

CITY OF DOVER, ARKANSAS
MUNICIPAL WATER AND SEWER DEPARTMENT
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
ON APPLYING AGREED-UP PROCEDURES
AND FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

JONES and LAWTON, CPAS, P.A.
A PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF DOVER, ARKANSAS
MUNICIPAL WATER AND SEWER SYSTEM
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES.....	1
FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6

JONES and LAWTON, CPAs, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

1106 WEST B STREET

P O BOX 945

RUSSELLVILLE, AR 72811

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE A. JONES, CPA
WILLIAM L. LAWTON, JR., CPA

TEL (479) 968-2552
FAX (479) 968-8855

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council of Dover, Arkansas
City of Dover Municipal Water and Sewer System
Dover, Arkansas

We have performed the procedures enumerated below, which were agreed to by the City Council of Dover, Arkansas, as specified in the Agreed Upon Procedures as required under Arkansas Code Annotated 14-234-119, solely to assist the specified parties in evaluating the City of Dover Municipal Water and Sewer System's compliance with the *Guidelines and Rules* specified below, as of June 30, 2022 and 2021. The City of Dover Municipal Water and Sewer System's management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

1. Cash

- a. Prepared a proof of cash for the year for all accounts.
- b. Reconciled year-end bank balances to book balances, within 5% or \$500, whichever is greater.
- c. Acquired deposit confirmations for all accounts and agreed them to the proof of cash, ending bank statement balance and book balance.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agreed 10 customer payments to the billing documents and to the customers' accounts receivable subsidiary account.
- b. Agreed cash receipts journal total to deposits per proof of cash within 5% or \$500, whichever is greater.
- c. Agreed one deposit's cash/check composition with receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agreed 10 customer billings to the meter readings and to the customers' accounts receivable subsidiary account.
- b. Selected 5 customer adjustments and validate they were approved.
- c. Agreed accounts receivable payments per A/R ledger to cash receipts within 5% or \$500, whichever is greater.
- d. Agreed Accounts receivable ledger to year-end book balance.

All adjustments were approved by the water clerk, and we found no exceptions as a result of the procedures.

4. Disbursements

- a. Selected and review documentation for 12 disbursements.
- b. Reviewed expenses to determine amounts spent on operating and maintenance.
- c. Scheduled and reviewed all employee and board member disbursements.
- d. Agreed cash disbursements journal to disbursements per proof of cash within 5% or \$500, whichever is greater.
- e. Agreed payroll and payroll reports.

We found no exceptions as a result of the procedures.

5. Property, Plant and Equipment

- a. Determined that additions and disposals were properly accounted for in the records.
- b. Reviewed supporting documentation for all fixed asset purchases.

We found no exceptions as a result of the procedures.

6. Long-term Debt

- a. Scheduled long-term debt and verify changes in all balances for the year.
- b. Confirmed loan, bond, note, and contract payable balances with lenders, trustees, agencies or contractors.
- c. Determined that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

7. General

- a. Reviewed cash balances for adequacy to support operating and maintenance expenditures.
- b. Determined the number of customers.
- c. Determined the rate structure.
- d. Reviewed the minutes of the governing body's meetings, and if applicable, determined that any items of financial significance were therein approved and documented.

We found no exceptions as a result of the procedures.

This agreed-upon procedures engagement was conducted 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 or review, the objective of which would be the expression of an opinion or conclusion, on the effectiveness of internal controls over compliance. Accordingly, we do not express such an opinion or conclusion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you. The sufficiency of the procedures is solely the responsibility of the City Council of Dover, Arkansas. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely for the information and use of the City Council of Dover, Arkansas, management of the City of Dover Municipal Water and Sewer System, and the Arkansas Department of Finance and Administration, Office of Intergovernmental Services and is not intended to be and should not be used by anyone other than these specified parties.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
May 15, 2023



CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2022 and 2021

ASSETS		
	2022	2021
Cash and Cash Equivalents (Note 2)		
Unrestricted	\$ 81,357	\$ 69,407
Restricted	109,539	58,093
Accounts Receivable	56,107	61,241
Property and Equipment (Note 3)		
Utility Plant	4,227,995	4,227,995
Equipment	160,773	160,773
Furniture and Fixtures	3,977	3,977
Vehicles	65,770	65,770
Land	121,497	121,497
	<u>4,580,012</u>	<u>4,580,012</u>
Less: Accumulated Depreciation	<u>2,463,033</u>	<u>2,390,624</u>
	<u>2,116,979</u>	<u>2,189,388</u>
	<u>2,363,982</u>	<u>2,378,129</u>
LIABILITIES		
Accounts Payable	31,913	31,865
Sales Tax Payable	5,176	1,844
Accrued Interest Payable	1,699	1,818
Customers Deposits	58,381	58,093
Long-term Liabilities (Note 4)		
Due Within 1 Year	30,988	30,988
Due in More Than 1 Year	596,518	627,506
	<u>724,675</u>	<u>752,114</u>
NET POSITION		
Invested in Capital Assets	1,489,473	1,530,894
Unrestricted Net Assets	149,834	95,121
	<u>1,639,307</u>	<u>1,626,015</u>
	<u>\$ 2,363,982</u>	<u>\$ 2,378,129</u>

