

DE VALLS BLUFF WATER
AND SEWER DEPARTMENT
FINANCIAL STATEMENTS (AUDITED)
AUGUST 31, 2023

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

DE VALLS BLUFF WATER AND SEWER DEPARTMENT

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Meyer & Ward, P.A.
Certified Public Accountants
P.O. Box 1045
Wynne, AR 72396

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of De Valls Bluff, Arkansas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the De Valls Bluff Water and Sewer Department as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the De Valls Bluff Water and Sewer Department as of August 31, 2023 and 2022, and respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the De Valls Bluff 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 opinions.

Emphasis of Matter

As discussed in Note A, the accompanying financial statements of the De Valls Bluff Water and Sewer Department are intended to present the financial position, and the changes in financial position and the cash flows of the City that is attributable to the transactions of the De Valls Bluff Water and Sewer Department. They do not purport to, and do not, present fairly the financial position of the City of De Valls Bluff, Arkansas, as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of De Valls Bluff Water and Sewer Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the De Valls Bluff 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison schedule on pages 4 through 6 and 20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of the De Valls Bluff Water and Sewer Department’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the De Valls Bluff Water and Sewer Department’s internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396
May 31, 2024

**DE VALLS BLUFF WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2023**

Within this section of the De Valls Bluff Water and Sewer Department's financial report, the Entity's management provides narrative discussion and analysis of the financial activities of the Entity for the year ended August 31, 2023. The Entity's financial performance is discussed and analyzed with the context of the accompanying financial Statements and disclosures following this section.

Using this annual report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Entity as a whole and present a longer term view of the Entity's finances. The Statement of Cash Flows provides a summary of the changes in cash and cash equivalents for the year. Information is included in the Notes to Financial Statements to disclose accounting policies and additional financial detail amounts shown in the financial statements. A report on internal control is also included.

Reporting on De Valls Bluff Water and Sewer Department as a whole

Our analysis of the Entity as a whole follows in the next section. The Entity operates as a business-type activity providing water utilities to its customers. Its revenues must be sufficient to cover the cost of operations, payments of indebtedness, and cost of improvements to the system. One of the most important questions asked about the Entity's finances is "Is the Entity as a whole better off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Entity as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Entity's net positions and changes in them. You can think of the Entity's net position (the difference between assets and liabilities) as one way to measure the Entity's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether the financial health is improving, or deteriorating. You will need to consider other nonfinancial factors, however, such as the conditions of the water and sewer system, to assess the overall health of the Entity.

**DE VALLS BLUFF WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
August 31, 2023**

Financial Highlights	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Net Position	\$ 433,768	\$ 463,784	\$ 512,789
Increase (decrease) in Net Position	(41,500)	(30,016)	(49,005)
Ending Net Position	<u>\$ 392,268</u>	<u>\$ 433,768</u>	<u>\$ 463,784</u>

The following table summarizes net position:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 57,322	\$ 69,083	\$ 52,596
Restricted assets	195,669	192,304	217,687
Capital assets	676,693	667,699	719,918
Total assets	<u>\$ 929,684</u>	<u>\$ 929,086</u>	<u>\$ 990,201</u>
Current Liabilities	\$ 107,676	\$ 84,011	\$ 79,214
Long-term liabilities	429,740	411,307	447,203
Total liabilities	<u>537,416</u>	<u>495,318</u>	<u>526,417</u>
Net Position			
Unrestricted	130,122	118,642	96,760
Restricted for debt service	67,940	94,630	128,728
Invested in capital assets	194,206	220,496	238,296
Total Net Position	<u>\$ 392,268</u>	<u>\$ 433,768</u>	<u>\$ 463,784</u>

The following schedule presents a summary of revenues and expenditures for the years ended August 31, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 213,726	\$ 184,134	\$ 176,377
Operating Expenses	<u>237,813</u>	<u>193,639</u>	<u>189,628</u>
Operating Income	(24,087)	(9,505)	(13,251)
Other Income (Expenses)	(17,413)	(20,511)	(35,754)
	<u>\$ (41,500)</u>	<u>\$ (30,016)</u>	<u>\$ (49,005)</u>

**DE VALLS BLUFF WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
August 31, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end August 31, 2023, the Entity had \$ 676,693 invested in capital assets. This represents a net increase of \$ 8,994 which is the result of additions of \$ 65,845 and depreciation expense of \$ 56,851.

