

CITY OF HUGHES WATER AND SEWER DEPARTMENT
HUGHES, ARKANSAS
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

MEYER AND WARD, P.A.
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Members of the City Council
City of Hughes Water and Sewer Department
Hughes, Arkansas 72348

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURES

We have performed the procedures enumerated below on compliance with Ark. Code Ann. 14-234-119 to 122, of the City Hughes Water and Sewer Department as of September 30, 2023, and for the year then ended. The City of Hughes Water and Sewer Department's management is responsible for the Department's accounting records.

The City of Hughes Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended compliance with Ark, Code Ann. 14-234-119 to 122. Additionally, the Mayor, City Council and management of the City of Hughes, Arkansas Water and Sewer Department have agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for other purposes. The procedures performed may not address all the items of interest of a user of this report and may not meet the needs of all users of the report, and as such, users are responsible for determining whether the procedures performed are appropriate for their purpose.

The procedures and associated findings are as follows:

Cash and Investments

1. We performed a proof of cash for the year and reconciled year end bank balances to book balances.
2. We obtained confirmation of the cash on deposit for the Hughes Water and Sewer Department:

Fidelity National Bank

Operation and Maintenance	\$	30,861
Revenue		1,186
Revenue 3%		103,206
Regions		11,233
Certificates of Deposit		69,159
	\$	<u>215,645</u>

3. We agreed the proof of cash ending balances to the book balances.

We found no exceptions as a result of these procedures.

Receipts

1. Agreed the deposits per the proof of cash for the year with the deposits per the receipts journal.
2. Agreed 10 customer payments on the accounts receivable sub ledger to deposit and billing documents.

We found no exceptions as a result of these procedures.

Accounts Receivable

1. Agreed 10 customer billings to the accounts receivable sub ledger.
2. Reviewed five customer adjustments for proper authorization.

As a result of these procedures, we noted that billings were properly posted and adjustments were properly documented as to review and authorization.

Cash Disbursements

1. Agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5 %.
2. Analyzed all property, plant and equipment disbursements.
3. Selected 10 disbursements and determined that they were adequately documented.

We found no exceptions as a result of these procedures.

Property, Plant, and Equipment

We determined that all additions and disposals were properly accounted for in the records.

We found no exceptions as a result of the procedures.

Long-Term Debt

1. We scheduled long-term debt and verified changes in the balances for the year.
2. We confirmed the loan payables with the lenders.

3. We determined that appropriate debt service accounts have been established and maintained.

A summary of long-term debt activity is as follows:

	<u>9/30/2022</u>	<u>additions</u>	<u>reductions</u>	<u>9/30/2023</u>
5% N/P - USDA; \$147/mo thru 2030, secured by pledge of future rev	\$ 10,682	\$ -	\$ 1,259	\$ 9,423
5% N/P - USDA; \$1,461/mo thru 2030, secured by pledge of future rev	50,345		15,365	34,980
4.75% B/P - ANRC; \$16,316/ bi-annual thru 2040 secured by pledge of future revenue and property, plant and equipment	352,580		23,094	329,486
	<u>\$ 413,607</u>		<u>\$ 39,718</u>	<u>\$ 373,889</u>

We were engaged by the City of Hughes Water and Sewer 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. 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 Hughes Water and Sewer Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedure engagement.

Meyer & Ward

Meyer & Ward, P.A.
 Certified Public Accountants
 Wynne, AR

February 23, 2024

CITY OF HUGHES WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
AND
INDEPENDENT ACCOUNTANT’S COMPILATION REPORT

MEYER AND WARD, P.A.
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**CITY OF HUGHES WATER AND SEWER DEPARTMENT
HUGHES, ARKANSAS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Members of the City Council
City of Hughes Water and Sewer Department
Hughes, Arkansas 72348

Management is responsible for the accompanying financial statements of Hughes Water and Sewer Department, which comprise the statement of assets, liabilities and net position – cash basis as of September 30, 2023 and the related statement of receipts and disbursements- cash basis for the year then ended in accordance with the cash basis of accounting and for determining that the 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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has omitted the management's discussion and analysis that the cash basis of accounting requires to be presented to supplement the basic financial statements. Such missing information, although not a 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.

Management has elected to omit substantially all of the disclosures required by the 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 financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Meyer & Ward

Meyer and Ward, CPAS
Wynne, AR 72396
February 23, 2024

**CITY OF HUGHES WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION- CASH BASIS
SEPTEMBER 30, 2023**

ASSETS

CURRENT ASSETS

Cash	\$ 32,047
Certificates of Deposit	25,085
Total Current Assets	57,132

RESTRICTED ASSETS

Cash in Escrow	11,233
Cash - Depreciation Reserve	103,206
Certificates of deposit - debt service	44,074
Total Restricted Assets	158,513

PROPERTY, PLANT AND EQUIPMENT

Equipment	67,886
Water Tower	128,100
Water and Sewer Line Replacement	1,967,786
Utility Plant	1,474,830
Total	3,638,602
Less Accumulated Depreciation	(2,289,438)
Net Property, Plant and Equipment	1,349,164

TOTAL ASSETS	\$ 1,564,809
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SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**CITY OF HUGHES WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION-CASH BASIS
SEPTEMBER 30, 2023**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Sales Tax and Withholdings Payable	\$ 162
Due to City General Fund	10,515
Due to other funds	19,452
Current Maturities of Long Term Debt	<u>41,529</u>
Total Current Liabilities	<u>71,658</u>

PAYABLE FROM RESTRICTED ASSETS

Customer Meter Deposits	<u>13,992</u>
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LONG TERM LIABILITIES

Notes payable, net of current portion	<u>332,360</u>
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TOTAL LIABILITIES

418,010

NET POSITION

Net investment in capital assets	975,275
Restricted for debt service	44,016
Unrestricted	<u>127,508</u>
Total Net Position	<u>1,146,799</u>

TOTAL LIABILITIES AND NET POSITION

\$ 1,564,809

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

CITY OF HUGHES WATER AND SEWER DEPARTMENT
 STATEMENT OF RECEIPTS AND DISBURSEMENTS– CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

OPERATING REVENUES:

Water fees	\$ 149,393
Sewer fees	114,807
Other revenues	14,587
	<u>278,787</u>

OPERATING EXPENSES:

Salaries and Labor	10,711
Depreciation	73,774
Utilities and Telephone	27,926
Operating Maintenance and Supplies	10,530
Advertising & Legal	299
Insurance	4,160
Maintenance and Repairs	36,648
Miscellaneous	260
Permits, Licenses and Dues	2,754
Postage	2,006
Fuel and Vehicle	8,676
Professional Services	34,780
Sales Tax	10,187
Lab Tests	8,739
	<u>231,450</u>
Operating Income (Loss)	<u>47,337</u>

Non-operating revenues (expenses)

Transfers to City	(5,806)
Interest expense	(12,711)
Interest income	509
Net Non-operating revenues (expenses)	<u>(18,008)</u>

**EXCESS (DEFICIENCY) OF REVENUE
 OVER EXPENSE**

\$ 29,329

SEE INDEPENDENT ACCOUNTANT’S COMPILATION REPORT