

**CITY OF MAYFLOWER WATER AND
SEWER DEPARTMENT
Mayflower, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2021 and 2020
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, 2021 and 2020

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**Honorable Randy Holland, Mayor
and Members of the City Council
City of Mayflower
Mayflower, Arkansas**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Water and Sewer Department of the City of Mayflower, Arkansas (the "Department"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water and Sewer Department of the City of Mayflower, Arkansas as of December 31, 2021 and 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Honorable Randy Holland, Mayor
and Members of the City Council**

Other Matters

Other Information

Our audit was conducted for the purpose of performing opinions on the financial statements that collectively comprise the Water and Sewer Department of the City of Mayflower, Arkansas's basic financial statements. The Supplementary Information Required by the USDA Rural Development is presented for purposes of additional analysis and are not a required part of the basic financial statements.

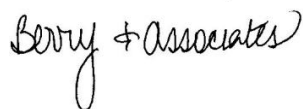
The Supplementary Information Required by the USDA Rural Development is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information Required by the USDA Rural Development is fairly stated, in all material respects, in relation to the 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 May 25, 2022 on our consideration of the Water and Sewer Department of the City of Mayflower, Arkansas'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 Water and Sewer Department of the City of Mayflower, Arkansas's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water and Sewer Department and do not purport to, and do not, present fairly the financial position of the City of Mayflower, Arkansas, as of December 31, 2021 and 2020, and the changes in its financial position, or 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.



Berry & Associates, P.A.
Little Rock, Arkansas
May 25, 2022

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,129,100	\$ 1,277,069
Accounts receivable	239,525	213,595
Inventory	95,623	95,623
Prepaid expenses	28,830	38,384
Total current assets	<u>1,493,078</u>	<u>1,624,671</u>
NON-CURRENT ASSETS		
Restricted assets		
Cash and cash equivalents	420,816	553,113
Capital assets		
Capital assets, net of accumulated depreciation	<u>6,965,932</u>	<u>6,027,370</u>
Total non-current assets	<u>7,386,748</u>	<u>6,580,483</u>
TOTAL ASSETS	<u><u>\$ 8,879,826</u></u>	<u><u>\$ 8,205,154</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 270,900	\$ 271,600
Accrued interest payable	9,739	10,101
Accounts payable	253,894	99,980
Other current liabilities	51,366	26,417
Total current liabilities	<u>585,899</u>	<u>408,098</u>
LONG-TERM DEBT, net of current maturities	2,727,660	2,994,440
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	<u>158,064</u>	<u>142,144</u>
TOTAL LIABILITIES	<u>3,471,623</u>	<u>3,544,682</u>
NET POSITION		
Net investment in capital assets	3,967,371	2,761,330
Temporarily restricted	107,916	104,460
Unrestricted	<u>1,332,916</u>	<u>1,794,682</u>
Total net position	<u>5,408,203</u>	<u>4,660,472</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 8,879,826</u></u>	<u><u>\$ 8,205,154</u></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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water revenue	\$ 1,663,789	\$ 1,649,428
Sewer revenue	543,009	445,834
Sanitation revenue	214,665	213,241
Tapping fees	35,064	6,720
Grants and contributions	749,873	15,475
Other revenues	176,811	211,814
Total operating revenues	<u>3,383,211</u>	<u>2,542,512</u>
OPERATING EXPENSES		
Salaries	540,702	496,385
Payroll expenses	41,740	37,116
Insurance	59,374	57,011
Retirement	45,136	41,237
Employee benefits	95,904	93,222
Fuel & auto expense	30,779	27,965
Depreciation & amortization	311,844	316,986
Repairs & maintenance	361,720	274,278
Office expense	45,896	31,105
Professional fees	44,165	160,577
Utilities	80,649	68,002
Water purchases	639,128	670,450
Dues, licenses, fees	22,584	17,321
Uniforms	175	248
Supplies	6,201	6,877
Contract labor	221,580	227,712
Advertising	408	1,142
Telephone	6,752	7,171
Travel expenses	2,640	982
Miscellaneous	80	7,098
Total operating expenses	<u>2,557,457</u>	<u>2,542,885</u>
OPERATING INCOME (LOSS)	<u>825,754</u>	<u>(373)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	19,657	23,383
Interest expense	(100,248)	(90,245)
Transfers	2,568	40,000
Net non-operating revenues (expenses)	<u>(78,023)</u>	<u>(26,862)</u>
CHANGE IN NET POSITION	747,731	(27,235)
NET POSITION - BEGINNING OF YEAR	<u>4,660,472</u>	<u>4,687,707</u>
NET POSITION - END OF YEAR	<u>\$ 5,408,203</u>	<u>\$ 4,660,472</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH:		
Cash flows from operating activities:		
Cash received from customers	\$ 3,357,281	\$ 2,515,174
Cash payments for goods and services	(2,250,448)	(1,592,242)
Other income received	749,873	15,475
Cash payments to employees	(540,702)	(496,385)
Net cash provided by operating activities	<u>1,316,004</u>	<u>442,022</u>
Cash flows from non-capital financing activities:		
Transfers received from other funds	<u>2,568</u>	<u>40,000</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(267,480)	(247,187)
Proceeds from long-term debt	-	260,000
Interest payments on long-term debt	(100,609)	(90,631)
Purchase of capital assets	(110,815)	(273,310)
Purchases for construction in progress	(1,139,591)	(109,871)
Net cash used by capital and related financing activities	<u>(1,618,495)</u>	<u>(460,999)</u>
Cash flows from investing activities:		
Interest received	<u>19,657</u>	<u>23,383</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(280,266)</u>	<u>44,406</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,830,182</u>	<u>1,785,776</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,549,916</u>	<u>\$ 1,830,182</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 825,754	\$ (373)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	311,844	316,986
Provision for expense of cancellation of construction projects	-	83,567
(Increase) Decrease In:		
Accounts receivable	(25,930)	(11,863)
Prepaid expenses	9,554	(4,968)
Increase (Decrease) In:		
Accounts payable	153,914	55,895
Customer meter deposits	15,920	(10,500)
Other current liabilities	24,948	13,278
Total adjustments	<u>490,250</u>	<u>442,395</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,316,004</u>	<u>\$ 442,022</u>

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, 2021 and 2020**

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 3,226 water system customers and approximately 1,528 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, 2021 management had determined that no additional accounts needed to be written off. Bad debt expense for the year ended December 31, 2021 was \$0.

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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't

Capital Assets, con't

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."

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.

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.

Reclassification

Certain amounts reported in 2020 have been reclassified to conform to the presentation at December 31, 2021.

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: con't

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.

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, 2021 and 2020 is as follows:

	Balance 1/1/2021	Additions	Deletions/ Transfers	Balance 12/31/2021
Sewer system	\$ 5,009,891	\$ -	\$ -	\$ 5,009,891
Water distribution system	5,968,317	4,215	-	5,972,532
Buildings	260,000	-	-	260,000
Office furniture and equipment	139,866	-	-	139,866
Transportation equipment	348,535	106,600	-	455,135
Land	150,465	-	-	150,465
Idle assets	75,000	-	-	75,000
Construction in progress	140,210	1,139,591	-	1,279,801
Total	12,092,284	\$ 1,250,406	\$ -	13,342,690
Less: Accumulated Depreciation	(6,064,914)	\$ (311,844)	\$ -	(6,376,758)
Total Capital Assets	\$ 6,027,370			\$ 6,965,932

	Balance 1/1/2020	Additions	Deletions/ Transfers	Balance 12/31/2020
Sewer system	\$ 5,005,334	\$ 4,557	\$ -	\$ 5,009,891
Water distribution system	5,963,342	4,975	-	5,968,317
Buildings	-	260,000	-	260,000
Office furniture and equipment	136,088	3,778	-	139,866
Transportation equipment	348,535	-	-	348,535
Land	150,465	-	-	150,465
Idle assets	75,000	-	-	75,000
Construction in progress	113,906	109,871	(83,567)	140,210
Total	11,792,670	\$ 383,181	\$ (83,567)	12,092,284
Less: Accumulated Depreciation	(5,747,928)	\$ (316,986)	\$ -	(6,064,914)
Total Capital Assets	\$ 6,044,742			\$ 6,027,370

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Customer Meter Deposits	\$ 195,682	\$ 324,655
Reserve accounts required by the		
Water and Sewer Revenue Bonds		
Bond Fund	37,963	33,796
Bond Fund	13,681	27,358
Bond Fund	100,134	93,948
Debt Service	73,356	73,356
Total Restricted Cash	\$ <u>420,816</u>	\$ <u>553,113</u>

NOTE 5 – LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</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)	\$ 119,186	\$ 195,515
Welch State Bank, loan payable in monthly installments of \$1,196 including interest at 3.70% through April 2023, secured by vehicle. (2)	18,529	31,915
USDA Rural Development, loan payable in monthly installments of \$2,876 at 4.25% interest. The loan will mature December 2049. (3)	563,645	570,010
Revenue bonds payable to Centennial Bank, due in semi-annual installments with variable payment amounts and variable interest rates, through April 2042. (4)	2,210,000	2,295,000
Loan payable to City of Mayflower, due in monthly installments of \$7,200 with zero interest, through December 2022. (2)	87,200	173,600
	<u>2,998,560</u>	<u>3,266,040</u>
Less Current Portion	<u>(270,900)</u>	<u>(271,600)</u>
Total Long-Term Portion	\$ <u>2,727,660</u>	\$ <u>2,994,440</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, 2021 and 2020

