

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023** and **2022** 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, 2023** and **2022** 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 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 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, 2023** and **2022** 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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*American Institute of Certified Public Accountants
*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

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

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 are the responsibility of management and were derived from and relate 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 listed above in this paragraph are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Statement of Net Position – Water Activities Only (Unaudited) and the Statement of Revenues, Expenses, and Changes in Net Position – Water Activities Only (Unaudited) but does not include the financial statements, supplementary information, and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **March 15, 2024**, 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.



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March 15, 2024

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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 business-type activities of the **City of Mulberry Water, Sewer, and Sanitation Fund** (the Fund) as of and for the year ended **December 31, 2023**, and the related notes to the financial statements, which collectively comprise Fund's basic financial statements, and have issued our report thereon dated **March 15, 2024**.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or 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.



Hubbs & Whitehead, CPAs
Van Buren, Arkansas

March 15, 2024

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	ASSETS	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 201,504	\$ 171,780
Restricted checking and savings accounts	823,834	648,562
Restricted certificates of deposits	17,864	17,232
Accounts receivable, less allowance for doubtful accounts of \$13,404 and \$52,201 respectively	122,470	107,712
Inventory	7,202	3,897
	<u>1,172,874</u>	<u>949,183</u>
Total Current Assets		
	<u>1,172,874</u>	<u>949,183</u>
CAPITAL ASSETS		
Land	326,745	326,745
Water and sewer system	7,993,568	7,919,607
Buildings	50,371	50,371
Construction in progress	57,702	28,116
	<u>8,428,386</u>	<u>8,324,839</u>
Less: accumulated depreciation	(5,137,368)	(4,901,126)
	<u>3,291,018</u>	<u>3,423,713</u>
Net Capital Assets		
	<u>3,291,018</u>	<u>3,423,713</u>
Total Assets	<u>\$ 4,463,892</u>	<u>\$ 4,372,896</u>
	LIABILITIES AND NET POSITION	
CURRENT LIABILITIES		
Accrued interest	\$ 4,872	\$ 5,323
Accrued compensated absences	5,434	7,433
Sales tax payable	5,854	5,197
Current portion of long-term debt	142,954	146,782
	<u>159,114</u>	<u>164,735</u>
Total Current Liabilities		
	<u>159,114</u>	<u>164,735</u>
NON-CURRENT LIABILITIES		
Customer deposits	45,492	46,157
Long-term debt, net	1,558,405	1,701,361
	<u>1,603,897</u>	<u>1,747,518</u>
Total Noncurrent Liabilities		
	<u>1,603,897</u>	<u>1,747,518</u>
Total Liabilities	<u>1,763,011</u>	<u>1,912,253</u>
NET POSITION		
Invested in capital assets, net of related debt	1,589,659	1,575,570
Restricted	841,698	665,794
Unrestricted	269,524	219,279
	<u>2,700,881</u>	<u>2,460,643</u>
Total Net Position		
	<u>2,700,881</u>	<u>2,460,643</u>
Total Liabilities and Net Position	<u>\$ 4,463,892</u>	<u>\$ 4,372,896</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, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Sales and charges	\$ 995,802	\$ 1,058,041
Other revenue	<u>21,294</u>	<u>7,362</u>
Total Revenues	<u>1,017,096</u>	<u>1,065,403</u>
OPERATING EXPENSES		
Administrative	79,938	35,661
Auto expenses	28,649	13,204
Contract repair and engineering	240,769	136,326
Depreciation	236,242	229,849
Dues and conventions	14,844	9,406
