

MURFREESBORO WATER & SEWER SYSTEM



MURFREESBORO, ARKANSAS

DECEMBER 31, 2022

MURFREESBORO WATER & SEWER SYSTEM
MURFREESBORO, ARKANSAS

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TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Murfreesboro Water & Sewer Commission
Murfreesboro, Arkansas

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

Murfreesboro Water & 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 one deposit, 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 that the system maintained adjustment reports, but they were not noted as approved by management or the system's commissioners.

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 Murfreesboro Water & Sewer System 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 Murfreesboro Water & 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 Murfreesboro Water & Sewer System and to meet our 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 Murfreesboro Water & 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
February 9, 2023

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Murfreesboro Water & Sewer System
Murfreesboro, AR

Management is responsible for the accompanying financial statements of Murfreesboro Water & Sewer System, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements as listed in the table contents, 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 statement 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 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 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.

The 2021 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated December 27, 2022. We have not performed any auditing procedures since that date.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
February 9, 2023

MURFREESBORO WATER & SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u> Compiled	<u>2021</u> Audited
CURRENT ASSETS:		
Cash	\$ 556,575	\$ 699,891
Certificates of Deposit	200,000	200,000
Accounts Receivable	60,845	55,894
Inventory	60,677	58,605
Prepaid Insurance	875	875
TOTAL CURRENT ASSETS	878,972	1,015,265
RESTRICTED ASSETS:		
Cash - Meter Deposits	25,443	26,193
Cash - Debt Service Fund - 1987 Issue	45,742	47,967
Cash - Depreciation Fund - 1987 and 2002 Issues	78,855	67,082
Cash - Debt Service Fund - 2002 Issue	23,988	23,678
TOTAL RESTRICTED ASSETS	174,028	164,920
LAND, PLANT AND EQUIPMENT:		
Land	69,711	69,711
Water and Sewer Plant	7,499,488	7,327,916
Equipment	338,075	327,760
	7,907,274	7,725,387
Less Accumulated Depreciation	(5,053,109)	(4,895,336)
TOTAL LAND, PLANT AND EQUIPMENT	2,854,165	2,830,051
TOTAL ASSETS	\$ 3,907,165	\$ 4,010,236

The accompanying notes are an integral part of these financial statements.

MURFREESBORO WATER & SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

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LIABILITIES AND NET POSITION

	2022 Compiled	2021 Audited
CURRENT LIABILITIES:		
Accounts Payable	\$ 15,357	\$ 11,792
Payroll Taxes Payable	5,180	4,960
TOTAL CURRENT LIABILITIES	20,537	16,752
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Revenue Bonds Payable - Current Maturity	128,999	123,711
Interest Payable - Revenue Bonds	8,346	8,963
Customers' Meter Deposits	25,443	26,193
TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS	162,788	158,867
LONG-TERM DEBT:		
Revenue Bonds Payable - USDA	152,181	189,154
Revenue Bonds Payable - ADFA	1,213,380	1,305,407
TOTAL LONG-TERM DEBT	1,365,561	1,494,561
TOTAL LIABILITIES	1,548,886	1,670,180
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	1,191,464	1,211,779
Restricted	174,028	164,920
Unrestricted	992,787	963,357
TOTAL NET POSITION	2,358,279	2,340,056
TOTAL LIABILITIES AND NET POSITION	\$ 3,907,165	\$ 4,010,236

The accompanying notes are an integral part of these financial statements.

MURFREESBORO WATER & SEWER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u> Compiled	<u>2021</u> Audited
OPERATING REVENUE:		
Water Revenue	\$ 473,181	\$ 477,033
Sewer Revenue	201,553	188,212
Penalties	7,995	8,250
Connection Fees	516	505
Other Revenue	4,395	13,284
TOTAL REVENUE	<u>687,640</u>	<u>687,284</u>
 OPERATING EXPENSES:		
Salaries / Labor	167,182	173,275
Employee Benefits	24,661	24,191
Extra Labor	11,626	8,460
Parts and Supplies	20,512	20,950
Utilities	61,429	57,816
Repairs and Maintenance	80,053	94,155
Depreciation	157,773	156,346
Insurance and Bonding	15,894	16,368
Payroll Taxes	12,318	13,604
Permits and Dues	9,019	9,439
Office Expense	13,440	14,524
Commissioner Fees	5,400	5,400
Legal and Professional Fees	17,019	8,000
Truck Expense	7,441	8,603
Miscellaneous	4,811	3,831
TOTAL OPERATING EXPENSES	<u>608,578</u>	<u>614,962</u>
 OPERATING INCOME (LOSS)	 <u>79,062</u>	 <u>72,322</u>
 NONOPERATING INCOME (EXPENSES):		
Interest Income	2,098	2,833
Interest Expense	(49,290)	(55,642)
ADFA Service Fees	(13,647)	(14,644)
TOTAL NONOPERATING INCOME (EXPENSES)	<u>(60,839)</u>	<u>(67,453)</u>
 CHANGE IN NET POSITION	 <u>18,223</u>	 <u>4,869</u>
 NET POSITION, BEGINNING OF YEAR	 2,340,056	 2,335,187
 NET POSITION - END OF YEAR	 <u>\$ 2,358,279</u>	 <u>\$ 2,340,056</u>

The accompanying notes are an integral part of these financial statements.