See Independent Accountants' Compilation Report and Notes To Financial Statements

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Operating Revenues (Note 6)	\$ 651,517	\$ 630,849
Interest Income	22	200
Other Revenue	242,173	538,864
	<u>893,712</u>	<u>1,169,913</u>
EXPENSES		
Operating Expenses		
Workers' Comp Insurance	3,702	2,663
Supplies & Other Expenses	85,137	49,864
Postage	2,914	2,766
Utilities	45,818	45,436
Training & Seminars	4,223	546
Chemicals	12,121	9,286
Repairs & Maintenance	40,081	50,462
Sewer Treatment	290,435	321,943
Water Purchased	10,420	9,331
Fuel	3,614	4,465
Professional Fees	4,000	3,200
Interest Expense	22,004	22,955
Depreciation Expense	72,409	65,959
	<u>596,878</u>	<u>588,876</u>
Salaries and Benefits Expense (Note 7)		
Salaries	197,247	183,285
Payroll Taxes	16,129	15,227
Retirement	30,985	28,984
Health Insurance	39,181	36,630
	<u>283,542</u>	<u>264,126</u>
INCREASE IN NET POSITION	13,292	316,911
NET POSITION, BEGINNING OF YEAR	<u>1,626,015</u>	<u>1,309,104</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,639,307</u></u>	<u><u>\$ 1,626,015</u></u>

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Position	\$ 13,292	\$ 316,911
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	72,409	65,959
(Increase) Decrease in Operating Assets:		
Accounts Receivable	5,134	(3,832)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	48	7,684
Accrued Interest Payable	(119)	(16)
Customer Deposits	288	479
Sales Tax Payable	3,332	205
	<u>81,092</u>	<u>70,479</u>
Net Cash Provided by Operating Activities	<u>94,384</u>	<u>387,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Plant and Equipment	<u>0</u>	<u>(350,452)</u>
Net Cash Used by Investing Activities	<u>0</u>	<u>(350,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of Long-term Debt	<u>(30,988)</u>	<u>(34,862)</u>
Net Cash Used by Financing Activities	<u>(30,988)</u>	<u>(34,862)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,396	2,076
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>127,500</u>	<u>125,424</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 190,896</u></u>	<u><u>\$ 127,500</u></u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash Paid During the Year for Interest	<u><u>\$ 22,149</u></u>	<u><u>\$ 22,971</u></u>
Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 81,357	\$ 69,407
Restricted Cash	109,539	58,093
	<u><u>\$ 190,896</u></u>	<u><u>\$ 127,500</u></u>

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Dover Municipal Water & Sewer System is a municipally operated system for the purpose of providing water and sewer services for the City of Dover residents. These financial statements present only the water and sewer system project and are not intended to present the financial position of the City of Dover, Arkansas.

Accounting Method

The City of Dover Municipal Water & Sewer System prepares its financial statements on the accrual method of accounting.

Cash and Cash Equivalents

Cash is considered by the System to be that on hand and on deposit in banks, while cash equivalents represent highly liquid investments with maturities of three months or less at date of purchase.

Accounts Receivable

Management believes that all accounts receivable as of June 30, 2022 and 2021, were fully collectible; therefore, no allowance for doubtful accounts was recorded.

Property, Equipment and Depreciation

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method for financial purposes based on the estimated useful lives of assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

Regulatory Environment

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2: CASH AND CASH EQUIVALENTS

Cash balances for June 30, 2022 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Unrestricted Funds			
Operations/Maintenance Fund	\$ 8,647	\$ 5,034	\$ 13,681
Revenue Fund	<u>67,676</u>	<u>0</u>	<u>67,676</u>
	<u>76,323</u>	<u>5,034</u>	<u>81,357</u>
Restricted Funds			
Meter Deposit Fund	29,944	28,437	58,381
Depreciation Reserve	<u>0</u>	<u>51,158</u>	<u>51,158</u>
	<u>29,944</u>	<u>79,595</u>	<u>109,539</u>
	<u>106,267</u>	<u>84,629</u>	<u>190,896</u>

Cash balances for June 30, 2021 are as follows:

