

CITY OF BLACK ROCK WATER AND SEWER DEPARTMENT

AGREED-UPON PROCEDURES AND COMPILATION REPORT

Year Ended December 31, 2022

Williams & Morris, Accounting & Tax Service, LLC

Sheila Williams, CPA

Jodi Morris

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Town Council
City of Black Rock Water and Sewer Department
491 Elm Street
Black Rock, AR 72415

We have performed the procedures enumerated below, which were agreed to by the management of the City of Black Rock Water and Sewer Department, solely to assist you with respect to the accounting records of management as of and for the year ended December 31, 2022. This report is prepared in accordance with Ark. Code Ann. 14-234-119 through 122. The City of Black Rock Water and Sewer Department's management is responsible for the company's accounting records. 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 those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Cash and Investments

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

We found no exceptions as a result of the above procedure A. and C. We found the following exceptions as a result to the above procedure B:

The ending book balance for the Waterworks Revenue Fund was not within parameters of the proof of cash ending balance.

Receipts

2. A. Determine total receipts per journal are within 5% or \$500, whichever is greater, of deposits per proof of cash
 B. Agree ten (10) customer payments on the accounts receivable subledger to deposit and billing documents.
 C. For ten deposits, agree the cash/check composition of the deposit with receipt information.

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

Accounts Receivable

3. A. Agree ten (10) customer billings to the accounts receivable subledger.
 B. Determine that five (5) customer adjustments were properly authorized.

We found no exceptions as a result of the above procedure A. We found the following exceptions as a result of procedure B:

The customer adjustments set in place by the Water & Sewer Department require that verbal consent is given to the clerk from Recorder/Treasurer to approve the adjustment. At the end of the month, the Recorder/Treasurer is to sign off on all adjustments made that month. Out of the five adjustments tested, there was only one adjustment properly authorized. Four of the adjustments tested were not authorized.

Disbursements

4. A. Determine total disbursements per journal are within 5% or \$500, whichever is greater, of deposits per proof of cash.
- B. Analyze all property, plant, and equipment disbursements.
- C. Determine all disbursements paid to employees other than payroll and ten (10) other disbursements were adequately documented. (Materiality level – 5% of total dollars of selected disbursements or \$500, whichever is greater.)

We found no exceptions as a result of the above 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 or \$500, whichever is greater.)

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

General

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

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

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 City of Black Rock, USDA Rural Development, and the Division of Legislative Audit, and is not intended to be and should not be used by anyone other than those specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

Sheila Williams, CPA

Williams & Morris Accounting & Tax Service, LLC

February 6, 2025

Williams & Morris, Accounting & Tax Service, LLC

Sheila Williams, CPA

Jodi Morris

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Honorable Mayor and Town Council
City of Black Rock Water and Sewer Department
491 Elm Street
Black Rock, AR 72415

Management is responsible for the accompanying financial statements of the City of Black Rock Water and Sewer Department, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all 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 Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Sheila Williams, CPA

Williams & Morris Accounting & Tax Service, LLC
Imboden, Arkansas

February 6, 2025

CITY OF BLACK ROCK WATER & SEWER DEPARTMENT

Statement of Net Position

December 31, 2022

Assets

Current Assets

Cash	\$ 4,430
Certificates of deposit	5,300
Restricted cash and cash equivalents	64,042
Accounts receivable	37,908
Inventory	4,200
Prepaid Insurance	1,002
Total Current Assets	116,882

Capital Assets, Net of Accumulated Depreciation	1,805,259
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Total Assets	\$ 1,922,141
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Liabilities and Net Position

Current Liabilities

Accounts Payable	10,161
Accrued payroll liabilities	42
Accred Sales tax	1,271
Accrued interest	968
Customer meter deposits payable from restricted account	16,510
Current portion of notes payable	31,065
Total Current Liabilities	60,017

Noncurrent Liabilities

Notes payable, net of current portion	635,325
Payable to City of Black Rock	15,000
Total Noncurrent Liabilities	650,325

Net Position

Net invested in capital assets	1,123,869
Restricted	64,042
Unrestricted	23,888
Total Net Position	1,211,799

Total Liabilities and Net Position	\$ 1,922,141
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CITY OF BLACK ROCK WATER & SEWER DEPARTMENT

Statement of Revenues, Expenses, and Changes in Net Position
For Year Ended December 31, 2022

Operating Revenues

Water and Sewer Revenue	\$ 265,508
New Service	1,400
Meter Deposits	3,575
Miscellaneous Income	708
Total Operating Revenues	<u>271,191</u>

Operating Expenses

Insurance	3,079
Legal & Professional	2,400
Depreciation	75,495
Travel & Education	1,110
Sales tax	18,691
Office Expense	3,393
Contract Labor	2,098
Vehicle Expense	1,372
Trash Service	80,796
Fire Protection Fees	7,136
Licenses & permits	2,624
Miscellaneous	5,258
Supplies	11,615
Payroll expenses/taxes	10,265
Meter Deposit Refund	2,098
Repair & maintenance	51,080
Salary	35,066
Fees and dues	3,702
Utilities	28,093
Water Testing	450
Total Operating Expenses	<u>345,821</u>

Operating Income (Loss)	<u>(74,630)</u>
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Other Income

Contribution from town ARPA	52,280
Interest Income	266
Interest Expense	(29,076)
Total Other Income	<u>23,470</u>

Change in Net Position	<u>(51,160)</u>
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Net Position, Beginning of Year	<u>1,262,959</u>
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Net Position, End of Year	<u><u>\$ 1,211,799</u></u>
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CITY OF BLACK ROCK WATER & SEWER DEPARTMENT

Statement of Cash Flows For Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Position	\$ (51,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	75,495
Changes in certain assets and liabilities:	
Accounts Receivable	(7,678)
Unbilled Revenues	1,988
Prepaid Insurance	174
Inventory	(328)
Accounts Payable	685
Accrued Sales Tax	(66)
Accrued Interest	(183)
Customer meter deposits payable from restricted account	1,660
Net Cash Provided by Operating Activities	<u>20,587</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	(13,467)
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long-term borrowings	<u>(29,859)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	(22,739)
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Cash and Cash Equivalents - Beginning of Year	<u>96,511</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 73,772</u></u>
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SUPPLEMENTAL DISCLOSURES:

Interest paid:	<u><u>\$ 29,076</u></u>
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