

Agreed Upon Procedures

City of Bearden Water and Sewer

For the Year Ended December 31, 2022

PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the City Council
City of Bearden
Bearden, Arkansas

We have performed the procedures described in Schedule A on the financial records of Bearden Water and Sewer and on the minutes of the City Council meetings for the year ended December 31, 2022. The City of Bearden Water and Sewer's management is responsible for the company's accounting records and minutes of council meetings.

Bearden Water and Sewer has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the requirements of the State of Arkansas Code Annotated §§ 14-234-119 through 122 for the year ended December 31, 2022. 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 described in Schedule A.

We were engaged by Bearden Water and Sewer to perform this engagement to apply agreed-upon procedures 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 audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements of Bearden Water and Sewer as of December 31, 2022. 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 Bearden Water and Sewer 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 Bearden Water and Sewer, the city of Bearden City Council and Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

Parks & Company PLC

El Dorado, Arkansas
January 26, 2026

SCHEDULE A

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.

We found no exceptions as a result of performing 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 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
- C. For one deposit, agree the cash/check composition of the deposit with receipt information.

We found no exceptions as a result of performing the procedures.

Accounts Receivable

3. A. Agree 10 customer billings to the accounts receivable sub-ledger.
- B. Determine that 5 customer adjustments were properly authorized.

There were no indications on the schedule of adjustments of review and/or approval. There were no references in the minutes of the city council meetings of review and approval of account adjustments.

We recommend that the city council members be provided a list of account adjustments each month for review and approval and the city council minutes reflect the review and approval.

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 ten (10) disbursements and determine if they were adequately documented.

We found no exceptions as a result of performing the procedures.

Property, Plant and Equipment

5. 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 performing the procedures.

Long-Term Debt

6.
 - A. Schedule long-term debt and verify changes in all balances for the year.
 - B. Confirm all debt with third parties.
 - C. Determine that the appropriate debt service accounts have been established and maintained.

We found no exceptions as a result of performing the procedures.

General

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

Except as noted in section 3, we found no exceptions as a result of performing the procedures.

Financial Statements

City of Bearden Water and Sewer

For the Year Ended December 31, 2022

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ACCOUNTANT'S COMPILATION REPORT

To the City Council of City of Bearden, Arkansas
City of Bearden Water and Sewer
Bearden, Arkansas

Management is responsible for the accompanying financial statements of City of Bearden Water and Sewer (an enterprise fund of the City of Bearden, Arkansas), which comprise the statement of net position as of December 31, 2022, and the related statement of revenues, expenses and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements 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 the 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.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, as it is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We are not independent with respect to City of Bearden Water and Sewer.


Emrich & Scroggins, LLP
Certified Public Accountants

El Dorado, Arkansas

December 11, 2025

**City of Bearden Water and Sewer
Statement of Net Position
December 31, 2022**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 504,859
Cash designated for meter deposit liability	13,672
Accounts receivable, net of allowance of \$17,552	69,687
Prepaid insurance	<u>3,066</u>
Total Current Assets	<u>591,284</u>
Restricted Assets	
Cash and cash equivalents	557,193
Bond escrow accounts	<u>28,697</u>
Total Restricted Assets	<u>585,890</u>
Non-current Assets	
Capital assets, not being depreciated	360,811
Capital assets, being depreciated, net	<u>4,503,885</u>
Total Non-current Assets	<u>4,864,696</u>
Total Assets	<u><u>\$ 6,041,870</u></u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts payable	\$ 14,588
Accrued liabilities	4,800
Customer deposit liability	76,297
Deferred revenue	140,704
Payable from restricted assets:	
Accrued interest	11,416
Current portion of long-term debt	<u>174,064</u>
Total Current Liabilities	<u>421,869</u>
Non-current Liabilities	
Long-term debt	<u>2,209,935</u>
Total Liabilities	<u>2,631,804</u>
Net Position	
Net investment in capital assets	2,480,697
Restricted:	
Expendable for capital projects	485,055
Unrestricted	<u>444,314</u>
Total Net Position	<u>3,410,066</u>
Total Liabilities and Net Position	<u><u>\$ 6,041,870</u></u>

See accountant's compilation report.