Operating Fund			
Operations/Maintenance Fund	23,183	41,005	64,188
Revenue Fund	<u>5,219</u>	<u>0</u>	<u>5,219</u>
	<u>28,402</u>	<u>41,005</u>	<u>69,407</u>
Restricted Funds			
Customer Meter Deposit	<u>29,907</u>	<u>27,983</u>	<u>58,093</u>
	<u>\$ 58,309</u>	<u>\$ 68,988</u>	<u>\$ 127,500</u>

NOTE 3: PROPERTY AND EQUIPMENT

As of June 30, 2022, property and equipment consists of the following:

Water	<u>Beg Bal</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Bal</u>
Utility Plant	\$ 711,037	\$		\$ 711,037
Equipment	62,237			62,237
Furniture & Fixtures	3,977			3,977
Vehicle	<u>55,095</u>			<u>55,095</u>
	<u>832,346</u>			<u>832,346</u>
Accumulated Depreciation	<u>507,744</u>	<u>17,776</u>		<u>525,520</u>
Sewer				
Utility Plant	3,516,958			3,516,958
Equipment	98,536			98,536
Vehicle	10,675			10,675
Land	<u>121,497</u>			<u>121,497</u>
	<u>3,747,666</u>			<u>3,747,666</u>
Accumulated Depreciation	<u>\$ 1,833,473</u>	<u>\$ 54,633</u>		<u>\$ 1,937,513</u>

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3: PROPERTY AND EQUIPMENT (continued)

As of June 30, 2021, property and equipment consists of the following:

Water	<u>Beg Bal</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Bal</u>
Utility Plant	\$ 711,037	\$		\$ 711,037
Equipment	62,237			62,237
Furniture & Fixtures	3,977			3,977
Vehicle	<u>55,095</u>			<u>55,095</u>
	<u>832,346</u>			<u>832,346</u>
 Accumulated Depreciation	 <u>489,968</u>	 <u>17,776</u>		 <u>507,744</u>
 Sewer				
Utility Plant	3,166,506	350,452		3,516,958
Equipment	98,536			98,536
Vehicle	10,675			10,675
Land	<u>121,497</u>			<u>121,497</u>
	<u>3,397,214</u>	<u>350,452</u>		<u>3,747,666</u>
 Accumulated Depreciation	 <u>\$ 1,833,473</u>	 <u>\$ 48,183</u>		 <u>\$ 1,881,656</u>

NOTE 4: LONG-TERM DEBT

Long-term debt at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
3.8% to 4.5% floating interest sales and use tax refunding and improvement bonds, series 2006, payable to Centennial Bank, beginning December 1, 2006 and reissued June 18, 2013 with a final payment due on December 1, 2035	\$ 627,506	\$ 658,494
Less current maturities	<u>30,988</u>	<u>30,988</u>
	<u>\$ 596,518</u>	<u>\$ 627,506</u>

Annual requirements to amortize outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 30,988	\$ 21,380	\$ 52,368
2024	34,862	20,636	55,498
2025	38,735	19,625	58,360
2026	38,735	18,502	57,237
2027	42,609	17,378	59,987
Thereafter	<u>441,577</u>	<u>86,602</u>	<u>528,179</u>
	<u>\$ 627,506</u>	<u>\$ 184,123</u>	<u>\$ 811,629</u>

CITY OF DOVER MUNICIPAL WATER AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5: RETIREMENT

The City of Dover participates in the Arkansas Public Employees Retirement system. The water and sewer's retirement expense for the year ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Water	\$ 19,597	\$ 17,959
Sewer	<u>11,388</u>	<u>11,025</u>
Total	<u>\$ 30,985</u>	<u>\$ 28,984</u>

NOTE 6: OPERATING REVENUES

A breakdown of the operating revenues is as follows:

	<u>2022</u>	<u>2021</u>
Water	\$ 273,203	\$ 217,826
Sewer	<u>378,314</u>	<u>413,023</u>
Total	<u>\$ 651,517</u>	<u>\$ 630,849</u>

NOTE 7: SALARIES AND BENEFITS EXPENSE

	<u>Water</u>	<u>Sewer</u>
<u>2022</u>		
Salaries	\$ 122,909	\$ 74,338
Payroll tax	10,405	5,724
Retirement	19,597	11,388
Health insurance	<u>24,328</u>	<u>14,853</u>
	<u>177,239</u>	<u>106,303</u>
<u>2021</u>		
Salaries	\$ 111,322	\$ 71,963
Payroll tax	9,382	5,845
Retirement	17,959	11,025
Health insurance	<u>24,820</u>	<u>11,810</u>
	<u>163,483</u>	<u>100,643</u>

NOTE 8: CUSTOMERS

The number of customers using the water and sewer services as of June 30, 2022 and 2021 were 750 and 724, respectively.

NOTE 9: SUBSEQUENT EVENT

Management has evaluated subsequent events through May 15, 2023, which is the date the financial statements were available to be issued.