

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
AUDITED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

**To the Mayor and City Council  
City of Mulberry Water, Sewer, and Sanitation Fund  
Mulberry, Arkansas**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the **City of Mulberry Water, Sewer, and Sanitation Fund** (the Fund) as of and for the years ended **December 31, 2022** and **2021** and the related notes to the financial statements, as listed in 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 Fund as of **December 31, 2022** and **2021** and the 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 Opinions***

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 Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Mulberry, Arkansas, as of **December 31, 2022** and **2021** and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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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 Fund'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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Matters**

##### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis and that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion of the basic financial statements is not affected by this missing information.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Additional Comments Required by Financing Agencies is presented for the purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 **November 10, 2023**, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other 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 Fund'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 the Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hubbs & Whitehead, CPAs". The signature is written in a cursive, flowing style.

**Hubbs & Whitehead, CPAs**  
**Van Buren, Arkansas**

**November 10, 2023**



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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**

**To the Mayor and City Council  
City of Mulberry Water, Sewer, and Sanitation Fund  
Mulberry, 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 financial statements of the **City of Mulberry Water, Sewer, and Sanitation Fund** (the Fund) as of and for the year ended **December 31, 2022**, and the related notes to the financial statements, which collectively comprise Fund's basic financial statements, and have issued our report thereon dated **November 10, 2023**, which was modified to reflect the omission of the management's discussion and analysis.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund'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. 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.

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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund'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 financial statements. 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*.

**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 of the effectiveness of the Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hubbs & Whitehead, CPAs". The script is cursive and fluid.

Hubbs & Whitehead, CPAs  
Van Buren, Arkansas

November 10, 2023

**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>			
		<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	171,780	\$ 216,089
Restricted checking and savings accounts		648,562	535,588
Restricted certificates of deposits		17,232	17,168
Accounts receivable, less allowance for doubtful accounts of \$52,201 and \$44,198 respectively		107,712	87,178
Inventory		<u>3,897</u>	<u>6,330</u>
Total Current Assets		<u>949,183</u>	<u>862,353</u>
<b>CAPITAL ASSETS</b>			
Land		326,745	326,745
Water and sewer system		7,919,607	7,764,082
Buildings		50,371	48,525
Construction in progress		<u>28,116</u>	<u>-</u>
		8,324,839	8,139,352
Less: accumulated depreciation		<u>(4,901,126)</u>	<u>(4,696,810)</u>
Net Capital Assets		<u>3,423,713</u>	<u>3,442,542</u>
Total Assets	\$	<u><u>4,372,896</u></u>	<u><u>\$ 4,304,895</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accrued interest	\$	5,323	\$ 5,754
Accrued compensated absences		7,433	2,513
Sales tax payable		5,197	6,068
Current portion of long-term debt		<u>146,782</u>	<u>141,276</u>
Total Current Liabilities		<u>164,735</u>	<u>155,611</u>
<b>NON-CURRENT LIABILITIES</b>			
Customer deposits		46,157	42,718
Long-term debt, net		<u>1,701,361</u>	<u>1,848,147</u>
Total Noncurrent Liabilities		<u>1,747,518</u>	<u>1,890,865</u>
Total Liabilities		<u>1,912,253</u>	<u>2,046,476</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt		1,575,570	1,453,119
Restricted		665,794	552,756
Unrestricted		<u>219,279</u>	<u>252,544</u>
Total Net Position		<u>2,460,643</u>	<u>2,258,419</u>
Total Liabilities and Net Position	\$	<u><u>4,372,896</u></u>	<u><u>\$ 4,304,895</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.