**City of Bearden Water and Sewer
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022**

Operating Revenues	
Water sales	\$ 584,362
Sewer sales	160,320
Other income	<u>47,022</u>
Total Operating Revenues	<u>791,704</u>
Operating Expenses	
Fuel and oil	17,158
Chemicals	50,966
Insurance	13,292
Dues and subscriptions	19,603
Office expense	3,545
Postage	3,093
Repairs and maintenance	58,281
Operating supplies	13,530
Utilities	57,772
Depreciation	188,755
Miscellaneous	<u>160</u>
Total Operating Expenses	<u>426,155</u>
Operating Income	<u>365,549</u>
Nonoperating Revenues (Expenses)	
Interest income	893
Interest expense	(45,250)
Loan service fees	<u>(22,032)</u>
Total Nonoperating Revenues (Expenses)	<u>(66,389)</u>
Income Before Capital Contributions and Transfers	<u>299,160</u>
Capital Contributions and Transfers	
Capital contributions	292,831
Transfers to other funds	<u>(122,829)</u>
Total Capital Contributions and Transfers	<u>170,002</u>
Change in Net Position	<u>469,162</u>
Net Position - Beginning, As Previously Stated	1,753,165
Prior period adjustment	<u>1,187,739</u>
Net Position - Beginning, Restated	<u>2,940,904</u>
Net Position - Ending	<u><u>\$ 3,410,066</u></u>

See accountant's compilation report.

**City of Bearden Water and Sewer
Statement of Cash Flows
For the Year Ended December 31, 2022**

Cash Flows from Operating Activities	
Cash collected from customers	\$ 794,519
Cash payments to suppliers for goods and services	<u>(241,942)</u>
Net cash provided by operating activities	<u>552,577</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	<u>(122,829)</u>
Net cash (used in) noncapital financing activities	<u>(122,829)</u>
Cash Flows from Capital and Related Financing Activities	
Retirement of debt	(168,684)
Interest paid on long-term debt	(45,668)
Service fees paid on long-term debt	(26,728)
Capital contributions received	390,999
Acquisition of capital assets	<u>(292,830)</u>
Net cash (used in) capital and related financing activities	<u>(142,911)</u>
Cash Flows from Investing Activities	
Interest income	<u>893</u>
Net cash provided by investing activities	<u>893</u>
Net Increase in Cash and Cash Equivalents	287,730
Cash and Cash Equivalents at Beginning of Year	<u>816,691</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,104,421</u>
Presented on Statement of Net Position as follows:	
Cash and cash equivalents	\$ 504,859
Cash designated for meter deposit liability	13,672
Restricted cash and cash equivalents	557,193
Bond escrow accounts	<u>28,697</u>
	<u>\$ 1,104,421</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 365,549</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	188,755
(Increase) decrease in current assets:	
Accounts receivable	(561)
Prepaid insurance	(3,066)
Increase (decrease) in current liabilities:	
Accounts payable	(5,473)
Accrued liabilities	3,998
Meter deposit liability	<u>3,375</u>
Total adjustments	<u>187,028</u>
Net cash provided by operating activities	<u>\$ 552,577</u>

See accountant's compilation report.

**City of Bearden Water and Sewer
Notes to Financial Statements
December 31, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity – City of Bearden Water and Sewer (the Fund) is an enterprise fund of the City of Bearden, Arkansas providing water and wastewater services to customers in the City of Bearden and surrounding areas.

The City Council of the City of Bearden serves as the governing body of the Fund and approves rates and fees for user charges.

Basis of Accounting and Presentation – The Fund is accounted for as an enterprise fund and uses the accrual basis of accounting. The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 costs (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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Fund are charges to customers for water and wastewater sales and services. Operating expenses for the Fund include the cost of pumping, treating and delivering water, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, the Fund's policy is to use restricted resources first, as required, and then unrestricted resources as they are needed.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the presentation of cash flows, cash and cash equivalents include all restricted and unrestricted cash on hand, demand deposit accounts, money market deposits accounts and certificates of deposit. The Fund includes all certificates of deposits in cash and equivalents.

