

**CITY OF LEWISVILLE
WATER AND SEWER FUND
Lewisville, Arkansas
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021
and
INDEPENDENT AUDITOR'S REPORT**

**CITY OF LEWISVILLE
WATER AND SEWER FUND
Lewisville, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2022 and 2021**

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**Honorable Ethan Dunbar, Mayor and
Members of the City Council
City of Lewisville, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the City of Lewisville Water and Sewer Fund, as of and for the years ended December 31, 2022 and 2021, 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 Lewisville Water and Sewer Fund as of December 31, 2022 and 2021, 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 Lewisville Water and Sewer Fund, 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 Fund and do not purport to, and do not, present fairly the financial position of the City of Lewisville, Arkansas, as of December 31, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

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

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 Lewisville Water and Sewer Fund'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 Lewisville Water and Sewer Fund's ability to continue as a going concern for a reasonable period of time.

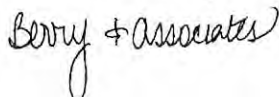
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewisville Water and Sewer Fund's basic financial statements. The Supplementary Information 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 on our consideration of the City of Lewisville Water and Sewer Fund'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 Lewisville Water and Sewer Fund's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
February 29, 2024

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF NET POSITION
December 31, 2022 and 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 167,656	\$ 247,786
Accounts receivable	132,820	106,809
Prepaid expenses	-	3,568
Total current assets	<u>300,476</u>	<u>358,163</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	<u>204,803</u>	<u>203,519</u>
Capital assets		
Water and sewer system	7,686,905	6,848,267
Less: accumulated depreciation	<u>(2,455,052)</u>	<u>(2,343,483)</u>
Total capital assets, net of accumulated depreciation	<u>5,231,853</u>	<u>4,504,784</u>
TOTAL ASSETS	<u>\$ 5,737,132</u>	<u>\$ 5,066,466</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 1,582	\$ 4,516
Sales tax payable	2,796	2,713
Accrued interest payable	3,173	578
Current maturities of long term debt	152,678	134,400
Other current liabilities	8,402	3,879
Total current liabilities	<u>168,631</u>	<u>146,086</u>
LONG-TERM DEBT, net of current maturities	<u>3,569,246</u>	<u>2,828,280</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	68,964	68,964
Retainage payable	-	51,101
Total liabilities from restricted assets	<u>68,964</u>	<u>120,065</u>
TOTAL LIABILITIES	<u>3,806,841</u>	<u>3,094,431</u>
NET POSITION		
Net investment in capital assets	1,509,929	1,515,035
Restricted	112,853	111,470
Unrestricted	<u>307,509</u>	<u>345,530</u>
TOTAL NET POSITION	<u>1,930,291</u>	<u>1,972,035</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,737,132</u>	<u>\$ 5,066,466</u>

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

CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water revenue	\$ 291,543	\$ 317,238
Sanitation revenue	60,027	60,892
Sewer revenue	276,685	270,299
Penalty charges	23,916	31,206
Reconnection fees	3,825	5,994
Other revenue	33,525	21,001
Total operating revenues	<u>689,521</u>	<u>706,630</u>
OPERATING EXPENSES		
Salaries	253,166	247,108
Depreciation	111,569	72,858
Testing fees	7,535	5,851
Payroll taxes	18,985	18,359
Insurance	29,456	23,958
Repairs and maintenance	33,468	9,216
Employee benefits	33,373	33,526
Materials and supplies	47,848	58,492
Office supplies and expense	6,936	5,396
Utilities	68,818	62,402
Professional fees	10,540	39,872
Gas and oil	12,589	8,987
Mosquito fee	10,420	9,036
Sanitation fee	55,867	64,638
Miscellaneous expense	15,281	12,510
Total operating expenses	<u>715,851</u>	<u>672,209</u>
OPERATING INCOME (LOSS)	<u>(26,330)</u>	<u>34,421</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,377	256
Interest expense	(31,664)	(24,778)
Grant income	-	423,500
Net non-operating revenues (expenses)	<u>(30,287)</u>	<u>398,978</u>
INCOME (LOSS) BEFORE TRANSFERS	(56,617)	433,399
Transfers in (out)	<u>14,873</u>	<u>(10,240)</u>
CHANGE IN NET POSITION	(41,744)	423,159
NET POSITION - BEGINNING OF YEAR	<u>1,972,035</u>	<u>1,548,876</u>
NET POSITION - ENDING OF YEAR	<u>\$ 1,930,291</u>	<u>\$ 1,972,035</u>

