

CITY OF MADISON WATER AND SEWER DEPARTMENT  
MADISON, ARKANSAS  
INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2022

MEYER AND WARD, P.A.  
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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 on compliance with Ark. Code Ann. 14-234-119 to 122, of the City of Madison Water and Sewer Department as of December 31, 2022, and for the year then ended. The City of Madison Water and Sewer Department 's management is responsible for the Department's accounting records.

The City of Madison Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended compliance with Ark, Code Ann. 14-234-119 to 122. Additionally, the Mayor, City Council and management of the City of Madison Water and Sewer Department have agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for other purposes. The procedures performed may not address all the items of interest of a user of this report and may not meet the needs of all users of the report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and associated findings are as follows:

**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	\$	79,846
Cash - Depreciation Reserve Sewer		324
Cash - Debt Service Reserve		14,437
Cash - ANRC		8,372
CD - Sewer Sinking Fund		10,382
	\$	<u>113,361</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>12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2022</u>
4.5% Note payable to USDA, due in monthly installments of \$1,022, through 2038	\$ 143,612	\$ -	\$ 5,924	\$ 137,688
5% Note payable to Arkansas Natural Resource Commission, due in annual installments of \$7,025 through 2029	45,408		4,755	40,653
	<u>\$ 189,020</u>	<u>\$ -</u>	<u>\$ 10,679</u>	<u>\$ 178,341</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

February 7, 2023

CITY OF MADISON WATER AND SEWER DEPARTMENT  
FINANCIAL STATEMENTS – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
AND  
INDEPENDENT ACCOUNTANT’S COMPILATION REPORT

MEYER AND WARD, P.A.  
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**CITY OF MADISON WATER AND SEWER DEPARTMENT  
MADISON, ARKANSAS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022 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  
February 7, 2023



**CITY OF MADISON WATER AND SEWER DEPARTMENT**  
**STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS**  
**December 31, 2022**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 79,846
Total Current Assets	<u>79,846</u>
 <b>RESTRICTED ASSETS</b>	
Cash - ANRC	10,382
Cash-Debt Service Reserve	14,437
Cash-Depreciation Reserve	323
Certificate of Deposit	8,373
Total Restricted Assets	<u>33,515</u>
 <b>FIXED ASSETS-AT COST</b>	
Land	17,000
Equipment	2,600
Sewer Treatment Plant	2,042,133
	<u>2,061,733</u>
Less Accumulated Depreciation	(1,902,512)
Net Fixed Assets	<u>159,221</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 272,582</u></u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**CITY OF MADISON WATER AND SEWER DEPARTMENT  
STATEMENT OF ASSETS, LIABILITES, AND NET POSITION - CASH BASIS  
DECEMBER 31, 2022**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Current portion of notes payable	\$ 11,188
Total Current Liabilities	11,188

**LONG TERM LIABILITIES**

Notes payable, net of current portion	167,153
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**TOTAL LIABILITIES**

	178,341
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**NET POSITION**

Net investment in capital assets	19,120
Restricted for debt service	33,192
Unrestricted	41,929
Total Net Position	94,241

**TOTAL LIABILITIES AND NET POSITION**

	\$ 272,582
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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, 2022**

**Cash Receipts:**

Water	\$ 86,763
Sewer	82,154
Insurance Claim	15,280
Interest	130
Total Operating Receipts	<u>184,327</u>

**Cash Disbursements:**

Cost of Water Purchased	75,375
Salaries, payroll taxes and fringe	20,705
Utilities	10,028
Supplies	1,709
Insurance	14,950
Repairs and maintenance	8,772
Fuel	151
Principal payments on notes payable	10,679
Professional fees	1,850
Interest expense	8,610
Fees and licenses	3,307
Equipment Purchases	26,906
Total Cash Disbursements	<u>183,042</u>

Increase (Decrease) in Cash and Restricted Cash	<u>1,285</u>
Beginning Cash and Restricted Cash at 01-01-22	<u>112,076</u>
Ending Cash and Restricted Cash at 12-31-22	<u><u>\$ 113,361</u></u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT