

**MARVELL WATER
AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**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

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

Opinions

We have audited the accompanying financial statements of the business-type activities of the Marvell Water & Sewer Department as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Marvell Water & Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Marvell Water & Sewer Department, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified 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 Marvell Water & 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. As more fully described in Note H, to the financial statements, for the year ended September 30, 2021, 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 requires the cost of employee pension 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.

Emphasis of Matter

As discussed in Note A, the 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, AR as of September 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marvell Water & Sewer Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marvell Water & Sewer Department's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-7 and 23 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 and 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023, on our consideration of the Marvell Water & 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marvell Water & Sewer Department's 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 Marvell Water & Sewer Department's internal control over financial reporting and compliance.

Meyer & Ward

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

August 4, 2023

**MARVELL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021**

Within this section of the Marvell Water and Sewer Department's financial report, the Department's management provides narrative discussion and analysis of the financial activities of the Department for the year ended September 30, 2021. The Department'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 Department as a whole and present a longer term view of the Department'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 Department as a whole follows in the next section. The Department 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 Department's finances is "Is the Department 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 Department 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 Department's net position and changes in them. You can think of the Department's net position (the difference between assets and liabilities) as one way to measure the Department's financial health. 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 condition of the water and sewer system, to assess the overall health of the Department.

**MARVELL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021**

Financial Highlights:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning Net Position	\$ 1,354,558	\$ 1,390,674	\$ 1,422,957
Increase (decrease) in Net Position	<u>6,458</u>	<u>(36,116)</u>	<u>(32,283)</u>
Ending Net Position	<u>\$ 1,361,016</u>	<u>\$ 1,354,558</u>	<u>\$ 1,390,674</u>

Assets, liabilities, and net position for 2021, 2020, and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 90,444	\$ 96,401	\$ 89,734
Restricted assets	161,423	157,101	156,144
Capital Assets	<u>2,720,939</u>	<u>2,762,445</u>	<u>2,844,048</u>
Total Assets	<u>2,972,806</u>	<u>3,015,947</u>	<u>3,089,926</u>
Current liabilities	134,035	151,382	148,502
Long-term liabilities	<u>1,477,755</u>	<u>1,510,007</u>	<u>1,550,750</u>
Total Liabilities	<u>1,611,790</u>	<u>1,661,389</u>	<u>1,699,252</u>
Net Position			
Invested in capital assets	1,196,592	1,211,695	1,254,500
Restricted for debt service	121,027	117,134	117,362
Unrestricted	<u>43,397</u>	<u>25,729</u>	<u>18,812</u>
Total Net Position	<u>\$ 1,361,016</u>	<u>\$ 1,354,558</u>	<u>\$ 1,390,674</u>

The following schedule presents a summary of revenues and expenditures for the year ended September 30, 2021, 2020, and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 475,626	\$ 422,456	\$ 461,088
Operating Expenses	<u>416,568</u>	<u>393,212</u>	<u>425,894</u>
Operating Income	59,058	29,244	35,194
Other Income (Expenses)	<u>(52,600)</u>	<u>(65,360)</u>	<u>(67,477)</u>
Change in Net Position	<u>\$ 6,458</u>	<u>\$ (36,116)</u>	<u>\$ (32,283)</u>

**MARVELL WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end September 30, 2021, the Department had \$2,720,939 invested in capital assets. This represents a net decrease of \$41,506 which is the result of depreciation expense of \$88,769 recognized for the year, and additions of \$47,263.

Debt

At year end September 30, 2021, the Department had \$1,524,347 in outstanding notes payable. This represents a decrease of \$26,403 which is the result of principal payments made in the amount of \$43,207 and new debt issued during the year for \$16,804.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Department has no plans for any major changes for the upcoming year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Department's finances and to show the Department'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
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash on hand and in banks	\$ 20,429	\$ 31,496
Accounts Receivable - Customers	39,460	41,122
Accounts Receivable - Employee	-	600
Unbilled Receivables	16,684	11,438
Inventory	11,145	9,625
Prepaid Insurance	2,726	2,120
Total Current Assets	<u>90,444</u>	<u>96,401</u>
Restricted Assets		
Cash	90,696	86,725
Certificates of Deposit	70,702	70,351
Accrued Interest Receivable	25	25
Total Restricted Assets	<u>161,423</u>	<u>157,101</u>
Property, Plant and Equipment		
Land	31,510	31,110
Buildings, Equipment, and Improvements	73,665	73,665
Vehicles	185,244	172,490
Water and Sewer Plant	4,524,868	4,506,309
	<u>4,815,287</u>	<u>4,783,574</u>
Less Accumulated Depreciation	(2,094,348)	(2,021,129)
Net Property, Plant and Equipment	<u>2,720,939</u>	<u>2,762,445</u>
Total Assets	<u>\$ 2,972,806</u>	<u>\$ 3,015,947</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

