

**MARVELL WATER
AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council and Water Commission
Marvell Water and Sewer Department
Marvell, Arkansas 72366

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Marvell Water and Sewer Department as of and for the years ended September 30, 2020, and 2019, and the related notes to the financial statements, which collectively comprise the Marvell Water and Sewer Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note G to the financial statements, the Entity has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employee's pensions to be recognized over the employees respective periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis For Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Marvell Water and Sewer Department as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 7 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marvell Water and Sewer Department's basic financial statements. The Schedule of Water and Sewer Rates is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Water and Sewer Rates is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Water and Sewer Rates is fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note A, the accompanying financial statements present only the Marvell Water and Sewer Department, and do not purport to, and do not, present fairly the financial position of the City of Marvell, Arkansas, as of September 30, 2020, and 2019, and the changes in its financial position or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of the Marvell Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Marvell Water and Sewer Department's internal control over financial reporting and compliance.

Meyer & Ward

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

February 3, 2023

MARVELL WATER AND SEWER DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2020

Within this section of the Marvell 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 September 30, 2020. 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 Marvell 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 position 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.

**MARVELL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
September 30, 2020**

Financial Highlights:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Net Position	\$ 1,390,674	\$ 1,422,957	\$ 1,447,020
Change in Net Position	<u>(36,116)</u>	<u>(32,283)</u>	<u>(24,063)</u>
Ending Net Position	<u><u>1,354,558</u></u>	<u><u>1,390,674</u></u>	<u><u>1,422,957</u></u>

Assets, liabilities, and net position for 2020, 2019, and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 96,401	\$ 89,734	\$ 78,326
Restricted assets	157,101	156,144	173,405
Capital assets	<u>2,762,445</u>	<u>2,844,048</u>	<u>2,895,253</u>
Total Assets	<u><u>\$ 3,015,947</u></u>	<u><u>\$ 3,089,926</u></u>	<u><u>\$ 3,146,984</u></u>
Current liabilities	\$ 151,382	\$ 148,502	\$ 134,489
Long-term liabilities	<u>1,510,007</u>	<u>1,550,750</u>	<u>1,589,538</u>
Total Liabilities	<u><u>1,661,389</u></u>	<u><u>1,699,252</u></u>	<u><u>1,724,027</u></u>
Unrestricted	\$ 1,211,695	\$ 1,254,500	\$ 1,254,975
Restricted for debt service	117,134	117,362	135,932
Net investment in capital assets	<u>25,729</u>	<u>18,812</u>	<u>32,050</u>
Total Net Position	<u><u>\$ 1,354,558</u></u>	<u><u>\$ 1,390,674</u></u>	<u><u>\$ 1,422,957</u></u>

The following schedule presents a summary of revenues and expenses for the years ended September 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 422,456	\$ 461,088	\$ 439,173
Operating Expenses	<u>393,212</u>	<u>425,894</u>	<u>392,990</u>
Operating Income	29,244	35,194	46,183
Other Income (Expenses)	<u>(65,360)</u>	<u>(67,477)</u>	<u>(70,246)</u>
Change in Net Position	<u><u>\$ (36,116)</u></u>	<u><u>\$ (32,283)</u></u>	<u><u>\$ (24,063)</u></u>

**MARVELL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
September 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At year end September 30, 2020, the Entity had \$ 2,762,445 invested in capital assets. This represents a net decrease of \$ 81,603, which is the result of depreciation expense recognized of \$84,603 and capital asset additions of \$ 3,000.

Debt:

At year end, the Entity had \$ 1,550,750 in outstanding notes payable. This represents a decrease of \$ 38,798, which is the result of scheduled debt payments.

