

BIGELOW WATER AND SEWER DEPARTMENT

DECEMBER 31, 2023

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council and Management
Bigelow Water and Sewer Department
Bigelow, Arkansas

We have performed the procedures enumerated below, which were agreed to by the members of the City Council, as specified in the Agreed Upon Procedures as required under Arkansas Code Annotated 14-234-119, solely to assist the specified parties in evaluating the Bigelow Water and Sewer Department's compliance with the *Guidelines and Rules* specified below, as of December 31, 2023. The Bigelow Water and Sewer Department's management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

1. Cash
 - a. Prepared proof of cash for the year for all accounts.
 - b. Reconciled year-end bank balances to book balances, within 5% or \$500, whichever is greater.
 - c. Acquired deposit confirmations for all accounts and agreed them to the proof of cash, ending bank statement balance and book balance.

We found no exceptions as a result of the procedures.

2. Receipts
 - a. Agreed ten customer payments to the billing documents and to the customers' accounts receivable subsidiary account.
 - b. Agreed cash receipts journal total to deposits per proof of cash within 5% or \$500, whichever is greater.
 - c. Agreed one deposit's cash/check composition with receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable
 - a. Agreed ten customer billings to the meter readings and to the customers' accounts receivable subsidiary account.
 - b. Selected five customer adjustments and validated they were approved.
 - c. Agreed accounts receivable payments per A/R ledger to cash receipts within 5% or \$500, whichever is greater.
 - d. Agreed accounts receivable ledger to year-end book balance.

All adjustments were approved by the water clerk, and we found no exceptions as a result of the procedures.

4. Disbursements

- a. Selected and reviewed documentation for 12 disbursements.
- b. Reviewed expenses to determine amounts spent on operating and maintenance.
- c. Scheduled and reviewed all employee and council member disbursements.
- d. Agreed cash disbursements journal to disbursements per proof of cash within 5% or \$500, whichever is greater.
- e. Agreed payroll to payroll reports.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

Determine that all additions and disposals were properly accounted for in the records.

We found no exceptions as a result of the procedures.

6. Long-term Debt

- 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.

We found no exceptions as a result of the procedures.

7. General

- a. Reviewed cash balances for adequacy to support operating and maintenance expenditures.
- b. Determined the number of customers.
- c. Determined the rate structure.
- d. Reviewed the minutes of the governing body's meetings, and if applicable, determined that any items of financial significance were therein approved and documented.

We found no exceptions as a result of the procedures.

These agreed-upon procedure engagements were conducted 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, the objective of which would be the expression of an opinion or conclusion on the effectiveness of internal controls over compliance. Accordingly, we do not express such an opinion or conclusion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you. The sufficiency of the procedures is solely the responsibility of the members of the Council. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely for the information and use by the City Council of Bigelow, Arkansas, Management of the Water and Sewer Department, and Arkansas Department of Finance and Administration, Office of Intergovernmental Services and is not intended to be and should not be used by anyone other than these specified parties.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
March 16, 2025



JONES and LAWTON, CPAs, P.A.
A PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

BIGELOW WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

Cash and Cash Equivalents (Note 2)	
Unrestricted	\$ 3,464
Restricted	82,985
Accounts Receivable	32,370
	<u>118,819</u>
Property and Equipment (Note 3)	
Vehicles	14,100
Buildings	25,623
Office Equipment	23,561
Facility Equipment	269,836
Water & Sewer System	4,165,930
Land	85,422
	<u>4,584,472</u>
Less: Accumulated Depreciation	2,300,053
	<u>2,284,419</u>
Unamortized Loan Cost - Net of Amortization	<u>7,901</u>
	<u><u>\$ 2,411,139</u></u>

LIABILITIES

Accounts Payable	3,242
Accrued Expenses	729
Accrued Interest Payable	5,612
Long-Term Liabilities (Note 4)	
Due Within 1 Year	26,681
Due in More Than 1 Year	695,531
Customer Deposits	24,182
	<u>755,977</u>

NET POSITION

Net Invested in Capital Assets	1,562,207
Restricted	58,803
Unrestricted	34,152
	<u>1,655,162</u>
	<u><u>\$ 2,411,139</u></u>

