

CITY OF STRONG WATER AND SEWER FUND
Strong, Arkansas
For the Year Ended December 31, 2022

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES



American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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**Honorable Daryell Howell, Mayor
and the Members of the City Council
City of Strong Water and Sewer Fund
Strong, Arkansas**

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

We have performed the procedures enumerated below on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119 of the City of Strong Water & Sewer Fund for the year ended December 31, 2022. The City of Strong Water & Sewer Fund's management is responsible for the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119.

The City of Strong Water & Sewer Fund has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with Arkansas law and lender requirements. 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:

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.

***Findings:** We found the following exceptions as a result of these procedures: We were unable to reconcile the proof of cash to the book balance for five of the bank accounts due to duplicate entries posted in the general ledger. We found no other 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 ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- C. For ten deposits, agree the cash/check composition of the deposit with receipt information.

***Findings:** We found the following exceptions as a result of these procedures: We were unable to agree the deposits for the proof of cash for the year with the deposits per the journal for four of the bank accounts due to duplicate entries posted in the general ledger. We were unable to agree four of the deposits cash/check composition. We found no other exceptions as a result of the procedures.*

**Honorable Daryell Howell, Mayor
and the Members of the City Council
City of Strong Water and Sewer Fund**

ACCOUNTS RECEIVABLE

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

***Findings:** We found the following exceptions as a result of these procedures: We found that adjustments made to customer accounts were not authorized. We found no other 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 all disbursements paid to employees other than payroll and ten disbursements and determine if they were adequately documented.

***Findings:** We found the following exceptions as a result of these procedures: We were unable to agree the disbursements for the proof of cash for the year with the disbursements per the journal for three of the bank accounts due to duplicate entries posted in the general ledger. We found no other exceptions as a result of the procedures.*

PROPERTY, PLANT AND EQUIPMENT

5. A. Determine that additions and disposal were properly accounted for in the records (materiality level – 5% of total equipment or \$500, whichever is greater).

***Findings:** We 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.

***Findings:** We found the following exceptions as a result of these procedures: We found the debt service account was underfunded. We found no other exceptions as a result of the procedures.*

GENERAL

7. A. Determine that any items of financial significance were approved and documented in the minutes of the governing body minutes.

***Findings:** We found no exceptions as a result of the procedures.*

We were engaged by the City of Strong Water & Sewer Fund to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. 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 procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. 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.

**Honorable Daryell Howell, Mayor
and the Members of the City Council
City of Strong Water and Sewer Fund**

We are required to be independent of the City of Strong Water & Sewer Fund and to meet our 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 the City of Strong Water & Sewer Fund, Arkansas Development Finance Authority, USDA Rural Development, and the Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Berry & Associates". The signature is written in a cursive, flowing style.

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
December 18, 2024

**CITY OF STRONG, ARKANSAS
WATER AND SEWER FUND
FINANCIAL STATEMENTS
For the Year Ended December 31, 2022
and
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

CITY OF STRONG WATER AND SEWER FUND
Strong, Arkansas
For the Year Ended December 31, 2022

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**Honorable Daryell Howell, Mayor
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City of Strong Water and Sewer Fund
Strong, Arkansas**

Management is responsible for the accompanying financial statements of the City of Strong Water & Sewer Fund (a governmental organization), which comprise the statement of assets, liabilities, and net position – modified cash basis as of December 31, 2022, and the related statement of cash receipts and cash disbursements 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. We do not express an opinion, a conclusion, nor provide any 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 ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Fund's assets, liabilities, net position, cash receipts and cash disbursements. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Berry & Associates, P.A.
Little Rock, Arkansas
December 18, 2024

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**CITY OF STRONG, ARKANSAS
WATER AND SEWER FUND
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION-MODIFIED CASH BASIS
December 31, 2022**

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 238,602

RESTRICTED ASSETS

Cash and cash equivalents 155,452

FIXED ASSETS - AT COST

Land 34,955

Office furniture 18,483

Automotive equipment 11,901

Equipment 40,181

Water and sewer system 2,743,955

Leasehold improvement 12,624

Construction in progress 89,484

2,951,583

Less: accumulated depreciation (1,352,515)

Net Fixed Assets 1,599,068

TOTAL ASSETS \$ 1,993,122

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current maturities of long-term debt \$ 28,800

LONG-TERM DEBT, Net of Current Maturities

USDA Rural Development 9120-01 7,969

USDA Rural Development 9220-02 37,391

ADFA-SWSTRONG 189,481

ADFA-SWSTRONG 2022B 90,598

Total Long-Term Debt 325,439

PAYABLES FROM RESTRICTED ASSETS

Customer water meter deposits 37,551

TOTAL LIABILITIES 391,790

NET POSITION

Unrestricted 1,490,413

Temporarily restricted 110,919

TOTAL NET POSITION 1,601,332

TOTAL LIABILITIES AND NET POSITION \$ 1,993,122

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

CITY OF STRONG, ARKANSAS
WATER AND SEWER FUND
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2022

CASH RECEIPTS

Water revenue	\$ 362,230
Transfer in from general fund	6,249
Interest income	214
Meter deposits received	2,250
Loan proceeds received	156,410
Total Cash Receipts	<u>527,353</u>

CASH DISBURSEMENTS

Employee benefits	1,043
Dues and permits	5,560
Payroll taxes	6,718
Operating salaries	79,923
Debt service	
Principal	24,545
Interest	7,404
Utilities	18,349
Bond fees	2,082
Capital purchases	89,483
Supplies	49,331
Professional fees	13,065
Insurance	14,811
Miscellaneous	20,133
Gas and oil	17,837
Repairs and maintenance	63,428
Rent	12,835
Sales tax	14,998
Meter deposit refunds	347
Total Cash Disbursements	<u>441,892</u>

INCREASE IN CASH AND CASH EQUIVALENTS

85,461

BEGINNING CASH AND CASH EQUIVALENTS, AT JANUARY 1, 2022308,593**ENDING CASH AND CASH EQUIVALENTS, AT DECEMBER 31, 2022**\$ 394,054

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT