

**CITY OF MAYFLOWER WATER AND
SEWER DEPARTMENT
Mayflower, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2023 and 2022
and
INDEPENDENT AUDITOR'S REPORT**

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
Mayflower, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2023 and 2022

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**Honorable Danny Hester, Mayor
and Members of the City Council
City of Mayflower
Mayflower, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the City of Mayflower Water and Sewer Department, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed on 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 City of Mayflower Water and Sewer Department as of December 31, 2023 and 2022, and the respective changes in financial position, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mayflower Water and Sewer Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Department and do not purport to, and do not, present fairly the financial position of the City of Mayflower, Arkansas, as of December 31, 2023 and 2022, and 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. Our opinion is not modified with respect to this matter.

Responsibility 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; 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.

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 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.

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**Honorable Danny Hester, Mayor
and Members of the City Council**

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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including 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 of Mayflower 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mayflower Water and Sewer Department's ability to continue as a going concern for a reasonable period of time.

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

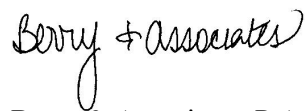
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mayflower Water and Sewer Department's basic financial statements. The accompanying Supplementary Information required by the USDA Rural Development is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 Supplementary Information required by the USDA Rural Development is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Honorable Danny Hester, Mayor
and Members of the City Council**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2024 on our consideration of the City of Mayflower 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 City of Mayflower Water and Sewer Department's internal control over financial reporting and compliance.



Berry & Associates, P.A.
Little Rock, Arkansas
July 15, 2024

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,328,026	\$ 1,508,501
Accounts receivable	229,403	232,754
Inventory	95,623	95,623
Prepaid expenses	29,769	27,403
Total current assets	<u>1,682,821</u>	<u>1,864,281</u>
NON-CURRENT ASSETS		
Restricted assets		
Cash and cash equivalents	459,041	438,090
Capital assets		
Capital assets, net of accumulated depreciation	<u>6,861,806</u>	<u>7,039,604</u>
Total non-current assets	<u>7,320,847</u>	<u>7,477,694</u>
TOTAL ASSETS	<u>\$ 9,003,668</u>	<u>\$ 9,341,975</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 97,000	\$ 142,291
Accrued interest payable	9,002	9,334
Accounts payable	75,573	110,958
Other current liabilities	20,926	50,177
Total current liabilities	<u>202,501</u>	<u>312,760</u>
LONG-TERM DEBT, net of current maturities	2,489,546	2,586,329
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	<u>162,839</u>	<u>157,444</u>
TOTAL LIABILITIES	<u>2,854,886</u>	<u>3,056,533</u>
NET POSITION		
Net investment in capital assets	4,275,260	4,310,983
Temporarily restricted	108,540	108,540
Unrestricted	<u>1,764,982</u>	<u>1,865,919</u>
Total net position	<u>6,148,782</u>	<u>6,285,442</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,003,668</u>	<u>\$ 9,341,975</u>

The accompanying notes to basic financial statements are an integral part of these statements

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Water revenue	\$ 1,708,505	\$ 1,652,146
Sewer revenue	692,586	644,054
Sanitation revenue	252,640	223,263
Tapping fees	19,060	26,939
Penalty and service charge revenue	82,623	70,963
Other revenues	174,123	178,804
Total operating revenues	2,929,537	2,796,169
OPERATING EXPENSES		
Salaries	639,900	544,988
Payroll expenses	47,262	41,389
Insurance	51,735	49,803
Retirement	41,657	42,464
Employee benefits	74,339	72,523
Fuel & auto expense	37,234	33,010
Depreciation & amortization	312,799	322,335
Repairs & maintenance	789,437	345,421
Office expense	53,113	49,867
Professional fees	28,827	28,841
Utilities	72,028	73,369
Water purchases	722,763	669,457
Dues, licenses, fees	20,169	20,742
Uniforms	27,178	27,556
Supplies	9,571	6,722
Contract labor	233,260	238,011
Advertising	295	494
Telephone	1,678	3,153
Travel expenses	3,107	3,251
Miscellaneous	614	9,019
Total operating expenses	3,166,966	2,582,415
OPERATING INCOME (LOSS)	(237,429)	213,754
NON-OPERATING REVENUES (EXPENSES)		
Interest income	104,829	41,282
Interest expense	(82,153)	(83,412)
Gain on disposal of fixed assets	-	16,825
Grants and contributions	77,390	697,757
Net non-operating revenues (expenses)	100,066	672,452
CHANGE IN NET POSITION BEFORE TRANSFERS	(137,363)	886,206
TRANSFERS		
Transfers in (out)	703	(8,967)
CHANGE IN NET POSITION	(136,660)	877,239
NET POSITION - BEGINNING OF YEAR	6,285,442	5,408,203
NET POSITION - END OF YEAR	\$ 6,148,782	\$ 6,285,442