Receivables – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on the Fund's prior collection experience and other circumstances which may affect the customer's ability to meet their obligations. At December 31, 2022, the Fund's allowance for doubtful accounts was \$17,552.

Capital Assets – Capital assets are defined by the Fund as assets with an initial, individual cost greater than or equal to \$1,000 and an estimated useful life of one year or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated fair value on the date received.

**City of Bearden Water and Sewer
Notes to Financial Statements
December 31, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and water and sewer systems	40 Years
Machinery and equipment	8 Years

Net Position – The Fund’s net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position presents assets which are restricted either for debt service or capital projects, net of related payables. Net position restricted for debt service is related to assets which are restricted for use pursuant to debt agreements. Net position restricted for capital projects is related to bond proceeds, capital contributions, and contributions receivable which are restricted to certain capital projects. Unrestricted net position is the remaining assets less the remaining liabilities that do not meet the definition of net position invested in capital assets, net of related debt; or net position restricted for debt service or capital projects.

Revenue Recognition – Revenues for water and sewer services are recognized over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are included in accounts receivable and operating revenues in the financial statements.

Income Taxes – As a governmental entity, the Fund is exempt from federal and state income taxes.

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2022, the Fund’s cash balances consisted of demand and time deposits.

Custodial Credit Risk – State of Arkansas (the State) statutes require the Fund to maintain cash balances on deposit with financial institutions located within the State. There is risk that, in the event of a bank failure, these deposits may not be returned to the Fund. To mitigate this risk, it is generally the Fund’s policy to obtain collateral for all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance and that such collateral be held in the Fund’s name by an agent of the Fund. At December 31, 2022, the Fund’s cash balances were fully insured or collateralized.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, (2) certificates of deposit at financial institutions when secured by acceptable collateral, (3) time deposit accounts at financial institutions, to the extent fully insured, (4) any bond, note or other indebtedness insured by U.S. government or those agencies insured and guaranteed by the federal government and (5) in equity securities, to a limited extent.

**City of Bearden Water and Sewer
Notes to Financial Statements
December 31, 2022**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,163	\$ -	\$ -	\$ 11,163
Construction in progress	56,818	292,830	-	349,648
Total Capital Assets, Not Being Depreciated	<u>67,981</u>	<u>292,830</u>	<u>-</u>	<u>360,811</u>
Capital assets, being depreciated:				
Buildings	8,760	-	-	8,760
Equipment	381,490	-	-	381,490
Vehicles	58,797	-	-	58,797
Water system	2,608,299	-	-	2,608,299
Sewer system	5,606,743	-	-	5,606,743
Total Capital Assets, Being Depreciated	8,664,089	-	-	8,664,089
Less: Accumulated Depreciation	3,971,449	188,755	-	4,160,204
Total Capital Assets, Being Depreciated, Net	<u>4,692,640</u>	<u>(188,755)</u>	<u>-</u>	<u>4,503,885</u>
Total Capital Assets, Net	<u>\$ 4,760,621</u>	<u>\$ 104,075</u>	<u>\$ -</u>	<u>\$ 4,864,696</u>

NOTE 4 – COMMITMENTS

At December 31, 2022, the Fund had a construction contract commitment in place pertaining to a water treatment plant project funded by a capital grant.

<u>Project Description</u>	<u>Project Authorization</u>	<u>Paid through 12/31/2022</u>	<u>Remaining Commitment</u>
Water Plant Treatment Construction	\$ 576,782	\$ 269,339	\$ 307,443
Engineering	85,800	70,270	15,530
	<u>\$ 662,582</u>	<u>\$ 339,609</u>	<u>\$ 322,973</u>

NOTE 5 – LONG-TERM DEBT

The Fund's long-term debt includes the following:

Water and Sewer Revenue Bond, Series 2016A

The \$1,100,000 Series 2016A Bonds were issued to finance the construction and/or rehabilitation of the water treatment facilities. The Series 2016A Bonds are special obligations of the Fund, payable from revenues of the water and system. The annual interest rate is 1.5%; interest and principal payments are due semiannually on April 15 and October 15 with the final payment scheduled in 2039.

