

**CITY OF MAYFLOWER WATER AND  
SEWER DEPARTMENT  
Mayflower, Arkansas  
FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2022 and 2021  
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, 2022 and 2021**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Independent Auditor's Report .....	1-3
Statements of Net Position.....	4
Statements of Revenues, Expenses, and Changes in Net Position .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements	
Note 1 - Summary of Significant Accounting Policies .....	7-9
Note 2 - Public Departments: Deposits with Financial Institutions .....	9
Note 3 - Capital Assets .....	9
Note 4 - Restricted Cash.....	10
Note 5 - Long-Term Debt.....	10-11
Note 6 - Employee Benefits .....	12
Note 7 - Commitments .....	12
Note 8 - American Rescue Plan Act .....	12
Supplementary Information	
Independent Auditor's Report on Internal Control and Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	13-14
Schedule of Findings and Responses .....	15
Supplementary Information Required by USDA Rural Development .....	16



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Page 1

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

**INDEPENDENT AUDITOR'S REPORT**

**Opinions**

We have audited the accompanying financial statements of the City of Mayflower Water and Sewer Department, as of and for the years ended December 31, 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 Mayflower Water and Sewer Department 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 Mayflower Water and Sewer Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

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

**Responsibility of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mayflower Water and Sewer Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mayflower Water and Sewer Department's ability to continue as a going concern for a reasonable period of time.

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

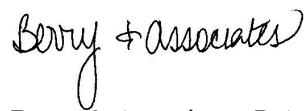
**Supplementary Information**

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

Honorable Danny Hester, Mayor  
and Members of the City Council

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 on our consideration of the City of Mayflower Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mayflower Water and Sewer Department's internal control over financial reporting and compliance.



Berry & Associates, P.A.  
Little Rock, Arkansas  
March 15, 2023

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT  
STATEMENTS OF NET POSITION  
December 31, 2022 and 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,508,501	\$ 1,129,100
Accounts receivable	232,754	239,525
Inventory	95,623	95,623
Prepaid expenses	27,403	28,830
Total current assets	<u>1,864,281</u>	<u>1,493,078</u>
<b>NON-CURRENT ASSETS</b>		
Restricted assets		
Cash and cash equivalents	438,090	420,816
Capital assets		
Capital assets, net of accumulated depreciation	<u>7,039,604</u>	<u>6,965,932</u>
Total non-current assets	<u>7,477,694</u>	<u>7,386,748</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,341,975</u>	<u>\$ 8,879,826</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 142,291	\$ 270,900
Accrued interest payable	9,334	9,739
Accounts payable	110,958	253,894
Other current liabilities	50,177	51,366
Total current liabilities	<u>312,760</u>	<u>585,899</u>
<b>LONG-TERM DEBT, net of current maturities</b>	2,586,329	2,727,660
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer water meter deposits	<u>157,444</u>	<u>158,064</u>
<b>TOTAL LIABILITIES</b>	<u>3,056,533</u>	<u>3,471,623</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,310,983	3,967,371
Temporarily restricted	108,540	107,916
Unrestricted	<u>1,865,919</u>	<u>1,332,916</u>
Total net position	<u>6,285,442</u>	<u>5,408,203</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 9,341,975</u>	<u>\$ 8,879,826</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, 2022 and 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Water revenue	\$ 1,649,028	\$ 1,663,789
Sewer revenue	644,054	543,009
Sanitation revenue	223,263	214,665
Tapping fees	26,939	35,064
Grants and contributions	697,757	749,873
Other revenues	252,696	176,811
Total operating revenues	<u>3,493,737</u>	<u>3,383,211</u>
<b>OPERATING EXPENSES</b>		
Salaries	544,988	540,702
Payroll expenses	41,389	41,740
Insurance	49,803	59,374
Retirement	42,464	45,136
Employee benefits	72,523	95,904
Fuel & auto expense	33,010	30,779
Depreciation & amortization	322,335	311,844
Repairs & maintenance	345,421	361,720
Office expense	49,867	45,896
Professional fees	55,898	44,165
Utilities	73,369	80,649
Water purchases	669,268	639,128
Dues, licenses, fees	20,742	22,584
Uniforms	500	175
Supplies	6,722	6,201
Contract labor	238,011	221,580
Advertising	494	408
Telephone	3,153	6,752
Travel expenses	3,251	2,640
Miscellaneous	9,018	80
Total operating expenses	<u>2,582,226</u>	<u>2,557,457</u>
<b>OPERATING INCOME</b>	<u>911,511</u>	<u>825,754</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	41,282	19,657
Interest expense	(83,412)	(100,248)
Gain on disposal of fixed assets	16,825	-
Net non-operating expenses	<u>(25,305)</u>	<u>(80,591)</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>	886,206	745,163
<b>TRANSFERS</b>		
Transfers in (out)	<u>(8,967)</u>	<u>2,568</u>
<b>CHANGE IN NET POSITION</b>	877,239	747,731
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>5,408,203</u>	<u>4,660,472</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 6,285,442</u></u>	<u><u>\$ 5,408,203</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 CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>INCREASE (DECREASE) IN CASH AND RESTRICTED CASH:</b>		
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,500,508	\$ 3,357,281
Cash payments for goods and services	(2,572,802)	(2,250,448)
Other income received	697,757	749,873
Cash payments to employees	(544,988)	(540,702)
Net cash provided by operating activities	<u>1,080,475</u>	<u>1,316,004</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers from (to) other funds	<u>(8,967)</u>	<u>2,568</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(269,940)	(267,480)
Interest payments on long-term debt	(83,817)	(100,609)
Purchase of capital assets	(152,940)	(110,815)
Proceeds from disposal of capital assets	16,850	-
Purchases for construction in progress	(226,268)	(1,139,591)
Net cash used by capital and related financing activities	<u>(716,115)</u>	<u>(1,618,495)</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>41,282</u>	<u>19,657</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>396,675</u>	<u>(280,266)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,549,916</u>	<u>1,830,182</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,946,591</u></u>	<u><u>\$ 1,549,916</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 911,511	\$ 825,754
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	322,335	311,844
Provision for gain on disposal of capital assets	(16,825)	-
(Increase) Decrease In:		
Accounts receivable	6,771	(25,930)
Prepaid expenses	1,427	9,554
Increase (Decrease) In:		
Accounts payable	(142,936)	153,914
Customer meter deposits	(620)	15,920
Other current liabilities	(1,188)	24,948
Total adjustments	<u>168,964</u>	<u>490,250</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 1,080,475</u></u>	<u><u>\$ 1,316,004</u></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, 2022 and 2021**