The accompanying notes to basic financial statements are an integral part of these statements

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH:		
Cash flows from operating activities:		
Cash received from customers	\$ 2,932,888	\$ 2,802,751
Cash payments for goods and services	(2,358,496)	(1,875,045)
Cash payments to employees	(639,900)	(544,988)
Net cash provided by operating activities	17,115	382,718
Cash flows from non-capital financing activities:		
Transfers from (to) other funds	703	(8,967)
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(142,074)	(269,940)
Interest payments on long-term debt	(82,486)	(83,817)
Grants and contributions received	77,390	697,757
Purchase of capital assets	(129,098)	(152,940)
Proceeds from disposal of capital assets	-	16,850
Purchases for construction in progress	(5,903)	(226,268)
Net cash used by capital and related financing activities	(282,171)	(18,358)
Cash flows from investing activities:		
Interest received	104,829	41,282
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(159,524)	396,675
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,946,591	1,549,916
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,787,067	\$ 1,946,591
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (237,429)	\$ 213,754
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	312,799	322,335
Provision for gain on disposal of capital assets	-	(16,825)
(Increase) Decrease In:		
Accounts receivable	3,351	6,771
Prepaid expenses	(2,366)	1,427
Increase (Decrease) In:		
Accounts payable	(35,385)	(142,936)
Customer meter deposits	5,395	(620)
Other current liabilities	(29,250)	(1,188)
Total adjustments	254,544	168,964
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 17,115	\$ 382,718

The accompanying notes to basic financial statements are an integral part of these statements

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The City of Mayflower Water and Sewer Department is a municipal utility operated by the City of Mayflower, Arkansas. The Department serves substantially all the households and businesses in the City, consisting of approximately 3,318 water system customers and approximately 1,570 sewer system customers.

Basis of Presentation and Accounting

The accounts of the Department are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this Department are accounted for with a separate set of self-balancing accounts that comprise the Department's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Department is determined by its measurement focus. The transactions of the Department are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets, restricted for debt service; and unrestricted components.

Estimates

Management of the Department has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Department considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Allowance for Bad Debts

The Department has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2023 management had determined that no additional accounts needed to be written off. Bad debt expense for the year ended December 31, 2023 was \$0.

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Department defines capital assets as assets with an initial, individual cost of more than \$1,000 and with an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on Departments borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades and extensions of existing facilities.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Capital Assets, continued

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Asset	Years
Buildings	10-20 years
Water and Sewer System	5-40 years
Equipment	5-10 years
Vehicles	5-7 years

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Department. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Department's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Equity Classification

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Temporarily Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted- This component of net position consists of net position that does not meet the definition of "restricted."

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Council Members adopt an annual budget for the Department. The budget of the Department is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at the fiscal year-end.

Leases

The Department calculates operating leases using the implicit interest rate, or their incremental borrowing rate if the lease rate is not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

Reclassification

Certain 2022 items may have been reclassified in order to conform with the 2023 financial statement presentation.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Inventory

Inventory consists of pipe, fittings, parts, and chemicals used in normal operations of the water and sewer Department. Inventory is valued at the lower of cost or market.

Date of Management's Review

Subsequent events have been evaluated through July 15, 2024, which is the date the financial statements were available to be issued.

NOTE 2 – PUBLIC DEPARTMENTS: DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the Water Department's name.

The regulations of FDIC and FSLIC are subject to various interpretations regarding insurance coverage for public unit accounts; therefore, it was impracticable to determine the extent of the City's coverage.

NOTE 3 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 is as follows:

