

LOST BRIDGE VILLAGE WATER AND SEWER DISTRICT
DECEMBER 31, 2021

INDEPENDENT ACCOUNTANT'S AGREED UPON PROCEDURES REPORT

Members of the Board
Lost Bridge Village Water
And Sewer District
Garfield, AR

I have performed the procedures enumerated below, which were agreed to by the members of the Board on procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119 for the Lost Bridge Village Water and Sewer District for the year ended December 31, 2021. The Lost Bridge Village Water and Sewer District management is responsible for the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. The sufficiency of these procedures is solely the responsibility of the members of the Board. Consequently, I 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.

The procedures and associated findings are as follows:

CASH

1. a. Perform a proof of cash and reconciliation of cash for the year.
- b. Confirm the cash on deposit and investments with depository institutions.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

I found no exceptions as a result of the procedures.

RECEIPTS

2. 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 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.

I found no exceptions as a result of the procedures.

ACCOUNTS RECEIVABLE

3. a. Agree 10 customer billings to the account sub-ledger
- b. Determine that 5 customer adjustments were properly authorized.

I found no exceptions as a result of the procedures.

DISBURSEMENTS

4. 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 10 disbursements determine if they were adequately documented.

I found no exceptions as a result of the procedures.

PROPERTY, PLANT AND EQUIPMENT

5. a. Determine that additions and disposals were properly accounted for in the records.
- b. Assist with preparation of depreciation schedule

I found no exceptions as a result of the procedures.

LONG-TERM DEBT

6. 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.

I 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 Institutes of Certified Public Accounts. I was not engaged and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures; other matters might have come to my attention that would have been reported to you.

I am required to be independent of Lost Bridge Village Water And Sewer District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed upon procedures report.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee and the management of the Lost Bridges Village Water and Sewer District and it not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Timothy A. Bunch". The signature is fluid and cursive, with the first name "Timothy" being more prominent than the last name "Bunch".

Timothy A. Bunch, CPA PA
Springdale, Arkansas
December 28, 2022

***LOST BRIDGE VILLAGE WATER
AND SEWER DISTRICT***

GARFIELD, ARKANSAS

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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To the Board of Directors
Lost Bridge Village Water and Sewer
12133 E. Airport Drive
Garfield, AR 72732

Management is responsible for the accompanying financial statements of **Lost Bridge Village Water and Sewer** (an Arkansas water and sewer district) which comprise the statement of financial position as of December 31, 2021 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Timothy A. Bunch, CPA PA
Springdale, Arkansas
December 28, 2022

**LOST BRIDGE VILLAGE WATER AND SEWER DISTRICT
GARFIELD, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Assets

Current assets

Cash in bank	\$ 315,308
Accounts receivable	64,421
Prepaid engineering costs	150,153
Inventory	48,279
Total current assets	<u>578,161</u>

Restricted assets

Cash in bank	136,649
Total restricted assets and funded reserves	<u>136,649</u>

Property and equipment, at cost

Water and sewer plants and systems	3,462,579
Machinery and equipment	189,344
	<u>3,651,923</u>
Less accumulated depreciation	3,025,876
Net property and equipment	<u>626,047</u>

Total assets	<u><u>\$ 1,340,857</u></u>
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Liabilities and Net Position

Current liabilities

Accounts payable	\$ 9,113
Sales tax payable	1,422
Payroll taxes payable	2,779
Customer meter deposits	41,225
Operating line of credit	27,763
Total current liabilities	<u>82,302</u>

Long-term liabilities

Notes payable - sewer plant	<u>18,451</u>
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Net position

Invested in capital assets, net of related debt	860,811
Unrestricted	379,293
Total net position	<u>1,240,104</u>