NOTE 5 – LONG-TERM DEBT: con't

- (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, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 270,900	\$ 86,536	\$ 357,436
2023	141,515	82,570	224,085
2024	97,000	84,432	181,432
2025	102,500	77,397	179,897
2026	98,000	74,988	172,988
2027-2031	549,100	331,235	880,335
2032-2036	631,600	240,750	872,350
2037-2041	748,300	130,747	879,047
2042-2046	275,100	34,809	309,909
2047-2049	84,545	403	84,948
	<u>\$ 2,998,560</u>	<u>\$ 1,143,867</u>	<u>\$ 4,142,427</u>

Long-term liability activity for the years ended December 31, 2021 and 2020 is as follows:

	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/21</u>	<u>Due Within</u> <u>One Year</u>
Long Term Debt					
Loans	\$ 775,525	\$ -	\$ (106,151)	\$ 669,374	\$ 112,100
Revenue Bonds	2,490,515	-	(161,329)	2,329,186	158,800
	<u>\$ 3,266,040</u>	<u>\$ -</u>	<u>\$ (267,480)</u>	<u>\$ 2,998,560</u>	<u>\$ 270,900</u>
	<u>Balance</u> <u>1/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/20</u>	<u>Due Within</u> <u>One Year</u>
Long Term Debt					
Loans	\$ 628,804	\$ 260,000	\$ (113,279)	\$ 775,525	\$ 110,300
Revenue Bonds	2,624,423	-	(133,908)	2,490,515	161,300
	<u>\$ 3,253,227</u>	<u>\$ 260,000</u>	<u>\$ (247,187)</u>	<u>\$ 3,266,040</u>	<u>\$ 271,600</u>

The Department has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,998,560 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, 2021 were \$267,480 and \$100,609, respectively. Principal and interest paid in the year ended December 31, 2020 were \$247,187 and \$90,631, respectively.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 6 – EMPLOYEE BENEFITS:

Effective January 1, 1998, the Department adopted 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 2021 and 2020 were \$45,136 and \$41,237, respectively.

Implementation of GASB 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective with fiscal years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, 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 7 – COMMITMENTS:

During the year ended December 31, 2020, the Department started a construction project with CWB Engineers, Inc. for wastewater treatment plant improvements for the amount of \$452,400. As of December 31, 2021, a total of \$269,140 had been incurred on this project.

The Department also started a project with CWB Engineers, Inc. for UPRR Overpass & Realign for a total contract price of \$100,252. As of December 31, 2021, \$91,944 had been incurred on this project.

The Department also started a project with Diamond Construction Company for Highway 89 utility relocation for a total contract price of \$998,000. As of December 31, 2021, \$847,314 had been incurred on this project.

NOTE 8 – SUBSEQUENT EVENTS:

Management has evaluated all the activities of the Department through May 25, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements as of December 31, 2021.

SUPPLEMENTARY INFORMATION



Berry & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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 Randy Holland, 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, 2021, 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 May 25, 2022.

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 2021-001 and 2021-002 that we consider to be significant deficiencies.

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Honorable Randy Holland, Mayor,
and Members of the City Council
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Compliance and Other Matters

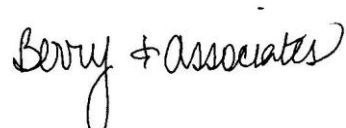
As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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

The Water and Sewer Department of the City of Mayflower, Arkansas, responses to the findings identified in our audit are described in the accompanying schedule of findings. 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
May 25, 2022

CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2021

2021-001 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 2020.

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.

2021-002 Internal Control – Complete set of accounting records

Criteria: Maintaining a complete set of accounting records.

Condition: At December 31, 2021 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.

Cause: The Fund 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
For The Year Ended December 31, 2021**

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		7.08
<u>Sewer Rates:</u>		
Residential and Commercial:		
Inside City Limits:		
Minimum (no usage)	\$	13.50
Per 1,000 Gallons		5.18
Outside City Limits:		
Minimum (first 1,000 gallons)	\$	13.50
Per 1,000 Gallons over 1000 Gallons		5.32
<u>Pump Maintenance:</u>		
(on as needed basis)	\$	10.00

BOARD OF DIRECTORS:

<u>Name</u>	<u>Title</u>
Randy Holland	Mayor
Mark Hickman	Alderman
Zach Jeffery	Alderman
Brian Williams	Alderman
Will Elder	Alderman
Jennifer Massey	Alderman
Stacin Dawson	Alderman
Barbara Mathes	Recorder
Crystal Hatfield	Treasurer

INSURANCE SCHEDULE:

<u>POLICY NO. PREMIUM</u>	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	
PNC549PR	Arkansas Municipal League	Vehicle	\$ 468,065
2A97999	EMC	Property	\$ 8,745,135
2D97999	EMC	Liability	\$ 2,000,000

ACCOUNTING:

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