Debt

At year end, the Entity had \$ 482,487 in outstanding notes payable. Principal payments on existing debt for the year ended August 31, 2023 were \$ 38,006. Proceeds from new borrowings for 2023 were \$73,291.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Entity has no plans for a rate increase. The Entity expects to begin a system improvement project next year with estimated total costs of approximately \$ 4,000,000. The majority of are to be funded by grant agreements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Entity's finances and to show the Entity's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the De Valls Bluff Mayor.

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash on hand and in banks	\$ 23,629	\$ 40,452
Accounts receivable	28,251	23,626
Due from De Valls Bluff Gas Dept.	4,513	3,580
Prepaid Insurance	929	1,425
Total Current Assets	57,322	69,083
RESTRICTED ASSETS:		
Cash in bank	194,919	172,554
Certificates of deposit	750	19,750
Total Restricted Assets	195,669	192,304
PROPERTY, PLANT AND EQUIPMENT:		
Water and Sewer System	2,269,402	2,203,557
Equipment	121,060	121,060
Building	5,000	5,000
Land	18,060	18,060
Furniture and Equipment	6,725	6,725
	2,420,247	2,354,402
Less: Accumulated Depreciation	(1,743,554)	(1,686,703)
Net Property, Plant and Equipment	676,693	667,699
 TOTAL ASSETS	 \$ 929,684	 \$ 929,086

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

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 52,747	\$ 35,896
Accounts payable	9,054	4,956
Due to Other funds	14,976	14,423
Accrued interest	1,951	1,358
Total Current Liabilities	78,728	56,633
 CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer meter deposits	28,948	27,378
 LONG-TERM DEBT, less current portion	 429,740	 411,307
 NET POSITION		
Net Invested in capital assets	194,206	220,496
Restricted for debt service	67,940	94,630
Unrestricted	130,122	118,642
TOTAL NET POSITION	392,268	433,768
 TOTAL LIABILITIES AND NET POSITION	 \$ 929,684	 \$ 929,086

The accompanying notes are an integral part of these financial statements

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water fees	\$ 126,784	\$ 112,919
Sewer fees	78,584	63,769
Other revenues	8,358	7,446
Total Operating Revenue	<u>213,726</u>	<u>184,134</u>
OPERATING EXPENSES:		
Audit	5,500	4,500
Depreciation	56,851	52,219
Insurance	13,773	14,665
Miscellaneous	2,194	2,743
Office supplies	3,390	3,417
Operating supplies and maintenance	56,298	41,527
Payroll taxes	4,941	3,803
Retirement	621	605
Salaries	62,432	47,682
Travel and training	8,336	6,233
Taxes, licenses, dues and fees	4,326	1,345
Utilities	19,151	14,900
Total Operating Expenses	<u>237,813</u>	<u>193,639</u>
Income (Loss) from Operations	<u>(24,087)</u>	<u>(9,505)</u>
OTHER INCOME AND (EXPENSES)		
Interest expense	(20,456)	(20,632)
Transfers		
Interest income	3,043	121
Net Other Income (and Expense)	<u>(17,413)</u>	<u>(20,511)</u>
CHANGE IN NET POSITION, INCREASE (DECREASE)	(41,500)	(30,016)
NET POSITION, BEGINNING	<u>433,768</u>	<u>463,784</u>
NET POSITION, ENDING	<u>\$ 392,268</u>	<u>\$ 433,768</u>

