

BEARDEN WATER AND SEWER SYSTEM

DECEMBER 31, 2020

SEMPLE ACCOUNTING, LLC

Camden, Arkansas 71701

116 S. Agee

(870) 836-6914

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

Bearden Water and Sewer System
Legislative Joint Auditing Committee

We have performed the procedures enumerated below, which were agreed to by the management of the Bearden Water and Sewer System and the Legislative Joint Auditing committee for the year ended December, 31, 2020. Management is responsible for maintaining the financial records and complying with state laws. This report is prepared in accordance with Ark. Code Ann. 14-234-1192. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations 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 for the Operating, Debt Service, and Meter Deposit Funds are as follows:

Cash and Investments

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

We found no exceptions as a result of the procedures.

Receipts

2.
 - a. Agree 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 subledger to deposits and billing documents.
 - c. For one deposit, agree cash/check composition of the deposit with receipt information.

We found no exceptions as a result of the procedures.

Accounts Receivable

3.
 - a. Agree 10 customer billings to the A/R subledger.
 - b. Determine that 5 adjustments were properly authorized.

We found no exceptions as a result of the procedures.

Disbursements

4.
 - a. Agree the disbursements per 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 10 other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

Property, Plant, and Equipment

5.
 - a. Determine that additions and disposals were properly accounted for in the records. Materiality level – 5% of total equipment of \$500 whichever is greater.

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 originator.
 - c. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of the procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion in the specified elements, accounts, or items. 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 Legislative Joint Auditing Committee and the Bearden Water and Sewer System's management and is not intended to be and should not be used by anyone other than these specified parties.



James Semple
Certified Public Accountant

July 23, 2025

BEARDEN WATER & SEWER SYSTEM

BEARDEN, ARKANSAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

SEMPLÉ ACCOUNTING, LLC

Camden, Arkansas 71701

116 S. Agee

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Bearden Water and Sewer System

Bearden, Arkansas

Management is responsible for the accompanying financial statements of the Bearden Water and Sewer System, which comprise the statement of assets and liabilities – modified cash basis as of December 31, 2020, and the related statement of revenues and expenses – modified cash basis for the year then ended, and for determining that the modified accrual basis of accounting is an acceptable financial reporting framework. I 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. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I 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 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 some 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 entity's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.



James Semple

Certified Public Accountant

July 23, 2025

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2020

ASSETS

Current Assets

Cash in Bank (Sch 1)	\$ 905,819.00	\$
Accounts Receivable	<u>69,224.00</u>	
Total Current Assets		975,043.00

Fixed Assets

Land	\$ 11,163.00	
Equipment	535,413.00	
Water & Sewer Lines	1,839,484.00	
New Sewer and Tank Projects	3,563,457.00	
Salem – Freeo Project	<u>2,748,170.00</u>	
Total	8,697,687.00	
Less: Accum Depr	<u>3,814,844.00</u>	
Total Fixed Assets		<u>4,882,843.00</u>
Total Assets		<u>\$ 5,857,886.00</u>

See accountant's report.

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2020

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts Payable	\$ 29,942.00	\$
Accrued Interest	634.00	
Accrued Sales Tax	4,508.00	
Notes Payable – Current Portion	239,523.00	
Meter Deposit Liability	<u>65,490.00</u>	
Total Current Liabilities		340,097.00

Long-term Liabilities

Note Payable – USDA # 91-02	\$ 504,418.00	
New Construction - ANRC	<u>3,289,456.00</u>	
Total Long-Term Liabilities		<u>3,793,874.00</u>

Total Liabilities 4,133,971.00

Net Assets

AIDC Grant	\$ 1,147,334.00	
USDA Grant	489,968.00	
Retained Earnings	<u>86,613.00</u>	
Total Net Assets		<u>1,723,915.00</u>

Total Liabilities & Net Assets \$ 5,857,886.00

See accountant's report.

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>		
Water and Sewer Sales	\$	702,846.00
Late Charges, Maintenance, and Fees		<u>22,712.00</u>
Total Revenues		725,558.00
<u>Operating Expenses</u>		
Labor	\$	134,670.00
Taxes		10,149.00
Maintenance		105,489.00
Utilities		80,437.00
Audit		4,000.00
Gas & Oil		9,236.00
Insurance		21,759.00
Postage		2,443.00
Plant Materials & Chemicals		36,365.00
Office & Supplies		13,027.00
Miscellaneous		1,978.00
Licenses & Permits		<u>16,589.00</u>
Total Operating Expenses		<u>436,142.00</u>
Income from Operations		289,416.00
<u>Other Income</u>		
Interest Income	\$	<u>1,109.00</u>
Total Other Income		1,109.00
<u>Other Expenses</u>		
Interest Expenses	\$	90,755.00
Depreciation		<u>203,172.00</u>
Total Other Expenses		<u>293,927.00</u>
Net Loss	\$	3,402.00
Total Retained Earnings – January 1, 2020		<u>90,015.00</u>
Total Retained Earnings – December 31, 2020	\$	<u><u>86,613.00</u></u>

See Accountant's report.

