

TOWN OF BANKS WATER AND SEWER SYSTEM
FINANCIAL STATEMENTS
December 31, 2022

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

To the Board of Directors of the
Town of Banks Water & Sewer System

We have performed the procedures enumerated below for the Town of Banks Water and Sewer System, ("the System"), the year ended December 31, 2022. The System's management is responsible for accounting records.

The System 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:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: *The financial secretary is involved with most aspects of the receipting process including the counting of cash receipts, taking cash and deposit slips to the bank, and recording of the cash receipts.*

Cause: *There are limited number of employees that are involved in the receipting process to properly segregate cash receipting duties.*

Effect: *While testing of cash receipts did not identify any deficiencies or fraudulent activity, there is an increased risk of fraudulent activity that could go undetected.*

Recommendation: *We recommend increasing the number of counters to three individuals and at least a minimum of two if three is not feasible. We also recommend adding another individual to take the cash and deposits slips to the bank. The financial secretary should match the count sheets and the deposit slips to the clearing of the bank statement and resolve any differences before recording the receipts into the general ledger.*

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: *No findings identified.*

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Findings: *No findings identified.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

Findings: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

Findings: *No findings identified.*

We were engaged by the System 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. 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 System 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 System, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

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

Monticello, Arkansas
April 25, 2024

**TOWN OF BANKS WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION**

December 31, 2022

To the Board of Directors of the
Town of Banks Water and Sewer System

Management is responsible for the accompanying financial statements of the Town of Banks Water and Sewer System, ("the System"), a component unit of the Town of Banks, Arkansas, which comprised the statement of net position as of December 31, 2022 and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents, 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, no provide any assurance on these financial statements.

Management has omitted the Management's Discussion and Analysis and Budget to Actual Comparison required by accounting principles generally accepted in the United States of America 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 Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context.

Management has elected to omit substantially all of 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 System's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Monticello, Arkansas
April 25, 2024

See Independent Accountant's Compilation Report.

TOWN OF BANKS WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION

December 31, 2022

	<u>2022</u>
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 66,879
Accounts receivable (net)	<u>8,125</u>
Total current assets	75,004
 <u>Restricted cash and investments</u>	
Meter deposits	<u>7,011</u>
Total restricted cash and investments	7,011
 Fixed assets, net of accumulated depreciation	<u>1,152,761</u>
 Total assets	<u><u>\$ 1,234,776</u></u>
 <u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 2,019
Current portion of bonds payable	<u>2,210</u>
Total current liabilities	4,229
 <u>Long term liabilities</u>	
Bonds payable, net of current amount	97,066
Customer deposits	<u>7,011</u>
Total long term liabilities	104,077
 <u>Net position</u>	
Invested in capital assets, net of related debt	1,053,485
Unrestricted	<u>72,985</u>
Total net position	<u>1,126,470</u>
 Total liabilities and net position	<u><u>\$ 1,234,776</u></u>

See Independent Accountant's Compilation Report.

TOWN OF BANKS WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

2022	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating revenues</u>			
Water sales	\$ 33,548	\$ 23,009	\$ 56,557
Total operating revenue	33,548	23,009	56,557
<u>Operating expenses</u>			
Salaries	11,052	11,052	22,104
Payroll Taxes	847	848	1,695
Depreciation	26,161	17,441	43,602
Utilities	9,609	7,757	17,366
Insurance	1,229	819	2,048
Repairs and Maintenance	1,172	3,290	4,462
Dues and Subscriptions	999	-	999
Operating Supplies	2,254	7,875	10,129
Office Supplies	888	4,635	5,523
Total operating expenses	54,211	53,717	107,928
Income / (loss) from operations	(20,663)	(30,708)	(51,371)
<u>Other revenue / (expenses)</u>			
Interest income			9
Interest expense			(4,143)
Total other revenue / (expenses)			(4,134)
<u>Excess (deficit) of revenues over expenses</u>			<u>\$ (55,505)</u>
Net position, beginning of year			1,181,975
Change in net invested in capital assets			(15,185)
Change in unrestricted assets			(40,320)
Change in net position			(55,505)
Net position, end of year			<u>\$ 1,126,470</u>

See Independent Accountant's Compilation Report.

TOWN OF BANKS WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

	<u>2022</u>
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 55,422
Payments for salaries and benefits	(23,799)
Payments for operating and administrative expenses	<u>(38,508)</u>
Net cash provided by (used for) operating activities	(6,885)
 <u>Cash flows from investing activities</u>	
Interest income	<u>9</u>
Net cash provided by (used for) investing activities	<u>9</u>
 <u>Cash flows from financing activities</u>	
Principal payments on debt	(2,121)
Interest payments	<u>(4,143)</u>
Net cash provided by (used for) financing activities	<u>(3,056)</u>
 <u>Change in cash and cash equivalents</u>	(9,932)
 <u>Cash and cash equivalents, beginning of year</u>	<u>110,118</u>
 <u>Cash and cash equivalents, end of year</u>	<u>\$ 100,186</u>
 <u>Cash and cash equivalents</u>	 66,879
<u>Restricted cash and cash equivalents</u>	<u>7,011</u>
	<u>\$ 73,890</u>

See Independent Accountant's Compilation Report.

TOWN OF BANKS WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2022

	<u>2022</u>
<u>Reconciliation of operating income to</u>	
<u>net cash from operating activities:</u>	
Operating income (loss)	<u>\$ (51,371)</u>
Adjustments to reconcile operating income to	
net cash from operating activities:	
Depreciation	43,602
Changes in assets and liabilities:	
Accounts receivable	(1,135)
Accounts payable	<u>2,019</u>
Total adjustments	44,486
Net cash provided by (used for) operating activities	<u><u>\$ (6,885)</u></u>

See Independent Accountant's Compilation Report.