Total liabilities and net position	<u><u>\$ 1,340,857</u></u>
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**LOST BRIDGE VILLAGE WATER AND SEWER DISTRICT
GARFIELD, ARKANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Operating Revenues	
Water sales	\$ 227,009
Lot sales	7,383
Water tap-on fees	2,400
Sewer charges	232,404
Penalties and interest	3,429
Miscellaneous income	12,144
Improvement taxes	136,118
Meter set	800
Total operating revenues	<u>621,687</u>
Operating expenses	
Salaries	60,263
Lot costs	3,910
Employee benefits	4,244
Outside services	72,510
Two-ton water costs	96,689
Supplies	33,202
Maintenance	8,123
Utilities and telephone	40,754
Vehicle expense	1,738
Office expense	16,908
Insurance	18,500
Payroll taxes	5,287
Licenses and permits	1,970
Professional fees	4,149
Lab tests	7,831
Dues and subscriptions	5,886
Bank charges	1,026
Miscellaneous	1,343
Total operating expenses prior to depreciation	<u>384,333</u>
Depreciation expense	64,077
Total operating expenses	<u>448,410</u>
Operating profit (loss)	<u>173,277</u>
Non-operating revenues (expenses)	
Interest expense	(2,052)
Net non-operating expenses	<u>(2,052)</u>
Increase (decrease) in net position	171,225
Net position - beginning of year	305,416
Transfer from (to) capital asset fund	(97,348)
Net position - end of year	<u>\$ 379,293</u>

See accompanying notes and independent compilation report.

**LOST BRIDGE VILLAGE WATER AND SEWER DISTRICT
GARFIELD, ARKANSAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

Cash flows from operating activities	
Cash received from customers	\$ 617,994
Cash payments to suppliers and employees	(463,345)
Net cash (used) provided by operating activities	<u>154,649</u>
Cash flows from capital and related financing activities	
Advance on notes	18,451
Principle paid on notes	(19,458)
Net cash (used) by capital and related financing activities	<u>(1,007)</u>
Cash flows from investing activities	
Interest earned on investments	<u>830</u>
Net cash provided by investing activities	<u>830</u>
Net (decrease) increase in cash and cash equivalents	<u>154,472</u>
Cash and cash equivalents at beginning of year	<u>297,485</u>
Cash and cash equivalents at end of year	<u>\$ 451,957</u>
Reconciliation of cash and cash equivalents to statements of net position	
Cash and cash equivalents - unrestricted	\$ 315,308
Cash and cash equivalents - restricted	<u>136,649</u>
	<u>\$ 451,957</u>
Supplemental disclosures of cash flow information	
Interest paid	<u>\$ 2,052</u>
Income tax paid	<u>\$ 0</u>

**5LOST BRIDGE VILLAGE WATER AND SEWER DISTRICT
GARFIELD, ARKANSAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Lost Bridge Village Water and Sewer District (the "District") was created by the County Court of Benton County, Arkansas for the purpose of constructing or purchasing water and sewage improvements, to include construction of a central sewage collection and treatment system, and construction of a central water system. District #1 was formed on October 5, 1973 and District #2 was formed on April 15, 1974. The districts operate jointly in their day to day operations.

REPORTING ENTITY

Lost Bridge Village Water and Sewer District is financially independent of all other units of government. It is responsible for financing its own activities and the payment of its own debt. The Board of Commissioners ("Board") has the responsibility to employ management that is responsible for the day-to-day operations of the District. The Board has absolute authority over all funds included in the entity. The district is not a component unit of any other governmental unit.

The District adheres to Statement of governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity", as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units." These statements require the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate agency for which the primary government is financially accountable or organizations whose exclusion would cause the financial statements to be misleading because of the nature and significance of their relationship with the primary government. Financial accountability is determined by the primary government's ability to appoint the voting majority of the entity's board, impose its will on the organization, the existence of a financial benefit/burden relationship or fiscal dependency. Based on this criteria, there are no component units required to be included and there are no component units included in the district's financial statements.

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position) report information on all of the activities of the District and do not emphasize fund types. These business-type activities comprise the primary government. Business-type activities rely on user fees and charges to support its activities rather than taxes and intergovernmental revenues. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position that the prior year. The District uses only one fund.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange - like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33 "Accounting and Financial Reporting for Non-exchange Transactions."

