

**TOWN OF MAGNESS WATER
AND SEWER DEPARTMENT**

Accountant's Agreed-Upon Procedures

As of December 31, 2022



Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
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Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management
of Town of Magness Water and Sewer Department
Magness, Arkansas

We have performed the procedures enumerated below on compliance with Ark. Code. Ann. 14-234-119 to 122 of the Town of Magness Water and Sewer Department, as of December 31, 2022. Town of Magness Water and Sewer Department's management is responsible for the Department's accounting records.

The Town of Magness Water and Sewer Department has agreed and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with Ark. Code. Ann. 14-234-119 to 122. Additionally, the Mayor, Town Council, and management of the Town of Magness Water and Sewer Department have agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest as 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 purpose.

The procedures and the associated findings are as follows:

1. Cash and Investments

We obtained confirmation of the cash on deposit from the banks, and we agreed the confirmed balance to the amount shown on the bank reconciliations maintained by the Water and Sewer Department. We performed a proof of cash for the year and agreed the ending balances to the book balances within the greater of 5% or \$500. We reconciled the year-end bank balances to the book balances.

We noted no exceptions as a result of these procedures.

2. Receipts

We agreed the deposits per the proof of cash for the year to the deposits per the journal within 5% or \$500, whichever was greater. We agreed ten customer payments on the billing register to deposit and billing documents. For ten deposits, we agreed the cash/check composition of the deposit with the receipt information.

We noted no exceptions as a result of these procedures.

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3. Accounts Receivable

We agreed ten customer billings to the billing register. We selected five customer adjustments to verify proper authorization.

We noted no exceptions as a result of these procedures.

4. Disbursements

We agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever was greater. We analyzed all property, plant and equipment disbursements. We selected all disbursements paid to employees other than payroll and ten other disbursements to determine if they were adequately documented.

We noted no exceptions as a result of these procedures.

5. Property, Plant and Equipment

We determined that property, plant and equipment additions and disposals were properly accounted for in the records, at a level of materiality equal to 5% of total property, plant and equipment or \$500, whichever was greater.

We noted no exceptions as a result of these procedures. We noted two additions and no disposals in the period ending December 31, 2022.

6. Long-Term Debt

We obtained confirmation of the following loans payable, verified changes in all balances for the year, and determined that the appropriate debt service accounts had been established and maintained.

We noted no exception as a result of these procedures, in the long-term debt balances. However, while performing these procedures, we noted that the debt service account, while established, was underfunded by \$1,187.

7. General

We determined that any item of financial significance was approved and documented in the minutes of governing body's meetings.

We noted no exception as a result of these procedures.

We were engaged by the Mayor, Town Council, and management of Town of Magness Water and Sewer Department 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 examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. 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 the Town of Magness Water and Sewer Department 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 the Mayor, Town Council, and Management of the Town of Magness Water and Sewer Department, the Arkansas Legislative Joint Auditing Committee, and the United Staes Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

Welch, Couch & Company, PA
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Certified Public Accountants

Batesville, Arkansas
October 5, 2023

**TOWN OF MAGNESS WATER
AND SEWER DEPARTMENT**

**Independent Accountant's Compilation Report
and Financial Statements**

December 31, 2022

TOWN OF MAGNESS WATER AND SEWER DEPARTMENT

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Independent Accountant's Compilation Report

To the Management of
Town of Magness Water and Sewer Department
Magness, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the Town of Magness Water and Sewer Department (the Department), which comprise the statement of assets, liabilities and net position – modified cash basis as of December 31, 2022, and the related statement of revenues, expenses and changes in net position – modified cash basis for the year then ended in accordance with modified cash basis of accounting, 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 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 of 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 Department's assets, liabilities, and net position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Required Supplementary Information

Management has omitted the management's discussion and analysis that the *Governmental Accounting Standards Board* requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Welch, Couch & Company, PA
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Certified Public Accountants

Batesville, Arkansas
October 5, 2023

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TOWN OF MAGNESS WATER AND SEWER DEPARTMENT

**Statement of Assets, Liabilities and Net Position –
Modified Cash Basis**

December 31, 2022

Assets

Current assets	
Cash and cash equivalents	\$ 4,685
Certificates of deposit	79,904
Total current assets	<u>84,589</u>
Restricted assets	
Cash and cash equivalents	37,813
Certificates of deposit	3,489
Total restricted assets	<u>41,302</u>
Capital assets	
Nondepreciable assets	20,000
Depreciable assets, net of accumulated depreciation	154,347
Total capital assets	<u>174,347</u>
Total assets	<u>\$ 300,238</u>

Liabilities and Net Position

Current liabilities	
Current maturities - long-term liabilities	\$ 5,942
Total current liabilities	<u>5,942</u>
Noncurrent liabilities	
Meter deposits	17,490
Notes payable, net of current maturities	180,285
Total noncurrent liabilities	<u>197,775</u>
Total liabilities	<u>203,717</u>
Net position	
Invested in capital assets, net of related debt	(11,880)
Restricted expendable	20,607
Unrestricted	87,794
Total net position	<u>96,521</u>
Total liabilities and net position	<u>\$ 300,238</u>

See independent accountant's compilation report.

TOWN OF MAGNESS WATER AND SEWER DEPARTMENT
Statement of Revenues, Expenses and Changes in Net Position -
Modified Cash Basis

For the Year Ended December 31, 2022

Operating revenue	
Water service	\$ 131,092
Total operating revenues	131,092
 Operating expenses	
Salaries and employee taxes	2,595
Equipment and supplies	1,650
Sales tax	4,952
Garbage fees	10,380
Purchased services - water	101,754
Utilities	2,868
Administrative expenses	5,790
Bank card processing fees	676
Depreciation expense	9,288
Total operating expenses	139,953
Operating loss	(8,861)
 Nonoperating revenues (expenses)	
Interest income	198
Interest expense	(7,618)
Total nonoperating revenues (expenses)	(7,420)
Capital Contribution	10,000
Decrease in net position	(6,281)
Net position, beginning of year	102,802
Net position, end of year	\$ 96,521

See independent accountant's compilation report.