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

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from customers	\$ 210,671	\$ 181,544
Payments to suppliers and others	(113,936)	(91,739)
Payments to employees	<u>(62,432)</u>	<u>(47,682)</u>
Net cash provided by operating activities	<u>34,303</u>	<u>42,123</u>
Cash flows from non-capital financing activities		
Transfer (to) from other funds	<u>(380)</u>	<u>536</u>
Cash flows from capital and related financing activities		
Principal paid on capital debt	(38,007)	(34,419)
Proceeds from notes payable	73,291	-
Purchases of equipment	(65,845)	-
Interest paid on capital debt	<u>(19,863)</u>	<u>(20,712)</u>
Net cash provided (used) by capital and related activities	<u>(50,424)</u>	<u>(55,131)</u>
Cash flows from investing activities		
Interest income	3,043	121
Transfers (to) from restricted accounts	<u>(3,365)</u>	<u>25,383</u>
Net cash provided (used) by investing activities	<u>(322)</u>	<u>25,504</u>
Increase (decrease) in cash and cash equivalents	(16,823)	13,032
Cash and cash equivalents, beginning of year	<u>40,452</u>	<u>27,420</u>
Cash and cash equivalents, end of year	<u>\$ 23,629</u>	<u>\$ 40,452</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (Loss)	<u>\$ (24,087)</u>	<u>\$ (9,505)</u>
Depreciation and Amortization	56,851	52,219
(Increase) decrease in accounts receivable	(4,625)	(3,476)
(Increase) decrease in prepaid expenses	496	21
Increase (decrease) in accounts payable	4,098	1,978
Increase (decrease) in customer deposits	<u>1,570</u>	<u>886</u>
Total adjustments	<u>58,390</u>	<u>51,628</u>
Net cash provided (used) by operating activities	<u>\$ 34,303</u>	<u>\$ 42,123</u>

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

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY – De Valls Bluff Water and Sewer Department is a component unit of the City of De Valls Bluff, AR. The department serves property located within the corporate limits of the City of De Valls Bluff and certain properties located outside the city limits. The financial statements present only the Water and Sewer Department and not the financial position of the City of De Valls Bluff, Arkansas. The De Valls Bluff Water and Sewer Department complies with Generally Accepted Accounting Principles (GAAP).

BASIS OF ACCOUNTING – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

ACCOUNTS RECEIVABLE – Accounts Receivable is presented at estimated net realizable value. The specific charge – off method is used to record bad debt expense. No material difference results from use of the specific charge off method instead of allowance method as required by generally accepted accounting principles. Accounts receivable results from water services provided to consumers. Accounts receivable is collateralized by customer deposits.

PROPERTY AND EQUIPMENT – Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized while minor replacements, maintenance, and repairs, which do not improve or extend the life of such assets, are charged to operations as incurred. Depreciation is provided by the straight- line method over the estimated useful lives of the assets. Estimated useful lives range are 7 – 10 years for office furniture and equipment to 40 years for water system .

CASH AND CASH EQUIVALENTS –The De Valls Bluff Water and Sewer Department considers all cash, and certificates of deposits purchased with a maturity of three months or less to be cash equivalents. Deposits restricted pursuant to loan agreements or for other purposes are not considered cash equivalents.

SALES TAX – Water sales are subject to Arkansas Sales Tax. Revenues are presented net of Sales Taxes.

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

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023 and 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

CREDIT RISK

Financial instruments which potentially subject the Department to concentrations of credit risk consist principally of temporary cash investments. The Department places its temporary cash investments with financial institutions, and its policy is to limit the amount of credit exposure to any one financial institution. The Department's policy is to limit such investments to amounts covered by FDIC coverage, and securities pledged to collateralize deposits.

NET POSITION

Net position is divided into three components:

- Investment in capital assets– consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to financé those assets.
- Restricted for debt service – amounts that are restricted by the Department's creditors, (for example, debt covenants), by laws and regulations of other governments, or by other contributors.
- Unrestricted – all other net position is reported in this category.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses of the Department consist of charges for services, and the costs of providing those services, excluding interest costs.

ADVERTISING – Advertising costs are expensed as incurred.

NOTE B – ACCUMULATED DEPRECIATION:

The following is a summary of accumulated depreciation by class of assets:

	<u>2023</u>	<u>2022</u>
Building	\$ 3,969	\$ 3,844
Equipment	107,300	99,828
Furniture and Equipment	10,340	10,340
Water and Sewer System	1,621,945	1,572,691
	<u>\$ 1,743,554</u>	<u>\$ 1,686,703</u>

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022

NOTE C – RESTRICTED ASSETS:

Restricted funds consist of the following amounts:

	2023	2022
Cash:		
Repair and Replacement (depreciation)	\$ 20,958	\$ 27,034
Debt Service Reserve	67,190	74,880
Repairs Reserve - AR Natural Resource Commission	17,259	17,240
Construction - American Rescue Plan Project	34,501	
Customer's deposit reserve	55,011	53,400
	\$ 194,919	\$ 172,554
Certificates of Deposit		
Rural Development Debt Service Reserve	\$ 750	\$ 19,750
	\$ 195,669	\$ 192,304

The customer's deposit reserve is established to cover the De Valls Bluff Water and Sewer Department's liability for customer deposits of \$ 28,948 at August 31, 2023 and \$ 27,378 at August 31, 2022.

