

CITY OF MADISON WATER AND SEWER DEPARTMENT
MADISON, ARKANSAS
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2021

MEYER AND WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

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CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

Members of the City Council
City of Madison Water and Sewer Department
Madison, Arkansas 72359

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the members of the City Council, solely to assist you with respect to the accounting records of the City of Madison Water and Sewer Department for the year ended December 31, 2021. This engagement to apply agreed upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the City of Madison Water and Sewer Department. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Cash and Investments

1. We performed a proof of cash for the year and reconciled year end bank balances to book balances.
2. We obtained confirmation of the cash on deposit for the Madison Water and Sewer Department:

First National Bank of Eastern Arkansas:

Cash - Sewer Fund	\$ 80,386
Cash - Depreciation Reserve Sewer	324
Cash - Debt Service Reserve	14,421
Cash - ANRC	8,600
CD - Sewer Sinking Fund	8,345
	<u>\$ 112,076</u>

3. We agreed the proof of cash ending balances to the book balances.

We found no exceptions as a result of these procedures.

Receipts

1. All customer billing, collections, disputes, and adjustments are handled by the Forrest City Water and Sewer Department. A monthly check is remitted to the Madison Water and Sewer Department for their share of the collections. We agreed all amounts per the monthly Forrest City Water and Sewer Department remittance reports to the cash receipts journal and to deposits made to the Madison Water and Sewer Department bank account.

We found no exceptions as a result of these procedures.

Accounts Receivable

1. All accounts receivables were billed, and adjustments made, by the Forrest City Water and Sewer Department. All collections are sent to the Madison Water and Sewer Department monthly along with monthly remittance reports. We agreed all collections posted to the monthly remittance reports, and amounts deposited.

We found no exceptions as a result of these procedures.

Cash Disbursements

1. Agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5 %.
2. Analyzed all property, plant and equipment disbursements.
3. Selected 10 disbursements and determined that they were adequately documented.

We found no exceptions as a result of these procedures.

Property, Plant, and Equipment

We determined that all additions and disposals were properly accounted for in the records.

We found no exceptions as a result of the procedures.

Long-Term Debt

1. We scheduled long-term debt and verified changes in the balances for the year.
2. We confirmed the loan payables with the lenders.
3. We reviewed debt service accounts to determine if appropriate reserves have been established and maintained.

Terms of the loan agreements require that transfers be made to debt service reserve accounts, and depreciation reserve accounts. We noted that the appropriate transfers were made as required.

A summary of long-term debt activity is as follows:

	<u>12/31/2020</u>	<u>additions</u>	<u>reductions</u>	<u>12/31/2021</u>
4.5% Note payable to USDA, due in monthly installments of \$1,022, through 2038	\$ 149,274	\$ -	\$ 5,662	\$ 143,612
5% Note payable to Arkansas Natural Resource Commission, due in annual installments of \$7,025 through 2029	49,936		4,528	45,408
	<u>\$ 199,210</u>	<u>\$ -</u>	<u>\$ 10,190</u>	<u>\$ 189,020</u>

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the City of Madison Water and Sewer Department and is not intended to be and should not be used by anyone other than this specified party.

Meyer & Ward

Meyer & Ward, P.A.
 Certified Public Accountants
 Wynne, AR

April 9, 2022

CITY OF MADISON WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
AND
INDEPENDENT ACCOUNTANT’S COMPILATION REPORT

MEYER AND WARD, P.A.
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WYNNE, AR 72396

**CITY OF MADISON WATER AND SEWER DEPARTMENT
MADISON, ARKANSAS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Members of the City Council
City of Madison Water and Sewer Department
Madison, Arkansas 72359

Management is responsible for the accompanying financial statements of Madison Water and Sewer Department, which comprise the statement of assets, liabilities and net position – cash basis as of December 31, 2021 and the related statement of receipts and disbursements- cash basis for the year then ended in accordance with the cash basis of accounting and for determining that the cash 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 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

The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has omitted the management's discussion and analysis that the cash basis of accounting requires to be presented to supplement the basic financial statements. Such missing information, although not a 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.

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

Meyer & Ward

Meyer and Ward, CPAS
Wynne, AR 72396
April 9, 2022

CITY OF MADISON WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash	\$ 80,386
Total Current Assets	<u>80,386</u>
RESTRICTED ASSETS	
Cash - ANRC	8,600
Cash-Debt Service Reserve	14,421
Cash-Depreciation Reserve	324
Certificate of Deposit	8,345
Total Restricted Assets	<u>31,690</u>
FIXED ASSETS-AT COST	
Land	17,000
Equipment	2,600
Sewer Treatment Plant	2,015,226
	<u>2,034,826</u>
Less Accumulated Depreciation	<u>(1,849,044)</u>
Net Fixed Assets	<u>185,782</u>
TOTAL ASSETS	<u><u>\$ 297,858</u></u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**CITY OF MADISON WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION - CASH BASIS
DECEMBER 31, 2021**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current portion of notes payable	\$ 10,677
Total Current Liabilities	<u>10,677</u>

LONG TERM LIABILITIES

Notes payable, net of current portion	<u>178,343</u>
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TOTAL LIABILITIES	<u><u>189,020</u></u>
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NET POSITION

Net investment in capital assets	(3,238)
Restricted for debt service	31,366
Unrestricted	<u>80,710</u>
Total Net Position	<u><u>108,838</u></u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 297,858</u></u>
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SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**CITY OF MADISON WATER AND SEWER DEPARTMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash Receipts:

Water	\$ 78,944
Sewer	75,519
Interest	74
Total Operating Receipts	<u>154,537</u>

Cash Disbursements:

Cost of Water Purchased	68,682
Salaries, payroll taxes and fringe	16,215
Utilities	10,046
Supplies	1,343
Insurance	13,657
Repairs and maintenance	6,448
Fuel	1,056
Principal payments on notes payable	10,190
Professional fees	1,800
Interest expense	9,099
Other expense	716
Total Cash Disbursements	<u>139,252</u>

Increase (Decrease) in Cash and Restricted Cash	15,285
Beginning Cash and Restricted Cash at 01-01-21	<u>96,791</u>
Ending Cash and Restricted Cash at 12-31-21	<u><u>\$ 112,076</u></u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT