

EMMET WATER AND SEWER SYSTEM



EMMET, ARKANSAS

DECEMBER 31, 2023

EMMET WATER AND SEWER SYSTEM
EMMET, ARKANSAS

TABLE OF CONTENTS
DECEMBER 31, 2023

	<u>PAGE NO.</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1 - 2
Independent Accountants' Compilation Report	3
Statements of Net Position - December 31, 2023 and 2022	4 - 5
Statements of Revenue, Expenses and Changes in Net Position - For Years Ended December 31, 2023 and 2022	6
Statements of Cash Flows - For Years Ended December 31, 2023 and 2022	7 - 8
Notes to Financial Statements	9 - 12

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Emmet Water and Sewer System

We have performed the procedures enumerated below on the accounting records of Emmet Water and Sewer System as of and for the year ended December 31, 2023. Emmet Water and Sewer System's management is responsible for the entity's accounting records.

Emmet Water and 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 Emmet Water and 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 Emmet Water and 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 Emmet Water and 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 Emmet Water and 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

January 28, 2025

To the City Council and Management
of Emmet Water and Sewer System
Emmet, Arkansas

Management is responsible for the accompanying financial statements of Emmet Water and Sewer System, which comprise the statements of net position as of December 31, 2023 and 2022, and related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of 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 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 budgetary comparison schedule that the Governmental Accounting Standards Board requires 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management.

As discussed in Note 1, the financial statements referred to above present only Emmet Water and Sewer System, which is an enterprise fund of the City of Emmet, and are not intended to present fairly the financial position of the City of Emmet, 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
January 28, 2025

EMMET WATER AND SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 5,071	\$ 9,435
Certificates of Deposit	56,393	55,693
Accounts Receivable	18,981	14,352
TOTAL CURRENT ASSETS	80,445	79,480
 RESTRICTED ASSETS:		
Cash - Depreciation	29,298	18,984
Cash - Meter Deposits	17,066	15,016
Certificates of Deposit	46,535	45,037
TOTAL RESTRICTED ASSETS	92,899	79,037
 CAPITAL ASSETS:		
Water and Sewer System	925,598	925,598
Equipment	71,860	70,966
Construction in Progress	24,750	-
	1,022,208	996,564
Less Accumulated Depreciation	(546,280)	(517,948)
TOTAL CAPITAL ASSETS	475,928	478,616
 TOTAL ASSETS	\$ 649,272	\$ 637,133

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

EMMET WATER AND SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,324	\$ 5,043
Accrued Interest Payable	437	507
Sales Tax Payable	725	566
Revenue Bond Payable	28,303	26,952
TOTAL CURRENT LIABILITIES	<u>30,789</u>	<u>33,068</u>
 LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Customers' Meter Deposits	<u>17,066</u>	<u>15,016</u>
 LONG-TERM LIABILITIES:		
Revenue Bonds Payable	241,350	269,654
 TOTAL LIABILITIES	<u>289,205</u>	<u>317,738</u>
 NET POSITION:		
Contributed Capital	48,594	48,594
Retained Earnings:		
Reserved	75,833	64,021
Unreserved	235,640	206,780
TOTAL NET POSITION	<u>360,067</u>	<u>319,395</u>
 TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 649,272</u></u>	<u><u>\$ 637,133</u></u>

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

EMMET WATER AND SEWER SYSTEM
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE:		
Water and Sewer Revenue	\$ 171,142	\$ 163,799
Connection/Inspection Fees	2,870	900
Grant Income	24,750	-
TOTAL REVENUE	198,762	164,699
OPERATING EXPENSES:		
Salaries	27,078	22,484
Contract Labor	3,014	1,648
Water and Sewer Test	1,945	1,300
Utilities and Telephone	20,919	19,088
Taxes and Licenses	8,351	8,621
Supplies	13,140	16,247
Repairs and Maintenance	22,673	23,482
Insurance	543	2,173
Depreciation	28,332	26,713
Miscellaneous	9,658	12,638
Legal and Professional	-	2,087
Gas and Fuel	5,000	-
Office Supplies	6,389	3,956
TOTAL OPERATING EXPENSES	147,042	140,437
OPERATING INCOME	51,720	24,262
NON-OPERATING REVENUE (EXPENSES):		
Interest Earned	2,537	1,929
Interest Expense	(13,585)	(14,874)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(11,048)	(12,945)
NET INCOME	40,672	11,317
NET POSITION - BEGINNING OF YEAR	319,395	308,078
NET POSITION - END OF YEAR	\$ 360,067	\$ 319,395

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

EMMET WATER AND SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers / Others	\$ 194,133	\$ 163,367
Cash Payments for Goods and Services	(95,192)	(87,704)
Cash Payments to Employees	(27,078)	(22,484)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>71,863</u>	<u>53,179</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase (Decrease) in Meter Deposits	<u>2,050</u>	<u>(2,104)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Debt Payment	(26,953)	(25,667)
Interest Paid	(13,655)	(14,941)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(40,608)</u>	<u>(40,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Certificates of Deposit	100,730	98,931
Purchases of Certificates of Deposit	(102,928)	(100,730)
Purchases of Fixed Assets	(25,644)	(26,100)
Interest Received	2,537	1,929
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(25,305)</u>	<u>(25,970)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>8,000</u>	<u>(15,503)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,435	58,938
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 51,435</u>	<u>\$ 43,435</u>