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statement, rather than as expenditures.

The Statement of Revenues, Expenditures and Changes in Net Position demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit for goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function.

Operating revenues are considered to be revenues generated by services performed and/or by fees charged such as water and sewer usage, connection, inspection fees and flow testing.

FUND ACCOUNTING

The district's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and net assets (fund equity balances) and changes therein.

The accompanying financial statements reflect Business - Type Activities and are classified as a Single Proprietary Fund Type - Enterprise fund. This Fund accounts for the cost of services provided by the District as well as the revenues earned by the District.

BUSINESS - TYPE ACTIVITIES - PROPRIETARY FUND TYPE

Enterprise Fund - An enterprise fund is used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or

2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. Operation revenues and expenses result from providing water distribution as well as wastewater collection and treatment to members within the District's boundaries. Generally, other revenues and expenses are treated as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

The proprietary fund type is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period earned and expenses are recorded in the period the liability is incurred.

CASH

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments, including both unrestricted and restricted, with a maturity of three months or less, when purchased, to be a cash equivalent, in accordance with District policy.

ACCOUNTS RECEIVABLE/ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables include user fees for water and sewer services provided as part of the operations by the District. The accounts receivable are recorded net of the estimated allowance for doubtful accounts. The District operates using an allowance and collection policy that ultimately provides for discontinuance of water service due to nonpayment by the user. The policy also provides for application of the respective user's security deposit upon certain criteria. Additionally, the policy requires a user landlord to satisfy any outstanding user fees (tenant) prior to allowing services to a future tenant for that landlord.

At December 31, 2021 the District also included \$25,491 of accounts receivable due to delinquent collections on the newly imposed improvement tax.

INVENTORY

Inventory consists of utility system parts and hardware supplies at year end. The inventories are valued at cost, which approximates market. The method used to determine the value of the inventory is the FIFO (first in-first out) method.

Also included in inventory are lots in the District currently for sale.

CAPITAL ASSETS AND DEPRECIATION

Capital assets acquired by proprietary funds are reported in those funds at historical cost or estimated historical cost if actual historical cost is not available.

Donated assets are reported at estimated fair market value at the time received. Certain infrastructure-type fixed assets consisting of certain improvements such as roads, curbs, gutters and lighting systems have not been capitalized, as the District does not generally incur such expenditures. However, the systems' distribution and collection lines and pumps are capitalized and depreciated as part of the overall system. Assets acquired with a cost or fair value of \$1,000 or more and a useful life of 1 year or more are capitalized. Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The capital assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Plant and Plant Equipment	1-40
Capital Improvements, Distribution Lines	1-40
Furniture, Fixtures and Equipment	1-10
Vehicles	1-5

VACATION LEAVE AND OTHER COMPENSATED ABSENCES

Accumulated unpaid vacation pay is accrued when incurred in the proprietary fund. The method of accrual is in accordance with Statement of Governmental Accounting Standards Board Number

16. "Accounting for Compensated Absences" (GASB 16). This standard provides for the measurement of accrued vacation leave and other compensated absences using the pay or salary rates in effect at the balance sheet date. It also requires additional accounts to be accrued for certain salary

related payments associated with the payment of compensated absences such as FICA and retirement benefits. Sick leave and personal time accrued is forfeited if not used prior to termination.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at present it is not considered necessary to assure budgetary control or to facilitate effective cash planning and control.

INCOME TAXES

The District, as a governmental unit, is exempt from income taxes under current provisions of the Internal Revenue Code and Arkansas State Law.

FUND EQUITY

Grants, entitlements or shared revenues which are externally restricted for capital acquisition or construction are treated as contributed capital but recorded as revenue due to the District. Contributed or donated fixed assets are also treated as contributed capital but recorded as revenue when due the District.

USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those

estimates.

APPLICATION OF FASB PRONOUNCEMENTS TO PROPRIETARY FUNDS

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected not to apply those FASB Statements and Interpretations

issued after November 30, 1989, that do not conflict GASB pronouncements. Only GASB pronouncements issued after this date will be adopted by the District.