**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 Lee Guest Marvell Mayor 870-829-2573.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash on hand and in banks	\$ 31,496	\$ 23,913
Accounts Receivable - Customers	41,122	42,890
Accounts Receivable - Employee	600	1,600
Unbilled Receivables	11,438	12,175
Inventory	9,625	7,274
Prepaid Insurance	2,120	1,882
Total Current Assets	<u>96,401</u>	<u>89,734</u>
Restricted Assets		
Cash	86,725	59,070
Certificates of Deposit	70,351	97,049
Accrued Interest Receivable	25	25
Total Restricted Assets	<u>157,101</u>	<u>156,144</u>
Property, Plant and Equipment		
Land	31,110	31,110
Buildings, Equipment, and Improvements	73,665	73,665
Vehicles	172,490	172,490
Water and Sewer Plant	4,506,309	4,503,309
	<u>4,783,574</u>	<u>4,780,574</u>
Less Accumulated Depreciation	<u>(2,021,129)</u>	<u>(1,936,526)</u>
Net Property, Plant and Equipment	<u>2,762,445</u>	<u>2,844,048</u>
Total Assets	<u>\$ 3,015,947</u>	<u>\$ 3,089,926</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

LIABILITIES AND NET POSITION

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 9,789	\$ 9,325
Grant Advances Payable	3,432	3,432
Due to Other Funds	55,980	55,862
Accrued Interest Payable	2,695	3,267
Current Maturities of Long term Debt	40,743	38,798
	<u>112,639</u>	<u>110,684</u>
Payable From Restricted Assets:		
Customer Meter Deposits	<u>38,743</u>	<u>37,818</u>
Long- Term Debt, less current portion	<u>1,510,007</u>	<u>1,550,750</u>
Total Liabilities	<u>1,661,389</u>	<u>1,699,252</u>
Net Position:		
Net investment in capital assets	1,211,695	1,254,500
Restricted for debt service	117,134	117,362
Unrestricted	25,729	18,812
Total Net Position	<u>1,354,558</u>	<u>1,390,674</u>
Total Liabilities and Net Position	<u>\$ 3,015,947</u>	<u>\$ 3,089,926</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Water Sales	\$ 218,847	\$ 223,378
Sewer Sales	85,346	88,344
Other Revenues	118,263	149,366
Total Operating Revenues	<u>422,456</u>	<u>461,088</u>
Operating Expenses:		
Auto and Truck	8,248	9,859
Depreciation	84,603	85,907
Insurance	4,849	4,853
Salaries and Fringe Benefits	185,900	196,633
Operating Supplies and Maintenance	7,522	19,776
Miscellaneous	9,328	10,380
Office Supplies	14,775	6,957
Repairs and Maintenance	17,103	15,555
Legal and Professional	3,405	10,055
Outside Services	11,784	20,108
Permits, License and Fees	5,891	9,310
Utilities	39,804	36,501
Total Operating Expense	<u>393,212</u>	<u>425,894</u>
OPERATING INCOME (LOSS)	<u>29,244</u>	<u>35,194</u>
Non-operating Revenues (Expenses)		
Interest Income	762	779
Interest Expense	(66,122)	(68,256)
Total Non-operating Revenues (Expenses)	<u>(65,360)</u>	<u>(67,477)</u>
Change in Net Position	<u>(36,116)</u>	<u>(32,283)</u>
Beginning Net Position	<u>1,390,674</u>	<u>1,422,957</u>
Ending Net Position	<u><u>\$ 1,354,558</u></u>	<u><u>\$ 1,390,674</u></u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 426,886	\$ 457,333
Payments to suppliers	(124,834)	(139,875)
Payments to employees	(185,900)	(196,633)
Net cash provided by operating activities	<u>116,152</u>	<u>120,825</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital equipment	(3,000)	(34,702)
Principal paid on capital debt	(38,798)	(50,730)
Interest paid on capital debt	(66,694)	(68,390)
Net cash provided (used) by capital and related activities	<u>(108,492)</u>	<u>(153,822)</u>
Cash Flows from Investing Activities:		
Interest income	762	779
Certificates of Deposit (purchases) maturities	27,382	-
Net transfers (to) from other funds	118	22,272
Net transfers (to) from restricted accounts	(28,339)	17,261
Net cash provided (used) by investing activities	<u>(77)</u>	<u>40,312</u>
Increase (Decrease) in cash and cash equivalents	7,583	7,315
Cash and cash equivalents, beginning of year	23,913	16,598
Cash and cash equivalents, end of year	<u>\$ 31,496</u>	<u>\$ 23,913</u>

(statements continued on next page)

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 29,244	\$ 35,193
Depreciation	84,603	85,907
(Increase) Decrease in Accounts Receivable	3,505	(4,405)
(Increase) Decrease in Inventory	(2,351)	(25)
(Increase) Decrease in Prepaid Expenses	(238)	337
Increase (Decrease) in Accounts Payable and Accrued Expenses	464	3,168
Increase (Decrease) in Customer Meter Deposits	925	650
Net Cash Provided by (Used in) Operating Activities	<u>\$ 116,152</u>	<u>\$ 120,825</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Organization and Financial Reporting Entity – Marvell Water and Sewer Department is a department of the City of Marvell, Arkansas. The accompanying financial statements present only the Marvell Water and Sewer Department and do not include all funds, account groups, and programs controlled by the City of Marvell. Other activities, funds, and account groups and programs are included in a government wide audit performed by the Arkansas Division of Legislative Audit.

The Water and Sewer Department serves the City of Marvell, and some of the rural residents of the surrounding area.

Basis of accounting – The Marvell Water and Sewer Department uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

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

Cash and Cash Equivalents – The Marvell Water and Sewer Department considers all cash, savings accounts, and certificate of deposits purchased with a maturity of three months or less to be cash equivalents. However, all cash balances designated as restricted are excluded from Cash Equivalents.

Accounts Receivable - Accounts receivable arise from sales of water and sewer services to local customers. Accounts receivable are presented at estimated net realizable value. The direct charge-off method is used to record bad debt expense. No material difference results from use of the direct charge-off method rather than the allowance method as required by generally accepted accounting principles. All bad debts have been netted against water revenues.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONT'D)**

Inventory – Inventory consists of expendable supplies held for consumption and are recorded at the lower of cost or market on a first in, first out basis. The cost is recorded as an expenditure at the time the individual inventory items are consumed rather than when purchased.

Property and Equipment – Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized, while minor repairs, replacements, and maintenance which does not improve or extend the life of such assets are charged to operations as incurred. Depreciation is provided by the straight-line method over the estimated lives of the assets, which range from 5 years for computer and transportation equipment to 50 years for water and sewer system.

Restricted Assets - The Marvell Water and Sewer Department is required under the terms of various bond ordinances to establish and maintain prescribed cash balances that can only be used for specific purposes.

Risk Management - The Marvell Water and Sewer Department minimizes risk of loss through purchase of commercial insurance coverage.

Compensated Absences - No accrual has been made for compensated absences because the amounts would not be material.

Sales Tax – The Entity is subject to state and local sales taxes. Revenues are presented net of sales taxes.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE B – DEPOSITS WITH FINANCIAL INSTITUTIONS

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

Category 1- Insured or collateralized by the entity or by its agent in the entity's name.

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

Category 3- Uncollateralized.

At September 30, 2020, cash deposits categorized by level of risk are as follows:

	category		
carrying amount	1	2	3
<u>\$ 188,572</u>	<u>\$ 188,572</u>	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2019, cash deposits categorized by level of risk are as follows:

	category		
carrying amount	1	2	3
<u>\$ 180,032</u>	<u>\$ 180,032</u>	<u>\$ -</u>	<u>\$ -</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE C- PROPERTY AND EQUIPMENT

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

	<u>9/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2020</u>
Not subject to depreciation:				
Land	\$ 31,110	\$ -	\$ -	\$ 31,110
Subject to depreciation:				
Buildings, Equipment, Improvements	73,665			73,665
Vehicles	172,490			172,490
Plant Equipment	<u>4,503,309</u>	<u>3,000</u>		<u>4,506,309</u>
	<u>4,780,574</u>	<u>3,000</u>	<u>-</u>	<u>4,783,574</u>
Accumulated Depreciation	<u>(1,936,526)</u>	<u>(84,603)</u>		<u>(2,021,129)</u>
Net Property, Plant and Equipment	<u>\$ 2,844,048</u>	<u>\$ (81,603)</u>	<u>\$ -</u>	<u>\$ 2,762,445</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE D- LONG TERM LIABILITIES

The following is a summary of the Marvell Water Department's Long-term Liabilities.