**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Sales and charges	\$ 1,058,041	\$ 942,521
Other revenue	<u>7,362</u>	<u>2,138</u>
Total Revenues	<u>1,065,403</u>	<u>944,659</u>
<b>OPERATING EXPENSES</b>		
Administrative	35,661	78,700
Auto expenses	13,204	6,886
Contract repair and engineering	136,326	195,089
Depreciation	229,849	229,152
Dues and conventions	9,406	7,456
Insurance	58,776	37,078
Office expenses	8,624	6,801
Other	11,493	2,432
Payroll taxes	16,766	16,203
Permits and fees	3,605	3,605
Professional fees	6,400	6,357
Retirement and benefits	8,006	8,774
Salaries	223,922	206,103
Sanitation charges	98,967	82,718
Supplies and plant operation	154,601	145,666
Utilities	<u>57,701</u>	<u>45,027</u>
Total Operating Expenses	<u>1,073,307</u>	<u>1,078,047</u>
<b>OPERATING (LOSS)</b>	<u>(7,904)</u>	<u>(133,388)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and dividend income	1,696	1,774
Sales tax turn back receipts	223,606	193,606
Gain (Loss) on sale of assets	28,176	19,628
Transfers in (out), net	25,778	(52,768)
Agent fees - ADFA	(11,092)	(12,031)
Interest expense	<u>(58,036)</u>	<u>(62,584)</u>
Total Nonoperating Revenues (Expenses)	<u>210,128</u>	<u>87,625</u>
<b>CHANGE IN NET POSITION</b>	202,224	(45,763)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,258,419</u>	<u>2,304,182</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 2,460,643</u></u>	<u><u>\$ 2,258,419</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,044,869	\$ 933,426
Cash payments to suppliers for goods and services	(637,791)	(633,006)
Cash payments to employees for services	<u>(223,922)</u>	<u>(206,103)</u>
Net Cash Flows From Operating Activities	<u>183,156</u>	<u>94,317</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net restricted checking and savings account activity	(113,038)	(51,553)
Net activity of capital assets	(154,669)	20,892
Interest income	<u>1,696</u>	<u>1,774</u>
Net Cash Flows From Investing Activities	<u>(266,011)</u>	<u>(28,887)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Agent fees - ADFA	(11,092)	(12,031)
Interest paid on long-term debt	(58,467)	(62,499)
Principal paid on long-term debt	(141,279)	(135,986)
Sales tax turn back receipts	<u>223,606</u>	<u>193,606</u>
Net Cash Flows From Capital and Related Financing Activities	<u>12,768</u>	<u>(16,910)</u>
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfers in	594,933	531,281
Transfers out	<u>(569,155)</u>	<u>(584,049)</u>
Net Cash Flows From Non-Capital and Related Financing Activities	<u>25,778</u>	<u>(52,768)</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<u>(44,309)</u>	<u>(4,248)</u>
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>216,089</u>	<u>220,337</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 171,780</u></u>	<u><u>\$ 216,089</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH</b>		
<b>FROM OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (7,904)	\$ (133,388)
Adjustments to reconcile operating (loss) to net cash from operating activities:		
Depreciation	229,849	229,152
(Gain) on sale of assets	(28,176)	(19,628)
Change in:		
Accounts receivable	(20,534)	(11,233)
Inventory	2,433	40,661
Accounts payable	-	(13,905)
Accrued compensated absences	4,920	136
Sales tax payable	(871)	(380)
Customer deposits	3,439	2,902
	<u>191,060</u>	<u>227,705</u>
<b>Total Adjustments</b>	<u>191,060</u>	<u>227,705</u>
<b>Net Cash From Operating Activities</b>	<u><u>\$ 183,156</u></u>	<u><u>\$ 94,317</u></u>
<b>SUPPLEMENTAL SCHEDULE OF CAPITAL ASSETS, NET</b>		
Purchase of capital assets	\$ 212,844	\$ 47,853
Proceeds from sale of capital assets	(29,999)	(49,117)
Gain on sale of capital assets	(28,176)	(19,628)
	<u>(28,176)</u>	<u>(19,628)</u>
<b>Total Net Activity of Capital Assets</b>	<u><u>\$ 154,669</u></u>	<u><u>\$ (20,892)</u></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest on long-term debt	<u><u>\$ 58,467</u></u>	<u><u>\$ 62,499</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.



**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Note 1: Summary of Significant Accounting Policies**

***Nature of Operations***

The City of Mulberry Water, Sewer and Sanitation Fund (the Fund) provides water, sewer and sanitation to residential, farming and commercial operations in the City of Mulberry, Arkansas (the City) and outlying areas. The Fund is a component unit of the City and as a municipality.

***Fund Type***

The Fund accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

***Reporting Entity***

The Fund's financial statements reflect only the accounts directly under control of the Fund. Using the criteria of ability to exercise oversight responsibility, there are no other component units that are or should be included in the Fund's reporting entity.

