

**CITY OF EVENING SHADE, ARKANSAS
WATER DEPARTMENT**

**AGREED-UPON PROCEDURES
AND
COMPILED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

BALLARD & COMPANY, LTD.



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CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants

Member of the Arkansas Society of Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor, City Council and Management
Evening Shade Water Department
Evening Shade, Arkansas

We have performed the procedures enumerated below on the financial statements of the City of Evening Shade Water Department as of and for the year ended December 31, 2021. The City of Evening Shade Water Department's management is responsible for the financial statements.

The City of Evening Shade Water Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with Ark. Code, Ann. 14-234-119 to 122. 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:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balances.
 - *No exceptions were found as a result of applying the procedure.*
2. Confirm with depository institutions the cash on deposit and investments.
 - *No exceptions were found as a result of applying the procedure.*
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying the procedure.*

Accounts Receivable

4. Agree ten customer billings to the accounts receivable subledger.
 - *No exceptions were found as a result of applying the procedure.*
5. Determine that five customer adjustments were properly authorized.
 - *Out of the five adjustments selected, none of them had documented approval.*

Receipts

6. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying the procedure.*
7. Agree ten customer payments on the accounts receivable subledger to deposit and billing documents.
 - *No exceptions were found as a result of applying the procedure.*
8. For one deposit, agree the cash/check composition of the deposit with the receipt information.
 - *No exceptions were found as a result of applying the procedure.*

Disbursements

9. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
 - *No exceptions were found as a result of applying the procedure.*
10. Analyze all property, plant, and equipment disbursements.
 - *No exceptions were found as a result of applying the procedure.*
11. Select ten disbursements and determine if they were adequately documented.
 - *We noted that all selected disbursements had adequate supporting documentation.*

Property, Plant, and Equipment

12. Determine that additions and disposals were properly accounted for in the records. (Materiality level – 5% of total equipment or \$500, whichever is greater)
 - *We noted that the one disbursement for a capital asset was recorded as an expense on the books, rather than as an asset. A year-end adjustment was made to correct this.*

Long-Term Debt

13. Schedule long-term debt and verify changes in all balances for the year.
 - *No exceptions were found as a result of applying the procedure. The following loans were noted:*

| <u>Lender and Loan Number</u> | <u>Balance at 12/31/21</u> |
|--------------------------------|--------------------------------|
| USDA – Rural Development 91-01 | <u>\$ 170,686</u> |

14. Confirm loans, bonds, notes and contracts payable with lender/trustee/contractor.
 - *No exceptions were found as a result of applying the procedure.*
15. Determine that the appropriate debt service accounts have been established and maintained.
 - *No exceptions were found as a result of applying the procedure.*

General

16. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.
 - *No exceptions were found as a result of applying the procedure.*

We were engaged by the City of Evening Shade Water Department 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 audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements. 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 the City of Evening Shade Water Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Ballard & Company, Ltd.

Mountain Home, Arkansas
October 24, 2023



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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Mayor, City Council and Management
City of Evening Shade, Arkansas Water Department
Evening Shade, Arkansas

Management is responsible for the accompanying financial statements of the City of Evening Shade, Arkansas Water Department, which comprise the statement of net position – modified cash basis as of December 31, 2021 and the related statement of revenues, expenses and changes in fund net position – modified cash basis for the year then ended in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. 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 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.

The financial statements are prepared in accordance 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.

The accompanying financial statements present only the Water Department of the City of Evening Shade, Arkansas, and do not purport to, and do not, present fairly the financial position of the City of Evening Shade, Arkansas as of December 31, 2021 and the changes in its financial position and cash flows for the year then ended in accordance with the modified cash basis of accounting.

Management has elected to omit substantially all the disclosures and the statement of cash flows 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 Company's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Ballard & Company, Ltd.

