

OKOLONA WATER & SEWER SYSTEM

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OKOLONA, ARKANSAS

DECEMBER 31, 2024

OKOLONA WATER & SEWER SYSTEM
OKOLONA, ARKANSAS

COMPILED REPORT - TABLE OF CONTENTS
DECEMBER 31, 2024

	<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, 2024 and 2023	4 - 5
Statements of Revenue, Expenses and Changes in Net Position - For Years Ended December 31, 2024 and 2023	6
Statements of Cash Flows - For Years Ended December 31, 2024 and 2023	7 - 8
Notes to Financial Statements	9 - 12

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

To the Mayor and City Council
Okolona, Arkansas

We have performed the procedure enumerated below on the accounting records of Okolona Water & Sewer System as of and for the year ended December 31, 2024. Okolona Water & Sewer System's management is responsible for the entity's accounting records.

Okolona Water & Sewer System has agreed to and acknowledged that the procedure 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 procedure performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedure 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 procedure performed are appropriate for their purposes.

The procedure 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 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 Okolona Water & Sewer System to perform this agreed-upon procedure 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 & Sewer System. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedure, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Okolona Water & Sewer System and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedure engagement.

This report is intended solely for the information and use of Okolona 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

April 3, 2025

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, 2024 and 2023, 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 procedure 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 3, 2025

OKOLONA WATER & SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2024 AND 2023

Page 4

	<u>ASSETS</u>	2024	2023
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 114,675	\$ 138,496	
Accounts Receivable	4,873	9,845	
TOTAL CURRENT ASSETS	<u>119,548</u>	<u>148,341</u>	
 RESTRICTED ASSETS:			
Meter Deposit Fund	25,577	25,012	
Water Revenue Bond Fund	28,075	28,049	
Sewer Revenue Bond Fund	4,860	4,255	
Revenue Bond Reserve Fund	22,210	22,190	
Depreciation Fund	100,156	93,871	
TOTAL RESTRICTED ASSETS	<u>180,878</u>	<u>173,377</u>	
 PLANT AND EQUIPMENT:			
Water System	189,299	189,299	
Sewer System	1,891,347	1,891,347	
Vehicles and Equipment	81,507	81,507	
 Less: Accumulated Depreciation	2,162,153	2,162,153	
TOTAL PLANT AND EQUIPMENT	<u>(1,472,086)</u>	<u>(1,420,672)</u>	
 TOTAL ASSETS	<u><u>\$ 990,493</u></u>	<u><u>\$ 1,063,199</u></u>	

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

OKOLONA WATER & SEWER SYSTEM
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2024 AND 2023

Page 5

	<u>LIABILITIES AND NET POSITION</u>	
	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,617	\$ 3,581
Payroll Taxes Payable	2,093	605
Sales Tax Payable	589	551
TOTAL CURRENT LIABILITIES	<u>5,299</u>	<u>4,737</u>
 LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Meter Deposits	16,719	15,829
Bonds Payable - Current Maturity	6,593	6,253
Accrued Bond Interest	81	87
TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS	<u>23,393</u>	<u>22,169</u>
 LONG-TERM DEBT:		
Bonds Payable	52,455	59,048
TOTAL LIABILITIES	<u>81,147</u>	<u>85,954</u>
 NET POSITION:		
Contributed Capital	1,832,288	1,832,288
Retained Earnings:		
Reserved	157,485	151,208
Unreserved	(1,080,427)	(1,006,251)
TOTAL NET POSITION	<u>909,346</u>	<u>977,245</u>
 TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 990,493</u></u>	<u><u>\$ 1,063,199</u></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, 2024 AND 2023**

Page 6

	<u>2024</u>	<u>2023</u>
OPERATING REVENUE:		
Water Revenue	\$ 78,839	\$ 99,398
Sewer Revenue	16,072	15,364
Penalties	1,841	1,779
Tap and Reconnect Fees	2,860	3,510
Sanitation Fees	6,630	6,630
Miscellaneous	1,239	13,016
TOTAL OPERATING REVENUE	<u>107,481</u>	<u>139,697</u>
OPERATING EXPENSES:		
Salaries	37,075	41,300
Contract Labor	6,000	6,050
Small Tools and Supplies	13,453	12,319
Rent	2,510	2,400
Utilities and Telephone	28,568	27,011
Repairs and Maintenance	4,450	15,115
Depreciation	51,414	51,615
Legal and Accounting	2,475	2,615
Insurance	1,885	1,598
Taxes and Licenses	4,744	2,609
Dues, Subscriptions and Seminars	2,834	3,091
Office Supplies	2,253	3,688
Sanitation Fees	4,880	5,832
Vehicles and Equipment Expense	7,411	9,745
Miscellaneous	2,767	5,693
TOTAL OPERATING EXPENSES	<u>172,719</u>	<u>190,681</u>
OPERATING INCOME (LOSS)	<u>(65,238)</u>	<u>(50,984)</u>
OTHER INCOME (EXPENSE):		
Interest Income	284	299
Interest Expense	(2,945)	(3,289)
TOTAL OTHER INCOME (EXPENSE)	<u>(2,661)</u>	<u>(2,990)</u>
NET INCOME (LOSS)	<u>(67,899)</u>	<u>(53,974)</u>
NET POSITION, BEGINNING OF YEAR	977,245	1,031,219
NET POSITION, END OF YEAR	\$ 909,346	\$ 977,245

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

OKOLONA WATER & SEWER SYSTEM
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2024 AND 2023

Page 7

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 111,214	\$ 126,856
Other Operating Cash Receipts	1,239	13,016
Cash Paid to Suppliers	(83,668)	(97,250)
Cash Paid to Employees	(37,075)	(41,300)
NET CASH FLOW FROM OPERATING ACTIVITIES	(8,290)	1,322
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in Meter Deposits	890	279
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	284	299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Debt	(6,253)	(10,013)
Interest Paid on Debt	(2,951)	(3,311)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(9,204)	(13,324)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,320)	(11,424)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	311,873	323,297
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 295,553	\$ 311,873

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

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

Page 8

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

	<u>2024</u>	<u>2023</u>
OPERATING INCOME (LOSS)	<u>\$ (65,238)</u>	<u>\$ (50,984)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	51,414	51,615
Change in Assets and Liabilities:		
Accounts Receivable	4,972	175
Accrued Expenses	562	516
TOTAL ADJUSTMENTS	<u>56,948</u>	<u>52,306</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ (8,290)</u>	<u>\$ 1,322</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, 2024

Page 9

Note 1. Significant Accounting Policies:

The Okolona Water & 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, 2024 was \$4,873. 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 3, 2025, 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, 2024

Page 10

Note 3. Restricted Assets:

Restricted assets at December 31, 2024 consisted of \$25,577 (Meter Deposit Fund); \$28,075 (Water Revenue Bond Fund); \$4,860 (Sewer Revenue Bond Fund); \$22,210 (Revenue Bond Reserve Fund); and \$100,156 (Depreciation Fund). Restricted assets at December 31, 2023 consisted of \$25,012 (Meter Deposit Fund); \$28,049 (Water Revenue Bond Fund); \$4,255 (Sewer Revenue Bond Fund); \$22,190 (Revenue Bond Reserve Fund); and \$93,871 (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, 2024 was as follows:

	12/31/2023	Increases	Decreases	12/31/2024
Water System	\$ 189,299	\$ -	\$ -	\$ 189,299
Sewer System	1,891,347	-	-	1,891,347
Vehicles and Equipment	81,507	-	-	81,507
	<u>2,162,153</u>	<u>-</u>	<u>-</u>	<u>2,162,153</u>
Less Accumulated Depreciation	(1,420,672)	(51,414)	-	(1,472,086)
NET	<u>\$ 741,481</u>	<u>\$ (51,414)</u>	<u>\$ -</u>	<u>\$ 690,067</u>

Property, Plant and Equipment activity for the year ended December 31, 2023 was as follows:

	12/31/2022	Increases	Decreases	12/31/2023
Water System	\$ 189,299	\$ -	\$ -	\$ 189,299
Sewer System	1,891,347	-	-	1,891,347
Vehicles and Equipment	102,898	-	(21,391)	81,507
	<u>2,183,544</u>	<u>-</u>	<u>(21,391)</u>	<u>2,162,153</u>
Less Accumulated Depreciation	(1,390,448)	(51,615)	21,391	(1,420,672)
NET	<u>\$ 793,096</u>	<u>\$ (51,615)</u>	<u>\$ -</u>	<u>\$ 741,481</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, 2024

Page 11

Note 5. Long-Term Debt: (Continued)

Long-Term Debt as of December 31, 2024 and 2023 consists of the following:

	<u>12/31/2024</u>	<u>12/31/2023</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 \$3,328.	\$ 52,092	\$ 55,273
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 \$3,265.	6,956 59,048 (6,593) <u>\$ 52,455</u>	10,028 65,301 (6,253) <u>\$ 59,048</u>
Less portion considered current		
Total long-term debt		

Aggregate debt payment requirements are as follows:

	Principal	Interest	Total
2025	\$ 6,593	\$ 2,611	\$ 9,204
2026	6,951	2,253	9,204
2027	3,863	1,964	5,827
2028	3,808	1,796	5,604
2029	3,983	1,621	5,604
Thereafter	<u>33,850</u>	<u>5,725</u>	<u>39,575</u>
Total	<u><u>\$ 59,048</u></u>	<u><u>\$ 15,970</u></u>	<u><u>\$ 75,018</u></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, 2024 in the amount of (\$922,942) consists of the accumulated losses of the System of (\$1,080,427) and the excess of restricted assets over liabilities payable from restricted assets of \$157,485.

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 & Sewer System in financial institutions permitted by law.

OKOLONA WATER & SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Page 12

Note 7. Public Fund Deposits: (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. The System does not have a policy for custodial credit risk. At December 31, 2024, the carrying value of the System's accounts, deposits and investments was \$295,452. The bank balances before reduction and addition of outstanding items were \$295,731.

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, 2024, the System had 244 water customers and 62 sewer customers.