

TOWN OF FIFTY-SIX, ARKANSAS WATER DEPARTMENT

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

As of December 31, 2023



Welch, Couch & Company, PA Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor, Town Council and Management
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 by the Town of Fifty Six, Arkansas Water Department, as of December 31, 2023. Town of Fifty-Six, Arkansas Water Department's management is responsible for the Department's accounting records.

The 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 their purposes. 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 performed 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 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. We reconciled the year-end bank balances to the book balance.

We obtained confirmation from First National Bank of IZard County and agreed the balances without exception. The request for confirmation of balances from Centennial Bank was not returned.

We noted no other exceptions as a result of these procedures.

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 could not agree ten customer payments to deposit documents with the supporting documents provided. Incomplete records were provided, and we could not perform the agreement of one cash/check composition to deposit information out of the ten selected.

We noted no other exceptions as a result of these procedures.

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3. Accounts Receivable

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

We noted no exceptions as a result of these procedures.

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 other disbursements to determine if they were adequately documented.

We noted no exceptions as a result of procedures performed on disbursements to employees other than payroll. We were unable to obtain adequate documentation on three of the ten other disbursements selected.

We noted no other exceptions as a result of these procedures.

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, 2023.

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 meetings.

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 AICPA. 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, the United States Department of Agriculture, 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
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Certified Public Accountants

Batesville, Arkansas
October 24, 2024

TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT

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

December 31, 2023

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 (a proprietary fund of the Town of Fifty Six, Arkansas), which comprise the statement of assets, liabilities and net position – modified cash basis as of December 31, 2023, and the related statement of revenues, expenses and changes in 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 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.

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, net position – modified cash basis and the related statement of revenues, expenses and changes in net position – modified cash basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis 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 for placing the basic financial statements in an appropriate operational, economic, or historical context.

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Certified Public Accountants

Batesville, Arkansas
October 24, 2024

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TOWN OF FIFTY SIX, ARKANSAS WATER DEPARTMENT
Statement of Assets, Liabilities and Net Position – Modified Cash Basis

December 31, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 71,693
Total current assets	<u>71,693</u>
Restricted assets	
Restricted cash and cash equivalents	<u>65,069</u>
Capital assets , net of accumulated depreciation of \$1,275,187	<u>145,141</u>
Other assets	
Prepaid loan payments	122
Utility deposits	<u>10,260</u>
Total other assets	<u>10,382</u>
Total assets	<u><u>\$ 292,285</u></u>

Liabilities and Net Position

Current liabilities	
Current portion of long-term debt	\$ 18,574
Total current liabilities	<u>18,574</u>
Long-term debt , net of current maturities	<u>183,544</u>
Other noncurrent liabilities	
Meter deposits	<u>31,936</u>
Total other noncurrent liabilities	<u>31,936</u>
Total liabilities	<u>234,054</u>
Net position	
Invested in capital assets, net of related debt	(56,977)
Unrestricted	82,074
Restricted expendable:	
Debt service	1,756
Depreciation reserves	39,171
Meter deposits	<u>(7,793)</u>
Total net position	<u>58,231</u>
Total liabilities and net position	<u><u>\$ 292,285</u></u>

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, 2023

Operating revenues	
Water revenue	\$ 195,211
Total operating revenues	<u>195,211</u>
Operating expenses	
Salary, wages and employee benefits	52,988
Water purchased	41,434
Auto expense	1,115
Repairs and maintenance	4,100
Utilities	14,672
Professional fees	5,250
Sales tax included in income	15,896
Miscellaneous	748
Testing fees	1,667
Rent	2,300
Supplies	8,841
Depreciation expense	14,643
Total operating expenses	<u>163,654</u>
Operating income	<u>31,557</u>
Nonoperating revenues (expenses)	
Interest income	90
Transfers from other governmental funds	7,824
Other income	8,122
Interest expense	(8,437)
Total nonoperating revenues (expenses)	<u>7,599</u>
Change in net position	39,156
Net position, beginning of year	<u>19,075</u>
Net position, end of year	<u>\$ 58,231</u>

See independent accountant's compilation report.