

DELIGHT RURAL WATER AND SEWER



DELIGHT, ARKANSAS

JUNE 30, 2021

DELIGHT RURAL WATER AND SEWER
DELIGHT, ARKANSAS

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Town Officials and Town Council
Delight Rural Water and Sewer

We have performed the procedures enumerated below on the accounting records of Delight Rural Water and Sewer as of and for the year ended June 30, 2021. Delight Rural Water and Sewer's management is responsible for the entity's accounting records.

Delight Rural Water and Sewer has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to 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 purposes.

The procedures and findings are as follows:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- b. Confirm with depository institutions the cash on deposit and investments.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposit, agree the cash/check composition of the deposit with the receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

6. Long-Term Debt

- a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

We found no exceptions as a result of the procedure.

We were engaged by Delight Rural Water and Sewer to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Delight Rural Water and Sewer. 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 Delight Rural Water and Sewer and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Delight Rural Water and Sewer and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

June 17, 2025

To the Town Officials and Town Council
of Delight Rural Water and Sewer

Management is responsible for the accompanying financial statements of Delight Rural Water and Sewer, which comprise the statements of net position as of June 30, 2021, and the related statements of revenue, expenses and changes in net position, and related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. 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. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the Budgetary Comparison Schedule that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a required 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. Such information is the responsibility of management.

A statement of cash flows for the year ended June 30, 2021 has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

As discussed in Note 1, the financial statements referred to above present only Delight Rural Water and Sewer, which is an enterprise of the Town of Delight and are not intended to present fairly the financial position of the Town of Delight, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

June 17, 2025

DELIGHT RURAL WATER AND SEWER
STATEMENT OF NET POSITION
JUNE 30, 2021

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ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 15,745
Certificates of Deposit	26,234
Accounts Receivable (Net of Allowance \$65,214)	25,134
Receivables - Other	49
Unbilled Revenue	8,100
Accrued Interest Receivable	175
TOTAL CURRENT ASSETS	<u>75,437</u>

RESTRICTED ASSETS:

Cash - Meter Deposits	5,260
Cash - Depreciation Fund	29,993
Certificates of Deposit	128,693
TOTAL RESTRICTED ASSETS	<u>163,946</u>

CAPITAL ASSETS:

Water and Sewer System	2,426,629
Machinery and Equipment	68,578
Office Equipment	19,151
	<u>2,514,358</u>
Less Accumulated Depreciation	<u>(2,019,859)</u>
TOTAL CAPITAL ASSETS	494,499

TOTAL ASSETS

\$ 733,882

See Independent Accountants' Compilation Report and Notes to Financial Statements.

DELIGHT RURAL WATER AND SEWER
STATEMENT OF NET POSITION
JUNE 30, 2021

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LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts Payable	\$ 17,652
Accrued Interest Payable	136
Revenue Bond Payable	2,217
TOTAL CURRENT LIABILITIES	<u>20,005</u>

LIABILITIES PAYABLE FROM RESTRICTED FUNDS:

Customers' Meter Deposits	47,215
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LONG-TERM LIABILITIES:

Revenue Bonds Payable	83,880
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TOTAL LIABILITIES

151,100

NET POSITION:

Invested in Capital Assets - Net of Related Debt	408,402
Restricted	143,338
Unrestricted	31,042
TOTAL NET POSITION	<u>582,782</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 733,882

See Independent Accountants' Compilation Report and Notes to Financial Statements.

DELIGHT RURAL WATER AND SEWER
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

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OPERATING REVENUE:	
Water and Sewer Revenue	\$ 277,074
OPERATING EXPENSES:	
Water Purchases	108,601
Salaries	56,324
Utilities and Telephone	25,564
Taxes and Licenses	7,390
Supplies	26,042
Repairs and Maintenance	25,461
Insurance	29,033
Depreciation	58,602
Office Supplies	10,000
Miscellaneous	1,885
TOTAL OPERATING EXPENSES	348,902
OPERATING INCOME (LOSS)	(71,828)
NON-OPERATING REVENUE (EXPENSES):	
Interest Income	1,526
Interest Expense	(2,211)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(685)
NET INCOME (LOSS)	(72,513)
NET POSITION - BEGINNING OF YEAR	655,295
NET POSITION - END OF YEAR	\$ 582,782

See Independent Accountants' Compilation Report and Notes to Financial Statements.

DELIGHT RURAL WATER AND SEWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Significant Accounting Policies:

The Delight Rural Water and Sewer (The System) is an Enterprise Fund of the Town of Delight, Arkansas and is governed by the Town Council of Delight, Arkansas. The accompanying financial statements and other information reflect the Delight Water and Sewer fund only and do not include other funds of the Town of Delight, Arkansas.