The financial statements present only the Water, Sewer, and Sanitation Fund of Mulberry, Arkansas, and, accordingly, do not reflect other activities, funds and account groups of the City.

***Basis of Accounting***

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources management focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

***Fair Value of Financial Instruments***

The Fund's financial instruments include cash, certificates of deposit, accounts receivable, and accounts payable. The Fund's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Net Position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

***Accounts Receivable***

Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$52,201 and \$44,198, respectively, as of December 31, 2022 and 2021.

***Operating Revenues and Expenses***

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Fund. Operating revenues consist primarily of water sales and fees for related services. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing type activities.

***Inventories***

Inventories consist of miscellaneous parts, accessories, and pipe and are stated at the lower of cost or net realizable value using the first-in, first-out method.

***Capital Outlays and Depreciation***

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u><b>Years</b></u>
Water system and equipment	5-75
Buildings	40

It is the Fund's policy to capitalize all asset purchases greater than \$1,000 and expense those lower than this amount. The cost basis of fully depreciated assets still in use by the Fund as of December 31, 2022 and 2021 were approximately \$885,000 and \$809,000, respectively.

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

***Compensated Absences***

Employees of the Fund earn, based upon their length of employment, 1 to 3 weeks of vacation at the beginning of the calendar year. Employees earn sick leave at the rate one and a half day per month, after 3 months of employment. The amounts reflected as accrued compensated absences on the Statements of Net Position represent the vacation time accrued by the Fund as of December 31, 2022 and 2021.

***Employee Benefits***

The Fund provides to all full-time employees a group hospitalization plan maintained and administered by the Arkansas Municipal League.

***Income Taxes***

The Fund is exempt from income taxes as a governmental agency.

***Net Position Classifications***

Net position is classified and displayed in the following three components:

*Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

*Unrestricted net position* – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, the Fund’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

***Subsequent Events***

Subsequent events are evaluated through November 10, 2023, the date the financial statements were available to be issued.

***Reclassification***

Certain accounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.



**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Note 2: Deposits and Restricted Cash**

The Fund maintains its operating bank accounts in several local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The custodial credit risk is the risk that in the event of bank failure, the Fund's deposits may not be returned to the Fund. The Fund's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with Federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. At December 31, 2022, all of the Fund's deposits were insured or collateralized.

Restricted cash and cash equivalents and restricted certificates of deposits are restricted by ordinance of the City, bond requirements and prescribed laws. Expenditures from these accounts are restricted to improvements and betterments to utility plant, debt service and related fees and refunds of customer deposits. As of December 31, 2022 and 2021, all required transfers to these accounts had been made and consists of the following:

	<u>2022</u>	<u>2021</u>
Sewer bond account	\$ 34,740	\$ 34,671
Debt retirement account	56,819	39,859
Water service reserve account	85,850	85,679
Depreciation reserve account	<u>75,381</u>	<u>75,235</u>
<b>Restricted for debt service</b>	<u>252,790</u>	<u>235,444</u>
 Customer deposit account	 38,095	 31,887
Sewer improvement CD	17,232	17,168
Water improvement account	108,969	54,611
Sewer improvement accounts	<u>248,708</u>	<u>213,646</u>
<b>Restricted by law or ordinance</b>	<u>413,004</u>	<u>317,312</u>
<b>Total restricted cash</b>	<u><u>\$ 665,794</u></u>	<u><u>\$ 552,756</u></u>

**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Note 3: Long-term Debt**

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
USDA Rural Development (91-03) - original balance of \$936,000 payable in annual installments of \$3,670, inclusive of 3.5% interest. Matures June 2049. Secured by property in water system and revenues.	\$ 761,001	\$ 778,082
Arkansas Development Finance Authority - 2.5% + 1% Service Fee Water & Sewer Revenue Bonds Series 1999, payable in semi-annual installments of \$67,633, monthly deposits are required for 1/6th of the amount due. Matures October 2031. Secured by property in water system and revenues.	1,036,633	1,133,078
USDA Rural Development (92-02) - original balance of \$470,000 payable in monthly installments of \$2,600, inclusive of 5.25% interest. Matures August 2024. Secured by property in water system and revenues.	50,509	78,263
	1,848,143	1,989,423
Less: current portion of long-term debt	146,782	141,276
Total long-term debt	<u>\$ 1,701,361</u>	<u>\$ 1,848,147</u>