MURFREESBORO WATER & SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u> <u>Compiled</u>	<u>2021</u> <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 682,719	\$ 680,518
Other Income	-	11,563
Cash Paid to Suppliers	(281,910)	(278,332)
Cash Paid to Employees	(167,182)	(173,275)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>233,627</u>	<u>240,474</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>2,098</u>	<u>2,833</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	<u>(750)</u>	<u>198</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(181,887)	-
Principal Debt Payment	(123,712)	(118,645)
Interest Paid	(49,937)	(54,428)
Bond Administrative Fees	(13,647)	(14,644)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(369,183)</u>	<u>(187,717)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(134,208)</u>	<u>55,788</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	864,811	809,023
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 730,603</u>	<u>\$ 864,811</u>

The accompanying notes are an integral part of these financial statements.

MURFREESBORO WATER & SEWER SYSTEM
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	<u>2022</u> Compiled	<u>2021</u> Audited
OPERATING INCOME (LOSS)	\$ 79,062	\$ 72,322
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	157,773	156,346
Change in Assets and Liabilities:		
Accounts Receivable	(4,921)	4,797
Inventory	(2,072)	1,949
Accounts Payable and Accrued Expenses	3,785	5,060
TOTAL ADJUSTMENTS	<u>154,565</u>	<u>168,152</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 233,627</u>	<u>\$ 240,474</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

The accompanying notes are an integral part of these financial statements.

MURFREESBORO WATER & SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1. Significant Accounting Policies:

The Murfreesboro Water & Sewer System is an Enterprise Fund of the City of Murfreesboro, Arkansas. The System is governed by a three-member commission. The accompanying financial statements and other information reflect the Murfreesboro Water & Sewer System fund and do not include other funds of the City of Murfreesboro, Arkansas.

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The System applies all relevant Governmental 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.

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.

Inventory is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

The System uses the direct charge-off method for uncollectible accounts receivable. Due to the history of a very small amount of write-offs each year, management does not feel that there is a need to establish an allowance for doubtful accounts and the effect of such an allowance would be immaterial.

Plant infrastructure and equipment are stated on the basis of cost, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Water and Sewer Plant	10 - 50
Equipment	5 - 25

Depreciation is partially funded by transfers to the depreciation fund at the rate of 3% of gross revenues of the System.

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 System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited by these deposits. The System monitors its exposure for credit losses.

Management has evaluated subsequent events through February 9, 2023, the date the financial statements were available for issuance.

MURFREESBORO WATER & 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
Land	\$ 69,711	\$ -	\$ -	\$ 69,711
Water and Sewer Plant	7,327,916	171,572	-	7,499,488
Equipment	327,760	10,315	-	338,075
	<u>7,725,387</u>	<u>181,887</u>	<u>-</u>	<u>7,854,274</u>
Less Accumulated Depreciation	(4,895,336)	(157,773)	-	(5,049,678)
NET	<u>\$ 2,830,051</u>	<u>\$ 24,114</u>	<u>\$ -</u>	<u>\$ 2,854,165</u>

Capital Assets activity for the year ended December 31, 2021 was as follows:

	12/31/2020	Increases	Decreases	12/31/2021
Land	\$ 69,711	\$ -	\$ -	\$ 69,711
Water and Sewer Plant	7,327,916	-	-	7,327,916
Equipment	327,760	-	-	327,760
	<u>7,725,387</u>	<u>-</u>	<u>-</u>	<u>7,725,387</u>
Less Accumulated Depreciation	(4,738,990)	(156,346)	-	(4,895,336)
NET	<u>\$ 2,986,397</u>	<u>\$ (156,346)</u>	<u>\$ -</u>	<u>\$ 2,830,051</u>

Note 3. Long-Term Debt:

The revenue bonds are secured by a pledge of the utility system's revenues. A schedule of Bond Debt is shown below:

	12/31/2022	12/31/2021
1987 Revenue Bond - USDA; payable \$3,799 monthly including interest at 5.0%; collateralized by system revenue; current portion is \$36,972. Matures August 14, 2027.	\$ 189,153	\$ 224,324
2002 Revenue Bond - ADFA; payable \$71,052 semi-annually including interest at 3.9%; collateralized by system revenue; current portion is \$92,027. Matures April 15, 2034.	1,305,407	1,393,948
	<u>1,494,560</u>	<u>1,618,272</u>
Less portion considered current	(128,999)	(123,711)
Total long-term debt	<u>\$ 1,365,561</u>	<u>\$ 1,494,561</u>