Mountain Home, Arkansas
October 24, 2023

**CITY OF EVENING SHADE, ARKANSAS
WATER DEPARTMENT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2021**

ASSETS

Current Assets:

| | |
|---------------------------------|-----------|
| Operations and Maintenance Fund | \$ 24,291 |
|---------------------------------|-----------|

Restricted Assets:

| | |
|-------------------------|--------|
| Debt Service Reserve CD | 26,669 |
|-------------------------|--------|

| | |
|-----------------------------|-------|
| Depreciation-Expansion Fund | 6,382 |
|-----------------------------|-------|

| | |
|-------------------------|--------|
| Total Restricted Assets | 33,051 |
|-------------------------|--------|

Capital Assets:

| | |
|----------|--------|
| Vehicles | 36,510 |
|----------|--------|

| | |
|-----------|--------|
| Equipment | 31,824 |
|-----------|--------|

| | |
|--------------|-----------|
| Water System | 1,723,042 |
|--------------|-----------|

| | |
|-------|-----------|
| Total | 1,791,376 |
|-------|-----------|

| | |
|--------------------------|-----------|
| Accumulated Depreciation | (554,031) |
|--------------------------|-----------|

| | |
|---------------------|-----------|
| Capital Assets, Net | 1,237,345 |
|---------------------|-----------|

| | |
|--------------|-----------|
| Total Assets | 1,294,687 |
|--------------|-----------|

LIABILITIES

Current Liabilities:

| | |
|---|--------|
| Current Maturities of Long-Term Notes Payable | 12,985 |
|---|--------|

Long-Term Liabilities:

| | |
|--|---------|
| Notes Payable, Net of Current Maturities | 157,701 |
|--|---------|

| | |
|-------------------|---------|
| Total Liabilities | 170,686 |
|-------------------|---------|

NET POSITION

| | |
|---|-----------|
| Invested in Capital Assets, Net of Related Debt | 1,066,659 |
|---|-----------|

| | |
|---------------------------|--------|
| Restricted - Debt Service | 26,669 |
|---------------------------|--------|

| | |
|--------------------|-------|
| Restricted - Other | 6,382 |
|--------------------|-------|

| | |
|--------------|--------|
| Unrestricted | 24,291 |
|--------------|--------|

| | |
|--------------------|--------------|
| Total Net Position | \$ 1,124,001 |
|--------------------|--------------|

CITY OF EVENING SHADE, ARKANSAS
WATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES

| | |
|-------------|------------|
| Water sales | \$ 155,905 |
|-------------|------------|

OPERATING EXPENDITURES

| | |
|--------------------------------------|--------|
| Bank Charges | 140 |
| Billing Expense | 2,117 |
| Chemicals | 690 |
| Depreciation | 45,862 |
| Dues, Permits, and Fees | 2,582 |
| Fuel | 3,482 |
| Insurance | 390 |
| Postage | 1,715 |
| Repairs and Maintenance | 8,315 |
| Salaries and Related Personnel Costs | 47,707 |
| Supplies - Operating | 16,334 |
| Taxes - Sales | 12,201 |
| Telephone | 3,784 |
| Utilities | 18,425 |

| | |
|--------------------------|---------|
| Total Operating Expenses | 163,744 |
|--------------------------|---------|

| | |
|-------------------------------|---------|
| Total Operating Income (Loss) | (7,839) |
|-------------------------------|---------|

NONOPERATING REVENUES (EXPENSES)

| | |
|------------------|---------|
| Interest Income | 207 |
| Interest Expense | (7,985) |

| | |
|--|---------|
| Total Nonoperating Revenues (Expenses) | (7,778) |
|--|---------|

| | |
|------------------------|----------|
| Change in Net Position | (15,617) |
|------------------------|----------|

NET POSITION - BEGINNING

| | |
|--|-----------|
| | 1,139,618 |
|--|-----------|

NET POSITION - ENDING

| | |
|--|--------------|
| | \$ 1,124,001 |
|--|--------------|