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

EMMET WATER AND SEWER SYSTEM
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023	2022
OPERATING INCOME	\$ 51,720	\$ 24,262
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	28,332	26,713
Change in Assets and Liabilities:		
Accounts Receivable	(4,629)	(1,332)
Accounts Payable	(3,719)	3,479
Accrued Expenses	159	57
TOTAL ADJUSTMENTS	20,143	28,917
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 71,863	\$ 53,179

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

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

EMMET WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Significant Accounting Policies:

The Emmet Water and Sewer System is an Enterprise Fund of the City of Emmet, Arkansas and is governed by the Board of Directors of the City of Emmet, Arkansas. The accompanying financial statements and other information reflect the Emmet Water and Sewer System fund only and do not include other funds of the City of Emmet, Arkansas.

Bad debts, which are immaterial in amount after applying customers' meter deposits, are recognized based on the direct charge-off of individual accounts considered uncollectible.

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 January 28, 2025, the date the financial statements were available for issuance.

Note 2. Current Assets:

Accounts receivable at December 31, 2023 of \$18,981 is for December 2023 water usage except for \$6,540 which is for accounts in arrears.

EMMET WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3. Restricted Assets:

Emmet Water and Sewer System has a Certificate of Deposit pledged as debt reserve at the Bank of Prescott. The certificate of deposit balance as of December 31, 2023 was \$46,535. The System's debt service reserve requirement as of December 31, 2023 was \$40,608.

Note 4. Capital Assets:

Capital Assets activity for the year ended December 31, 2023 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets at Historical Costs:				
Water and Sewer System	\$ 925,598	\$ -	\$ -	\$ 925,598
Equipment	70,966	894	-	71,860
Construction in Progress	-	24,750	-	24,750
	<u>996,564</u>	<u>25,644</u>	<u>-</u>	<u>1,022,208</u>
Less Accumulated Depreciation:				
Water and Sewer System	(477,341)	(23,549)	-	(500,890)
Equipment	(40,607)	(4,783)	-	(45,390)
Total Depreciation	<u>(517,948)</u>	<u>(28,332)</u>	<u>-</u>	<u>(546,280)</u>
NET	<u>\$ 478,616</u>	<u>\$ (2,688)</u>	<u>\$ -</u>	<u>\$ 475,928</u>

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets at Historical Costs:				
Water and Sewer System	\$ 925,598	\$ -	\$ -	\$ 925,598
Equipment	44,866	26,100	-	70,966
	<u>970,464</u>	<u>26,100</u>	<u>-</u>	<u>996,564</u>
Less Accumulated Depreciation:				
Water and Sewer System	(453,792)	(23,549)	-	(477,341)
Equipment	(37,443)	(3,164)	-	(40,607)
Total Depreciation	<u>(491,235)</u>	<u>(26,713)</u>	<u>-</u>	<u>(517,948)</u>
NET	<u>\$ 479,229</u>	<u>\$ (613)</u>	<u>\$ -</u>	<u>\$ 478,616</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 Emmet Water and Sewer in financial institutions permitted by law.

EMMET WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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. Emmet Water and Sewer does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2023 was \$154,363. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$155,570 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 Emmet Water and Sewer accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Emmet accounts and investments at a financial institution.

Investment Interest Rate Risk: Emmet Water and Sewer 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: Emmet Water and 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: Emmet Water and Sewer System has no exposure to foreign currency risk.

Note 6. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for December. These amounts were paid subsequent to December 31, 2023.

Note 7. Revenue Bonds Payable:

Revenue bonds payable consists of the following as of December 31, 2023 and 2022, respectively:

	2023	2022
USDA Rural Development Bond Payable, \$1,798 Monthly, Including Interest at 4.75%, Maturing in November 2037, Collateralized by the System's Revenue	\$ 219,015	\$ 229,906
USDA Rural Development Bond Payable, \$1,586 Monthly, Including Interest at 5.0%, Maturing in November 2026, Collateralized by the System's Revenue	<u>50,638</u>	<u>66,700</u>
	269,653	296,606
Less portion considered current	(28,303)	(26,952)
Total long-term debt	<u>\$ 241,350</u>	<u>\$ 269,654</u>

EMMET WATER AND SEWER SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note 7. Revenue Bonds Payable: (Continued)

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

Years Ending December 31:	Principal	Interest	Total
2024	\$ 28,303	\$ 12,305	\$ 40,608
2025	29,721	10,887	40,608
2026	28,562	9,402	37,964
2027	13,164	8,412	21,576
2028	13,804	7,772	21,576
Thereafter	156,099	35,543	191,642
	\$ 269,653	\$ 84,321	\$ 353,974

Note 8. Contributed Capital and Retained Earnings:

Contributed Capital 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.

Retained Earnings in the amount of \$311,473 consists of the accumulated earnings of the water and sewer system of \$235,640 and the excess of restricted assets over liabilities payable from restricted assets of \$75,833.

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.