

DONALDSON SEWER SYSTEM



DONALDSON, ARKANSAS

DECEMBER 31, 2022

DONALDSON SEWER SYSTEM
DONALDSON, ARKANSAS

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Donaldson Sewer System

We have performed the procedures enumerated below on the accounting records of Donaldson Sewer System as of and for the year ended December 31, 2022. Donaldson Sewer System's management is responsible for the entity's accounting records.

Donaldson Sewer System 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 associated 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 deposits, agree the cash/check composition of the deposit with 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 Donaldson Sewer System 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 examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of Donaldson Sewer System. 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 Donaldson Sewer System 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 Donaldson Sewer System 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
August 20, 2024

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To Management
Donaldson Sewer System
Donaldson, Arkansas

Management is responsible for the accompanying financial statements of Donaldson Sewer System, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the management's discussion and analysis and budgetary comparison schedule 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 financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

As discussed in Note 1, the financial statements referred to above present only Donaldson Sewer System, which is an enterprise fund of the Town of Donaldson, and are not intended to present fairly the financial position of the Town of Donaldson, 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
August 20, 2024

DONALDSON SEWER SYSTEM
STATEMENT OF NET POSITION
DECEMBER 31, 2022

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ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 49,336
Accounts Receivable (Net of Allowance of \$3,745)	8,235
TOTAL CURRENT ASSETS	<u>57,571</u>

RESTRICTED ASSETS:

Cash - Debt Service	40,124
Cash - Depreciation	15,823
TOTAL RESTRICTED ASSETS	<u>55,947</u>

CAPITAL ASSETS:

Land	13,187
Office Equipment	11,465
Sewer Expansion to Ouachita Schools	466,825
Sewer System and Equipment	1,365,070
Pump Station Relocation	79,284
	<u>1,935,831</u>
Less Accumulated Depreciation	<u>(934,956)</u>
TOTAL CAPITAL ASSETS	1,000,875

TOTAL ASSETS	<u><u>\$ 1,114,393</u></u>
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See Independent Accountants' Compilation Report and Notes to Financial Statements.

DONALDSON SEWER SYSTEM
STATEMENT OF NET POSITION
DECEMBER 31, 2022

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LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts Payable	\$ 10,035
Accrued Interest Payable	223
Payroll Taxes Payable	177
Current Portion of Long-Term Debt	29,615
TOTAL CURRENT LIABILITIES	<u>40,050</u>

LIABILITIES PAYABLE FROM RESTRICTED FUNDS:

Customers' Meter Deposits	3,544
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LONG-TERM LIABILITIES:

Note Payable	93,248
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TOTAL LIABILITIES

136,842

NET POSITION:

Net Investment in Capital Assets	878,012
Restricted	52,403
Unrestricted	47,136
TOTAL NET POSITION	<u>977,551</u>

TOTAL LIABILITIES AND NET POSITION

\$ 1,114,393

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

DONALDSON SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUE:	
Charges for Services	\$ 37,202
Ouachita Public Schools Contribution	31,800
TOTAL REVENUE	<u>69,002</u>
OPERATING EXPENSES:	
Payroll Expenses / Contract Services	14,530
Depreciation	42,455
Dues and Permits	3,621
Lab Fees	2,000
Legal and Professional Fees	9,600
Repairs / Maintenance / Supplies	14,427
Utilities	8,232
Miscellaneous	2
TOTAL OPERATING EXPENSES	<u>94,867</u>
OPERATING INCOME (LOSS)	<u>(25,865)</u>
NON-OPERATING REVENUE (EXPENSES):	
Interest Earned	390
Interest Expense	<u>(2,939)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(2,549)</u>
INCREASE (DECREASE) IN NET POSITION	<u>(28,414)</u>
NET POSITION, BEGINNING OF YEAR	1,005,965
NET POSITION, END OF YEAR	<u>\$ 977,551</u>

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

DONALDSON SEWER SYSTEM
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2022

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 68,639
Cash Payments for Goods and Services	(38,661)
Cash Payments to Employees	(4,341)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>25,637</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in Customer Meter Deposits	<u>50</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Debt Payment	(9,440)
Interest Paid	(2,977)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(12,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	390
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>13,660</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,623
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 105,283</u>

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

DONALDSON SEWER SYSTEM
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2022

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Reconciliation of operating income to net cash flow from operating activities:

OPERATING INCOME (LOSS)	<u>\$ (25,865)</u>
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Depreciation and Amortization	42,455
Change in Assets and Liabilities:	
Accounts Receivable	(363)
Accounts Payable	<u>9,410</u>
TOTAL ADJUSTMENTS	<u>51,502</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u><u>\$ 25,637</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES:

None

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

DONALDSON SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1. Significant Accounting Policies:

The Donaldson Sewer System, “the System”, is an Enterprise Fund of the Town of Donaldson, Arkansas and is governed by the City Council of the Town of Donaldson, Arkansas. The accompanying financial statements and other information reflect the Donaldson Sewer System fund only and do not include other funds of the Town of Donaldson, Arkansas.

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.

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.

Bad debts, which are immaterial in amount after applying customers’ meter deposits, are recognized based on the allowance method.

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

Office Equipment	5 - 7 Years
Sewer Expansion	50 Years
Sewer System and Equipment	7 - 50 Years
Pump Relocation	50 Years

Management has evaluated subsequent events through August 20, 2024, the date the financial statements were available for issuance.

DONALDSON SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2. Capital Assets:

Capital Assets activity for the year ended December 31, 2022 was as follows:

	12/31/2021	INCREASES	DECREASES	12/31/2022
Capital Assets at Historical Costs:				
Land	\$ 13,187	\$ -	\$ -	\$ 13,187
Office Equipment	11,465	-	-	11,465
Sewer Expansion to Ouachita Schools	466,825	-	-	466,825
Sewer System and Equipment	1,365,070	-	-	1,365,070
Pump Station Relocation	79,284	-	-	79,284
	<u>1,935,831</u>	<u>-</u>	<u>-</u>	<u>1,935,831</u>
Less Accumulated Depreciation	(892,501)	(42,455)	-	(934,956)
TOTAL	<u>\$ 1,043,330</u>	<u>\$ (42,455)</u>	<u>\$ -</u>	<u>\$ 1,000,875</u>

Note 3. 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 Donaldson Sewer system 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. Donaldson Sewer System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2022 was \$105,283. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$107,544 before adjustment for outstanding items.

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 Donaldson Sewer accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all Town of Donaldson accounts and investments at a financial institution.

Investment Interest Rate Risk: The System 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: The System 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: The System has no exposure to foreign currency risk.

DONALDSON SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Note 4. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for December. These amounts were paid subsequent to December 31, 2022.

Note 5. Long-Term Debt:

Long-term debt consists of the following as of December 31, 2022:

Bond Payable - Arkansas Natural Resource Commission, Bearing interest at 4.5%, Maturing in June 2028, Collateralized by System Revenues, Current Portion \$29,615.	\$ 122,863
Less portion considered current Long-Term Debt	<u>(29,615)</u> <u>\$ 93,248</u>

The future maturities of long-term debt as follows:

	Principal	Interest	Total
2023	\$ 29,615	\$ 7,636	\$ 37,251
2024	20,870	3,964	24,834
2025	21,819	3,015	24,834
2026	22,812	2,022	24,834
2027	23,851	983	24,834
Thereafter	3,896	88	3,984
Total	\$ 122,863	\$ 17,708	\$ 140,571

Note 6. 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.

Note 7. Concentrations Risk:

Sales to Ouachita Public Schools totaled \$31,800 for 2022. This represents approximately 46% of the System's revenue for the year.