

COTTON PLANT WATER AND SEWER DEPARTMENT
COTTON PLANT, ARKANSAS
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2022

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To the Mayor and Members of the City Council
Cotton Plant Water and Sewer Department
Cotton Plant , Arkansas 72348

We have performed the procedures enumerated below on compliance with Ark. Code Ann. 14-234-119 to 122 of Cotton Plant Water and Sewer Department as of December 31, 2022, and for the year then ended. The City of Cotton Plant 's management is responsible for the Utilities' accounting records.

The management of Cotton Plant Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended compliance with Ark. Code Ann. 14-234-119 to 122. Additionally, the Mayor, City Council, and management of the Cotton Plant Water and Sewer Department have agreed to and acknowledge that the procedures performed are appropriate for its purpose. This report may not be suitable for other purposes. The procedures performed may not address all the items of interest of a user of this report and may not meet the needs of all users of this report and as such, users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and the associated findings are as follows:

Cash and Investments:

1. We performed proof of cash for the year end and reconciled the year end bank balances to the book balances.
2. We obtained confirmation of the cash on deposit for the Cotton Plant Water and Sewer Department:

Signature Bank	
Cash - Operating	\$ 1,479
Cash - Water Sewer Revenue	385
Cash - Meter Deposit	48,655
Cash- Short Lived Assets	6,631
Cash - Debt Service Reserve	16,768
	<u>\$ 73,918</u>

Cash and Investments (Cont'd):

3. We agreed the proof of cash ending balance to the book balance.

We found no exceptions as a result of the procedures.

Cash Receipts:

1. We agreed the deposits per the proof of cash for the year with the deposits per the cash receipts journal.
2. We agreed 10 customer payments on the accounts receivable subledger to the deposit and billing documents.

We found no exceptions as a result of the procedures.

Accounts Receivable:

1. We agreed 10 customer billings to the accounts receivable subledger.
2. We reviewed 5 customer adjustments for proper authorization.

We found no exceptions as a result of the procedures.

Cash Disbursements:

1. We agreed the disbursements per the proof of cash for the year with the disbursements per the cash disbursements journal within 5%.
2. We analyzed all property, plant and equipment disbursements.
3. We selected 10 disbursements and determined that they were adequately documented.

We found no exceptions as a result of the procedures.

Property, Plant, and Equipment:

1. We determined that all additions and disposals were properly accounted for in the records.

We found no exceptions as a result of the procedures.

Long- term Debt:

1. We scheduled long-term debt and verified changes in the balances for the year.
2. We confirmed long-term debt with the lenders.
3. We determined that the appropriate debt service accounts have been maintained. Terms of the loan agreements require that transfers be made to a debt service reserve account and a depreciation reserve account. We noted that the appropriate transfers were not made. The entity is required to transfer \$ 367 into a debt service reserve account, and \$ 1, 250 into a depreciation reserve account. No transfers were made. At December 31, 2022, the Entity should have had \$ 47, 940. The actual amount held was \$ 16,768.

Long-term debt balances are summarized below:

4.5 % Note Payable to USDA, due in monthly installments of \$1,504 through 2035. Secured by water and sewer system and pledge of future revenues	\$ 165,849
4.5 % Note Payable to USDA, due in monthly installments of \$ 836 through 2035. Secured by water and sewer system and pledge of future revenues	98,911
2.5 % Note Payable to USDA, due in monthly installments of \$ 335 through 2049. Secured by water and sewer system and pledge of future revenues	78,413
4.5 % Note Payable to USDA, due in monthly installments of \$ 1,320 through 2035. Secured by water and sewer system and pledge of future revenues	156,575
5% Note Payable to Arkansas Natural Resources Commission due in monthly installments of \$ 2000, through June 2025. Secured by pledge of future revenues	40,155
	<u>\$ 539,903</u>

We were engaged by the Cotton Plant Water and Sewer Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an audit, examination or

review engagement, the objective of which would be the expression of an opinion or conclusion on the specified elements, accounts or items. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Cotton Plant Water and Sewer Department and to meet other ethical responsibilities related to our agreed upon procedure engagement.

Meyer & Ward

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

September 19, 2025

COTTON PLANT WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT

MEYER AND WARD, P.A.
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COTTON PLANT WATER AND SEWER DEPARTMENT
COTTON PLANT , ARKANSAS
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

Independent Accountant’s Report on Compiled Financial Statements.....	1
Statement of Assets, Liabilities and Net Position – Cash Basis.....	2
Statement of Receipts and Disbursements – Cash Basis.....	3

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CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Mayor and Members of the City Council
Cotton Plant Water and Sewer Department
Cotton Plant, Arkansas 72348

Management is responsible for the accompanying financial statements of the Cotton Plant Water and Sewer Department, which comprise the statement of assets, liabilities and net position – cash basis and the related statement of receipts and disbursements – cash basis as of December 31, 2022 and for the year then ended in accordance with the cash basis of accounting and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services, promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has omitted the management's discussion and analysis that the cash basis of accounting requires 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 financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has elected to omit substantially all of the disclosures required by the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Utilities' assets, liabilities, net position, receipts, and disbursements. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Meyer & Ward

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

September 19, 2025

COTTON PLANT WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITES, AND NET POSITION - CASH BASIS
DECEMBER 31, 2022

ASSETS

Current Assets	
Cash - Operating	\$ 2,164
Total Current Assets	<u>2,164</u>
Restricted Assets	
Cash - Short Lived Assets	6,631
Cash - Debt Service Reserve	16,768
Cash - Meter Deposits	48,655
Total Restricted Assets	<u>72,054</u>
Property, Plant, and Equipment	
Water and Sewer System	5,534,637
Less: Accumulated Depreciation	<u>(3,214,831)</u>
Net Property, Plant, and Equipment	<u>2,319,806</u>
Total Assets	<u><u>\$ 2,394,024</u></u>

LIABILITIES AND NET POSITION

Current Liabilities	
Current Maturities of Long-Term Debt	\$ 40,440
Sales Taxes	1,002
Due to City	155,345
Total Current Liabilities	<u>196,787</u>
Current Liabilities from Restricted Assets	
Customer Meter Deposits	<u>47,560</u>
Long-Term Debt, Net of Current Maturities	<u>499,463</u>
Total Liabilities	<u>743,810</u>
Net Position	
Unrestricted	(146,457)
Net Invested in Capital Assets	1,779,903
Restricted for Debt Service	16,768
Net Position	<u>1,650,214</u>
Total Liabilities and Net Position	<u><u>\$ 2,394,024</u></u>

See Independent Accountant's Compilation Report

COTTON PLANT WATER AND SEWER DEPARTMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Revenue	
Water Fees	\$ 121,129
Sewer Fees	52,218
Total Cash Receipts	<u>\$ 173,347</u>
Operating Expenses	
Salaries	\$ 102,120
Depreciation	106,041
Utilities	30,204
Office Supplies and Postage	1,561
Operating Maintenance and Supplies	29,242
Professional Fees	4,800
License and Fees	4,780
Miscellaneous	1,926
Total Disbursements	<u>280,674</u>
Operating Income (Loss)	<u>(107,327)</u>
Non-Operating Revenues (Expenses)	
Interest Income	24
Transfers	84,853
Interest Expense	<u>(18,345)</u>
Non-Operating Income (Loss)	<u>66,532</u>
Excess (Deficiency) of Revenue over Expenses	<u><u>\$ (40,795)</u></u>

See Independent Accountant's Compilation Report.