Insurance	59,589	58,776
Office expenses	8,706	8,624
Other	4,459	11,493
Payroll taxes	19,393	16,766
Permits and fees	3,605	3,605
Professional fees	6,600	6,400
Retirement and benefits	5,312	8,006
Salaries	249,582	223,922
Sanitation charges	102,206	98,967
Supplies and plant operation	90,507	154,601
Utilities	<u>56,866</u>	<u>57,701</u>
Total Operating Expenses	<u>1,207,267</u>	<u>1,073,307</u>
OPERATING (LOSS)	<u>(190,171)</u>	<u>(7,904)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and dividend income	3,860	1,696
Sales tax turn back receipts	357,262	223,606
Gain (Loss) on sale of assets	-	28,176
Transfers in (out), net	132,902	25,778
Agent fees - ADFA	(11,092)	(11,092)
Interest expense	<u>(52,523)</u>	<u>(58,036)</u>
Total Nonoperating Revenues (Expenses)	<u>430,409</u>	<u>210,128</u>
CHANGE IN NET POSITION	240,238	202,224
NET POSITION, BEGINNING OF YEAR	<u>2,460,643</u>	<u>2,258,419</u>
NET POSITION, END OF YEAR	<u><u>\$ 2,700,881</u></u>	<u><u>\$ 2,460,643</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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,002,338	\$ 1,044,869
Cash payments to suppliers for goods and services	(726,755)	(609,615)
Cash payments to employees for services	(249,582)	(223,922)
	<u>26,001</u>	<u>211,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net restricted checking and savings account activity	(175,904)	(113,038)
Net activity of capital assets	(103,547)	(182,845)
Interest income	3,860	1,696
	<u>(275,591)</u>	<u>(294,187)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Agent fees - ADFA	(11,092)	(11,092)
Interest paid on long-term debt	(52,974)	(58,467)
Principal paid on long-term debt	(146,784)	(141,279)
Sales tax turn back receipts	357,262	223,606
	<u>146,412</u>	<u>12,768</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in	711,963	594,933
Transfers out	(579,061)	(569,155)
	<u>132,902</u>	<u>25,778</u>
CHANGE IN CASH AND EQUIVALENTS	29,724	(44,309)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>171,780</u>	<u>216,089</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 201,504</u></u>	<u><u>\$ 171,780</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, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING (LOSS) TO NET CASH		
FROM OPERATING ACTIVITIES		
Operating (loss)	\$ (190,171)	\$ (7,904)
Adjustments to reconcile operating (loss) to net cash		
from operating activities:		
Depreciation	236,242	229,849
Change in:		
Accounts receivable	(14,758)	(20,534)
Inventory	(3,305)	2,433
Accrued compensated absences	(1,999)	4,920
Sales tax payable	657	(871)
Customer deposits	(665)	3,439
	<u>216,172</u>	<u>219,236</u>
Total Adjustments	<u>216,172</u>	<u>219,236</u>
Net Cash From Operating Activities	<u><u>\$ 26,001</u></u>	<u><u>\$ 211,332</u></u>
SUPPLEMENTAL SCHEDULE OF CAPITAL ASSETS, NET		
Purchase of capital assets	\$ 103,547	\$ 212,844
Proceeds from sale of capital assets	<u>-</u>	<u>(29,999)</u>
Total Net Activity of Capital Assets	<u><u>\$ 103,547</u></u>	<u><u>\$ 182,845</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest and agent fees on long-term debt	<u><u>\$ 64,066</u></u>	<u><u>\$ 69,461</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, 2023 AND 2022**

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, 2023 AND 2022**

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. The Fund had cash equivalents of \$32,442 and \$31,452 as of December 31, 2023 and 2022, respectively.

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 \$13,404 and \$52,201, respectively, as of December 31, 2023 and 2022.

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

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022 were approximately \$953,000 and \$885,000, respectively.

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, 2023 and 2022.

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 March 15, 2024, the date the financial statements were available to be issued.

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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.

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, 2023, 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, 2023 and 2022, all required transfers to these accounts had been made and consists of the following:

	<u>2023</u>	<u>2022</u>
Sewer bond account	\$ 34,817	\$ 34,740
Debt retirement account	70,533	56,819
Water service reserve account	86,040	85,850
Depreciation reserve account	<u>75,547</u>	<u>75,381</u>
Restricted for debt service	<u>266,937</u>	<u>252,790</u>
 Customer deposit account	 43,656	 38,095
Sewer improvement CD	17,864	17,232
Water improvement account	166,266	108,969
Sewer improvement accounts	<u>346,975</u>	<u>248,708</u>
Restricted by law or ordinance	<u>574,761</u>	<u>413,004</u>
Total restricted cash	<u><u>\$ 841,698</u></u>	<u><u>\$ 665,794</u></u>

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 3: Long-term Debt

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</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.	\$ 743,314	\$ 761,001
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.	936,782	1,036,633
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.	<u>21,263</u>	<u>50,509</u>
	1,701,359	1,848,143
Less: current portion of long-term debt	<u>142,954</u>	<u>146,782</u>
Total long-term debt	<u><u>\$ 1,558,405</u></u>	<u><u>\$ 1,701,361</u></u>

Debt is scheduled to be repaid as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	142,954	58,054	201,008
2025	125,992	53,314	179,306
2026	130,445	48,861	179,306
2027	135,055	44,251	179,306
2028	139,830	39,476	179,306
2029-2033	499,202	126,840	626,042
2034-2038	139,464	80,736	220,200
2039-2043	166,094	54,106	220,200
2044-2048	197,809	22,391	220,200
2049-2053	24,514	279	24,793
Total	<u><u>\$ 1,701,359</u></u>	<u><u>\$ 528,308</u></u>	<u><u>\$ 2,229,667</u></u>

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Activity of long-term debt consists of the following:

	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023
USDA Rural Development (91-03)	\$ 761,001	\$ -	\$ 17,687	\$ 743,314
Arkansas Development Finance Auth.	1,036,633	-	99,851	936,782
USDA Rural Development (92-02)	50,509	-	29,246	21,263
Total	\$ 1,848,143	\$ -	\$ 146,784	\$ 1,701,359

	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
Total	\$ 1,989,423	\$ -	\$ 141,280	\$ 1,848,143

Note 4: Capital Assets

Capital asset activity for the years ended December 31, 2023 and 2022 are as follows:

	January 1, 2023	Additions & Contributions	Retirements	December 31, 2023
Land	\$ 326,745	\$ -	\$ -	\$ 326,745
Water and sewer system	7,919,607	73,961	-	7,993,568
Building	50,371	-	-	50,371
Construction in Progress	28,116	29,586	-	57,702
Total	\$ 8,324,839	\$ 103,547	\$ -	\$ 8,428,386

	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
Total	\$ 8,139,352	\$ 212,844	\$ 27,357	\$ 8,324,839

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 \$249,582 and \$223,922 for the years ended 2023 and 2022, respectively. Total employer contributions for the years ended 2023 and 2022 were \$5,312 and \$8,006, 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 8, 2024

Business Auto

Insurer	Arkansas Municipal League - Municipal Vehicle Program
Expiration	October 10, 2024

Blanket Dishonesty Bond

Insurer	Arkansas Fidelity Bond Trust
Expiration	December 31, 2024

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, 2023 AND 2022**

Note 8: Transfers

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, total transfers made to payroll funds were \$274,287 and \$248,694, 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, 2023 and 2022, there were \$357,262 and \$223,906, respectively, of transfers in from the general fund and \$79,938 and \$35,661, 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, 2023. 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>
Total reserves in debt service reserve accounts as of December 31, 2023:	<u>156,573</u>
Excess/(shortage) of reserves	\$ <u><u>101,518</u></u>

The Fund is in compliance with its debt service reserve requirements.

Note 10: Subsequent Events

Subsequent to year end, the Fund began undergoing an expansion project to its water treatment plant. The cost of this project is estimated to be approximately \$10.8 Million.