The System has an allowance for bad debts of \$65,214 as of June 30, 2021. This represents an amount equal to the over 90 days past due accounts receivable as of June 30, 2021. Customer meter deposits would offset most of the potential bad debts if they were not collected. All accounts receivable and revenues have been pledged as collateral on the bonds outstanding.

Capital Assets are stated at cost or customer cost of construction on contributed assets, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water and Sewer System	39 Years
Vehicles and Equipment	5 - 7 Years

The System requires every customer to pay a meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited because a large number of diverse customers make up the System's customer base, thus spreading the trade risk.

For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles under which revenues are recognized when earned, and expenses are recorded when incurred. The System applies all relevant Government Accounting Standards Board (GASB) pronouncements. The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

Management has evaluated subsequent events through June 17, 2025, the date the financial statements were available for issuance.

Note 2. Current Assets:

Accounts receivable at June 30, 2021 of \$90,348 is for June 2021 water usage except for \$65,214 which is for accounts in arrears. Unbilled revenues as of June 30, 2021 were \$8,100.

DELIGHT RURAL WATER AND SEWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3. Restricted Assets:

Delight Rural Water and Sewer has \$57,636 in Certificates of Deposit pledged as debt reserve at the Bank of Delight as of June 30, 2021. The System has \$85,838 in cash and Certificates of Deposit for Depreciation Reserve requirements as of June 30, 2021. The System has \$20,473 in customer meter deposits in cash and Certificates of Deposit as of June 30, 2021.

Note 4. Capital Assets:

Capital Assets activity for the year ended June 30, 2021 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets at Historical Costs:				
Water and Sewer System	\$ 2,426,629	\$ -	\$ -	\$ 2,426,629
Machinery and Equipment	68,578	-	-	68,578
Office Equipment	19,151	-	-	19,151
	<u>2,514,358</u>	<u>-</u>	<u>-</u>	<u>2,514,358</u>
Less Accumulated Depreciation:				
Water and Sewer System	(1,892,105)	(55,798)	-	(1,947,903)
Machinery and Equipment	(50,753)	(2,608)	-	(53,361)
Office Equipment	(18,399)	(196)	-	(18,595)
Total Depreciation	<u>(1,961,257)</u>	<u>(58,602)</u>	<u>-</u>	<u>(2,019,859)</u>
NET	<u>\$ 553,101</u>	<u>\$ (58,602)</u>	<u>\$ -</u>	<u>\$ 494,499</u>

Note 5. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where principal and interest are fully guaranteed by the United States of America. All cash funds of the System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Delight Rural Water and Sewer in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Delight Rural Water and Sewer does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at June 30, 2021 was \$205,816. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$207,586 before adjustment for outstanding items.

DELIGHT RURAL WATER AND SEWER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Note 5. Public Fund Deposits and Investments (Continued):

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Delight Rural Water and Sewer accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all the Town of Delight accounts and investments at a financial institution.

Investment Interest Rate Risk: Delight Rural Water and Sewer does not have an investment interest rate risk. All investments are short-term certificates of deposit and the System is under no obligation to renew upon maturity.

Investment Credit Risk: Delight Rural Water and Sewer does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

Foreign Currency Risk: Delight Rural Water and Sewer has no exposure to foreign currency risk.

Note 6. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for June 2021. These amounts were paid subsequent to June 30, 2021.

Note 7. Revenue Bonds Payable:

Revenue bonds payable consists of the following as of June 30, 2021:

	June 30, 2021
USDA Rural Development Bond Payable, \$362 Monthly, Including Interest at 2.5%, Maturing in June 2049, Collateralized by the Systems Revenue	86,097
Less portion considered current	(2,217)
Total long-term debt	\$ 83,880

DELIGHT RURAL WATER AND SEWER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Note 7. Revenue Bonds Payable: (Continued)

The future maturities of long-term debt are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2,217	2,127	4,344
2023	2,273	2,071	4,344
2024	2,330	2,014	4,344
2025	2,389	1,955	4,344
2026	2,450	1,894	4,344
Thereafter	74,438	22,848	97,286
	<u>\$ 86,097</u>	<u>\$ 32,909</u>	<u>\$ 119,006</u>

Note 8. Net Assets:

Invested Capital Assets net of related debt represents the value of system additions paid for by customers, other outside sources, and grants received to assist in financing construction of new additions to the system less the associated outstanding debt on those assets.

Net Assets in the amount of \$174,380 consists of the accumulated earnings of the Water and Sewer system of \$31,042 and the excess of restricted assets over liabilities payable from restricted assets of \$143,338.

Note 9. Risk Management:

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the System.