NOTE 2 – CASH AND INVESTMENTS

At December 31, 2021 cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) was \$451,957.

DEPOSITS

The District's deposit policy allows deposits to be held in demand deposits, savings accounts, certificates of deposit, direct obligations of the U.S. Treasury, Local Government Surplus Trust Funds, direct obligations of Federal agencies and instrumentalities and money market accounts.

	<u>Insured/ Collateralized</u>	<u>Bank Balance</u>	<u>Carrying Account</u>
December 31, 2021			
Unrestricted			
Depository accounts	\$ 113,031	\$ 113,031	\$ 113,031
Improvement tax funds	202,277	202,277	202,277
	<u>315,308</u>	<u>315,308</u>	<u>315,308</u>
Restricted			
Depository accounts	136,649	136,649	136,649
	<u>136,649</u>	<u>136,649</u>	<u>136,649</u>
	\$ <u>451,957</u>	\$ <u>451,957</u>	\$ <u>451,957</u>

UNRESTRICTED AND RESTRICTED DEPOSITS

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year-end. All deposits were fully insured by Federal Depository Insurance.

RESTRICTED DEPOSITS

Restricted deposits consisted solely of customer deposits for water and sewer services and of funds allocated to a capital improvement fund, with those funds to be used strictly for fixed asset purchases in the future.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2021:

Customer receivables (Imp Dist Tax)	\$	25,491
Customer receivables (water/sewer)		38,930
Net receivables	\$	<u>64,421</u>

NOTE 4 – CAPITAL ASSET ACTIVITY

The following is a summary of changes in capital asset activity for the year ended December 31, 2021 and 2020:

	Balance January 01 2021	Additions	Retirements	Balance December 31 2021
Water and sewer plants and systems	\$ 3,444,129	6,762	0	\$ 3,450,891
Machinery and equipment	189,344	0	0	189,344
Less accumulated depreciation	2,961,799	64,077		3,025,876
Capital assets, net	\$ 671,674			\$ 614,359
Engineering fees	42,986	107,167	0	150,153
Restricted cash	48,803	47,496		96,299
Net assets invested in capital assets, net of related debt	\$ <u>763,463</u>			\$ <u>860,811</u>

NOTE 5 – RISK MANAGEMENT

The district is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

Insurance programs for general/professional liability, automobile, and property are through commercial insurance. The District retains the risk of loss, on insured claims, up to a deductible amount (ranging from \$500 to \$1,000) with the risk of loss in excess of this amount transferred to the insurance carrier. Limits of general liability are \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 28, 2022, which is the date the financial statements were available for issue.

NOTE 7 - STATEMENT OF CASH FLOWS DISCLOSURE

Operating profit	\$ 170,395
Reconciliation of operating profit to net cash provided by operating activities	
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation (non cash)	64,077
(Increase) decrease in accounts receivable	(2,863)
(Increase) decrease in inventory	1,262
(Increase) decrease in prepaid engineering costs	(85,670)
Increase (decrease) in accounts payable	9,113
Increase (decrease) in other accrued expenses	4,097
Increase (decrease) in customer deposits	1,000
Adjustment to fixed assets	(6,762)
Total adjustments	(15,746)
Net cash provided by operating activities	\$ 154,649

NOTE 8 - NOTES PAYABLE

At December 31, 2021, the District had a \$100,000 loan with Grand Savings Bank. The interest rate is 4.25% with a maturity date of July 26, 2022. The balance at December 31, 2021 was \$27,763.

During 2021, the District secured financing in the amount of \$3,085,642 from the Arkansas Natural Resources Commission. The proceeds of these bonds is to be used to build a new sewer plant. Of the total, \$1,392,821 is eligible to be forgiven upon completion of the plant. The remaining balance will bear an interest rate of 0.75% and have a 20 year maturity. During 2021, \$18,451 was initially advanced on this loan.