The De Valls Bluff Water and Sewer Department is required to maintain depreciation and debt service reserves pursuant to terms of the USDA loan agreement.

At August 31, 2023 and 2022, the De Valls Bluff Water and Sewer Department was required to have debt service reserves of \$ 46,560. At August 31, 2023 and 2022, the De Valls Bluff Water and Sewer Department was in compliance with USDA reserve requirements.

The De Valls Bluff Water and Sewer Department also maintains a depreciation reserve fund according to the terms of the Arkansas Natural Resources Commission loan.

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022

NOTE D – LONG –TERM DEBT:

Notes Payable consists of the following:

	2023	2022
4.5 % Note Payable to USDA due in monthly installments of \$ 3,880 through 2034. Secured by utility plant and equipment and pledge of future revenues.	\$ 385,231	\$ 413,755
2.35% note payable to Partner's Bank due in monthly installments of \$ 467 through 2026 secured by certificates of deposit	13,556	18,769
6.25% note payable to Farmers & Merchants Bank, due in monthly installments of \$ 1,428 through May of 2028	\$ 69,021	
5 % Note Payable to Arkansas Soil and Water Conservation Commission, due in annual installments of \$ 2,893, through June 2028.	<u>14,679</u>	<u>14,679</u>
Less current portion	<u>482,487</u> <u>(52,747)</u>	<u>447,203</u> <u>(35,896)</u>
	<u>\$ 429,740</u>	<u>\$ 411,307</u>

A schedule of the future payments required is as follows :

At August 31 , 2023

For the years ending

	August 31,	Principal	Interest	Total
2024	\$	52,747	\$ 22,506	\$ 75,253
2025		53,092	19,095	72,187
2026		52,842	16,524	69,366
2027		52,671	13,919	66,590
2028		49,340	11,277	60,617
For the five year periods ending August 31,			-	
2033		204,664	28,136	232,800
2038		17,131	179	17,310
		<u>\$ 482,487</u>	<u>\$ 111,636</u>	<u>\$ 594,123</u>

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022

NOTE D – LONG –TERM DEBT: - cont'd

Loan activity for the year ended August 31, 2023 is as follows:

	<u>8/31/2022</u>	<u>additions</u>	<u>reductions</u>	<u>8/31/2023</u>
4.5 % Note Payable to USDA	\$ 413,755	\$ -	\$ 28,524	\$ 385,231
2.35% Note payable to Partner's Bank	18,768	-	5,212	13,556
6.25% Note payable to Farmers & Merchants Bank		73,291	4,270	69,021
5 % Note Payable to Arkansas Soil & Water Commission	14,679	-	-	14,679
	<u>\$ 447,202</u>	<u>\$ 73,291</u>	<u>\$ 38,006</u>	<u>\$ 482,487</u>

NOTE E - CONCENTRATION OF CREDIT RISKS

The De Valls Bluff Water and Sewer Department maintains cash balances at a local bank. At year end cash was fully collateralized by FDIC coverage and securities pledged to the City of De Valls Bluff Water and Sewer Department.

NOTE F – RETIREMENT PLAN

The De Valls Bluff Water and Sewer Department provides a simple IRA plan for substantially all employees. The De Valls Bluff Water and Sewer Department matches employee contributions up to 3% of employee salaries. Retirement expense for the years ended August 31, 2023 and 2022 was \$ 621 and \$ 605.

NOTE G – DUE TO OTHER FUNDS

Due to other funds consists of amounts billed for trash services and other cash provided by other funds of the City of De Valls Bluff.

The De Valls Bluff Water and Sewer Department bills and collects sewer and fire assessment charges for the City of De Valls Bluff, Arkansas.