Debt is scheduled to be repaid as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 146,782	\$ 63,724	\$ 210,506
2024	142,956	58,054	201,010
2025	125,992	53,314	179,306
2026	130,445	48,861	179,306
2027	135,055	44,251	179,306
2028-2032	613,947	147,362	761,309
2033-2037	134,675	85,525	220,200
2038-2042	160,390	59,810	220,200
2043-2047	191,015	29,185	220,200
2048-2049	66,886	1,945	68,831
Total	<u>\$ 1,848,143</u>	<u>\$ 592,031</u>	<u>\$ 2,440,174</u>

**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

Activity of long-term debt consists of the following:

	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022
USDA Rural Development (91-03)	\$ 778,082	\$ -	\$ 17,081	\$ 761,001
Arkansas Development Finance Auth.	1,133,078	-	96,445	1,036,633
USDA Rural Development (92-02)	78,263	-	27,754	50,509
<b>Total</b>	<b>\$ 1,989,423</b>	<b>\$ -</b>	<b>\$ 141,280</b>	<b>\$ 1,848,143</b>

	January 1, 2021	Debt Additions	Debt Retirements	December 31, 2021
USDA Rural Development (91-03)	\$ 794,575	\$ -	\$ 16,493	\$ 778,082
Arkansas Development Finance Auth.	1,226,234	-	93,156	1,133,078
USDA Rural Development (92-02)	104,600	-	26,337	78,263
<b>Total</b>	<b>\$ 2,125,409</b>	<b>\$ -</b>	<b>\$ 135,986</b>	<b>\$ 1,989,423</b>

**Note 4: Capital Assets**

Capital asset activity for the years ended December 31, 2022 and 2021 are as follows:

	January 1, 2022	Additions & Contributions	Retirements	December 31, 2022
Land	\$ 326,745	\$ -	\$ -	\$ 326,745
Water and sewer system	7,764,082	182,882	27,357	7,919,607
Building	48,525	1,846	-	50,371
Construction in Progress	-	28,116	-	28,116
<b>Total</b>	<b>\$ 8,139,352</b>	<b>\$ 212,844</b>	<b>\$ 27,357</b>	<b>\$ 8,324,839</b>

	January 1, 2021	Additions & Contributions	Retirements	December 31, 2021
Land	\$ 326,745	\$ -	\$ -	\$ 326,745
Water and sewer system	7,763,730	47,853	47,501	7,764,082
Building	48,525	-	-	48,525
<b>Total</b>	<b>\$ 8,139,000</b>	<b>\$ 47,853</b>	<b>\$ 47,501</b>	<b>\$ 8,139,352</b>



**CITY OF MULBERRY  
WATER, SEWER, AND SANITATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Note 5: Simplified Employee Pension Plan**

The Fund offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 called Arkansas Diamond Plan. All assets and income are for the exclusive benefit of eligible employees and their beneficiaries. The Fund does not have a fiduciary responsibility or administrative duties related to the deferred compensation plan other than remitting employee and Fund matching contributions to the trustees. Accordingly, the Fund has not presented the assets and liabilities from the plan in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual participant (employee) and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these. Employees 18 years of age with 6 months of employment are eligible to contribute 5% of pay pre-tax to the plan and the Fund contributes a minimum of 5% of pay, excluding certain exempt employees who wish not to participate. Total salaries for all Fund employees covered by the plan is \$223,922 and \$206,103 for the years ended 2022 and 2021, respectively. Total employer contributions for the years ended 2022 and 2021 were \$8,006 and \$8,774, respectively.

**Note 6: Concentrations of Risk**

Financial instruments that potentially subject the Fund to credit risk consist primarily of accounts receivable. The Fund sells only to its customers within a defined geographic region.

**Note 7: Risk Management & Insurance Coverage**

The Fund is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters of which the Fund maintains insurance coverage as follows:

**Property Coverage**

Insurer	Arkansas Municipal League - Municipal Property Program
Expiration	February 9, 2023

**Business Auto**

Insurer	Arkansas Municipal League - Municipal Vehicle Program
Expiration	October 11, 2023

**Blanket Dishonesty Bond**

Insurer	Arkansas Fidelity Bond Trust
Expiration	December 31, 2023

**Workers Comp**

The Fund maintains workman's compensation insurance for the benefit of all persons employed by the Fund.