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income		\$ (3,402.00)
Adjustments to reconcile change in net income		
To net cash provided by operations:		
Depreciation	\$ 203,172.00	
Decrease in accts receivable	13,746.00	
Increase in accts payable	15,629.00	
Decrease in acrd liabilities	(476.00)	
Increase in meter dep liab	<u>5,147.00</u>	
Total Adjustments		<u>237,218.00</u>
Cash Provided by Operations		233,816.00

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital Expenditures	\$ <u>.00</u>	
Cash Used in Investing Activities		.00

CASH FLOWS FROM CAPITAL & FINANCING ACTIVITIES:

Principal payments on loans	\$ <u>(148,724.00)</u>	
Cash From in Financing Activities		<u>(148,724.00)</u>

INCREASE IN CASH \$ 85,092.00

Cash – January 1, 2020 820,727.00

Cash – December 31, 2020 \$ 905,819.00

SUPPLIMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for Interest Expense \$ 90,755.00

See accountant's report.

CITY OF BEARDEN WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – Summary of Significant Accounting Policies

The City of Bearden, Arkansas is a municipality duly incorporated under the laws of the State of Arkansas and located in Ouachita County, Arkansas. The City operates under a council – mayor form of government and provides the following services: public safety (police and fire), highways and streets, water utility service, sanitation, public improvements, planning and zoning, and general administrative services.

The financial statements included in this report present only the Bearden Water and Sewer System Fund. They are not intended to present fairly the financial position of the City of Bearden, Arkansas as a whole entity.

The accounts of the city are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds are used to account for the city’s ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is a description of the city’s proprietary fund;

Enterprise Fund – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The water and sewer system is operated as a self-sustaining utility of the city and is responsible for providing residents of the City of Bearden with water and sewage treatment.

The financial statements of the system are prepared on the accrual basis method of accounting. Revenues are recognized when earned and expenses are recognized when they are incurred.

All fixed assets are valued at historical cost. Depreciation on the fixed assets of the system is computed using the straight-line method of depreciation with an eight year useful life for equipment and a forty year useful life for the water and sewer system. Depreciation for the year ended December 31, 2020 was \$ 203,172.00.

Note 2 – Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The System provides for losses on accounts receivable using the allowance methods. The allowance method is based on the System's prior collection experience and other circumstances which may affect the customers ability to meet their obligations.

Note 3 – Long-Term Debt

The System's long-term debt consists of one note to the United States Department of Agriculture (USDA). Four loans were paid off early two USDA loans and two with the Arkansas Natural Resources Commission. A schedule of notes payable at December 31, 2020 is as follows:

Note 91-02 to USDA due in monthly Installments of \$ 5,580.00 @ 4.5% interest		\$ 571,378
Total Notes Payable		\$ 571,378
Less: Current Portion		<u>66,960</u>
Long-Term Portion of Notes Payable		504,418
Long-term debt matures as follows:	2021	\$ 42,109
	2022	44,001
	2023	46,069
	2024	48,123
	2025	50,656
	Thereafter	273,460

Note 4 – System Renovations

In 2002 the City entered into contracts to renovate portions of the water and sewer system (i.e. water tank painting and refurbishing, work on lift station and force main, and addressing the backwater problem). This work was done with a major portion of the funds coming from the Arkansas Soil and Water conservation Commission (ASW), now the Arkansas Natural Resources Commission. The loan from ANRC was for \$ 222,238.00. The loan is for 30 years with a repayment schedule of 20 years at 5% interest. Payment upon principal is to be deferred 10 years and interest is to be waived for 10 years. These debts were paid off in 2011.

Note 5 – Meter Deposits

Meter deposits collected during the year were \$12,600.00 and the meter deposits refunded amounted to \$ 7,453.00, resulting in a meter deposit liability of \$ 65,490.00. On December 9, 2003, Ordinance 05-03 was passed making all new meter deposits \$ 100.00 effective immediately.

Note 6 – Restricted Cash Balances

In accordance with the terms of the System's loan agreement with the USDA, the System maintains separate accounts for customer meter deposits and debt service reserve. These accounts are properly maintained and funded.

Note 7 – Water Rate Increase

Per City Council passed February 16, 2016, the water and sewer rates for the system were changed as follows:

Inside City Limits

0	-	1,000 gallons	\$ 17.00 (minimum)
1,001	-	10,000 gallons	2.00 per 1,000 gals
10,001	-	20,000 gallons	1.30 per 1,000 gals
20,001	-	220,000 gallons	.95 per 1,000 gals
all over 220,000		gallons	.80 per 1,000 gals

Minimum sewer rate increased from \$10.00 to \$26.80.

Reconnect fees are increased from \$25.00 to \$40.00.

Outside City Limits

0	-	1,000 gallons	\$ 22.00 (minimum)
1,001	-	5,000 gallons	4.00 per 1,000 gals
5,001	-	10,000 gallons	2.50 per 1,000 gals
		all over 10,000 gallons	1.50 per 1,000 gals
Minimum Sewer			\$ 27.55
Next 9000 gals			1.50 per 1000
Over 10000			1.25 per 1000

Note 8 – Subsequent Events

Management has evaluated subsequent events through July 23, 2025, the date the financial statements were available to be issued.

Note 9 – New Construction

In December 2016 the City entered into an agreement to upgrade in Sewer System and the Water Tanks in the City of Bearden. Construction began in March of 2017 but as of December 31, 2018 the projects were near completion. The Arkansas Natural Resources Commission is financing these projects with two separate loans in the amounts of \$1,100,000.00 and \$1,675,000.00. Payment on these loans is not scheduled to begin until April 2020, with payments of \$177,164.00 being made in 2020.

In order to complete the project additional funds were required and the sewer bond was amended to reflect those changes.

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2019 & 2020

	<u>ASSETS</u>	<u>2019</u>	<u>2020</u>
<u>Current Assets</u>			
Cash in Bank		\$ 820,727.00	\$ 905,819.00
Accounts Receivable		<u>82,970.00</u>	<u>69,224.00</u>
Total Current Assets		903,697.00	975,043.00
<u>Fixed Assets</u>			
Water System & Equip		\$ 8,697,687.00	\$ 8,697,687.00
Less: Accum Depr		<u>3,611,672.00</u>	<u>3,814,844.00</u>
Total Fixed Assets		<u>5,086,015.00</u>	<u>4,882,843.00</u>
Total Assets		<u>\$ 5,989,712.00</u>	<u>\$ 5,857,886.00</u>
<u>LIABILITIES & RETAINED EARNINGS</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable		\$ 14,313.00	\$ 29,942.00
Accrued Interest		679.00	634.00
Accrued Sales Tax		4,939.00	4,508.00
Meter Deposit Liability		<u>60,343.00</u>	<u>65,490.00</u>
Total Current Liabilities		80,274.00	100,574.00
<u>Long-Term Liabilities</u>			
Notes Payable		\$ 4,182,121.00	\$ 4,033,397.00
Total Liabilities		\$ 4,262,395.00	\$ 4,133,971.00
<u>Retained Earnings</u>			
Retained Earnings		\$ 90,015.00	\$ 86,613.00
Grants		<u>1,637,302.00</u>	<u>1,637,302.00</u>
Total Retained Earnings		<u>1,727,317.00</u>	<u>1,723,915.00</u>
Total Liabilities & Retained Earnings		<u>\$ 5,989,712.00</u>	<u>\$ 5,857,886.00</u>

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
COMPARATIVE STATEMENT OF REVENUES & EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 & 2020

	<u>2019</u>	<u>2020</u>
<u>Revenues</u>		
Water & Sewer Sales	\$ 679,697.00	\$ 702,846.00
Late chg, Maint, & Fees	<u>18,538.00</u>	<u>22,712.00</u>
Total Revenues	698,235.00	725,558.00
 <u>Operating Expenses</u>		
Labor	\$ 118,146.00	\$ 134,670.00
Maintenance	88,179.00	105,489.00
Taxes	9,038.00	10,149.00
Utilities	75,229.00	80,437.00
Audit	4,000.00	4,000.00
Supplies	7,993.00	13,027.00
Gas & Oil	6,042.00	9,236.00
Insurance	19,661.00	21,759.00
Postage	2,478.00	2,443.00
Plant Materials & Chemicals	44,104.00	36,365.00
Licenses & Permits	30,362.00	16,589.00
Miscellaneous	<u>4,648.00</u>	<u>1,978.00</u>
Total Operating Expenses	<u>409,880.00</u>	<u>436,142.00</u>
 Income from Operations	 \$ 288,355.00	 \$ 289,416.00
 <u>Other Income</u>		
Interest	1,297.00	1,109.00
 <u>Other Expenses</u>		
Interest	73,022.00	90,755.00
Depreciation	<u>208,218.00</u>	<u>203,172.00</u>
Total Other Expenses	<u>280,240.00</u>	<u>293,927.00</u>
 Net Income (Loss)	 <u>\$ 9,412.00</u>	 <u>\$ (3,402.00)</u>

CITY OF BEARDEN, ARKANSAS
WATER AND SEWER SYSTEM
SCHEDULE OF CASH IN BANK
DECEMBER 31, 2020

Cash in Bank – Bank of Bearden	
Operating Account	\$ 85,050.98
Meter Deposit (checking)	17,424.21
Bond & Interest Account	228,246.43
Replacement & Depreciation	37,573.44
Replacement & Depreciation	285,858.38
Cert of Deposit – Reserve	108,140.26
- Replace & Depr	10,000.00
- Bond & Interest	55,689.97
- Bond & Interest	<u>77,835.08</u>
Total Cash in Bank	<u>\$ 905,818.75</u>