

CITY OF HUMNOKE WATER DEPARTMENT
Humnoke, Arkansas
For the Year Ended December 31, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES



Berry & Associates

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

The Mayor and Members of the City Council
City of Humnoke Water Department
Humnoke, Arkansas

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the members of the Council on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119 for the City of Humnoke Water Department for the year ended December 31, 2018. The City of Humnoke's Water Department's management is responsible for the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. The sufficiency of these procedures is solely the responsibility of the members of the Council. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Cash

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

Findings: We found the following exceptions as a result of these procedures: We were unable to reconcile one account within 5% or \$500. We were unable to reconcile the year-end bank balance to the book balance on one account. We found no other exceptions as a result of the procedures.

Receipts

2. 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 10 customer payments on the accounts receivable subledger to deposit and billing documents.
- c. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: We found the following exception as a result of these procedures: We were unable to agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500 for one account. We found no other exceptions as a result of the procedures.

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Accounts Receivable

3. a. Agree 10 customer billings to the accounts receivable sub ledger.
- b. Determine that five (5) customer adjustments were properly authorized.

Findings: We found the following exception as a result of these procedures: Customer adjustments were not properly authorized. We found no other exceptions as a result of the procedures.

Disbursements

4. 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 (10) other disbursements and determine if they were adequately documented.

Findings: We found the following exception as a result of these procedures: We were unable to agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500. We found no other exceptions as a result of the procedures.

Property, Plant, & Equipment

5. a. Determine that additions and disposals were properly accounted for in the records.
(Materiality level – 5% or total equipment or \$500, whichever is greater).

Findings: We found no exceptions as a result of the procedures.

Long-Term Debt

6. a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes and contracts payable with the lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

Findings: We found the following exceptions as a result of these procedures: No depreciation reserve account has been established as set forth by the loan agreement for the USDA loan. We found no other exceptions as a result of the procedures.

General

7. a. Determine that any items of financial significance were approved and documented in the minutes of the governing body minutes

Findings: We found no exceptions as a result of the procedures.

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, respectively, on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. 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.

**The Mayor and Members of the City Council
City Of Humnoke Water Department**

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This report is intended solely for the information and use of the Legislative Joint Auditing Committee, USDA Rural Development, and the management of the Water Department of the City of Humnoke, and is not intended to be and should not be used by anyone other than these specified parties.

Berry & Associates

Berry & Associates, PA
Little Rock, Arkansas
March 30, 2023

**CITY OF HUMNOKE WATER DEPARTMENT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2018
and
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

CITY OF HUMNOKE WATER DEPARTMENT
Humnoke, Arkansas
For the Year Ended December 31, 2018

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Management is responsible for the accompanying financial statements of City of Humnoke Water Department, which comprise the statement of assets, liabilities, and net position – modified cash basis as of December 31, 2018, and the related statement of cash receipts and cash disbursements 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, net position, cash receipts and cash disbursements. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Berry & Associates

Berry & Associates, P.A.
Little Rock, Arkansas
March 30, 2023

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CITY OF HUMNOKE WATER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION-MODIFIED CASH BASIS
December 31, 2018

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 63,361
RESTRICTED ASSETS	
Cash and cash equivalents	63,442
FIXED ASSETS - AT COST	
Building	80,000
Water system	114,250
	<u>194,250</u>
Less: accumulated depreciation	(92,731)
Net fixed assets	<u>101,519</u>
TOTAL ASSETS	<u><u>\$ 228,322</u></u>
<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES	
Current maturities of long-term debt	\$ 7,200
LONG-TERM DEBT, Net of Current Maturities	
USDA Rural Development	35,726
Total long-term debt	<u>35,726</u>
PAYABLES FROM RESTRICTED ASSETS	
Customer water meter deposits	11,068
TOTAL LIABILITIES	<u>53,994</u>
NET POSITION	
Unrestricted	174,328
TOTAL NET POSITION	<u>174,328</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 228,322</u></u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

CITY OF HUMNOKE WATER DEPARTMENT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2018

CASH RECEIPTS

Water revenue	\$ 101,415
Other operating revenue	1,170
Interest income	145
Meter deposits received	4,000
Total cash receipts	<u>106,730</u>

CASH DISBURSEMENTS

Debt service	
Principal	6,772
Interest	2,972
Contract labor	14,483
Purchase of capital assets	9,250
Accounting fees	1,600
Dues and subscriptions	1,490
Equipment rental	661
Fuel	1,110
Insurance	22
Office expenses	364
Reconnect services	200
Rent expense	1,800
Repairs and maintenance	270
Sales tax expense	3,504
Sewer expense	35,638
Supplies	5,968
Utilities	2,867
Water purchased	16,058
Transfers to other funds	37,183
Miscellaneous expense	3,821
Meter deposit refunds	533
Total cash disbursements	<u>146,566</u>

DECREASE IN CASH AND CASH EQUIVALENTS

(39,836)

BEGINNING CASH AND CASH EQUIVALENTS, AT JANUARY 1, 2018166,639**ENDING CASH AND CASH EQUIVALENTS, AT DECEMBER 31, 2018**\$ 126,803

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT