer Out	-	-	-	-	-	-	-	-	(264,270)	(264,270)
Bond Proceeds Received	-	-	-	-	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-	-	-	-	-
Other Gain (Loss)	-	10,000	-	-	1,166,387	-	-	-	-	1,176,387
Total Other Financing Sources (Uses)	55,246	37,623	-	460,246	2,839,791	27,623	25,000	-	345,601	3,791,130
Revenues in Excess of (Less Than) Expenses and Other Sources (Uses)	(29,442)	(6,940)	(10,140)	4,040	(47,108)	14,779	(1,619)	82	(255,231)	(331,579)
Fund Balance										
Beginning of Year	188,782	215,961	197,745	12,325	152,173	34,413	4,509	3,201	524,744	1,333,853
End of Year	\$ 159,340	\$ 209,021	\$ 187,605	\$ 16,365	\$ 105,065	\$ 49,192	\$ 2,890	\$ 3,283	\$ 269,513	\$ 1,002,274

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
TRUST FUNDS - MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2022

	<u>Local Firemen's Retirement</u>	<u>Local Police Retirement</u>	<u>Total Trust Funds</u>
Assets			
Restricted Assets			
Cash and Cash Equivalents	\$ 4,143	\$ 15,290	\$ 19,433
Investments - Certificates of Deposit	-	-	-
Investments - Brokerage Account	-	-	-
Total Assets	<u><u>\$ 4,143</u></u>	<u><u>\$ 15,290</u></u>	<u><u>\$ 19,433</u></u>
 Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Inter-fund Transfers Payable	-	-	-
Accrued Interest	-	-	-
Payroll and Related Taxes Payable	-	-	-
Total Liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
 Fund Balance			
Nonspendable	-	-	-
Restricted	4,143	15,290	19,433
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Unrestricted Net Position of Proprietary Funds	-	-	-
Contributed Fund Balance	-	-	-
Total Fund Balance	<u><u>4,143</u></u>	<u><u>15,290</u></u>	<u><u>19,433</u></u>
 Total Liabilities and Fund Balance	 <u><u>\$ 4,143</u></u>	 <u><u>\$ 15,290</u></u>	 <u><u>\$ 19,433</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
TRUST FUNDS - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Local Firemen's Retirement	Local Police Retirement	Total Trust Funds
Revenues			
Act 1373 Funds	\$ -	\$ -	\$ -
Interest and Dividends	24	74	98
Charges for Services	-	-	-
Total Revenue	24	74	98
Expenses			
Administrative	-	-	-
Payments to Beneficiaries	1,198	106,736	107,934
Total Expenses	1,198	106,736	107,934
Revenues In Excess of (Less Than) Expenses	(1,174)	(106,662)	(107,836)
Other Financing Sources (Uses)			
Operating Transfer In	-	80,000	80,000
Operating Transfer Out	-	-	-
Transfer to State of Arkansas	-	-	-
Other Gain (Loss)	-	-	-
Total Other Financing Sources (Uses)	-	80,000	80,000
Revenues In Excess of (Less Than) Expenses and Other Sources (Uses)	(1,174)	(26,662)	(27,836)
Fund Balance			
Beginning of Year	5,317	41,952	47,269
End of Year	\$ 4,143	\$ 15,290	\$ 19,433