	Balance 1/1/2023	Additions	Deletions/ Transfers	Balance 12/31/2023
Sewer system	\$ 4,864,885	\$ -	\$ -	\$ 4,864,885
Water distribution system	6,162,418	1,264,243	-	7,426,661
Buildings	260,000	-	-	260,000
Office furniture and equipment	141,890	-	-	141,890
Transportation equipment	481,492	-	-	481,492
Land	150,465	-	-	150,465
Idle assets	75,000	-	-	75,000
Construction in progress	1,414,125	5,903	(1,135,145)	284,883
Total	<u>13,550,275</u>	<u>\$ 1,270,146</u>	<u>\$ (1,135,145)</u>	<u>13,685,276</u>
Less: Accumulated Depreciation	(6,510,671)	\$ (312,799)	\$ -	(6,823,470)
Total Capital Assets	<u>\$ 7,039,604</u>			<u>\$ 6,861,806</u>
	Balance 1/1/2022	Additions	Deletions/ Transfers	Balance 12/31/2022
Sewer system	\$ 5,009,891	\$ -	\$ (145,006)	\$ 4,864,885
Water distribution system	5,972,532	205,736	(15,850)	6,162,418
Buildings	260,000	-	-	260,000
Office furniture and equipment	139,866	3,207	(1,183)	141,890
Transportation equipment	455,135	52,765	(26,408)	481,492
Land	150,465	-	-	150,465
Idle assets	75,000	-	-	75,000
Construction in progress	1,279,801	226,268	(91,944)	1,414,125
Total	<u>13,342,690</u>	<u>\$ 487,976</u>	<u>\$ (280,391)</u>	<u>13,550,275</u>
Less: Accumulated Depreciation	(6,376,758)	\$ (322,335)	\$ 188,422	(6,510,671)
Total Capital Assets	<u>\$ 6,965,932</u>			<u>\$ 7,039,604</u>

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 – RESTRICTED CASH:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The following is a list of the restricted cash at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Customer Meter Deposits	\$ <u>248,637</u>	\$ <u>216,857</u>
Reserve accounts required by the		
Water and Sewer Revenue Bonds		
Bond Fund	41,186	38,953
Bond Fund	-	13,874
Bond Fund	95,862	95,050
Debt Service	<u>73,356</u>	<u>73,356</u>
Total Restricted Cash	\$ <u><u>459,041</u></u>	\$ <u><u>438,090</u></u>

NOTE 5 – LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
Revenue bonds payable to ADFA, due in semi-annual installments of \$41,034 including interest at 2.25% and service fees of 1%, through April 2023. (1)	\$ -	\$ 40,356
Welch State Bank, loan payable in monthly installments of \$1,196 including interest at 3.70% through April 2023, secured by vehicle. (2)	-	4,635
USDA Rural Development, loan payable in monthly installments of \$2,876 at 4.25% interest. The loan will mature December 2049. (3)	541,546	552,829
Revenue bonds payable to Centennial Bank, due in semi-annual installments with variable payment amounts and variable interest rates, through April 2042. (4)	2,045,000	2,130,000
Loan payable to City of Mayflower, due in monthly installments of \$7,200 with zero interest, through December 2022. (2)	-	800
	<u>2,586,546</u>	<u>2,728,620</u>
Less Current Portion	<u>(97,000)</u>	<u>(142,291)</u>
Total Long-Term Portion	\$ <u><u>2,489,546</u></u>	\$ <u><u>2,586,329</u></u>

(1) The revenue bonds have no restrictive covenants.

(2) The loan has no restrictive covenants.

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – LONG-TERM DEBT, continued:

- (3) The loan has a restrictive covenant including the requirement to maintain a debt service reserve in the amount of \$288 monthly until \$35,184 is accumulated.
- (4) The revenue bonds have restrictive covenants including the requirement to maintain a debt service reserve in the amount of \$73,356.

Annual maturities of long-term debt at December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 97,000	\$ 79,648	\$ 176,648
2025	102,500	77,397	179,897
2026	98,000	74,988	172,988
2027	103,600	72,310	175,910
2028	104,200	69,460	173,660
2029-2033	580,600	297,810	878,410
2034-2038	674,800	199,025	873,825
2039-2043	653,300	82,856	736,156
2044-2048	152,500	20,300	172,800
2049	20,046	114	20,160
	<u>\$ 2,586,546</u>	<u>\$ 973,908</u>	<u>\$ 3,560,454</u>

Long-term liability activity for the years ended December 31, 2023 and 2022 is as follows:

	Balance 1/1/23	Additions	Retirements	Balance 12/31/23	Due Within One Year
Long Term Debt					
Loans	\$ 558,264	\$ -	\$ (16,718)	\$ 541,546	\$ 12,000
Revenue Bonds	<u>2,170,356</u>	<u>-</u>	<u>(125,356)</u>	<u>2,045,000</u>	<u>85,000</u>
	<u>\$ 2,728,620</u>	<u>\$ -</u>	<u>\$ (142,074)</u>	<u>\$ 2,586,546</u>	<u>\$ 97,000</u>
	Balance 1/1/22	Additions	Retirements	Balance 12/31/22	Due Within One Year
Long Term Debt					
Loans	\$ 669,374	\$ -	\$ (111,110)	\$ 558,264	\$ 16,935
Revenue Bonds	<u>2,329,186</u>	<u>-</u>	<u>(158,830)</u>	<u>2,170,356</u>	<u>125,356</u>
	<u>\$ 2,998,560</u>	<u>\$ -</u>	<u>\$ (269,940)</u>	<u>\$ 2,728,620</u>	<u>\$ 142,291</u>

