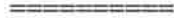


OKOLONA WATER & SEWER SYSTEM



OKOLONA, ARKANSAS

DECEMBER 31, 2022

OKOLONA WATER & SEWER SYSTEM
OKOLONA, ARKANSAS

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DECEMBER 31, 2022

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

To the Mayor and City Council
Okolona, Arkansas

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

Okolona 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 ten deposits, agree the cash/check composition of the deposit with the 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 procedures.

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 procedures.

We were engaged by Okolona 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 Okolona 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 Okolona 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 Okolona 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

April 24, 2023

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To Management
Okolona Water & Sewer System
Okolona, Arkansas

Management is responsible for the accompanying financial statements of Okolona Water & Sewer System, which comprise the statements of net position as of December 31, 2022 and 2021, and the 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 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. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted 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. Such information is the responsibility of management.

As discussed in Note 1, the financial statements referred to above present only Okolona Water & Sewer System, which is an enterprise fund of the Town of Okolona, and are not intended to present fairly the financial position of the Town of Okolona, 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
April 24, 2023

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

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	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 152,885	\$ 140,192
Accounts Receivable	10,020	12,436
Receivable from General Fund	-	14,155
TOTAL CURRENT ASSETS	<u>162,905</u>	<u>166,783</u>
RESTRICTED ASSETS:		
Meter Deposit Fund	24,086	24,950
Water Revenue Bond Fund	28,019	27,994
Sewer Revenue Bond Fund	7,343	6,736
Revenue Bond Reserve Fund	22,165	22,145
Depreciation Fund	88,799	84,199
TOTAL RESTRICTED ASSETS	<u>170,412</u>	<u>166,024</u>
PLANT AND EQUIPMENT:		
Water System	189,299	189,299
Sewer System	1,891,347	1,891,347
Vehicles and Equipment	102,898	106,760
	<u>2,183,544</u>	<u>2,187,406</u>
Less: Accumulated Depreciation	(1,390,448)	(1,338,169)
TOTAL PLANT AND EQUIPMENT	<u>793,096</u>	<u>849,237</u>
TOTAL ASSETS	<u>\$ 1,126,413</u>	<u>\$ 1,182,044</u>

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

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

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LIABILITIES AND NET POSITION

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,673	\$ 8,170
Payroll Taxes Payable	891	879
Sales Tax Payable	659	766
Accrued Interest Payable	15	29
Notes Payable - Current Portion	4,081	3,871
TOTAL CURRENT LIABILITIES	<u>8,319</u>	<u>13,715</u>
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Meter Deposits	15,550	15,657
Bonds Payable - Current Maturity	5,931	5,626
Accrued Bond Interest	93	99
TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS	<u>21,574</u>	<u>21,382</u>
LONG-TERM DEBT:		
Bonds Payable	65,301	71,232
Notes Payable	-	4,081
TOTAL LONG-TERM DEBT	<u>65,301</u>	<u>75,313</u>
TOTAL LIABILITIES	<u>95,194</u>	<u>110,410</u>
NET POSITION:		
Contributed Capital	1,832,288	1,832,288
Retained Earnings:		
Reserved	148,838	144,642
Unreserved	(949,907)	(905,296)
TOTAL NET POSITION	<u>1,031,219</u>	<u>1,071,634</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,126,413</u>	<u>\$ 1,182,044</u>

