

CITY OF McRAE, ARKANSAS MUNICIPAL WATER AND SEWER SYSTEM

ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

APPLIED FOR THE YEAR ENDED DECEMBER 31, 2023

SHOPTAW, LABAHN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN W. SHOPTAW, CPA

LORI A. MELTON, CPA

JEFFREY S. NUFER, CPA

915 WEST MAIN, SUITE B, P.O. BOX 1065, RUSSELLVILLE, ARKANSAS 72811

TEL. 479-967-3600 FAX 479-967-2131

ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mayor and City Council
McRae, Arkansas

We have performed the procedures enumerated below, which were agreed to by the Mayor and City Council of McRae, 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 McRae Municipal Water and Sewer System's compliance with the *Guidelines and Rules* specified below, as of December 31, 2023. The City of McRae's Municipal Water and Sewer System's management is responsible for compliance with those requirements.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Prepared proof of cash for the year for all accounts and reconciled the year-end bank balances to fund's balance sheets..
- b. Acquired bank balance confirmations for all cash accounts.
- c. Agreed the proof of cash ending balances to the fund balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

2. Receipts

- a. Agreed the deposits per proof of cash for the year for all accounts with the deposits per the fund's income statement within 5% or \$500, whichever is greater.
- b. Agreed ten customer payments on the accounts receivable subledger to deposit and billing information.
- c. For ten deposits, agreed the cash/check composition of the deposit with receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agreed ten customer billings to the accounts receivable subledger.
- b. Determined that no significant customer adjustments were noted during the year.

We found no exceptions as a result of the procedures.

4. Disbursements

- a. Agreed the disbursements per the proof of cash for the year for all accounts with the disbursements per fund income statements within 5% or \$500, whichever is greater.

- b. There were no property, plant and equipment additions identified during the year, however, the System does not have a defined capital policy. All items noted in testing that related to the utility plant were considered as repairs and replacements.
- c. Determined all disbursements paid to employees other than payroll and ten other disbursements were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- a. The System has relied on its outside accountants to maintain a record of the utility plant and equipment. The City maintains records of property and equipment for insurance purposes but does not record the assets in a general ledger. There were no property, plant and equipment additions identified during the year.

6. Long-term Debt

- a. Scheduled long-term debt and verified changes in all balances for the year.
- b. Outstanding debt to the United States Department of Agriculture were determined by reference to statements of activity provided to the System by the USDA. Payments on 3 USDA loans are paid by direct charge to the bank accounts. The other loan is billed once per year and one payment per year is required.
- 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. Determined that any items of financial significance were approved and documented in the minutes of the governing body's meeting.

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 McRae, 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 McRae, Arkansas, management of the City of McRae 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.

January 14, 2025

Shirley L. Lehman, CPA

CITY OF McRAE, ARKANSAS MUNICIPAL WATER AND SEWER SYSTEM

Accountants' Compilation Report

Financial Statements – Modified Cash Basis

December 31, 2023 and 2022

SHOPTAW, LABAHN & COMPANY, P.A.

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Accountants' Compilation Report

Mayor and
City Council of McRae
McRae, Arkansas

Management is responsible for the accompanying financial statements of City of McRae Water and Sewer System which comprise the statements of net position-modified cash basis as of December 31, 2023 and 2022 and the related statements of income and expense modified cash basis for the years then ended and for determining that the basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Service Committees 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 assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the System's net position, income and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to City of McRae Water and Sewer System as of and for the years ended December 31, 2023 and 2022, because we performed certain management accounting functions in preparing the financial statements.

January 14, 2025

Shoptaw, Labahn & Company, P.A.

CITY OF MCRAE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Net Position - Modified Cash Basis

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Unrestricted cash	\$ 70,948	54,309
Restricted cash	<u>64,433</u>	<u>62,286</u>
Total cash	135,381	116,595
Net utility plant	<u>984,362</u>	<u>1,022,966</u>
Total assets	<u>1,119,743</u>	<u>1,139,561</u>
Liabilities:		
Customer deposits	38,135	36,067
Loans payable:		
United States Department of Agriculture loans	16,119	19,681
Arkanss Departmenet of Agriculture loan	<u>355,964</u>	<u>371,993</u>
Total loans payable	<u>372,083</u>	<u>391,674</u>
Total liabilities	<u>410,218</u>	<u>427,741</u>
Net position:		
Net investment in capital assets	612,279	631,292
Restricted for debt service and depreciation	26,298	26,219
Unrestricted	<u>70,948</u>	<u>54,309</u>
Total net position	<u>\$ 709,525</u>	<u>711,820</u>

See accountants' compilation report.

CITY OF MCRAE ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses - Modified Cash Basis

Years ended December 31, 2023 and 2022

	2023	2022
Operating revenue:		
Customer fees	\$ 313,582	278,484
Government grants	4,230	47,602
Other revenue	5,535	5,899
Total operating revenue	323,347	331,985
Operating expenses:		
Salaaries and fringe benefits	112,862	98,932
Sanitation contraxtor	72,424	71,353
Operating supplies and expense	13,318	20,727
Laboratory fees	4,035	5,515
Utilities	26,888	24,638
Maintenance and repairs	16,341	18,368
Sales tax paid	20,606	21,635
Chemicals	3,465	6,089
Water purchased	1,786	2,239
Uniforms	2,433	2,643
Postage	2,150	1,977
Dues and subscriptions	3,963	2,057
License fees	-	1,166
Insurance	785	852
Vehicle operating expense	4,822	5,096
Depreciation	38,604	43,473
Grant funds expended		23,418
Other operating expense	14,005	11,196
Total operating expenses	338,487	361,374
Loss from operations	(15,140)	(29,389)

See accountants' compilation report.

CITY OF MCRAE ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses - Modified Cash Basis, Continued

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Nonoperating income (expense):		
Interest income	2	11
Interest expense	<u>(12,938)</u>	<u>(13,765)</u>
Total nonoperating income (expense)	<u>(12,936)</u>	<u>(13,754)</u>
Decrease in net position	(28,076)	(43,143)
Net position, beginning of year	711,820	729,979
Contribution by City of McRae, net	<u>25,781</u>	<u>24,984</u>
Net position, end of year	<u>\$ 709,525</u>	<u>711,820</u>

See accountants' compilation report.