

BRADLEY WATER AND SEWER FUND



BRADLEY, ARKANSAS

DECEMBER 31, 2021

BRADLEY WATER AND SEWER FUND
BRADLEY, ARKANSAS

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TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

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

To the Mayor and City Council
Bradley Water and Sewer Fund
Bradley, Arkansas

We have performed the procedures enumerated below on the accounting records of Bradley Water and Sewer Fund as of and for the year ended December 31, 2021. Bradley Water and Sewer Fund's management is responsible for the entity's accounting records.

Bradley Water and Sewer Fund 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 one deposit, agree the cash/check composition of the deposit with 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 Bradley Water and Sewer Fund 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 Bradley Water and Sewer Fund. 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 Bradley Water and Sewer Fund 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 Bradley Water and Sewer Fund 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
September 22, 2022

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

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To the City Council
Bradley Water and Sewer Fund
Bradley, Arkansas

Management is responsible for the accompanying financial statements of Bradley Water and Sewer Fund of the City of Bradley, Arkansas, which comprise the balance sheets as of December 31, 2021 and 2021, and the related statements of revenue, expenses and changes in net assets 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 assurance on these financial statements.

Management has omitted the 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 Bradley Water and Sewer Fund, which is an enterprise fund of the City of Bradley, and are not intended to present fairly the financial position of the City of Bradley, 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
September 22, 2022

BRADLEY WATER AND SEWER FUND
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 29,746	\$ 11,462
Accounts Receivable	36,178	42,535
TOTAL CURRENT ASSETS	<u>65,924</u>	<u>53,997</u>
RESTRICTED ASSETS:		
Cash - Meter Deposits	14,237	12,906
Cash - Depreciation Reserves	6,050	4,889
Certificate of Deposit - Meter Deposits	5,750	5,750
TOTAL RESTRICTED ASSETS	<u>26,037</u>	<u>23,545</u>
CAPITAL ASSETS:		
Equipment	69,701	69,701
Vehicles	27,815	27,815
Water and Sewer System	3,371,774	3,371,774
Total	<u>3,469,290</u>	<u>3,469,290</u>
Less Accumulated Depreciation	<u>(1,039,098)</u>	<u>(977,830)</u>
TOTAL CAPITAL ASSETS	<u>2,430,192</u>	<u>2,491,460</u>
TOTAL ASSETS	<u><u>\$ 2,522,153</u></u>	<u><u>\$ 2,569,002</u></u>

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

BRADLEY WATER AND SEWER FUND
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES:		
Accounts Payable	\$ 10,124	\$ 12,104
Sales Tax Payable	840	796
Accrued Interest Payable	4,599	-
Accrued Payroll	2,695	1,333
Current Portion of Long-Term Debt	108,450	109,210
TOTAL CURRENT LIABILITIES	126,708	123,443
 LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Customers' Meter Deposits	19,613	18,463
 TOTAL LIABILITIES	146,321	141,906
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,321,742	2,382,250
Restricted Net Assets	6,424	5,082
Unrestricted Net Assets	47,666	39,764
TOTAL NET ASSETS	2,375,832	2,427,096
 TOTAL LIABILITIES AND NET ASSETS	\$ 2,522,153	\$ 2,569,002

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

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUE:		
Water Revenue	\$ 49,658	\$ 53,788
Sewer Revenue	90,820	80,501
Trash Fees	23,537	16,912
Contract Service Revenue	12,000	12,000
Other Revenue	24,936	26,027
TOTAL REVENUE	200,951	189,228
OPERATING EXPENSES:		
Salaries	49,662	53,429
Payroll Taxes	3,889	3,986
Retirement	550	1,200
Depreciation	61,268	68,952
Insurance	3,783	361
Utilities and Telephone	42,947	29,847
Maintenance and Repairs	20,774	27,007
Fuel	4,414	2,828
Membership Fees	5,705	5,125
Professional Fees	12,751	9,060
Supplies	11,189	6,424
Office Expense	2,861	8,838
Other Expenses	11,284	11,223
TOTAL OPERATING EXPENSES	231,077	228,280
OPERATING (LOSS)	(30,126)	(39,052)
NON-OPERATING REVENUE (EXPENSES):		
Interest Income	109	114
Interest Expense	(5,016)	(5,134)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(4,907)	(5,020)
NET INCOME (LOSS)	(35,033)	(44,072)
NET ASSETS - BEGINNING OF YEAR	2,427,096	2,496,040
NET TRANSFERS (TO)/FROM OTHER CITY FUNDS	(16,231)	(24,872)
NET ASSETS - END OF YEAR	\$ 2,375,832	\$ 2,427,096