	<u>2020</u>	<u>2019</u>
5% Note Payable to USDA Rural Development due in monthly installments of \$2,435 through 2033, secured by pledge of future revenues	270,157	285,414
4% Note Payable to USDA Rural Development due in monthly installments of \$4,522 through 2050, secured by pledge of future revenue	944,849	960,865
4.25% Note Payable to USDA Rural Development due in monthly payments of \$ 1,834 through 2045, secured by pledge of future revenues.	<u>335,744</u>	<u>343,269</u>
	\$ 1,550,750	\$ 1,589,548
Less Current Maturities	<u>(40,743)</u>	<u>(38,798)</u>
	<u><u>\$ 1,510,007</u></u>	<u><u>\$ 1,550,750</u></u>

**CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE D- LONG -TERM LIABILITIES (CONT'D)

A summary of future payments required at September 30, 2020 is as follows:

For the years ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,743	\$ 64,749	\$ 105,492
2022	42,590	62,902	105,492
2023	44,523	60,969	105,492
2024	46,380	59,112	105,492
2025	48,651	56,841	105,492
For the five year periods ending September 30,			
2030	278,374	245,053	523,427
2035	268,135	184,434	452,569
2040	246,707	134,698	381,405
2045	294,683	78,864	373,547
2050	239,964	24,574	264,538
	<u>\$ 1,550,750</u>	<u>\$ 972,196</u>	<u>\$ 2,522,946</u>

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

<u>Balance 9/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2020</u>
<u>\$ 1,589,548</u>	<u>\$ -</u>	<u>\$ (38,798)</u>	<u>\$ 1,550,750</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE E – RESTRICTED ASSETS

The Debt Service Reserve and Depreciation Reserve cash accounts have been established pursuant to agreements with U.S. Rural Development. These accounts are to maintain monthly transfers as defined by loan agreements and are restricted for retirement of long-term debt, and repairs.

Restricted Accounts at September 30, 2020 and 2019 consists of

	<u>2020</u>	<u>2019</u>
Cash:		
Rural Development - Debt Service	\$ 72,888	\$ 46,144
Customer's deposit reserve	13,837	12,926
	<u>\$ 86,725</u>	<u>\$ 59,070</u>
Certificates of Deposit		
Rural Development Debt Service Reserve	\$ 44,246	\$ 71,218
Customer meter deposits	26,105	25,831
	<u>\$ 70,351</u>	<u>\$ 97,049</u>
Accrued interest receivable	<u>\$ 25</u>	<u>\$ 25</u>

At September 30, 2020, the Marvell Water and Sewer Department was required to have debt service reserves of \$ 105,492. At September 30, 2020, the Marvell Water and Sewer Department was in compliance with USDA reserve requirements. The Entity had debt service reserve balances of \$ 117,134.

At September 30, 2019, the Marvell Water and Sewer Department was required to have debt service reserves of \$ 95,372. At September 30, 2019, the Marvell Water and Sewer Department was in compliance with USDA reserve requirements. The Entity had debt service reserve balances of \$ 117,362.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE F – REVENUES

Major Customers:

The Entity has a management agreement with Marvell Rural Water Association, Inc., a non-profit corporation serving the rural area around Marvell, AR.

For the year ended September 30, 2020, the Marvell Rural Water Association's water purchases total was \$ 38,215 which represented 13 % of water and sewer revenues. Management fees earned from 2020 were \$ 74,943 which represents 63 % of other revenues earned.

At September 30, 2020, the amount due to Marvell Water and Sewer Department from the Marvell Rural Water Association was \$ 10,125. At September 30, 2019, the amount due Marvell Water and Sewer Department from the Marvell Rural Water Association was \$ 12,773.

