

BRADLEY WATER AND SEWER FUND



BRADLEY, ARKANSAS

DECEMBER 31, 2022

BRADLEY WATER AND SEWER FUND
BRADLEY, ARKANSAS

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Bradley Water and Sewer Fund
Bradley, Arkansas

We have performed the procedures enumerated below on the accounting records of Bradley Water and Sewer Fund as of and for the year ended December 31, 2022. Bradley Water and Sewer Fund's management is responsible for the entity's accounting records.

Bradley Water and Sewer Fund 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:

1. Cash and Investments

- a. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
- 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 the procedures.

2. Receipts

- 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 ten customer payments on the accounts receivable sub ledger 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 procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

4. Disbursements

- 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 all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

- 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 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. 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 procedures.

We were engaged by Bradley Water and Sewer Fund 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 of Bradley Water and Sewer Fund. 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 Bradley Water and Sewer Fund and to meet 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 Bradley Water and Sewer Fund and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
October 5, 2023

To the City Council
Bradley Water and Sewer Fund
Bradley, Arkansas

Management is responsible for the accompanying financial statements of Bradley Water and Sewer Fund of the City of Bradley, Arkansas, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the years 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 completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

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

As discussed in Note 1, the financial statements referred to above present only Bradley Water and Sewer Fund, which is an enterprise fund of the City of Bradley, and are not intended to present fairly the financial position of the City of Bradley, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
October 5, 2023

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:			
Cash and Cash Equivalents		\$ 17,193	\$ 29,746
Accounts Receivable		36,997	36,178
TOTAL CURRENT ASSETS		<u>54,190</u>	<u>65,924</u>
RESTRICTED ASSETS:			
Cash - Meter Deposits		15,034	14,237
Cash - Depreciation Reserves		8,639	6,050
Certificate of Deposit - Meter Deposits		5,750	5,750
TOTAL RESTRICTED ASSETS		<u>29,423</u>	<u>26,037</u>
CAPITAL ASSETS:			
Equipment		69,701	69,701
Vehicles		27,815	27,815
Water and Sewer System		3,371,774	3,371,774
Total		<u>3,469,290</u>	<u>3,469,290</u>
Less Accumulated Depreciation		<u>(1,099,076)</u>	<u>(1,039,098)</u>
TOTAL CAPITAL ASSETS		<u>2,370,214</u>	<u>2,430,192</u>
TOTAL ASSETS		<u><u>\$ 2,453,827</u></u>	<u><u>\$ 2,522,153</u></u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	2021
CURRENT LIABILITIES:		
Accounts Payable	\$ 7,226	\$ 10,124
Sales Tax Payable	823	840
Accrued Interest Payable	102	4,599
Accrued Payroll	2,238	2,695
Current Portion of Long-Term Debt	106,604	108,450
TOTAL CURRENT LIABILITIES	116,993	126,708
LIABILITIES PAYABLE FROM RESTRICTED FUNDS:		
Customers' Meter Deposits	19,963	19,613
TOTAL LIABILITIES	136,956	146,321
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	2,263,610	2,321,742
Restricted Net Position	9,460	6,424
Unrestricted Net Position	43,801	47,666
TOTAL NET POSITION	2,316,871	2,375,832
TOTAL LIABILITIES AND NET POSITION	\$ 2,453,827	\$ 2,522,153

See Independent Accountants' Compilation Report and Notes to Financial Statements.

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF REVENUE, EXPENSES AND
 CHANGES IN NET POSITION
 FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE:		
Water Revenue	\$ 46,492	\$ 49,658
Sewer Revenue	82,669	90,820
Trash Fees	44,244	23,537
Contract Service Revenue	12,000	12,000
Other Revenue	19,223	24,936
TOTAL REVENUE	204,628	200,951
OPERATING EXPENSES:		
Salaries	52,520	49,662
Payroll Taxes	4,137	3,889
Retirement	-	550
Depreciation	59,978	61,268
Insurance	3,316	3,783
Utilities and Telephone	42,870	42,947
Maintenance and Repairs	17,816	20,774
Fuel	5,300	4,414
Membership Fees	1,740	5,705
Permits & License	18,000	-
Professional Fees	4,049	12,751
Supplies	10,328	11,189
Office Expense	4,418	2,861
Other Expenses	3,554	11,284
TOTAL OPERATING EXPENSES	228,026	231,077
OPERATING (LOSS)	(23,398)	(30,126)
NON-OPERATING REVENUE (EXPENSES):		
Interest Income	150	109
Interest Expense	(1,731)	(5,016)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(1,581)	(4,907)
NET INCOME (LOSS)	(24,979)	(35,033)
NET POSITION - BEGINNING OF YEAR	2,375,832	2,427,096
NET TRANSFERS (TO)/FROM OTHER CITY FUNDS	(33,982)	(16,231)
NET POSITION - END OF YEAR	\$ 2,316,871	\$ 2,375,832

See Independent Accountants' Compilation Report and Notes to Financial Statements.

