

Agreed Upon Procedures

City of Calion Water and Sewer

For the Year Ended December 31, 2022

PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

441 NORTH WASHINGTON AVENUE
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MEMBER
AMERICAN INSTITUTE OF CPAS

MEMBER
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the City Council
City of Calion
Calion, Arkansas

We have performed the procedures described in Schedule A on the financial records of Calion Water and Sewer and on the minutes of the City Council meetings for the year ended December 31, 2022. The City of Calion Water and Sewer's management is responsible for the company's accounting records and minutes of council meetings.

Calion Water and Sewer has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the requirements of the State of Arkansas Code Annotated §§ 14-234-119 through 122 for the year ended December 31, 2022. 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 described in Schedule A.

We were engaged by Calion Water and Sewer to perform this engagement to apply agreed-upon procedures 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 audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements of Calion Water and Sewer as of December 31, 2022. 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 Calion Water and Sewer and to meet our 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 Calion Water and Sewer, the city of Calion City Council and Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

Parks & Company PLC

El Dorado, Arkansas
August 22, 2024

SCHEDULE A

Cash and Investments

1. A. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
- 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 performing 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.
- C. For one deposit, agree the cash/check composition of the deposit with receipt information.

We found no exceptions as a result of performing the procedures.

Accounts Receivable

3. A. Agree 10 customer billings to the accounts receivable sub-ledger.
- B. Determine that 5 customer adjustments were properly authorized.

We found no exceptions as a result of performing the procedures. Customer billing adjustments were discussed and approved during the monthly meetings of the city council as documented in the council minutes.

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 ten (10) disbursements and determine if they were adequately documented.

The water and sewer department has a credit card from Simmons Bank to use for certain types of expenditures. The use of a credit card increases the risk of fraud due to the lack of dual authorization and control of the expenditures. We noted that credit card charges were discussed and approved in city council meetings.

Property, Plant and Equipment

5. 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 performing the procedures.

Long-Term Debt

6.
 - A. Schedule long-term debt and verify changes in all balances for the year.
 - B. Confirm all debt with third parties.
 - C. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of performing the procedures.

General

7. 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 performing the procedures.

Financial Statements

CALION WATER AND SEWER SYSTEM

December 31, 2022

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To the City Council
Calion, Arkansas

Management is responsible for the accompanying statement of net position as December 31, 2022 and the related statement of revenues, expenses and changes in net position for the year then ended of the Calion Water and Sewer System 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 elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Parks & Company PLC

El Dorado, Arkansas
August 22, 2024

**Calion Water and Sewer
Statement of Net Position
December 31, 2022**

ASSETS

Current Assets

Cash	\$ 110,212
Accounts receivable, net	18,459
Inventory	10,929
	139,600
Total current assets	139,600

Restricted Assets

Cash	73,360
	73,360

Non-Current Assets

Capital assets -	
Non-depreciable	29,247
Depreciable	4,095,132
Less: Accumulated depreciation	(1,679,361)
	2,445,018
Total non-current assets	2,445,018

TOTAL ASSETS

\$ 2,657,978

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 54
Current portion of long-term debt	5,812
	5,866
Total current liabilities	5,866

Non-Current Liabilities

Customer deposits	27,086
Due to other city funds	122,105
Non-current portion of long-term bonds payable	266,706
	415,897
Total non-current liabilities	415,897

TOTAL LIABILITIES

\$ 421,763

NET POSITION

Invested in capital assets, net of related debt	\$ 2,172,500
Restricted	46,274
Unrestricted	17,441
	2,236,215

TOTAL NET POSITION

2,236,215

TOTAL LIABILITIES AND NET POSITION

\$ 2,657,978

Calion Water and Sewer
Statement of Revenue & Expenses
December 31, 2022

Operating Revenues	
Usage charges	\$ 151,752
Fees and penalties	15,617
Other income	<u>216</u>
Total operating revenues	<u>167,585</u>
 Operating Expenses	
Salaries and wages	82,133
Payroll taxes	3,952
Employee retirement	922
Utilities and telephone	23,894
Maintenance, repair & supply	22,061
Mileage reimbursements	1,649
Health Insurance	3,569
Permits, licenses, and fees	10,163
Chemicals	8,395
Supplies	724
Travel	208
Bad Debt	119
Office and administrative	16,436
Depreciation	<u>83,291</u>
Total operating expenses	<u>257,516</u>
Net operating income (loss)	<u>(89,931)</u>
 Non-operating income (expense)	
Interest income	33
Interest expense	<u>(5,167)</u>
Total non-operating revenues (expenses), net	<u>(5,134)</u>
Change in Net Position	(95,065)
Net Position, beginning of year	<u>2,331,280</u>
Net Position, end of year	<u><u>\$ 2,236,215</u></u>

**Calion Water and Sewer
Statement of Cash Flows
For the Year Ended December 31, 2022**

Cash Flows from Operating Activities	
Receipts from customers	\$ 137,498
Other receipts	15,833
Cash paid for supplies and operating costs	(85,192)
Cash paid for employee and related costs	<u>(90,576)</u>
Net cash provided by (used in) operating activities	<u>(22,437)</u>
 Cash Flows From Capital and Related Financing Activities	
Purchases of property, plant & equipment	(3,290)
Transfers from other city funds	46,072
Principal payments on long-term debt	(5,704)
Interest payments on long-term debt	<u>(5,167)</u>
Net cash provided by (used in) Capital and Related Financing Activities	<u>31,911</u>
 Cash Flows from Investing Activities	
Interest income	<u>33</u>
Net increase (decrease) in cash and cash equivalents	9,507
 Cash and cash equivalents, beginning of year	<u>174,065</u>
Cash and cash equivalents, end of year	<u>\$ 183,572</u>
 Presented on the Statement of Net Position as follows:	
Current assets - Cash	110,212
Restricted assets - Cash	<u>73,360</u>
	<u>\$ 183,572</u>
 Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (89,931)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	83,291
Increase (decrease) in current assets:	
Accounts receivable	(14,254)
Inventory	(1,132)
(Increase) decrease in current liabilities	
Accounts payable	<u>(411)</u>
Net cash provided by (used in) operating activities	<u>\$ (22,437)</u>