Due from De Valls Bluff Natural Gas results from a reimbursement due the Water and Sewer Department for Gas Department expense.

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022

NOTE H – PROPERTY AND EQUIPMENT

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

	<u>8/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2023</u>
Assets not subject to depreciation				
Land	\$ 18,060	\$ -	\$ -	\$ 18,060
Assets subject to depreciation				
Water and Sewer System	2,203,557	65,485	-	2,269,042
Equipment	121,060	-	-	121,060
Building	5,000			5,000
Furniture and Equipment	6,725	-		6,725
	<u>\$ 2,354,402</u>	<u>\$ 65,485</u>	<u>\$ -</u>	<u>\$ 2,419,887</u>
Less accumulated depreciation	<u>\$ (1,686,703)</u>	<u>\$ (56,851)</u>	<u>\$ -</u>	<u>\$ (1,743,554)</u>

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report. No items were noted which would require disclosure.

Meyer & Ward, P.A.
Certified Public Accountants
P.O. Box 1045
Wynne, Arkansas 72396

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

Mayor and City Council
De Valls Bluff Water and Sewer Department
De Valls Bluff, AR

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the De Valls Bluff Water and Sewer Department as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the De Valls Bluff Water and Sewer Department's basic financial statements and have issued our report thereon dated May 31, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the De Valls Bluff Water and Sewer Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the De Valls Bluff Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the De Valls Bluff 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 Department'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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (#2023-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the De Valls Bluff Water and Sewer Department' financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

De Valls Bluff Water and Sewer Department's Response to Findings

De Valls Bluff Water and Sewer Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The De Valls Bluff Water and Sewer Department's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meyer & Ward

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

May 31, 2024

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS

AUGUST 31, 2023

Schedule of findings

2023-001 Segregation of duties

CONDITION: The De Valls Bluff Water and Sewer Department does not have enough employees for the appropriate segregation of duties necessary for effective internal control.

CRITERIA: Segregation of duties provides for independent review and approval of all transactions at various stages of the transaction process. Adequate segregation of duties is an essential part of effective internal control structure.

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

RECOMMENDATION: The Entity's board of directors should review all transactions, and accounting records, and reconciliations, in order to compensate for the limited number of employees. Such review should be performed at least monthly and documented.

RESPONSE: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, all employees are supervised by management, and financial records reviewed monthly by the council.

DE VALLS BLUFF WATER AND SEWER DEPARTMENT
 BUDGETARY COMPARISION SCHEDULE
 FOR YEAR ENDED AUGUST 31, 2023

	Actual	Budget	Over (under) Variance
OPERATING REVENUES			
Water fees	\$ 126,784	\$ 240,000	\$ (113,216)
Sewer fees	78,584		78,584
Other Revenues	8,358	3,900	4,458
Total Operating Revenues	<u>213,726</u>	<u>243,900</u>	<u>(30,174)</u>
OPERATING EXPENSES			
Audit	5,500	4,500	1,000
Customer refund		2,500	(2,500)
Depreciation	56,851		56,851
Equipment		3,500	(3,500)
Insurance	13,773	13,800	(27)
Loan payments		55,860	(55,860)
Miscellaneous	2,194	2,500	(306)
Office supplies and postage	3,390	6,700	(3,310)
Operating supplies and maintenance	56,298	21,500	34,798
Payroll Taxes	4,941	4,693	248
Retirement	621	1,770	(1,149)
Salaries	62,432	59,000	3,432
Sales tax		15,000	(15,000)
Taxes, license, dues and fees	4,326	4,500	(174)
Trash pickup		40,000	(40,000)
Travel and training	8,336	5,000	3,336
Utilities	19,151	20,750	(1,599)
Total Operating Expenses	<u>237,813</u>	<u>261,573</u>	<u>(23,760)</u>
Income (Loss) from operations (Other Income and Expenses)	(24,087)	(17,673)	(6,414)
Transfers	-	(5,000)	5,000
Interest expense	(20,456)		(20,456)
Interest Income	3,043	300	2,743
Net Other Income (and Expenses)	<u>(17,413)</u>	<u>(4,700)</u>	<u>(12,713)</u>
Change in Net Position	<u>\$ (41,500)</u>	<u>\$ (22,373)</u>	<u>\$ (19,127)</u>