**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 3,295 water system customers and approximately 1,557 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, 2022 management had determined that no additional accounts needed to be written off. Bad debt expense for the year ended December 31, 2022 was \$0.

**Long-Term Debt and Costs**

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

**Capital Assets**

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

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**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."

**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.

**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 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.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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

**Inventory**

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

**Date of Management's Review**

Subsequent events have been evaluated through March 15, 2023, which is the date the financial statements were available to be issued.

**NOTE 2 – PUBLIC DEPARTMENTS: DEPOSITS WITH FINANCIAL INSTITUTIONS:**

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

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

**NOTE 3 – CAPITAL ASSETS:**

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

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

	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

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Customer Meter Deposits	\$ 216,857	\$ 195,682
Reserve accounts required by the		
Water and Sewer Revenue Bonds		
Bond Fund	38,953	37,963
Bond Fund	13,874	13,681
Bond Fund	95,050	100,134
Debt Service	73,356	73,356
Total Restricted Cash	\$ <u>438,090</u>	\$ <u>420,816</u>

**NOTE 5 – LONG-TERM DEBT:**

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
Revenue bonds payable to ADFA, due in semi-annual installments of \$41,034 including interest at 2.25% and service fees of 1%, through April 2023. (1)	\$ 40,356	\$ 119,186
Welch State Bank, loan payable in monthly installments of \$1,196 including interest at 3.70% through April 2023, secured by vehicle. (2)	4,635	18,529
USDA Rural Development, loan payable in monthly installments of \$2,876 at 4.25% interest. The loan will mature December 2049. (3)	552,829	563,645
Revenue bonds payable to Centennial Bank, due in semi-annual installments with variable payment amounts and variable interest rates, through April 2042. (4)	2,130,000	2,210,000
Loan payable to City of Mayflower, due in monthly installments of \$7,200 with zero interest, through December 2022. (2)	800	87,200
	<u>2,728,620</u>	<u>2,998,560</u>
Less Current Portion	<u>(142,291)</u>	<u>(270,900)</u>
Total Long-Term Portion	\$ <u>2,586,329</u>	\$ <u>2,727,660</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, 2022 and 2021**