LIABILITIES AND NET POSITION

	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 7,743	\$ 9,789
Grant Advances Payable	3,432	3,432
Due to Other Funds	34,091	55,980
Accrued Interest Payable	3,124	2,695
Current Maturities of Long term Debt	46,592	40,743
	<u>94,982</u>	<u>112,639</u>
Payable From Restricted Assets:		
Customer Meter Deposits	<u>39,053</u>	<u>38,743</u>
Long- Term Debt, less current portion	<u>1,477,755</u>	<u>1,510,007</u>
Total Liabilities	<u>1,611,790</u>	<u>1,661,389</u>
Net Position:		
Net investment in capital assets	1,196,592	1,211,695
Restricted for debt service	121,027	117,134
Unrestricted	43,397	25,729
Total Net Position	<u>1,361,016</u>	<u>1,354,558</u>
Total Liabilities and Net Position	<u>\$ 2,972,806</u>	<u>\$ 3,015,947</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020
Operating Revenues:		
Water Sales	\$ 245,786	\$ 218,847
Sewer Sales	85,965	85,346
Other Revenues	143,875	118,263
Total Operating Revenues	475,626	422,456
Operating Expenses:		
Auto and Truck	7,125	8,248
Depreciation	88,769	84,603
Insurance	4,846	4,849
Salaries and Fringe Benefits	189,135	185,900
Operating Supplies and Maintenance	15,651	7,522
Miscellaneous	9,206	9,328
Office Supplies	9,606	14,775
Repairs and Maintenance	27,375	17,103
Legal and Professional	5,257	3,405
Outside Services	12,851	11,784
Permits, License and Fees	4,475	5,891
Utilities	42,272	39,804
Total Operating Expense	416,568	393,212
OPERATING INCOME (LOSS)	59,058	29,244
Non-operating Revenues (Expenses)		
Interest Income	440	762
Transfers In - City General Fund	334	
Gain on Sale of Equipment	11,675	
Interest Expense	(65,049)	(66,122)
Total Non-operating Revenues (Expenses)	(52,600)	(65,360)
Change in Net Position	6,458	(36,116)
Beginning Net Position	1,354,558	1,390,674
Ending Net Position	\$ 1,361,016	\$ 1,354,558

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 472,952	\$ 426,886
Payments to suppliers	(142,836)	(124,834)
Payments to employees	(189,135)	(185,900)
Net cash provided by operating activities	<u>140,981</u>	<u>116,152</u>
Cash flows from Non Capital Financing Activities		
Net transfers (to) from other funds	<u>(21,555)</u>	<u>118</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital equipment	(47,263)	(3,000)
Proceeds from sale of capital equipment	11,675	
Proceeds from loans	16,804	
Principal paid on capital debt	(43,207)	(38,798)
Interest paid on capital debt	(64,620)	(66,694)
Net cash provided (used) by capital and related activities	<u>(126,611)</u>	<u>(108,492)</u>
Cash Flows from Investing Activities:		
Interest income	440	762
Certificates of Deposit (purchases) maturities		27,382
Net transfers (to) from restricted accounts	(4,322)	(28,339)
Net cash provided (used) by investing activities	<u>(3,882)</u>	<u>(195)</u>
Increase (Decrease) in cash and cash equivalents	(11,067)	7,583
Cash and cash equivalents, beginning of year	31,496	23,913
Cash and cash equivalents, end of year	<u>\$ 20,429</u>	<u>\$ 31,496</u>

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

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 59,058	\$ 29,244
Depreciation	88,769	84,603
(Increase) Decrease in:		
Accounts Receivable	(2,984)	3,505
Inventory	(1,520)	(2,351)
Prepaid Expense	(606)	(238)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(2,046)	464
Customer Meter Deposit	310	925
	\$ 140,981	\$ 116,152

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, 2021**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Financial Reporting Department –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.