The Department has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,586,546 in loans/revenue bonds. Proceeds from the loans/bonds were used for building of the Department's water and sewer system. Principal and interest on the bonds are payable through 2049, solely from the water and sewer customer net revenues. Principal and interest paid in the year ended December 31, 2023 were \$142,074 and \$82,486, respectively. Principal and interest paid in the year ended December 31, 2022 were \$269,940 and \$83,817, respectively.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 6 – EMPLOYEE BENEFITS:

The Department has a defined contribution pension plan. All employees who have completed one year (1,000 hours) of service with the Department and have attained age 21 are eligible to participate. Participants' interests become fully vested in year four and may be withdrawn at retirement, disability, termination, death, or upon attaining age 65, whichever occurs first.

Funding Policy

Contributions to the plan are ten percent of eligible annual wages. Contributions for 2023 and 2022 were \$41,657 and \$42,464, respectively.

NOTE 7 – AMERICAN RESCUE PLAN ACT:

The American Rescue Plan Act (ARPA) was signed into law March 11, 2021 and it guaranteed direct relief to cities, towns, and villages in the United States. ARPA funds may be used to invest in necessary improvements to their water and sewer infrastructures. Using a simple per-capita calculation, the City of Mayflower was awarded \$1,570,000. As of December 31, 2023, the City of Mayflower had not yet received any of these funds. The Department plans to use these proceeds to make improvements to the water and sewer system.

SUPPLEMENTARY INFORMATION



American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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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*

**Honorable Danny Hester, Mayor,
and Members of the City Council
City of Mayflower
Mayflower, Arkansas**

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 Water and Sewer Department of the City of Mayflower, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Water and Sewer Department of the City of Mayflower, Arkansas's financial statements and have issued our report thereon dated July 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 in 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 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 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 as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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Honorable Danny Hester, Mayor,
and Members of the City Council
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Report on Compliance and Other Matters

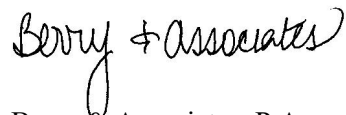
As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 or other matters that are required to be reported under *Government Auditing Standards*.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 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.



Berry & Associates, P.A.
Little Rock, AR
July 15, 2024

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2023

2023-001 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2022.

Cause: The Department's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the City Council should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View Of Responsible Officials: The Department concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Department has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

2023-002 Internal Control – Complete set of accounting records

Criteria: Maintaining a complete set of accounting records.

Condition: At December 31, 2023 the Department's general ledger did not include the current year's transactions for one trust account that is administered by a third party that is a material part of the financial statements. This finding was also noted in 2022.

Cause: The Department did not properly record transactions and maintain accounting records.

Effect or Potential Effect: General ledger accounts were not properly accounted for in the Department's internal financial statements. With these accounts missing, it does not permit the preparation of accurate and reliable financial statements.

Recommendation: We recommend that management of the Department properly records all transactions and appropriately maintains all accounting records in a timely manner.

View Of Responsible Officials: The Department concurs with the recommendation.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
SUPPLEMENTARY INFORMATION REQUIRED BY USDA RURAL DEVELOPMENT
December 31, 2023**

SCHEDULE OF WATER AND SEWER RATES:

<u>Water Rates:</u>	<u>Per Thousand Gallons</u>
Residential and Commercial:	
Minimum (no usage)	\$ 13.50
Per 1,000 Gallons	7.43
<u>Sewer Rates:</u>	
Residential and Commercial:	
Inside City Limits:	
Minimum (no usage)	\$ 15.48
Per 1,000 Gallons	6.97
Outside City Limits:	
Minimum (first 1,000 gallons)	\$ 19.35
Per 1,000 Gallons over 1000 Gallons	5.32
<u>Pump Maintenance:</u>	
(on as needed basis)	\$ 10.00

CITY COUNCIL MEMBERS:

<u>Name</u>	<u>Title</u>
Danny Hester	Mayor
Mark Hickman	Alderman
Zach Jeffery	Alderman
Jack Paul	Alderman
Kyle Marks	Alderman
Jennifer Massey	Alderman
Zack Warren	Alderman
Barbara Mathes	Recorder
Crystal Hatfield	Treasurer

INSURANCE SCHEDULE:

<u>POLICY NO. PREMIUM</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	
V2200223	Arkansas Municipal League	Vehicle	\$ 615,665
ETD0631933	The Cincinnati Insurance Company	Property	\$ 8,745,135
ETD0631933	The Cincinnati Insurance Company	Liability	\$ 3,000,000

ACCOUNTING:

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