

CITY OF HIGGINSON, ARKANSAS
SEWER DEPARTMENT

AGREED-UPON PROCEDURES REPORT

DECEMBER 31, 2020

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the City Council and Management
City of Higginson, Arkansas Sewer Department

We have performed the procedures enumerated below, which were agreed upon by the management of the City of Higginson, Arkansas Sewer Department in order to comply with Arkansas Code Annotated 14-234-119 through 14-234-122 and *Guidelines for Conducting Agreed-Upon Procedures for Water and Sewer Service Providers* prepared by the Arkansas Legislative Joint Audit Committee solely to assist you with respect to the accounting records of City of Higginson, Arkansas Sewer Department as of and for the year ended December 31, 2020. City of Higginson, Arkansas Sewer Department's management is responsible for the entity's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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.

The procedures and associated findings are as follows:

1) Cash

- a) Perform a proof of cash for the year and reconcile the year-end 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 subledger to deposit and billing documents.
- c) For ten deposits, agree the cash/check composition of the deposit with the receipt information.

Findings: We found no exceptions as a result of performing procedure (a). We were unable to agree the ten customer payments in procedure (b) to billing documents. Higginson Sewer Department outsources its sewer billing to a third party. The third party sends bills to customers

and receives payment from the customers. After the third party receives payment, it applies the payment to the customer accounts and remits the total customer payments received each month to Higginson Sewer Department. The third party does not keep adequate billing source documents or receipt documents on file beyond three months, therefore, we were unable to agree the customer payment selections to those documents. We were, however, able to agree the balance billing register provided to Higginson Sewer Department by the third party to the general ledger and the bank statement for a randomly selected deposit. We were unable to agree the cash/check composition of ten deposits with the receipt information as required by procedure (c) due to the fact that the third party does not keep cash/checks received segregated.

3) Accounts Receivable

- a) Agree ten customer billings to the accounts receivable subledger.
- b) Determine that five customer adjustments were properly authorized.

Findings: Higginson Sewer Department presents its financials on the modified cash basis of accounting, therefore, it does not present accounts receivable. We were unable to perform procedure (a) due to that limitation. We found no exceptions as a result of performing procedure (b).

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.

Findings: We were unable to confirm two of the Department's loans as required by procedures (b) due to lack of communication from lenders after multiple attempts. The Short-Lived Assets replacement account balance is \$19,581 below the amount required under the loan covenants.

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.

- 8) We compiled a statement of assets, liabilities, and net position- modified cash basis of City of Higginson, Arkansas Sewer Department as of December 31, 2020, and the related statement of revenues, expenses, and changes in net position- modified cash basis for the year then ended in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. A copy of our report is included with this submission.

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion on the accounting records. 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 to you.

This report is intended solely for the information and use of the management of the Department, the City Council and Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

Turner Williams and Associates, P.A.

Turner, Williams and Associates, P.A.
Searcy, Arkansas

September 6, 2023

CITY OF HIGGINSON, ARKANSAS
SEWER DEPARTMENT

COMPILED FINANCIAL STATEMENTS –
MODIFIED CASH BASIS

FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

City of Higginson, Arkansas Officials and Council Members
City of Higginson, Arkansas Sewer Department

Management is responsible for the accompanying financial statements of City of Higginson, Arkansas Sewer Department (a governmental organization), which comprise the statement of assets, liabilities, and net position - modified cash basis as of December 31, 2020 and the related statement of revenues, expenses, and changes in net position – modified cash basis for the year then ended and for determining that the modified 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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures and statement of cash flows ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Organization's financial position and revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Turner, Williams and Associates, P.A.

Turner, Williams and Associates, P.A.
Searcy, Arkansas

September 6, 2023

CITY OF HIGGINSON - SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2020

Assets	<u>2020</u>
Current Assets	
Cash	\$ 2,401
Total Current Assets	<u>2,401</u>
Property, Plant, and Equipment	
Sewer plant and ponds	1,970,846
Equipment	65,131
Less: accumulated depreciation	<u>(729,028)</u>
Total Property, Plant, and Equipment	<u>1,306,949</u>
Other Assets	
Restricted cash	<u>37,140</u>
Total other assets	<u>37,140</u>
Total Assets	<u>\$ 1,346,490</u>
Liabilities and Net Position	
Current Liabilities	
Current maturities of long-term debt	\$ 23,370
Current portion of lease payable	4,286
Meter Deposits	9,650
Total Current Liabilities	<u>37,306</u>
Non-current Liabilities	
Notes payable	553,387
Lease payable	5,307
Less: current portion of notes payable	<u>(23,370)</u>
Less: current portion of lease payable	<u>(4,286)</u>
Total Long-term Liabilities	<u>531,038</u>
Total Liabilities	<u>568,344</u>
Net Position	
Invested in capital assets, net of related debt	748,255
Restricted net position	27,490
Unrestricted net position	2,401
Total Net Position	<u>778,146</u>
Total Liabilities and Net Position	<u>\$ 1,346,490</u>

See independent accountant's compilation report.

CITY OF HIGGINSON - SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020
Operating Revenue	
Sewer revenue	\$ 125,360
Total Operating Revenue	125,360
Expenses	
Operating expenses	
Salaries	26,661
Office expense	1,204
Engineering services	2,035
Utilities	12,117
Repairs	12,487
Professional Fees	1,824
Contract Labor	650
Chemicals permits & fees	2,207
Truck & fuel expense	3,999
Fees and dues	1,200
Insurance	300
Deposit refunds	227
Billing & collection fees	7,462
Travel & Meals	603
Depreciation	32,097
Total Operating Expenses	105,073
Operating Income (Loss)	20,287
Non-Operating Revenue (Expenses)	
Interest Income	22
Interest Expense	(18,640)
Non-operating expense, net	(18,618)
Increase (decrease) in net position	1,669
Net Position, Beginning of Year	776,477
Net Position, End of Year	778,146

See independent accountant's compilation report.