MURFREESBORO WATER & SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Note 3. Long-Term Debt: (Continued)

Aggregate maturities of long-term debt as of December 31, 2022 are as follows:

	Principal	Interest	Service Fee	Total
2023	\$ 128,999	\$ 45,812	\$ 12,826	\$ 187,637
2024	134,512	41,228	11,897	187,637
2025	140,267	36,439	10,931	187,637
2026	146,272	31,438	9,927	187,637
2027	136,951	26,314	8,884	172,149
Thereafter	807,559	85,014	29,315	921,888
Total	<u>\$ 1,494,560</u>	<u>\$ 266,245</u>	<u>\$ 83,780</u>	<u>\$ 1,844,585</u>

Note 4. Contributed Capital and Net Position:

Contributed Capital represents grants received to assist in financing construction of new additions or replacements to the System. Contributed Capital also includes the value of system additions paid for by customers.

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 the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the Systems, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Murfreesboro Water & 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. Murfreesboro Water & 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 \$930,388. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$941,009 before adjustment for outstanding items. Financial institutions pledged securities with a fair market value of \$651,791 to collateralize deposits.

The securities held as collateral are classified as to credit risk under three categories, as follows:

- Category 1: Collateralized with securities held by the System or by its agent in the System's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.
- Category 3: Uncollateralized - this includes held by the pledging financial institution's trust department or agent but not in the System's name.

All securities are classified under Category 3, above.

MURFREESBORO WATER & SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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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 Murfreesboro Water & Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Murfreesboro accounts and investments at a financial institution.

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

Investment Credit Risk: Murfreesboro Water & Sewer 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: Murfreesboro Water & Sewer System has no exposure to foreign currency risk.

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; injuries to employees; and natural disasters. The town of Murfreesboro 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. Major Customer:

The System furnishes water to the City of Delight, Pike City Rural Water District and South Pike County Water Facility for \$2.29 per thousand gallons. These agreements represent water billings for the year ended December 31, 2022 of \$83,619; \$28,923; and \$49,029; respectively. Accounts receivable from the City of Delight, Pike City Rural Water District and South Pike County Water Facility on December 31, 2022 were \$8,047; \$1,967; and \$3,978, respectively.

Note 8. 1987 Revenue Bonds:

In 1987, the System entered into a loan agreement with the United States Department of Agriculture, Rural Development for \$780,000. The loan was for the purpose of providing construction funds for improvements to the sewer collection and disposal facilities of the System. This is a 5% note to be paid in full in August of 2027.

MURFREESBORO WATER & SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 8. 1987 Revenue Bonds: (Continued)

The note agreement requires Murfreesboro Water & Sewer System to open and fund a 1987 Debt Service Fund. The Debt Service Fund is to be funded with monthly transfers into the account equal to the next month's principal and interest, \$3,799, plus the additional sum of \$380. When the Debt Service Fund reaches and maintains the equivalent of 12 monthly installments, \$45,600, the additional amount of \$380 shall not be made.

Account balance on December 31, 2022 and 2021 was \$45,742 and \$47,967, respectively.

Note 9. 2002 Revenue Bonds:

In December 2002, the System issued a Revenue Bond to the Arkansas Development Finance Authority for \$2,500,000. The bond was issued to Finance a new water and sewer plant and additional water storage. This is a 2.9% bond, with a 1% administrative fee, to be paid over 30 years. The bond is secured with a pledge of the utility System's revenues.

The bond agreement requires the Murfreesboro Water & Sewer System to open and fund the following accounts:

Debt Service - Regular annual/semiannual bond payments of approximately \$71,025 due April 1st and October 31st of each year. Account balance on December 31, 2022 is \$23,988. Monthly payments to ADFA accumulate until the semiannual payment is due. Next payment due is April 30, 2023.

Depreciation Reserve - \$11,494 is to be accumulated at a rate of \$960 per month. Account balance on December 31, 2022 and 2021 was \$78,855 and \$67,082, respectively.

Note 10. Retirement Plan:

The System participates in the Nationwide Retirement Solutions Deferred Compensation Plan (a 457 supplemental retirement plan). All full-time employees hired after January 1, 2006 are eligible to participate in the retirement program. The System will match up to 3% of any full-time employee's gross income who is qualified for retirement after one year of employment. There is no required minimum.

Contributions to Nationwide Retirement Solutions for the year ended December 31, 2022 and 2021 were \$3,771 and \$3,903, respectively. Employees are allowed to make salary deferred contributions to the Plan, subject to IRS limitations.