Activities of the Marvell Water and Sewer Department are governed by the Mayor and members of the City Council. The Water and Sewer Department serves the City of Marvell and 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.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE A- ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONT'D)

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.

Operating Revenues and Expenses – Operating Revenues and Expenses consists of those revenues that result from ongoing operations, and are primarily charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary services. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Department’s policy to apply those expenses to restricted net assets to the extent such as are available and then to unrestricted net assets.

Sales Tax – The Marvell Water and Sewer Department collects sales taxes on water sold, and remits taxes collected monthly to the State of Arkansas Department of Finance and Administration. Water fees are presented in the accompanying financial statements net of sales taxes.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE B – DEPOSITS WITH FINANCIAL INSTITUTIONS

The Department’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 Department’s deposits are categorized to give an indication of the level of risk assumed by the Department. The categories are described as follows:

Category 1- Insured or collateralized by the Department or by its agent in the Department’s name.

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

Category 3- Uncollateralized.

At September 30, 2021, cash deposits categorized by level of risk are as follows:

Carrying Amount	Category		
	1	2	3
\$ 181,827	\$ 181,827		

NOTE C- PROPERTY AND EQUIPMENT

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

	September 30, 2020	Additions	Deletions	September 30, 2021
Land	\$ 31,110	\$ 400		\$ 31,510
Buildings, Equipment, Improvem	73,665			73,665
Vehicles	172,490	28,304	(15,550)	185,244
Plant	4,506,309	18,559		4,524,868
	<u>\$ 4,783,574</u>	<u>\$ 47,263</u>	<u>\$ (15,550)</u>	<u>\$ 4,815,287</u>
Accumulated Depreciaiton	(2,021,129)	(88,769)	15,550	(2,094,348)
Net Property, Plant, and Equipr	<u>\$ 2,762,445</u>	<u>\$ (41,506)</u>	<u>\$ -</u>	<u>\$ 2,720,939</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE D- LONG – TERM LIABILITIES

The following is a summary of the Marvell Water Department's Notes Payable:

	<u>2021</u>	<u>2020</u>
5% Note Payable to USDA Rural Development due in monthly installments of \$2,435 through 2033, secured by pledge of future revenues	253,963	270,157
4% Note Payable to USDA Rural Development due in monthly installments of \$4,522 through 2050, secured by pledge of future revenue	927,803	944,849
4.25% Note Payable to USDA Rural Development due in monthly payments of \$ 1,834 through 2045, secured by pledge of future revenues.	327,747	335,744
4.725% N/P to Partners Bank secured by truck, due in monthly installments of \$ 385 through March 2025	14,834	-
	<u>\$ 1,524,347</u>	<u>\$ 1,550,750</u>
Less Current Maturities	<u>(46,592)</u>	<u>(40,743)</u>
Long Term Debt, Net of Current Portion	<u>\$ 1,477,755</u>	<u>\$ 1,510,007</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

A summary of future payments required at September 30, 2021 is as follows:

For the years ending September 30,	Principal	Interest	Total
2022	\$ 46,592	\$ 63,520	\$ 110,112
2023	48,745	61,367	110,112
2024	50,972	59,140	110,112
2025	50,967	56,832	107,799
2026	50,904	54,588	105,492
For the five year periods ending September 30,			
2031	291,441	236,019	527,460
2036	250,106	172,928	423,034
2041	257,415	123,945	381,360
2046	295,178	69,378	364,556
2051	182,027	13,758	195,785
	<u>\$ 1,524,347</u>	<u>\$ 911,475</u>	<u>\$ 2,435,822</u>

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

Balance 9/30/2020	Additions	Reductions	Balance 9/30/2021
<u>\$ 1,550,750</u>	<u>\$ 16,804</u>	<u>\$ 43,207</u>	<u>\$ 1,524,347</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE E – RESTRICTED ACCOUNTS

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, 2021 consists of the following:

	<u>2021</u>	<u>2020</u>
Cash:		
Rural Development - Debt Service	\$ 76,560	\$ 72,888
Customer's deposit reserve	14,136	13,837
	<u>\$ 90,696</u>	<u>\$ 86,725</u>
Certificates of Deposit		
Rural Development Debt Service Reserve	\$ 44,467	\$ 44,246
Customer meter deposits	26,235	26,105
	<u>\$ 70,702</u>	<u>\$ 70,351</u>
Accrued interest receivable	<u>\$ 25</u>	<u>\$ 25</u>

NOTE F - GARBAGE PAYABLE

Garbage Revenues are collected and billed by the Marvell Water and Sewer Department on behalf of the City of Marvell. Transfers are made monthly to the City of Marvell General Fund.