BIGELOW WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2023

OPERATING REVENUES

Water and Sewer Revenues	\$ 225,026
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OPERATING EXPENSES

Salaries	35,600
Utilities	34,542
Water Services	49,125
Contract Labor	3,035
Repairs and Maintenance	5,590
Supplies	15,145
Office Supplies and Postage	1,854
Bank Charges	76
Payroll Taxes	3,118
Depreciation	114,436
Amortization Debt Service Cost	304
Amortization Bond Issue Discount	379
Professional Fees	3,000
Licenses and Permits	1,314
Miscellaneous	1,055
Bad Debt Expense	45
	<hr/> 268,618 <hr/>

Operating Income (Loss)	(43,592)
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OTHER INCOME (EXPENSE)

Interest Income	95
Interest Expense	(23,230)
	<hr/> (23,135) <hr/>

CHANGE IN NET POSITION	(66,727)
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NET POSITION, BEGINNING OF YEAR	<hr/> 1,721,889 <hr/>
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NET POSITION, END OF YEAR	<hr/> \$ 1,655,162 <hr/>
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BIGELOW WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Water Customers	\$ 222,286
Other Operating Cash Receipts	
Payments to Suppliers	(109,278)
Payments to Employees	(39,467)
Payments for Other Admin Costs	(5,869)
Net Cash Provided by Operating Activities	<u>67,672</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Equipment	(17,848)
Interest Income	95
NET CASH USED BY INVESTING ACTIVITIES	<u>(17,753)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest Paid on Long-term Debt	(23,230)
Reductions of Notes Payable	(26,853)
Net Cash Used by Financing Activities	<u>(50,083)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	(164)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>86,613</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 86,449</u></u>
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Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for Interest	<u><u>\$ 23,230</u></u>
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Reconciliation of Cash to Statements of Net Position

Unrestricted Cash	\$ 3,464
Restricted Cash	82,985
	<u><u>\$ 86,449</u></u>

BIGELOW WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS (continued)
DECEMBER 31, 2023

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Income from Operations	\$ (43,592)	\$ (72,817)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization Debt Service Cost	114,740	127,641
Interest Income Included in Operating Income (Loss)		
(Increase) Decrease in Accounts Receivable	(5,088)	8,988
Increase (Decrease) in Accounts Payable	13	5,252
Increase (Decrease) in Accrued Expenses	(749)	36
Increase (Decrease) in Customer Deposits	2,348	(5,264)
	<u>111,264</u>	<u>136,653</u>
Net Cash Provided by Operating Activities	<u>\$ 67,672</u>	<u>\$ 63,836</u>

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Bigelow Water and Sewer Department is engaged in providing water and sewer services to the public located in Bigelow, Arkansas and the surrounding rural community.

Organization

The Department is a proprietary fund type utilizing enterprise funds 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 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 safety, management control, accountability, or other purposes.

These financial statements represent only the Water and Sewer System funds and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Fund Accounting

The accounts of the Department are organized on the basis of funds, 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 expenses. 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. The various funds of the Department are grouped in the financial statements into one generic fund type.

Proprietary Fund Type

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 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 safety, management control, accountability, or other purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

Cash Equivalents

The Department considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable and Bad Debts

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

Property and Equipment

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Water and Sewer System	40 years
Building	40 years
Automobiles and Equipment	5 years
Office Equipment	5 years

Depreciation expense for the year ended December 31, 2023 amounted to \$114,436.

Compensated Absences

Employees of the Department are entitled to paid vacations and sick days depending on job classification, length of service, and other factors. It is important to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Department's policy is to recognize the costs of compensated absences when paid to employees.