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
AS OF DECEMBER 31, 2022

	2021	Additions	Deletions	2022
General Government				
Land	\$ 163,688	\$ 72,435	\$ -	\$ 236,123
Buildings	217,235	-	-	217,235
Improvements Other than Buildings	55,649	10,000	-	65,649
Equipment	134,915	40,377	-	175,292
Total General Government	<u>571,487</u>	<u>122,812</u>	<u>-</u>	<u>694,299</u>
Public Safety				
Law Enforcement				
Equipment	951,730	-	-	951,730
Buildings	226,290	419,973	-	646,263
Animal Control				
Building and Improvements	32,949	-	-	32,949
Equipment'	54,416	-	-	54,416
Fire				
Land	35,280	-	-	35,280
Buildings and Equipment	1,908,194	-	-	1,908,194
Total Public Safety	<u>3,208,859</u>	<u>419,973</u>	<u>-</u>	<u>3,628,832</u>
Streets				
Streets and Bridges	10,671,751	317,013	-	10,988,764
Parking Lots and Improvements	362,374	-	-	362,374
Equipment	439,179	-	-	439,179
Buildings	8,392	-	-	8,392
Total Streets	<u>11,481,696</u>	<u>317,013</u>	<u>-</u>	<u>11,798,709</u>
Museum				
Buildings	159,172	-	-	159,172
Improvements Other than Buildings	240,553	-	-	240,553
Equipment	15,464	-	-	15,464
Total Museum	<u>415,189</u>	<u>-</u>	<u>-</u>	<u>415,189</u>
Recreation				
Park Land	59,000	-	-	59,000
Buildings	236,689	-	-	236,689
Improvements Other than Buildings	2,920,255	330,656	-	3,250,911
Equipment	93,051	-	-	93,051
Total Recreation	<u>3,308,995</u>	<u>330,656</u>	<u>-</u>	<u>3,639,651</u>
Cemetery				
Land	88,418	-	-	88,418
Improvements Other than Buildings	120,949	41,769	-	162,718
Equipment	3,500	-	-	3,500
Cemetery	<u>190,981</u>	<u>41,769</u>	<u>-</u>	<u>254,636</u>
Industrial Park				
Land	90,080	-	-	90,080
Improvements	502,495	2,793,491	-	3,295,986
Equipment	13,766	-	-	13,766
Industrial Park	<u>379,013</u>	<u>2,793,491</u>	<u>-</u>	<u>3,399,832</u>
Municipal Court				
Leasehold Improvements	6,583	-	-	6,583
Equipment	8,785	-	-	8,785
Total Municipal Court	<u>15,368</u>	<u>-</u>	<u>-</u>	<u>15,368</u>
Recycling				
Equipment	21,099	-	-	21,099
Total Recycling	<u>21,099</u>	<u>-</u>	<u>-</u>	<u>21,099</u>

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
AS OF DECEMBER 31, 2022

	2021	Additions	Deletions	2022
Tourism				
Miscellaneous Assets	17,311	-		17,311
Total Tourism	<u>17,311</u>	<u>-</u>	<u>-</u>	<u>17,311</u>
Child Care Project				
Buildings	199,005	-	-	\$ 199,005
Total Child Care Project	<u>199,005</u>	<u>-</u>	<u>-</u>	<u>199,005</u>
Armory Building				
Buildings	1,004,482	-	-	\$ 1,004,482
Total Armory Building	<u>1,004,482</u>	<u>-</u>	<u>-</u>	<u>1,004,482</u>
Community Center				
Land	429,093	-	-	429,093
Plant and Property	4,648,222	171,790	-	4,820,012
Equipment	69,210	-	-	69,210
Total Community Center	<u>5,146,525</u>	<u>171,790</u>	<u>-</u>	<u>5,318,315</u>
Swimming Pool				
Plant and Property	348,762	-	-	348,762
Machinery and Equipment	40,629	-	-	40,629
Total Swimming Pool	<u>389,391</u>	<u>-</u>	<u>-</u>	<u>389,391</u>
Total General Fixed Assets	<u>\$ 26,349,401</u>	<u>\$ 4,197,504</u>	<u>\$ -</u>	<u>\$ 30,546,905</u>
Water Department				
Land	\$ 112,334	\$ -	\$ -	\$ 112,334
Buildings	125,193	-	-	125,193
Water Lines and Systems	17,016,389	103,881	-	17,120,270
Machinery and Equipment	380,259	-	-	380,259
Total Water Department	<u>17,634,175</u>	<u>103,881</u>	<u>-</u>	<u>17,738,056</u>
Less Depreciation	<u>(6,025,625)</u>	<u>(368,341)</u>	<u>-</u>	<u>(6,393,966)</u>
Water Department, Net	<u>11,608,550</u>	<u>(264,460)</u>	<u>-</u>	<u>11,344,090</u>
Waste Water Department				
Land	38,959	-	-	38,959
Buildings	22,614	-	-	22,614
Property and Plant	7,586,639	93,261	-	7,679,900
Machinery and Equipment	810,668	-	-	810,668
Waste Water Treatment Plant	6,694,614	-	-	6,694,614
Total Waste Water Department	<u>15,153,494</u>	<u>93,261</u>	<u>-</u>	<u>15,246,755</u>
Less Depreciation	<u>(9,020,371)</u>	<u>(342,927)</u>	<u>-</u>	<u>(9,363,298)</u>
Waste Water Department, Net	<u>6,133,123</u>	<u>(249,666)</u>	<u>-</u>	<u>5,883,457</u>
Total Water and Waste Water Departments	<u>\$ 17,741,673</u>	<u>\$ (514,126)</u>	<u>\$ -</u>	<u>\$ 17,227,547</u>
Cost of Capital Assets - Summary				
General Government	\$ 571,487	\$ 122,812	\$ -	\$ 694,299
Public Safety	3,208,859	419,973	-	3,628,832
Streets	11,481,696	317,013	-	11,798,709
Water and Waste Water	17,741,673	(514,126)	-	17,227,547
Other Funds in the Aggregate	11,087,359	3,337,706	-	14,425,065
Total Cost All Funds and Departments	<u>\$ 44,091,073</u>	<u>\$ 3,683,378</u>	<u>\$ -</u>	<u>\$ 47,774,451</u>

See Independent Auditor's Report and Notes to Financial Statements.

**CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF BONDS OUTSTANDING
AS OF DECEMBER 31, 2022**

Water and Sewer Revenue Bonds Series 2020

Year	Principal Payable June 1st	Int. Rate	Interest Payable	
			June 1st	December 1st
2023	300,000	2.50%	42,488	42,487
2024	310,000	2.50%	38,363	38,362
2025	320,000	2.75%	34,738	34,737
2026	330,000	2.75%	31,468	31,487
2027	340,000	3.00%	27,484	23,066
2028 to 2032	1,775,000	3.00-2.00%	57,627	57,605
	-		-	-
	<u>\$ 3,375,000</u>		<u>\$ 232,168</u>	<u>\$ 227,744</u>

Sales and Use Tax Bonds Series 2017

Year	Principal Payable December 1st	Int. Rate	Interest Payable
2023	485,000	2.00-3.00%	110,738
2024	495,000	2.00-3.00%	101,138
2025	505,000	2.00-3.00%	91,238
2026	515,000	2.00-3.00%	77,981
2027	530,000	2.00-3.00%	64,463
2028 thru 2030	1,685,000	2.00-3.00%	102,150
	-		-
	<u>\$ 4,215,000</u>		<u>\$ 547,708</u>

Water and Sewer Revenue Bonds 2018

Year	Principal Payable December 1st	Int. Rate	Interest Payable
2023	27,121	2.75%	44,291
2024	27,950	2.75%	43,462
2025	28,779	2.75%	42,633
2026	29,461	2.75%	41,951
2027	30,281	2.75%	41,131
2028 thru 2032	164,535	2.75%	192,525
2033 thru 2037	188,759	2.75%	168,301
Thereafter	1,131,899	2.75%	345,827
	<u>\$ 1,628,785</u>		<u>\$ 920,121</u>

THE
KILLINGSWORTH FIRM
— CPA • PLLC —

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Berryville, Arkansas (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Berryville, Arkansas basic financial statements, and have issued my report thereon dated December 29, 2023.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

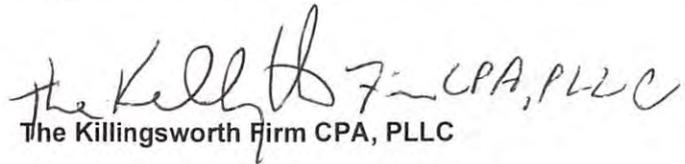
As part of obtaining reasonable assurance about whether City of Berryville, Arkansas's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of Berryville, Arkansas
Page 2 of 2

Purpose of this Report

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


The Killingsworth Firm CPA, PLLC

December 29, 2023
Berryville, Arkansas

414 N. Springfield Street
Berryville, Arkansas 72616
870-423-3135
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THE
KILLINGSWORTH FIRM
— CPA • PLLC —

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH ARKANSAS STATE REQUIREMENTS**

To the Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

I have examined management's assertions that the City of Berryville, Arkansas (the City) complied with the following Arkansas statutes during the year ended December 31, 2022.

Arkansas Code Ann. 14-58-101 requires the independent auditor to include, as a minimum and as an integral part of the annual financial report, a review and comment on substantial compliance with each of the following:

- a) Municipal Accounting Law of 1973 (14-59-101 et seq.)
- b) District Courts and City Courts Accounting Law (16-10-201 et seq.)
- c) Improvement contracts (22-9-202 to 22-9-204)
- d) Budgets, purchases and payment of claims, etc. (14-58-201 et seq. and 14-58-301 et seq.)
- e) Investment of public funds (19-1-501 et seq.)
- f) Deposit of public funds (19-8-101 through 19-8-107)

Management is responsible for the City's compliance with those requirements. My responsibility is to express an opinion on the City's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the City's compliance with specific requirements.

In my opinion, the City of Berryville, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specific parties.