SUPPLEMENTARY INFORMATION

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
ADDITIONAL COMMENTS REQUIRED BY FINANCING AGENCIES
YEAR ENDED DECEMBER 31, 2023**

WATER, SEWER AND SANITATION RATE SCHEDULE

The number of users was 773. The rate structure is as follows:

Water Rates (per gallon)

0 - 1,000	\$ 33.06
1,001 - thereafter	\$9.17/1000
Contract Buyers	\$3.37/1000

Sewer Rates (per gallon of water usage)

Residential		Commercial and Industrial	
0 - 1,000	\$ 11.66	0 - 1,000	\$ 11.66
1,001 and over	\$5.84/1000	1,001 and over	\$5.84/1000
Alternate Systems	\$9.00/Month		

Sanitation Rates

Residential		Commercial and Industrial	
One Trash Can per week	\$ 14.96	\$ 14.96	
Two Trash Cans per week	\$ 20.96	\$ 20.96	
Three Trash Cans per week	\$ 26.96	\$ 26.96	
Four Trash Cans per week	\$ 32.96	\$ 32.96	

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 Peevy, 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 82,467,987.

See Independent Auditor's Report.

OTHER INFORMATION

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
STATEMENTS OF NET POSITION - WATER ACTIVITIES ONLY (UNAUDITED)
DECEMBER 31, 2023**

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 151,128	
Restricted checking and savings accounts	617,876	
Restricted certificates of deposits	13,398	
Accounts receivable, less allowance for doubtful accounts of \$13,404 and \$52,201 respectively	91,853	
Inventory	<u>5,402</u>	
Total Current Assets		\$ 879,657
CAPITAL ASSETS		
Land	245,059	
Water and sewer system	5,995,176	
Buildings	37,778	
Construction in progress	<u>43,277</u>	
	6,321,290	
Less: accumulated depreciation	<u>(3,853,026)</u>	
Net Capital Assets		<u>2,468,264</u>
Total Assets		<u><u>\$ 3,347,921</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accrued interest	\$ 3,654	
Accrued compensated absences	4,076	
Sales tax payable	4,391	
Current portion of long-term debt	<u>107,216</u>	
Total Current Liabilities		\$ 119,337
NON-CURRENT LIABILITIES		
Customer deposits	34,119	
Long-term debt, net	<u>1,168,804</u>	
Total Noncurrent Liabilities		<u>1,202,923</u>
Total Liabilities		1,322,260
NET POSITION		
Invested in capital assets, net of related debt	1,192,244	
Restricted	631,274	
Unrestricted	<u>202,143</u>	
Total Net Position		<u>2,025,661</u>
Total Liabilities and Net Position		<u><u>\$ 3,347,921</u></u>

See Independent Auditor's Report.

**CITY OF MULBERRY
WATER, SEWER, AND SANITATION FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WATER ACTIVITIES ONLY
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUES

Sales and charges	\$ 746,852	
Other revenue	<u>15,971</u>	
Total Revenues		<u>\$ 762,823</u>

OPERATING EXPENSES

Administrative	59,954	
Auto expenses	21,487	
Contract repair and engineering	180,577	
Depreciation	177,182	
Dues and conventions	11,133	
Insurance	44,692	
Office expenses	6,530	
Other	3,344	
Payroll taxes	14,545	
Permits and fees	2,704	
Professional fees	4,950	
Retirement and benefits	3,984	
Salaries	187,187	
Utilities	<u>42,650</u>	
Total Operating Expenses		<u>760,919</u>

OPERATING INCOME	<u>1,904</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest and dividend income	2,895	
Sales tax turn back receipts	267,947	
Transfers in (out), net	99,677	
Agent fees - ADFA	(8,319)	
Interest expense	<u>(39,392)</u>	
Total Nonoperating Revenues (Expenses)		<u>322,808</u>

CHANGE IN NET POSITION	324,712
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NET POSITION, BEGINNING OF YEAR	<u>1,700,949</u>
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NET POSITION, END OF YEAR	<u><u>\$ 2,025,661</u></u>
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See Independent Auditor's Report.