**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, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 142,291	\$ 82,594	\$ 224,885
2024	97,000	79,648	176,648
2025	102,500	77,397	179,897
2026	98,000	74,988	172,988
2027	103,600	72,310	175,910
2028-2032	562,300	314,985	877,285
2033-2037	655,600	220,250	875,850
2038-2042	768,200	106,156	874,356
2043-2047	146,200	26,600	172,800
2048-2049	52,929	1,791	54,720
	<u>\$ 2,728,620</u>	<u>\$ 1,056,719</u>	<u>\$ 3,785,339</u>

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

	Balance 1/1/22	Additions	Retirements	Balance 12/31/22	Due Within One Year
Long Term Debt					
Loans	\$ 669,374	\$ -	\$ (111,110)	\$ 558,264	\$ 16,935
Revenue Bonds	2,329,186	-	(158,830)	2,170,356	125,356
	<u>\$ 2,998,560</u>	<u>\$ -</u>	<u>\$ (269,940)</u>	<u>\$ 2,728,620</u>	<u>\$ 142,291</u>
	Balance 1/1/21	Additions	Retirements	Balance 12/31/21	Due Within One Year
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>

The Department has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,728,620 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, 2022 were \$269,940 and \$83,817, respectively. Principal and interest paid in the year ended December 31, 2021 were \$267,480 and \$100,609, respectively.

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021**

**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 2022 and 2021 were \$42,464 and \$45,136, respectively.

**NOTE 7 – COMMITMENTS:**

The Department has started construction projects with CWB Engineers, Inc and SALT Engineers & Planners for wastewater treatment plant improvements for the amount of \$452,400 and \$68,058, respectively. As of December 31, 2022, a total of \$269,140 had been incurred on the project with CWB Engineers, and \$9,840 had been incurred on the project with SALT Engineers & Planners.

The Department also started a project with Diamond Construction Company for Highway 89 utility relocation for a total contract price of \$1,104,825. As of December 31, 2022, \$1,063,742 had been incurred on this project.

**NOTE 8 – AMERICAN RESCUE PLAN ACT:**

The American Rescue Plan Act (ARPA) was signed into law March 11, 2021 and it guaranteed direct relief to cities, towns, and villages in the United States. ARPA funds may be used to invest in necessary improvements to their water and sewer infrastructures. Using a simple per-capita calculation, the City of Mayflower was awarded \$1,570,000. As of December 31, 2022, the City of Mayflower had not yet received any of these funds. The Department plans to use these proceeds to make improvements to the water and sewer system.

## **SUPPLEMENTARY INFORMATION**



**Berry & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

Page 13

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water and Sewer Department of the City of Mayflower, Arkansas, as of and for the year ended December 31, 2022, 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 March 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

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Honorable Danny Hester, Mayor,  
and Members of the City Council  
Page 2

### **Report on Compliance and Other Matters**

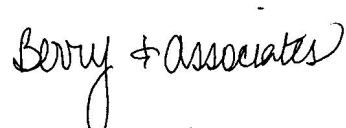
As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Department's Response to Findings**

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  
March 15, 2023

**CITY OF MAYFLOWER WATER AND SEWER DEPARTMENT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**December 31, 2022**

**2022-001 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 2021.

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.

**2022-002 Internal Control – Complete set of accounting records**

Criteria: Maintaining a complete set of accounting records.

Condition: At December 31, 2022 the Department's general ledger did not include the current year's transactions for one trust account that is administered by a third party that is a material part of the financial statements. This finding was also noted in 2021.

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  
December 31, 2022**

**SCHEDULE OF WATER AND SEWER RATES:**

<u>Water Rates:</u>	<u>Per Thousand Gallons</u>
Residential and Commercial:	
Minimum (no usage)	\$ 15.48
Per 1,000 Gallons	6.97
<u>Sewer Rates:</u>	
Residential and Commercial:	
Inside City Limits:	
Minimum (no usage)	\$ 15.48
Per 1,000 Gallons	6.97
Outside City Limits:	
Minimum (first 1,000 gallons)	\$ 17.10
Per 1,000 Gallons over 1000 Gallons	8.58
<u>Pump Maintenance:</u>	
(on as needed basis)	\$ 10.00

**CITY COUNCIL MEMBERS:**

<u>Name</u>	<u>Title</u>
Danny Hester	Mayor
Mark Hickman	Alderman
Zach Jeffery	Alderman
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>	
V2200223	Arkansas Municipal League	Vehicle	\$ 576,065
ETD0631933	The Cincinnati Insurance Company	Property	\$ 8,745,135
ETD0631933	The Cincinnati Insurance Company	Liability	\$ 3,000,000

**ACCOUNTING:**

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