NOTE G – EMPLOYEE'S RETIREMENT SYSTEM

All eligible employees participate in the Arkansas Employees Retirement System (APERS), a statewide cost-sharing multiple employer pension plan established by the authority of the Arkansas General Assembly. APERS provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. Contribution requirements are set forth by Arkansas Statute, and the Entity is required to contribute at an actuarially determined rate. For the years ended September 30, 2020 and 2019, the Entity's contributions were \$ 19,258 and \$ 20,386.

Because the plan is a multi-employer defined benefit pension plan, accounting principles generally accepted in the United States of America require the cost of employee's pensions to be recognized over the employee's respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets. APERS has provided the necessary information for the entire City of Marvell. The specific amounts allocable to the Marvell Water and Sewer Department were not provided.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE H – DUE TO OTHER FUNDS

Due to other funds consists of amounts billed for mosquito control and trash services. The Entity bills and collects these charges for the City of Marvell, AR. Amounts due to the City of Marvell, AR at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Mosquito Control	\$ 481	\$ 247
Advances	27,858	27,945
Trash Pickup	<u>27,641</u>	<u>27,670</u>
	<u>\$ 55,980</u>	<u>\$ 55,862</u>

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2023 the date of this report. No items noted which would require disclosure.

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

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

To the Members of the City Council and Water Commission
Marvell Water and Sewer Department
Marvell, Arkansas 72366

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Marvell Water and Sewer Department, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Marvell Water and Sewer Department's basic financial statements, and have issued our report thereon dated February 3, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marvell 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 Marvell Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marvell Water and Sewer Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (#20-1).

Compliance and Other Matters

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

Purpose of this Report

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

Meyer & Ward

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

February 3, 2023

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2020**

20-1 Segregation of duties

CONDITION: The Marvell 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 management 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 management.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2020**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUES:			
Water Fees	\$ 218,847	\$ 215,000	\$ 3,847
Sewer Fees	85,346	99,000	(13,654)
Other Revenues	<u>118,263</u>	<u>126,000</u>	<u>(7,737)</u>
Total Operating Revenues	<u>422,456</u>	<u>440,000</u>	<u>(17,544)</u>
OPERATING EXPENSES:			
Auto & Truck	8,248	5,000	3,248
Depreciation	84,603	86,000	(1,397)
Insurance	4,849	3,000	1,849
Salary & Fringe	185,900	188,000	(2,100)
Operating Supplies & Maintenance	7,522	25,000	(17,478)
Miscellaneous	9,328	7,000	2,328
Office Supplies	14,775	6,500	8,275
Repairs & Maintenance	17,103	4,000	13,103
Legal & Professional	3,405	9,000	(5,595)
Outside Services	11,784	17,000	(5,216)
Permits, Licenses, & Fees	5,891	1,600	4,291
Utilities	<u>39,804</u>	<u>28,000</u>	<u>11,804</u>
Total Operating Expenses	<u>393,212</u>	<u>380,100</u>	<u>13,112</u>
Income (Loss) from Operations	<u>29,244</u>	<u>59,900</u>	<u>(30,656)</u>
OTHER INCOME (EXPENSES)			
Interest Income	762	400	362
Miscellaneous income		3,000	(3,000)
Loan Payments		(58,700)	58,700
Interest Expense	<u>(66,122)</u>	<u>-</u>	<u>(66,122)</u>
Net Other Income (Expenses)	<u>(65,360)</u>	<u>(55,300)</u>	<u>(10,060)</u>
Change in Net Position	<u>\$ (36,116)</u>	<u>\$ 4,600</u>	<u>\$ (40,716)</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
SCHEDULE OF WATER AND SEWER RATES
SEPTEMBER 30, 2020**

For all users:	<u>Water</u>	<u>Sewer</u>
First 2,000 gallons	\$26.50	\$15.50
per 1,000 gallons after	\$3.30	\$1.30