

**CITY OF MORRISON BLUFF, ARKANSAS**  
**WATER DEPARTMENT**  
**DECEMBER 31, 2021 AND 2020**

**TABLE OF CONTENTS**

<b>INDEPENDENT ACCOUNTANT'S COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES.....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position .....	4
Statements of Revenues, Expenses and Changes in Net Position .....	5
Statements of Cash Flows.....	6
Notes to Financial Statements .....	7

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
City of Morrison Bluff  
Water Department  
Morrison Bluff, Arkansas

We have performed the procedures enumerated below, which were agreed to by the members of the Board of Directors, as specified in the Agreed Upon Procedures as required under Arkansas Code Annotated 14-234-119, solely to assist the specified parties in evaluating the City of Morrison Bluff Water Department's compliance with the *Guidelines and Rules* specified below, as of December 31, 2021 and 2020. The City of Water Department's management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

### Cash

1. a. Prepared a proof of cash for the year for all accounts.
- b. Reconciled year-end bank balances to book balances, within 5% or \$500, whichever is greater.
- c. Acquired deposit confirmations for all accounts and agreed them to the proof of cash, ending bank statement balance and book balance.

We found no exceptions as a result of the procedures.

### Receipts

2. a. Agreed ten customer payments to the billing documents and to the customers' accounts receivable subsidiary account..
- b. Agreed cash receipts journal total to deposits per proof of cash within 5% or \$500, whichever is greater.
- c. Agreed one deposit's cash/check composition with receipt information.

We found no exceptions as a result of the procedures.

### Accounts Receivable

3. a. Agreed ten customer billings to the meter readings and to the customers' accounts receivable subsidiary account.
- b. Selected five customer adjustments and validated they were approved.
- c. Agreed accounts receivable payments per A/R ledger to cash receipts within 5% or \$500, whichever is greater.
- d. Agreed accounts receivable ledger to year-end book balance.

All adjustments were approved by the water clerk, and we found no exceptions as a result of the procedures.

### Disbursements

4. a. Selected and reviewed documentation for 12 disbursements.
- b. Reviewed expenses to determine amounts spent on operating and maintenance.
- c. Scheduled and reviewed all employee and board member disbursements.
- d. Agreed cash disbursements journal to disbursements per proof of cash within 5% or \$500, whichever is greater.
- e. Agreed payroll to payroll reports.

We found no exceptions as a result of the procedures.

### Property, Plant, and Equipment

5. Confirmed there were no fixed assets owned by the water department within the scope of the compilation.

### Long-term Debt

6. Confirmed there was no debt within the scope of the compilation.

### General

7. a. Reviewed cash balances for adequacy to support operating and maintenance expenditures.
- b. Determined the number of customers.
- c. Determined the rate structure.
- d. Reviewed the minutes of the governing body's meetings, and if applicable, determined that any items of financial significance were therein approved and documented.

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, on the effectiveness of internal controls over compliance. 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 sufficiency of the procedures is solely the responsibility of the members of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

This report is intended solely for the information and use of the City of Morrison Bluff Board of Directors, Management of the Water Department, and Arkansas Department of Finance and Administration, Office of Intergovernmental Services and is not intended to be and should not be used by anyone other than these specified parties.

Jones & Lawton, CPAs, P.A.

Russellville, Arkansas  
December 2, 2022

A handwritten signature in black ink that reads "Jones and Lawton". The signature is written in a cursive, flowing style.

**MORRISON BLUFF WATER DEPARTMENT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2021 AND 2020**

**ASSETS**

	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and Cash Equivalents: (Note 2)		
Unrestricted	\$ 307,525	\$ 290,750
Restricted	9,256	9,085
Accounts Receivable (Note 3)	<u>2,487</u>	<u>6,966</u>
	<u>319,268</u>	<u>306,801</u>

**LIABILITIES**

Accounts Payable	9,088	8,172
Customer Deposits	<u>9,256</u>	<u>9,085</u>
	<u>18,344</u>	<u>17,257</u>

**NET POSITION**

Unrestricted Net Assets	<u>300,924</u>	<u>289,544</u>
	<u>\$ 319,268</u>	<u>\$ 306,801</u>

**MORRISON BLUFF WATER DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>OPERATING REVENUES</u></b>		
Water Sales and Other Income	\$ 64,669	\$ 63,134
<b><u>OPERATING EXPENSES</u></b>		
Water Purchased	36,500	34,267
Salaries and Related Payroll Taxes	12,836	10,180
Legal & Accounting	1,740	3,960
Dues & Fees	1,247	1,247
Supplies	1,363	3,277
Office Expense	607	455
Travel Expense	793	185
	<u>55,086</u>	<u>53,571</u>
Operating Income	9,583	9,563
Other Income (Expense)		
Interest Income	1,797	3,617
	<u>1,797</u>	<u>3,617</u>
<b>INCREASE IN NET POSITION</b>	11,380	13,180
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>289,544</u>	<u>276,364</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 300,924</u></u>	<u><u>\$ 289,544</u></u>