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

CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 663,510	\$ 715,314
Cash payments for supplies	(399,544)	(298,967)
Cash payments to employees	(253,166)	(247,108)
Net cash provided by operating activities	<u>10,800</u>	<u>169,239</u>
Cash flows from capital and related financing activities		
Proceeds from long-term debt	893,663	2,690,483
Interest payment on long term debt	(10,274)	(23,365)
Principal payments on long-term debt	(134,419)	(259,083)
Grant revenue received	-	423,500
Transfers in from other funds	14,873	-
Transfers out to other funds	-	(10,240)
Construction in progress	(838,638)	(2,125,754)
Purchase of capital assets	-	(971,870)
Net cash used by capital and related financing activities	<u>(74,795)</u>	<u>(276,329)</u>
Cash flows from investing activities:		
Interest received	1,377	256
Capitalized interest expense	(18,795)	-
Increase (decrease) in restricted cash and cash equivalents	1,284	(6,052)
Increase (decrease) in meter deposits	-	(60)
Net cash used by investing activities	<u>(16,134)</u>	<u>(5,856)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(80,129)	(112,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>247,786</u>	<u>360,732</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 167,657</u>	<u>\$ 247,786</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (26,330)	\$ 34,421
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	111,570	72,858
(Increase) Decrease in:		
Accounts receivable	(26,011)	5,815
Prepaid expenses	3,568	(446)
Inventory	-	10,366
Increase (Decrease) in:		
Accounts payable	(2,934)	(3,503)
Due to other funds	1,955	(888)
Sales tax payable	83	(485)
Retainage payable	(51,101)	51,101
	<u>37,130</u>	<u>134,818</u>
Net cash provided by operating activities	<u>\$ 10,800</u>	<u>\$ 169,239</u>

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

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The water and sewer system is owned by the City of Lewisville and operated as a separate fund. The system serves property located within the corporate limits of the City of Lewisville and certain properties outside the City limits.

Basis of Presentation and Accounting

The accounts of the Fund are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Fund'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 Fund is determined by its measurement focus. The transactions of the Fund 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 invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Estimates

Management of the Fund 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 Fund 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.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the City Council adopts an annual budget for the Fund. The budget of the Fund 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 fiscal year-end.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Fund defines capital assets as assets with an initial, individual cost of more than \$1,000 and 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 funds 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 nonoperating 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 of existing facilities.

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

Description	Estimated Useful live
Water and sewer system	10-50 years
Equipment	5-15 years
Vehicles	5 years
Office equipment	3-10 years
Fence	10 years

Restricted Assets

Certain proceeds of the Fund's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Fund are also considered restricted.

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Long-Term Debt

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 refundings 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.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Fund. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange 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 Fund's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Equity Classifications

Net position comprises the various net earnings from operating income, nonoperating 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."

Adoption of GASB 87

Effective January 1, 2022, the Fund adopted GASB 87, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment, based on relief provided in the practical expedients of this new standard. The adoption of GASB 87 did not have a material impact on the Fund's results of operations or cash flows.

NOTE 2 – PUBLIC FUNDS: 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 City's name.

NOTE 3 – PENSION PLAN:

Plan Description. The Fund contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5.25% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The Water and Sewer Fund's contributions to APERS for the years ending December 31, 2022 and 2021 were \$33,373 and \$33,526, respectively, equal to the required contributions for the year.