**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Note 8: Transfers**

During the years ended December 31, 2022 and 2021, many intra-fund transfers, transfers with the payroll funds, transfers with the street fund, and transfers with the general fund occurred. These transfers are made in the normal course of business for the funds. During the years ended December 31, 2022 and 2021, total transfers made to payroll funds were \$248,694 and \$231,080, respectively, to reimburse for gross wages, payroll taxes and retirement applicable to water, sewer and sanitation employees. These payroll transfers are reflected in salaries, payroll taxes and employee benefits in the Statements of Revenues, Expenses and Changes in Net Position. Also during the years ended December 31, 2022 and 2021, there were \$223,606 and \$193,606, respectively, of transfers in from the general fund and \$35,661 and \$78,700, respectively, of transfers out to the general fund. These transfers were reflected as "sales tax turn back receipts" and "administrative expenses" respectively in the Statements of Revenues, Expenses and Changes in Net Position.

**Note 9: Debt Service Reserves**

The Fund is required to have certain reserves set aside for several of its loans outstanding in accordance with loan compliance established by Rural Development, Arkansas Natural Resources and the Arkansas Development Finance Authority. The Fund had three loans outstanding as of December 31, 2022. Reserve requirements specify a set amount to be transferred to a debt service reserve account monthly from the original date of the loan for a specified amount of time before a specified reserve is met. Below is a breakdown of the terms of reserve for each loan:

RD 92-02, \$31,200 debt service reserve requirement, loan originated October 6, 1994

RD 91-03, \$23,855 debt service reserve requirement, loan originated July 1, 2009

Total needed to meet all debt service reserve requirements:	\$ <u>55,055</u>
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Total reserves in debt service reserve accounts as of December 31, 2022:	<u>142,669</u>
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Excess/(shortage) of reserves	\$ <u><u>87,614</u></u>
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The Fund is in compliance with its debt service reserve requirements.

## **SUPPLEMENTARY INFORMATION**



**CITY OF MULBERRY**  
**WATER, SEWER, AND SANITATION FUND**  
**ADDITIONAL COMMENTS REQUIRED BY FINANCING AGENCIES**  
**YEAR ENDED DECEMBER 31, 2022**

**WATER, SEWER AND SANITATION RATE SCHEDULE**

The number of users was 768. The rate structure is as follows:

**Water Rates (per gallon)**

0 - 1,000	\$ 29.65
1,001 - 10,000	\$6.61/1000
10,001 - 500,000	\$5.67/1000
500,001 - thereafter	\$5.05/1000
Contract Buyers	\$2.40/1000

**Sewer Rates (per gallon of water usage)**

<b>Residential</b>		<b>Commercial and Industrial</b>	
0 - 1,000	\$ 10.50	0 - 1,000	\$ 10.75
1,001 - 10,000	\$2.00/1000	1,001 - 10,000	\$2.25/1000
10,001 and over	\$0.75/1000	10,001 - 50,000	\$2.00/1000
Alternate Systems	\$6.50/Month	50,001 and over	\$1.50/1000

**Sanitation Rates**

<b>Residential</b>		<b>Commercial and Industrial</b>	
6 bags per week	\$ 14.50	\$ 14.50	
Over 6 bags	Negotiated	Negotiated	

The City of Mulberry signed a five year contract for sanitation services with a third party collection company. An add-on rate of \$1.00 per month per residential customer began July 2008, to offset fuel surcharges.

**CITY GOVERNMENT**

Gary Baxter, Mayor	Stacy L. Muntz, City Council	Jimmy H. Moore, City Council
Carla Dickerson, Recorder/Treasurer	Sheila Trent, City Council	Kimberly Bruce, City Council
Wilma Peavy, City Council	Bobby D. Tweedy, City Council	

**ACCOUNTING RECORDS AND CONTROL OVER PHYSICAL ASSETS**

The Fund's accounting records, with the exception of normal adjusting entries, are in agreement with these financial statements. The accounting records of the Fund are adequate. The Fund's control over physical assets is adequate.

As described in Note 2, deposited funds are in financial institutions insured by the federal government and have been adequately collateralized.

Total annual billable gallons of water for users was 92,859,800.

See Independent Auditor's Report.