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

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

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	2022	2021
OPERATING REVENUE:		
Water Revenue	\$ 106,928	\$ 106,707
Sewer Revenue	14,867	15,689
Penalties	1,631	1,718
Tap and Reconnect Fees	9,049	3,165
Sanitation Fees	6,766	6,469
Miscellaneous	13,574	30,811
TOTAL OPERATING REVENUE	<u>152,815</u>	<u>164,559</u>
OPERATING EXPENSES:		
Salaries	42,226	42,463
Contract Labor	6,000	2,200
Small Tools and Supplies	13,374	1,877
Rent	1,720	1,000
Utilities and Telephone	20,409	18,948
Repairs and Maintenance	14,108	8,776
Depreciation	56,141	56,414
Legal and Accounting	1,910	1,713
Insurance	1,410	1,429
Taxes and Licenses	4,380	3,767
Dues, Subscriptions and Seminars	3,292	3,412
Office Supplies	3,500	2,862
Sanitation Fees	6,376	6,040
Vehicles and Equipment Expense	12,470	4,300
Miscellaneous	2,289	522
TOTAL OPERATING EXPENSES	<u>189,605</u>	<u>155,723</u>
OPERATING INCOME (LOSS)	<u>(36,790)</u>	<u>8,836</u>
OTHER INCOME (EXPENSE):		
Interest Income	299	270
Interest Expense	(3,924)	(4,460)
TOTAL OTHER INCOME (EXPENSE)	<u>(3,625)</u>	<u>(4,190)</u>
NET INCOME (LOSS)	<u>(40,415)</u>	<u>4,646</u>
NET POSITION, BEGINNING OF YEAR	1,071,634	1,066,988
NET POSITION, END OF YEAR	<u>\$ 1,031,219</u>	<u>\$ 1,071,634</u>

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

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

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 141,657	\$ 133,403
Other Operating Cash Receipts	13,574	15,495
Cash Paid to Suppliers	(82,674)	(50,874)
Cash Paid to Employees	(42,226)	(42,463)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>30,331</u>	<u>55,561</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in Meter Deposits	<u>(107)</u>	<u>150</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>299</u>	<u>270</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Fixed Assets	-	(6,957)
Principal Paid on Debt	(9,498)	(8,971)
Interest Paid on Debt	(3,944)	(4,469)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(13,442)</u>	<u>(20,397)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>17,081</u>	<u>35,584</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	306,216	270,632
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 323,297</u></u>	<u><u>\$ 306,216</u></u>

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

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

Page 8

Reconciliation of operating income (loss) to net cash provided by operating activities:

	<u>2022</u>	<u>2021</u>
OPERATING INCOME (LOSS)	<u>\$ (36,790)</u>	<u>\$ 8,836</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	56,141	56,414
Change in Assets and Liabilities:		
Accounts Receivable	16,571	(15,661)
Accrued Expenses	<u>(5,591)</u>	<u>5,972</u>
TOTAL ADJUSTMENTS	<u>67,121</u>	<u>46,725</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u><u>\$ 30,331</u></u>	<u><u>\$ 55,561</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES:
None

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

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

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Note 1. Significant Accounting Policies:

The Okolona Water and Sewer System is an enterprise fund of the Town of Okolona, Arkansas. The System is governed by the Town Council of the Town of Okolona. The financial statements and other information reflect the Okolona Water & Sewer System which is accounted for as a proprietary fund and do not include other funds of the Town of Okolona, 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.

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:

Water and Sewer Distribution Systems	40 Years
Vehicles and Equipment	3-7 Years

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

Accounts receivable at December 31, 2022 was \$10,020. All customers are required to pay a meter deposit before service is provided. Concentrations of credit risk with respect to these receivables are limited by these deposits. No allowance for doubtful accounts has been established as management believes the meter deposits are sufficient to cover any unpaid balances.

Bad debts, which are insignificant in amount, are recognized based on the direct charge-off of individual accounts considered uncollectible.

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.

For purposes of the Statement of Cash Flows, the System considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Management has evaluated subsequent events through April 24, 2023, the date the financial statements were available for issuance.

Note 2. Current Assets:

The revenue fund, operations and maintenance fund, and other current assets are available to meet the existing current liabilities and provide working capital for the System.

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

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Note 3. Restricted Assets:

Restricted assets at December 31, 2022 consisted of \$24,086 (Meter Deposit Fund); \$28,019 (Water Revenue Bond Fund); \$7,343 (Sewer Revenue Bond Fund); \$22,165 (Revenue Bond Reserve Fund); and \$88,799 (Depreciation Fund). Restricted assets at December 31, 2021 consisted of \$24,950 (Meter Deposit Fund); \$27,994 (Water Revenue Bond Fund); \$6,736 (Sewer Revenue Bond Fund); \$22,145 (Revenue Bond Reserve Fund); and \$84,199 (Depreciation Fund). According to the revenue bond ordinance, the System is required to maintain separate funds for customers' meter deposits and debt service reserve. Monthly transfers are being made to the debt service reserve at the rate of \$50 per month.

Note 4. Property, Plant and Equipment:

Property, Plant and Equipment activity for the year ended December 31, 2022 was as follows:

	12/31/2021	Increases	Decreases	12/31/2022
Water System	\$ 189,299	\$ -	\$ -	\$ 189,299
Sewer System	1,891,347	-	-	1,891,347
Vehicles and Equipment	106,760	-	(3,862)	102,898
	2,187,406	-	(3,862)	2,183,544
Less Accumulated Depreciation	(1,338,169)	(56,141)	3,862	(1,390,448)
NET	<u>\$ 849,237</u>	<u>\$ (56,141)</u>	<u>\$ -</u>	<u>\$ 793,096</u>

Property, Plant and Equipment activity for the year ended December 31, 2021 was as follows:

	12/31/2020	Increases	Decreases	12/31/2021
Water System	\$ 189,299	\$ -	\$ -	\$ 189,299
Sewer System	1,891,347	-	-	1,891,347
Vehicles and Equipment	99,803	6,957	-	106,760
	2,180,449	-	-	2,187,406
Less Accumulated Depreciation	(1,281,755)	(56,414)	-	(1,338,169)
NET	<u>\$ 898,694</u>	<u>\$ (56,414)</u>	<u>\$ -</u>	<u>\$ 849,237</u>

Note 5. Long-Term Debt:

The Town issued revenue bonds in 1988 and 1997 which were purchased by USDA Rural Development in the amount of \$154,700.

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

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Note 5. Long-Term Debt: (Continued)

Long-Term Debt as of December 31, 2022 and 2021 consists of the following:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Bond payable, series 1997, to USDA Rural Development; original amount \$101,700; maturing in 2037; monthly payments of \$467, including interest at 4.50%; secured by the System's revenues and accounts receivable; current portion is \$3,042.	\$ 58,315	\$ 61,223
Bond payable, series 1988, to USDA Rural Development; original amount \$53,000; maturing in 2028; monthly payments of \$300, including interest at 6.125%; secured by the System's revenues and accounts receivable; current portion is \$2,889.	12,917	15,635
Note Payable to Ally Auto, original amount \$21,391; maturing in 2023; monthly payments of \$353, including interest at 5.80%; secured by a vehicle; current portion is \$4,081.	4,081	7,953
	<u>75,313</u>	<u>84,811</u>
Less portion considered current	<u>(10,012)</u>	<u>(9,497)</u>
Total long-term debt	<u>\$ 65,301</u>	<u>\$ 75,314</u>

Aggregate debt payment requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,012	\$ 3,402	\$ 13,414
2024	6,253	2,951	9,204
2025	6,593	2,611	9,204
2026	6,951	2,253	9,204
2027	3,863	1,964	5,827
Thereafter	41,641	9,143	50,784
Total	<u>\$ 75,313</u>	<u>\$ 22,324</u>	<u>\$ 97,637</u>

Note 6. Contributed Capital and Retained Earnings:

Contributed capital represents grants received to assist in financing construction of the System and Contributions in Aid of Construction received from customers and the Town of Okolona.

Retained earnings for the year ended December 31, 2022 in the amount of (\$801,069) consists of the accumulated losses of the System of (\$949,907) and the excess of restricted assets over liabilities payable from restricted assets of \$148,838.

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

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Note 7. Public Fund Deposits:

State law generally requires that public 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 System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of the Okolona Water and 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. The System does not have a policy for custodial credit risk. At December 31, 2021, the carrying value of the System's accounts, deposits and investments was \$323,297. The bank balances before reduction and addition of outstanding items were \$325,676.

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

Note 8. Number of Water and Sewer Customers:

As of December 31, 2022, the System had 245 water customers and 58 sewer customers.