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 3 – PENSION PLAN, continued:

Requirements. GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, establishes standards for public pension plan obligations for participating employers. A cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal, but would be included in the government wide financial statements and not the individual fund financial statements.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2022 and 2021 is as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Equipment	\$ 43,905	\$ -	\$ -	\$ 43,905
Buildings	11,770	-	-	11,770
Tools and equipment	66,545	-	-	66,545
Tank and tower	315,113	-	-	315,113
Water and sewer treatment plant	501,126	-	-	501,126
Vehicles	100,478	-	-	100,478
Water and sewer system	3,683,575	2,964,393	-	6,647,968
Construction in progress	2,125,755	838,638	(2,964,393)	-
	6,848,267	3,803,031	(2,964,393)	7,686,905
Less: Accumulated Depreciation	(2,343,483)	(111,569)	-	(2,455,052)
Total Capital Assets	\$ 4,504,784	\$ 3,691,462	\$ (2,964,393)	\$ 5,231,853

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Equipment	\$ 43,905	\$ -	\$ -	\$ 43,905
Buildings	11,770	-	-	11,770
Tools and equipment	63,888	2,657	-	66,545
Tank and tower	315,113	-	-	315,113
Water and sewer treatment plant	501,126	-	-	501,126
Vehicles	100,478	-	-	100,478
Water and sewer system	2,714,363	969,212	-	3,683,575
Construction in progress	-	2,125,755	-	2,125,755
	3,750,643	3,097,624	-	6,848,267
Less: Accumulated Depreciation	(2,270,625)	(72,858)	-	(2,343,483)
Total Capital Assets	\$ 1,480,018	\$ 3,024,766	\$ -	\$ 4,504,784

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 5 – LONG-TERM DEBT:

Long-term debt consists of the following:

	2022	2021
Loan payable to Arkansas Natural Resources Commission with annual installments of \$141,224 including interest at 2.5%. The loan will mature on December 1, 2023.	\$ 137,778	\$ 272,198
Bond payable to Arkansas Department of Finance Administration with annual installments of \$89,213 including interest at 0.75% and a service fee of 1%. The bond will mature on October 15, 2043.	3,000,000	2,106,336
Bond payable to Arkansas Department of Finance Administration with biannual installments of \$13,992 including interest at 1.25% and a service fee of 1%. The bond will mature on April 15, 2051.	584,146	584,146
Total Long-Term Debt	3,721,924	2,962,680
Less Current Portion	(152,678)	(134,400)
Total Long-Term Portion	\$ 3,569,246	\$ 2,828,280

Annual maturities of long-term debt at December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 152,678	\$ 194,954	\$ 347,632
2024	141,800	64,610	206,410
2025	144,300	62,110	206,410
2026	147,000	59,410	206,410
2027	149,600	56,810	206,410
2028-2032	789,700	242,350	1,032,050
2033-2037	863,900	168,150	1,032,050
2038-2042	945,700	86,350	1,032,050
2043-2047	298,100	20,262	318,362
2048-2051	89,146	4,556	93,702
	\$ 3,721,924	\$ 959,562	\$ 4,681,486

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 5 – LONG-TERM DEBT, continued:

Long-term liability activity for the years ended December 31, 2022 and 2021 is as follows:

	Balance 12/31/21	Additions	Retirements	Balance 12/31/22	Due Within One Year
Long Term Debt					
Loans	\$ 272,197	\$ -	\$ (134,419)	\$ 137,778	\$ 137,778
Bonds	2,690,483	893,663	-	3,584,146	14,900
	<u>\$ 2,962,680</u>	<u>\$ 893,663</u>	<u>\$ (134,419)</u>	<u>\$ 3,721,924</u>	<u>\$ 152,678</u>

	Balance 12/31/20	Additions	Retirements	Balance 12/31/21	Due Within One Year
Long Term Debt					
Loans	\$ 531,280	\$ -	\$ (259,083)	\$ 272,197	\$ 134,400
Bonds	-	2,690,483	-	2,690,483	-
	<u>\$ 531,280</u>	<u>\$ 2,690,483</u>	<u>\$ (259,083)</u>	<u>\$ 2,962,680</u>	<u>\$ 134,400</u>

The Fund has pledged future water customer revenues, net of specified operating expenses, to repay \$3,721,924 in long-term debt. Proceeds from the bonds and loans were used for upgrading the Fund's water and sewer systems by constructing, equipping and operating an industrial plant near the City. Principal and interest on the loans and bonds are payable through 2051, solely from the water and sewer customer net revenues. Principal and interest paid in the year ended December 31, 2022 were \$134,419 and \$10,274, respectively. Principal and interest paid in the year ended December 31, 2021 were \$259,083 and \$23,365, respectively.