**City of Bearden Water and Sewer
Notes to Financial Statements
December 31, 2022**

NOTE 5 – LONG-TERM DEBT (Continued)

Water and Sewer Revenue Bond, Series 2016B

The \$1,675,000 Series 2016B Bonds were issued to finance a portion of the costs of the construction and/or rehabilitation of the sewer facilities. The Series 2016B Bonds are special obligations of the Fund payable from revenues of the water and sewer system. The annual interest rate is 1.5%; interest and principal payments are due semiannually on April 15 and October 15 with the final payment scheduled in 2037.

USDA Note Payable

The note payable to USDA is due in monthly installments of \$5,580 including interest at 4.5% through 2026.

Changes in long-term debt for the year ended December 31, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue Bonds, 2016A	\$ 1,009,245	\$ -	\$ (45,185)	\$ 964,060	\$ 46,322
Revenue Bonds, 2016 B	1,246,019	-	(68,803)	1,177,216	70,534
USDA Note Payable	297,421	-	(54,697)	242,724	57,208
	<u>\$ 2,552,685</u>	<u>\$ -</u>	<u>\$ (168,685)</u>	<u>\$ 2,384,000</u>	<u>\$ 174,064</u>

The annual principal and interest requirements to retire debt outstanding as of December 31, 2022 are presented in the following schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the years ending:			
December 31, 2023	\$ 174,064	\$ 41,436	\$ 215,500
December 31, 2024	179,631	37,043	216,674
December 31, 2025	185,392	32,487	217,879
December 31, 2026	188,995	27,758	216,753
December 31, 2027	129,065	24,358	153,423
December 31, 2028 - 2032	695,692	91,569	787,261
December 31, 2033 - 2037	698,685	36,648	735,333
December 31, 2038 - 2039	132,475	2,458	134,933
	<u>\$ 2,383,999</u>	<u>\$ 293,757</u>	<u>\$ 2,677,756</u>

The terms of the bond agreement impose certain restrictive covenants on the Fund. Generally, the Fund is required to establish and maintain rates to provide net revenues, as defined, in each fiscal year at least equal to 110% of the maximum annual principal and interest requirements on all outstanding bonds to which the Fund's water revenues are pledged.

**City of Bearden Water and Sewer
Notes to Financial Statements
December 31, 2022**

NOTE 5 – LONG-TERM DEBT (Continued)

Pledge Revenues

The following is a summary of the Fund’s pledged revenues for the year ended December 31, 2022:

Debt	Revenue Pledged	Total Pledged Revenue	Current Portion of Remaining Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Portion of Remaining Debt Service Requirements	Period Revenue will not be Available for Other Purposes
Revenue Bonds, Series 2016A	Revenues of the Water and Sewer System	\$ 792,597	\$ 60,610	7.6%	\$ 1,038,176	Until 2040
Revenue Bonds, Series 2016B	Revenues of the Water and Sewer System	\$ 792,597	\$ 87,929	11.1%	\$ 1,225,565	Until 2038

NOTE 6 – RISK MANAGEMENT

The Fund is exposed to various risks of loss from: torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance is purchased for claims arising from such matters other than business interruption.

Settled claims have not materially exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in fiscal year 2022.

NOTE 7 – RESTRICTED NET POSITION

At December 31, 2022, the Fund had restricted net position of \$485,055 which was restricted for capital projects.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2022, the Fund determined long-term debt was overstated due to a failure to recognize loan forgiveness in a previous year. The overstatement resulted in an increase to net position of \$1,111,385. The customer deposit liability was understated by \$4,757 and the O&M cash balance was understated by \$722 resulting in a net decrease to net position. In addition, fixed assets and net position were both understated by \$80,389 as a result of prior errors in reconciling to the fixed asset subledger as well as the Fund failing to recognize a capital grant received and construction in progress started in the prior year. The combination of these errors resulted in an increase to net position of \$1,187,739.

NOTE 9 – TRANSFERS TO OTHER FUNDS

During the year, the Fund transferred \$113,709 to the general fund for payroll related expenses as well as \$9,120 to the sanitation fund for payments received from customers.