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 203,809	\$ 207,308
Cash Payments for Goods and Services	(118,443)	(122,083)
Cash Payments to Employees	<u>(52,977)</u>	<u>(48,300)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>32,389</u>	<u>36,925</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers (to)/from other City Funds	(33,982)	(16,231)
Increase in Meter Deposits	350	1,150
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>(33,632)</u>	<u>(15,081)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Long-Term Debt	(1,846)	(760)
Interest Paid on Long-Term Debt	<u>(6,228)</u>	<u>(417)</u>
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,074)</u>	<u>(1,177)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	150	109
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(9,167)</u>	<u>20,776</u>
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,033	29,257
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 40,866</u>	<u>\$ 50,033</u>

See Independent Accountants' Compilation Report and Notes to Financial Statements.

BRADLEY WATER AND SEWER FUND
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

Reconciliation of operating income to net cash flow from operating activities:

	2022	2021
OPERATING INCOME (LOSS)	\$ (23,398)	\$ (30,126)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation and Amortization	59,978	61,268
Change in Assets and Liabilities:		
Accounts Receivable	(819)	6,357
Accounts Payable	(2,898)	(1,980)
Other Current Liabilities	(474)	1,406
TOTAL ADJUSTMENTS	55,787	67,051
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 32,389	\$ 36,925

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

See Independent Accountants' Compilation Report and Notes to Financial Statements.

BRADLEY WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1. Significant Accounting Policies:

The Bradley Water and Sewer Fund, the "Fund", is an Enterprise Fund of the City of Bradley, Arkansas and is governed by the Board of Directors of the City of Bradley, Arkansas. The accompanying financial statements reflect the Bradley Water and Sewer Fund only and do not include other funds of the City of Bradley, Arkansas.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles under which revenues are recognized when earned, and expenses are recorded when incurred. The Fund applies all relevant Government Accounting Standards Board (GASB) pronouncements. The Fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets are stated at cost or customer cost of construction on contributed assets. Assets capitalized have an original cost of \$1,500 or more and useful lives of at least two years. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Vehicles	5 Years
Machinery and Equipment	5-7 Years
Water and Sewer System	50 Years

Management has evaluated subsequent events through October 5, 2023, the date the financial statements were available for issuance.

BRADLEY WATER AND SEWER FUND
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Note 2. Capital Assets:

Capital Assets activity for the years ended December 31, 2022 and 2021 was as follows:

	12/31/2021	INCREASES	DECREASES	12/31/2022
Capital Assets at Historical Costs:				
Equipment	\$ 69,701	\$ -	\$ -	\$ 69,701
Vehicles	27,815	-	-	27,815
Water and Sewer System	3,371,774	-	-	3,371,774
	<u>3,469,290</u>	<u>-</u>	<u>-</u>	<u>3,469,290</u>
Less Accumulated Depreciation	(1,039,098)	(59,978)	-	(1,099,076)
NET	<u>\$ 2,430,192</u>	<u>\$ (59,978)</u>	<u>\$ -</u>	<u>\$ 2,370,214</u>
	12/31/2020	INCREASES	DECREASES	12/31/2021
Capital Assets at Historical Costs:				
Equipment	\$ 69,701	\$ -	\$ -	\$ 69,701
Vehicles	27,815	-	-	27,815
Water and Sewer System	3,371,774	-	-	3,371,774
	<u>3,469,290</u>	<u>-</u>	<u>-</u>	<u>3,469,290</u>
Less Accumulated Depreciation	(977,830)	(61,268)	-	(1,039,098)
NET	<u>\$ 2,491,460</u>	<u>\$ (61,268)</u>	<u>\$ -</u>	<u>\$ 2,430,192</u>

Note 3. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where principal and interest are fully guaranteed by the United States of America. All cash funds of the Fund, are deposited in accounts in the name of Bradley Water and Sewer in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Bradley Water and Sewer Fund does not have a policy for custodial credit risk. The carrying value of the Fund's accounts and investments at December 31, 2022 was \$46,616. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$53,951 before adjustment for outstanding items.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Bradley Water and Sewer accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Bradley accounts and investments at a financial institution.

BRADLEY WATER AND SEWER FUND
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Note 3. Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: The Fund does not have an investment interest rate risk. All investments are short-term certificates of deposit and the Fund is under no obligation to renew upon maturity.

Investment Credit Risk: The Fund does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the Fund has a collateral agreement.

Foreign Currency Risk: The Fund has no exposure to foreign currency risk.

Note 4. Liabilities:

Accounts payable, reported as a current liability, is composed of operating expenses for December. These amounts were paid subsequent to December 31, 2022.

Note 5. Commitments:

Long-term debt consists of the following as of December 31, 2022:

Note Payable - Loan amount \$112,662;	\$ 106,604
Interest (3.5%); Maturing in 2027.	
Less portion considered current	(10,582)
Total long-term debt	\$ 96,022

The future maturities of long-term debt as follows:

	Principal	Interest	Total
2023	\$ 10,582	\$ 3,562	\$ 14,144
2024	10,958	3,186	14,144
2025	11,348	2,796	14,144
2026	11,751	2,393	14,144
2027	61,965	886	62,851
Thereafter	-	-	-
Total	\$ 106,604	\$ 12,823	\$ 119,427

Note 6. Risk Management:

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Fund maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Fund.

BRADLEY WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 7. Retirement Plan:

The Fund participates in the American Funds Compensation Plan (a Simple IRA plan). The Fund must either match (up to 3% of salary) the contributions employees make to their plan, or make contributions for employees at 2% of their salary, whether or not the employee participates. Contributions to American Funds for the year ending December 31, 2022 and 2021 were \$0 and \$550, respectively.