NOTE G – CONCENTRATION OF CREDIT RISK

Accounts Receivable arise from water and sewer sales to residents of the City of Marvell. The Department maintains cash deposits from customers to collateralize Accounts Receivable.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE H – RETIREMENT PLAN

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, 2021 and 2020 the Entity's contributions were \$ 19,726 and \$ 19,258 .

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. We were unable to determine the specific amounts allocable to the Marvell Water and Sewer Department.

NOTE I – 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, 2021, the Marvell Rural Water Association's water purchases total was \$68,295 which represented 21% of water and sewer revenues. Management fees earned from 2021 were \$ 74,085 which represents 51% of other revenues earned.

At September 30, 2021, the amount due to Marvell Water and Sewer Department from the Marvell Rural Water Association was \$ 16,684. At September 30, 2020, the amount due to Marvell Water and Sewer Department from the Marvell Rural Water Association was \$ 11,438.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report, no items were noted which would require disclosure.

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

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

To the City Council
Marvell, Arkansas

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 business-type activities as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Marvell, Arkansas Water and Sewer Department's basic financial statements and have issued our report thereon dated August 4, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marvell, Arkansas 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, Arkansas Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marvell, Arkansas 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 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 and questioned costs that we consider to be significant deficiencies. (#2021-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marvell, Arkansas 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*.

Marvell, Arkansas Water and Sewer Department's Response to Findings

Marvell, Arkansas Water and Sewer Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marvell, Arkansas Water and Sewer Department's response was 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.

Meyer & Ward

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

August 4, 2023

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
SCHEDULE OF FINDINGS**

September 30, 2021

#2021-01 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 Department's internal control over financial reporting, processing of transactions, and safeguarding of assets.

RECOMMENDATION: The Department'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 the council.

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
OPERATING REVENUES:			
Water Fees	\$ 245,786	\$ 224,000	\$ 21,786
Sewer Fees	85,965	88,000	(2,035)
Other Revenues	<u>143,875</u>	<u>151,000</u>	<u>(7,125)</u>
Total Operating Revenues	<u>475,626</u>	<u>463,000</u>	<u>12,626</u>
OPERATING EXPENSES:			
Auto & Truck	7,125	10,000	2,875
Depreciation	88,769	70,000	(18,769)
Insurance	4,846	5,000	154
Salary & Fringe	189,135	198,500	9,365
Operating Supplies & Maintenance	15,651	19,500	3,849
Miscellaneous	9,206	10,000	794
Office Supplies	9,606	7,200	(2,406)
Repairs & Maintenance	27,375	11,000	(16,375)
Legal & Professional	5,257	9,000	3,743
Outside Services	12,851	19,000	6,149
Permits, Licenses, & Fees	4,475	8,000	3,525
Utilities	<u>42,272</u>	<u>25,000</u>	<u>(17,272)</u>
Total Operating Expenses	<u>416,568</u>	<u>392,200</u>	<u>(24,368)</u>
Income (Loss) from Operations	<u>59,058</u>	<u>70,800</u>	<u>(11,742)</u>
OTHER INCOME (EXPENSES)			
Interest Income	440	600	(160)
Transfers In - City General Fund	334		334
Gain on Sale of Equipment	11,675		11,675
Loan Payments		(58,700)	58,700
Interest Expense	<u>(65,049)</u>	<u>-</u>	<u>(65,049)</u>
Net Other Income (Expenses)	<u>(52,600)</u>	<u>(58,100)</u>	<u>5,500</u>
Change in Net Position	<u>\$ 6,458</u>	<u>\$ 12,700</u>	<u>\$ (6,242)</u>

**MARVELL WATER AND SEWER DEPARTMENT
CITY OF MARVELL, ARKANSAS
SCHEDULE OF WATER AND SEWER RATES
SEPTEMBER 30, 2021**

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