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

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 207,308	\$ 178,665
Cash Payments for Goods and Services	(122,083)	(101,892)
Cash Payments to Employees	(48,300)	(52,096)
NET CASH FLOW FROM OPERATING ACTIVITIES	36,925	24,677
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers (to)/from other City Funds	(16,231)	(24,872)
Increase (Decrease) in Meter Deposits	1,150	1,350
NET CASH FLOW FROM FINANCING ACTIVITIES	(15,081)	(23,522)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Long-Term Debt	(760)	(8,989)
Interest Paid on Long-Term Debt	(417)	(5,134)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,177)	(14,123)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	109	114
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,776	(12,854)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,257	42,111
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 50,033	\$ 29,257

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

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

Reconciliation of operating income to net cash flow from operating activities:

	2021	2020
OPERATING INCOME (LOSS)	\$ (30,126)	\$ (39,052)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation and Amortization	61,268	68,952
Change in Assets and Liabilities:		
Accounts Receivable	6,357	(10,563)
Accounts Payable	(1,980)	3,815
Other Current Liabilities	1,406	1,525
TOTAL ADJUSTMENTS	67,051	63,729
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 36,925	\$ 24,677

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

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

BRADLEY WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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Note 1. Significant Accounting Policies:

The Bradley Water and Sewer Fund, the "Fund", is an Enterprise Fund of the City of Bradley, Arkansas and is governed by the Board of Directors of the City of Bradley, Arkansas. The accompanying financial statements reflect the Bradley Water and Sewer Fund only and do not include other funds of the City of Bradley, Arkansas.

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.

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles under which revenues are recognized when earned, and expenses are recorded when incurred. The Fund applies all relevant Government Accounting Standards Board (GASB) pronouncements. The Fund 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.

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets are stated at cost or customer cost of construction on contributed assets. Assets capitalized have an original cost of \$1,500 or more and useful lives of at least two years. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Vehicles	5 Years
Machinery and Equipment	5-7 Years
Water and Sewer System	50 Years

Management has evaluated subsequent events through September 22, 2022, the date the financial statements were available for issuance.

BRADLEY WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 2. Capital Assets:

Capital Assets activity for the years ended December 31, 2021 and 2020 was as follows:

	12/31/2020	INCREASES	DECREASES	12/31/2021
Capital Assets at Historical Costs:				
Equipment	\$ 69,701	\$ -	\$ -	\$ 69,701
Vehicles	27,815	-	-	27,815
Water and Sewer System	3,371,774	-	-	3,371,774
	3,469,290	-	-	3,469,290
Less Accumulated Depreciation	(977,830)	(61,268)		(1,039,098)
NET	\$ 2,491,460	\$ (61,268)	\$ -	\$ 2,430,192

	12/31/2019	INCREASES	DECREASES	12/31/2020
Capital Assets at Historical Costs:				
Equipment	\$ 69,701	\$ -	\$ -	\$ 69,701
Vehicles	27,815	-	-	27,815
Water and Sewer System	3,371,774	-	-	3,371,774
	3,469,290	-	-	3,469,290
Less Accumulated Depreciation	(908,878)	(68,952)		(977,830)
NET	\$ 2,560,412	\$ (68,952)	\$ -	\$ 2,491,460

Note 3. Public Fund Deposits and Investments:

State law generally requires that City 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 where principal and interest are fully guaranteed by the United States of America. All cash funds of the Fund, are deposited in accounts in the name of Bradley Water and Sewer 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. Bradley Water and Sewer Fund does not have a policy for custodial credit risk. The carrying value of the Fund's accounts and investments at December 31, 2021 was \$55,783. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$56,321 before adjustment for outstanding items.

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

BRADLEY WATER AND SEWER FUND
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 3. Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: The Fund does not have an investment interest rate risk. All investments are short-term certificates of deposit and the Fund is under no obligation to renew upon maturity.

Investment Credit Risk: The Fund does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the Fund has a collateral agreement.

Foreign Currency Risk: The Fund has no exposure to foreign currency risk.

Note 4. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for December. These amounts were paid subsequent to December 31, 2021.

Note 5. Commitments:

Long-term debt consists of the following as of December 31, 2021:

Note Payable - Loan amount \$153,844;	\$ 108,450
Interest (4.5%); Maturing in 2022.	
Less portion considered current	(108,450)
Total long-term debt	\$ -

The future maturities of long-term debt as follows:

	Principal	Interest	Total
2022	\$ 108,450	\$ 7,039	\$115,489

Note 6. Risk Management:

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Fund maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Fund.

Note 7. Retirement Plan:

The Fund participates in the American Funds Compensation Plan (a Simple IRA plan). The Fund must either match (up to 3% of salary) the contributions employees make to their plan; or make contributions for employees at 2% of their salary, whether or not the employee participates. Contributions to American Funds for the year ending December 31, 2021 and 2020 were \$550 and \$1,200, respectively.