Income Tax

The Bigelow Water and Sewer Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulatory Environment

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Health Department. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

Budget

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Use of 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Department's financial instruments include cash, cash equivalents and certificate of deposit investments. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash balance at December 31, 2023 is composed of unrestricted and restricted funds as follows:

Unrestricted		
Water and Sewer Operating Fund		\$ 3,464
Restricted		
Depreciation Fund		19,702
Debt Service Fund		39,101
Meter Deposit Fund		24,182
		<u>82,985</u>
		<u>\$ 86,449</u>

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2023, the Department had property and equipment as follows

	<u>12-31-2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-2023</u>
Vehicles	\$ 14,100	\$		\$ 14,100
Buildings	25,623			25,623
Office Equipment	23,561			23,561
Facility Equipment	269,836			269,836
Water & Sewer Systems	4,148,082	17,848		4,165,930
Land	85,422			85,422
	<u>\$ 4,566,624</u>	<u>\$ 17,848</u>		<u>\$ 4,584,472</u>

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: LONG-TERM DEBT

Long-term debt at December 31, 2023 consists of the following:

	<u>12-31-2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2023</u>
5.0% note payable to Arkansas Natural Resources Commission payable in annual installments of \$7,147 including interest, secured by the water system.	\$ 50,794		\$ 4,607	\$ 46,187
2.0% bond payable to Arkansas Natural Resources Commission payable in annual installments of \$18,307 including interest, secured by the water system.	389,590		10,515	379,075
4.5% note payable to USDA Rural Development payable in monthly installments of \$1,419 including interest, secured by the water system.	214,455		8,370	206,086
4.5% note payable to USDA Rural Development payable in monthly installments of \$665 including interest, secured by the water system.	<u>104,833</u>		<u>3,740</u>	<u>101,093</u>
	<u>\$ 759,673</u>		<u>\$ 27,232</u>	<u>732,441</u>
Less: current maturities				26,681
Less: unamortized discount				<u>10,229</u>
				<u>\$ 695,531</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	26,981	23,481	50,462
2025	27,963	22,499	50,462
2026	28,984	21,478	50,462
2027	30,048	20,414	50,462
2028	31,156	19,306	50,462
2029-33	159,425	78,582	238,007
2034-38	166,110	50,465	216,575
2039-43	143,301	21,509	164,809
2044-48	82,939	8,596	91,535
2049-52	35,533	1,070	36,603

NOTE 5: AMORTIZATION

The Water and Sewer Department incurred refinance costs of approximately \$11,800 in connection to long-term debt owed to the Arkansas Natural Resources Commission. These costs are being amortized over the life of the debt at \$304 annually. The debt was issued at a discount of \$14,775 that is being amortized over the life of the debt at \$379 annually.

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6: SCHEDULE OF RATES

The water and sewer rates during the year 2023 were as follows:

Monthly Water Rates:

- a. Minimum charge on first 1,000 gallons, \$27.50. (Additional \$5.00 flat charge for customers outside the city limits of Bigelow)
- b. Charge of \$3.50 per 1,000 gallons for the next 3,000 gallons.
- c. Charge of \$3.00 per 1,000 gallons for all over 4,000 gallons.

Monthly Sewer Rates:

- a. Minimum charge on first 1,000 gallons, \$26.30
- b. Charge of \$9.86 per 1,000 gallons for the next 3,000 gallons.
- c. Charge of \$9.30 per 1,000 gallons for all over 4,000 gallons.

NOTE 7: CONCENTRATION OF CREDIT RISK

The Department provides water services to residential, farm, commercial and industrial customers in Bigelow, Arkansas, and the surrounding rural community. The Department operates from its primary facilities in Bigelow, Arkansas. The Department grants unsecured credit to customers located in the vicinity of the operating location. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered. And there is no cash credit risk because the Departments balances are below the FDIC insurance limits.

NOTE 8: INSURANCE COVERAGE

Company: Union Standard Insurance Group
Policy #: 4270246-22
Expiration: 06-25-24
Coverage: Water Department buildings, tanks and equipment

Company: Arkansas Fidelity Bond Trust Fund
Policy #: FBTF15
Expiration: 06-30-24
Coverage: Fidelity policy-\$300,000

Company: Arkansas Municipal League Municipal Vehicle Program
Policy #: 290
Expiration: 05-08-24
Coverage: Coverage I – Vehicle Liability
Coverage II – Physical Damage

NOTE 8: ACCOUNTING STANDARDS

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), established a new standard of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of other elements). The statement required outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial impact resulting from the implementation of GASB 63 in the System's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statements of Net Assets" to "Statements of Net Position".

BIGELOW WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9: SUBSEQUENT EVENTS

The Department considers there to be no significant events to be reported through March 16, 2025, which is the date the financial statements were available to be issued.