

TOWN OF FIFTY-SIX, ARKANSAS WATER DEPARTMENT

**Independent Accountant's Report
Applying Agreed-Upon Procedures**

As of December 31, 2022



Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor, Town Council and Management
of Town of Fifty-Six, Arkansas Water Department
Fifty-Six, Arkansas

We have performed the procedures enumerated below on compliance with Ark. Code Ann 14-234-119 to 122 of the Town of Fifty-Six, Arkansas Water Department, as of December 31, 2022. Town of Fifty-Six, Arkansas Water Department's management is responsible for the Department's accounting records.

Town of Fifty-Six, Arkansas Water Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with Ark. Code Ann 14-234-119 to 122. Additionally, the Mayor, Town Council, and management of the Town of Fifty-Six, Arkansas Water Department have agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest as 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 are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. Cash and Investments

We obtained confirmation of the cash on deposit from the banks, and we agreed the confirmed balance to the amount shown on the bank reconciliations maintained by the Water Department. We performed a proof of cash for the year and agreed the ending balances to the book balances within the greater of 5% or \$500. Reconcile the year-end bank balances to the book balance.

We could not agree the ending balances to the book balances due to the handwritten journals being incomplete and not including a running balance. Therefore, we could not reconcile the year-end bank balance to the book balances within 5% or \$500.

2. Receipts

We agreed the deposits per the proof of cash for the year to the deposits per the journal within 5% or \$500, whichever was greater. We agreed ten customer payments on the accounts receivable subledger to deposit and billing documents. For ten deposits, we agreed the cash/check composition of the deposit with receipt information.

We noted no exceptions as a result of these procedures.

3. Accounts Receivable

We agreed ten customer billings to the accounts receivable sub-ledger. We determined proper authorization of five customer adjustments.

We noted no exceptions as a result of these procedures.

Batesville: PO Box 2094 | Batesville, AR 72503 | P: 870.793.5231 | F: 870.793.7788

Salem: PO Box 647 | Salem, AR 72576 | P: 870.895.3212 | F: 870.895.2998

West Plains: 1386 Bill Viridon Blvd. | West Plains, MO 65775 | P: 417.256.6624 | F: 417.256.1171

Little Rock: 1501 N. University, Suite 268 | Little Rock, AR 72207 | P: 501.468.0089 | F: 501.557.3929

4. Disbursements

We agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever was greater. We selected all disbursements paid to employees other than payroll and ten disbursements to determine if they were adequately documented.

The water department keeps handwritten disbursement journals and not all disbursements were recorded which resulted in a variance of greater than 5% or \$500.

We noted no disbursements to employees other than payroll and noted adequate documentation for ten disbursements.

5. Property, Plant and Equipment

We analyzed all property, plant and equipment activity to determine that additions and disposals more than the greater of 5% or \$500 were properly recorded.

We noted no exceptions as a result of these procedure. There were no property, plant and equipment additions or disposals in the period ending December 31, 2022.

6. Long-Term Debt

We obtained confirmation of the loans payable, verified changes in all balances for the year, and determined that the appropriate debt service accounts had been established and maintained.

We noted no exceptions as a result of these procedures.

7. General

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

We noted no exceptions as a result of these procedures.

We were engaged by the Mayor, Town Council, and management of the Town of Fifty-Six, Arkansas 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 examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. 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 Town of Fifty-Six, Arkansas Water Department 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 the Mayor, Town Council, and management of Town of Fifty-Six, Arkansas Water Department, the Arkansas Legislative Joint Auditing Committee, and the Arkansas Natural Resources Commission and is not intended to be and should not be used by anyone other than these specified parties.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 18, 2023

TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT

**Independent Accountant's Compilation Report
and Financial Statements – Modified Cash Basis**

December 31, 2022

TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT

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Independent Accountant’s Compilation Report

To the Mayor and
Town Council
Town of Fifty Six, Arkansas Water Department
Fifty Six, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the Town of Fifty Six, Arkansas Water Department which comprise the statement of assets, liabilities and net position – modified cash basis of Town of Fifty Six, Arkansas Water Department as of December 31, 2022, and the related statement of revenues, expenses and changes in net position – modified cash basis for the year then ended, 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 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.

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.

Management has elected to omit substantially all of the disclosures 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 Department’s assets, liabilities, and net position resulting from cash transactions and the cash receipts and disbursements. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Required Supplementary Information

Management has omitted the management’s discussion and analysis that the Governmental Accounting Standards Board requires 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.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
July 18, 2023

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TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT

Statement of Assets, Liabilities and Net Position – Modified Cash Basis

December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$ 57,934
Total current assets	57,934

Restricted assets

Cash and cash equivalents	57,074
	57,074

Capital assets , net of accumulated depreciation of \$1,243,410	159,784
	159,784

Other assets

Prepaid loan payments	2,812
Utility deposits	10,260
	13,072

Total assets	\$ 287,864
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Liabilities and Net Position

Current liabilities

Current portion of long-term debt	\$ 26,309
Total current liabilities	26,309

Long-term debt , net of current maturities	210,544
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Other noncurrent liabilities

Meter deposits	31,936
Total other noncurrent liabilities	31,936

Total liabilities	268,789
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Net position

Invested in capital, net of related debt	(77,069)
Unrestricted	29,355
Restricted for:	
Debt service	1,754
Depreciation reserves	33,099
Meter deposits	31,936
Total net position	19,075

Total liabilities and net position	\$ 287,864
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See independent accountant's compilation report.

TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT

Statement of Revenues, Expenses and
Changes in Net Position – Modified Cash Basis

Year Ended December 31, 2022

Operating revenues	
Water revenue	\$ 187,818
Total operating revenues	<u>187,818</u>
Operating expenses	
Salary, wages and employee benefits	54,745
Auto expense	3,551
Repairs and maintenance	5,400
Utilities	38,784
Professional fees	5,300
Sales tax included in income	15,599
Miscellaneous	1,163
Insurance	2,747
Land leases	10
Supplies	9,662
Depreciation expense	17,134
Total operating expenses	<u>154,095</u>
Operating income	<u>33,723</u>
Nonoperating revenues (expenses)	
Interest income	66
Transfers from other governmental funds	8,247
Other Income	1,700
Interest expense	(9,006)
Total nonoperating revenues (expenses)	<u>1,007</u>
Change in net position	<u>34,730</u>
Net position, beginning of year	<u>(15,655)</u>
Net position, end of year	<u>\$ 19,075</u>

See independent accountant's compilation report.