The Kelly H. Fin CPA, PLLC
The Killingsworth Firm CPA, PLLC

December 29, 2023
Berryville, Arkansas

CITY OF BERRYVILLE, ARKANSAS

**AUDITED SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

DECEMBER 31, 2022



CITY OF BERRYVILLE, ARKANSAS

DECEMBER 31, 2022

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Independent Auditor's Report

To the City Council of Berryville, Arkansas
305 E. Madison
Berryville, AR 72616

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards of the City of Berryville, Arkansas for the year ended December 31, 2022, and the related notes (the financial statement).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the City of Berryville, Arkansas for the year ended December 31, 2022, in accordance with the cash basis of accounting in the United States of America described in Note B.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the City of Berryville, Arkansas 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.

Emphasis of a Matter---Basis of Accounting

We draw attention to Note B of the Schedule of Expenditures of Federal Awards, which describes the basis of accounting. The Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting, which is a basis of accounting other than 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 Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the cash basis of accounting as described in Note B, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

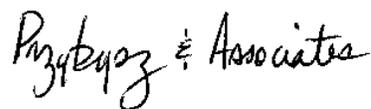
Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is 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, *Government Auditing Standards*, and the Uniform Guidance 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 schedule.

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 schedule, 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 schedule.
- 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 City of Berryville, Arkansas' 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 schedule.

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.



Przybysz & Associates, CPAs, P.C.
Bentonville, Arkansas
November 16, 2023

CITY OF BERRYVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor(s)/ Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Justice		
Pass-through programs from:		
Arkansas Department of Finance and Administration		
Bulletproof Vest Partnership Program	16.607	\$ 2,303
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,000
Total Department of Justice		5,303
National Endowment For The Humanities		
Pass-through programs from:		
Arkansas Humanities Council		
Promotion of the Humanities	45.129	2,500
Total National Endowment For The Humanities		2,500
U.S. Department of Commerce		
Pass-through programs from:		
Economic Development Administration		
Investments for Public Works and Economic Development Facilities	11.300	1,301,880
Total Department of Commerce		1,301,880
Department of Treasury		
Pass-through programs from:		
Arkansas Department of Finance and Administration		
Coronavirus State and Local Fiscal Recovery Funds	21.027	280,292
Total Department of Treasury		280,292
Total Federal Awards		\$ 1,589,975

See independent auditor's report.

CITY OF BERRYVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Berryville, Arkansas under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Berryville, Arkansas, it is not intended to and does not present the financial position, changes in net position, or cash flows, where applicable of the City of Berryville, Arkansas.

Note B - Summary of Significant Accounting Policies

This schedule of expenditures of federal awards includes the federal program activity of the City of Berryville, Arkansas and is presented on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

The City of Berryville, Arkansas does not charge indirect cost rates and charges 100% of their costs directly.

Note D - Federal Awards Passed Through to Subrecipients

No federal financial assistance has been provided to a subrecipient.

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



**Independent Auditor's Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required by the Uniform Guidance**

To the City Council of Berryville, Arkansas
305 E. Madison
Berryville, AR 72616

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Berryville, Arkansas' (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Berryville and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Bentonville, Arkansas
November 16, 2023

CITY OF BERRYVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Section I - Summary Of Auditor's Results

Type of Report Issued - Financial Statements

The auditor's report issued by the Killingsworth Firm CPA, PLLC for December 31, 2022 dated December 29, 2023, expresses an adverse opinion on the financial statements in accordance with accounting principles generally accepted in the United States of America and an unmodified opinion in accordance with the modified accrual basis of accounting.

Control Deficiencies - Financial Statements

The Killingsworth Firm CPA, PLLC report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements for December 31, 2022 did not identify any material weaknesses or significant deficiencies during the audit of the financial statements.

Material Noncompliance - Financial Statements

The Killingsworth Firm CPA, PLLC report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements for December 31, 2022 did not identify any instances of noncompliance material to the financial statements.

Control Deficiencies - Major Programs

No significant deficiencies or material weaknesses in internal control were identified during the audit of the major federal award programs.

Type of Report Issued - Compliance

The auditors' report on compliance for the major federal award programs for The City of Berryville, Arkansas expresses an unmodified opinion on all major federal programs.

Audit Findings under Section 516(a) of the Uniform Guidance

No audit findings related to the major federal award programs are reported in this schedule.

Major Programs

U.S. Department of Commerce
Investments for Public Works and Economic Development Facilities (11.300)

Threshold between Type A and Type B Programs

The threshold for distinguishing between Type A and Type B programs was \$750,000.

Determination of Low-Risk Auditee

The City of Berryville, Arkansas was determined not to be a low-risk auditee.

Section II - Prior Year Results

Financial statement material weaknesses/significant deficiencies - none
Federal award material weaknesses/significant deficiencies - none