NOTE 6 – SUBSEQUENT EVENTS:

Management has evaluated all the activities of the Fund through February 29, 2024 that would require recognition in the financial statements or disclosure in the notes to the financial statements as of December 31, 2022.

NOTE 7- RESTRICTED ASSETS:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for bond payments.

The following is a list of the restricted cash at December 31, 2022 and 2021:

	2022	2021
Meter deposits	\$ 54,496	\$ 54,496
Debt service reserves	150,148	148,868
Cash held in trust	159	155
	<u>\$ 204,803</u>	<u>\$ 203,519</u>

NOTE 8 – CONCENTRATIONS:

The Fund has one major customer, Messer, LLC. This customer comprised approximately 53% of the total water revenues in 2022. For the year ended December 31, 2021, the this customer comprised approximately 48% of the total water revenues.



**Honorable Ethan Dunbar, Mayor and
Members of the City Council
City of Lewisville, Arkansas**

**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***

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 Fund of the City of Lewisville, Arkansas, (the "Fund") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Fund's financial statements and have issued our report thereon dated February 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2022-01, which we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2022-002.

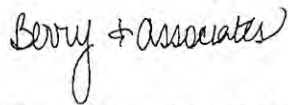
**Honorable Ethan Dunbar, Mayor and
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Fund's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the findings identified in our audit and described in the accompanying schedule of findings. The Fund'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, Arkansas
February 29, 2024

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2022**

2022-01 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 customer 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. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2021.

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

2022-002 Compliance –Bond Covenants

Criteria: The Fund was not in compliance with the depreciation reserve requirements set forth by the General Obligation Bond agreement with Arkansas Natural Resources Commission.

Condition: Bond covenants with Arkansas Natural Resources Commission require a depreciation reserve in the amount of three percent of gross monthly revenues to be accumulated for the life of the loan.

Cause: The Fund has not been making required monthly transfers to the depreciation reserve accounts.

Effect or Potential Effect: Without having the proper reserve accounts, the Fund risks having the ability to pay for any major repair.

Recommendation: We recommend that the Fund start making the required monthly transfers to a depreciation reserve account.

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

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
SUPPLEMENTARY INFORMATION
December 31, 2022**

GOVERNMENT:

The City of Lewisville, Arkansas is governed by a mayor and six council members. The records are maintained by the Recorder/Treasurer. Ethan Dunbar is the City Mayor and Misty Wright is the Recorder/Treasurer.

USAGE OF THE WATER AND SEWER SYSTEM:

The current water and sewer rates are shown in the following schedules:

WATER RATES:

Gallons	Residential Within City Limits (Per 1,000 Gallons)	Residential Outside City Limits (Per 1,000 Gallons)	Commercial (Per 1,000 Gallons)
Minimum 2,000	\$ 9.86	\$ 13.90	\$ 13.20
Next 3,000	4.50	5.53	3.28
Next 5,000	4.90	3.68	2.07
Next 10,000	3.53	1.90	2.07
Next 30,000	1.28	1.54	1.88
Excess 50,000	1.05	1.32	1.58

	Flat Rate
Sewage	\$ 29.00
Garbage	7.70
Mosquito abatement	1.50

SEWER RATES:

Rates are fixed for residential users at a base monthly rate of \$29.00. Commercial users are charged a base monthly rate of \$29.00 multiplied by a 10% usage surcharge.

As of December 31, 2022, and 2021, water service was provided to 601 and 618 users, respectively, and sewer service was provided to 466 and 478 users, respectively.

SANITATION FEE:

Rates are fixed for residential users at a base monthly rate of \$7.70 for city limits (residents), and \$8.00 for outside city limits (non-residents). Commercial users are charged a base monthly rate of \$25.00.

MOSQUITO ABATEMENT:

Rates are fixed for all users at a base monthly rate of \$1.50.

**CITY OF LEWISVILLE, ARKANSAS
WATER AND SEWER FUND
SUPPLEMENTARY INFORMATION
December 31, 2022**

INSURANCE SCHEDULE:

<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>AMOUNT</u>
Arkansas Municipal League	Property	\$ 700,000
Arkansas Municipal League	Vehicle	\$ 159,000
Arkansas Municipal League	Linebacker	\$ 100,000

ACCOUNTING:

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