**MORRISON BLUFF WATER DEPARTMENT**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Operating Income	\$ 9,583	\$ 9,563
Adjustments to reconcile Operating Income to cash provided by operating activities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	4,479	(581)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	916	5,876
Customer Deposits	171	200
Total Adjustments	<u>5,566</u>	<u>5,495</u>
<b>Net Cash Provided by Operating Activities</b>	<u>15,149</u>	<u>15,058</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>1,797</u>	<u>3,617</u>
<b>Net Cash Provided by Investing Activities</b>	<u>1,797</u>	<u>3,617</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	16,946	18,675
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>299,835</u>	<u>281,160</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 316,781</u></u>	<u><u>\$ 299,835</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Reconciliation of Cash to the Statement of Net Position		
Unrestricted Cash	\$ 307,525	\$ 290,750
Restricted Cash	9,256	9,085
	<u><u>\$ 316,781</u></u>	<u><u>\$ 299,835</u></u>

See Accountant's Compilation Report and Notes to the Financial Statements

**MORRISON BLUFF WATER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Morrison Bluff Water Department is engaged in providing water services to the general public located in Morrison Bluff, Arkansas.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Organization**

The Morrison Bluff Water Department is a municipally operated system governed by the City Council of the City of Morrison Bluff, Arkansas. The Department is a proprietary fund type used to account for activities conducted for the public. The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

**Regulatory Environment**

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

**Income Tax**

The Morrison Bluff Water Department is municipally owned and is exempt from Federal and State income tax.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Department considers cash to be cash on hand and in banks, including time deposits and cash equivalents held in restricted accounts.

**Accounts Receivable**

The Morrison Bluff Water Department services customers in Morrison Bluff, Arkansas. All of the accounts receivable balance reported herein are from these customers. All accounts receivable are recorded at the gross value, and when deemed to be uncollectable, the accounts receivables are charged to bad debt expense using the allowance method for bad debts. Accounts receivables are presented net of the allowance for doubtful accounts.



**MORRISON BLUFF WATER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

**NOTE 2: CASH AND CASH EQUIVALENTS**

At December 31, 2021 and 2020, the System had unrestricted and restricted cash shown as follows:

<u>Unrestricted</u>	<u>2021</u>	<u>2020</u>
Operations and Maintenance Fund	\$ 8,602	\$ 6,142
Water System General Fund	93,060	80,230
Certificates of Deposit	<u>205,863</u>	<u>204,378</u>
	<u>307,525</u>	<u>290,750</u>
 <u>Restricted</u>		
Meter Fund	<u>9,256</u>	<u>9,085</u>
	<u>\$ 316,781</u>	<u>\$ 299,835</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts Receivable consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts Due From Customers	\$ <u>2,486</u>	\$ <u>6,966</u>

**NOTE 4: PROPERTY, PLANT, AND EQUIPMENT**

All Fixed Assets are recorded in the books of the City of Morrison Bluff, Arkansas. Therefore, no Fixed Assets are reflected on the Department's Statement of Net Position.

**NOTE 5: LONG-TERM DEBT**

The Department had no previous debt, and incurred no debt during the period included in the scope of this compilation report. Therefore, no debt is reflected on the Department's Statement of Net Position.

**NOTE 6: CONCENTRATION OF RISK**

The Department maintains cash balances with several banks located in Arkansas. The balances at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Association has obtained pledged securities for all funds that exceed this Federal Deposit Insurance limit. The following is a summary of the insured and pledged coverage as of December 31, 2021.

Funds insured by the Federal Deposit Insurance Corporation	\$ 250,000
Funds collateralized by securities held by the financial institution's trust department or agent	<u>66,781</u>
	<u>\$ 316,781</u>

**MORRISON BLUFF WATER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

**NOTE 7: CUSTOMERS**

The number of customers using the water services as of December 31, 2021 and 2020 were 128 and 126 respectfully.

**NOTE 8: SCHEDULE OF RATES**

The monthly water rates for customers as of July 31, 2021 and prior were as follows:

Monthly Water Rates	In Town Limits:	
	First 1,000 gallons	\$13.50
	Next 4,000 gallons	5.00 per 1,000 gallons
	Next 3,000 gallons	4.00 per 1,000 gallons
	Over 8,000 gallons	3.50 per 1,000 gallons

Monthly Water Rates	Outside Town Limits:	
	First 1,000 gallons	\$15.00
	Next 4,000 gallons	5.07 per 1,000 gallons
	Next 3,000 gallons	4.07 per 1,000 gallons
	Over 8,000 gallons	3.57 per 1,000 gallons

The monthly water rates for customers as of August 1, 2021 through December 31, 2021:

Monthly Water Rates	In Town Limits:	
	First 1,000 gallons	\$13.65
	Next 4,000 gallons	5.15 per 1,000 gallons
	Next 3,000 gallons	4.15 per 1,000 gallons
	Over 8,000 gallons	3.65 per 1,000 gallons

Monthly Water Rates	Outside Town Limits:	
	First 1,000 gallons	\$15.15
	Next 4,000 gallons	5.22 per 1,000 gallons
	Next 3,000 gallons	4.22 per 1,000 gallons
	Over 8,000 gallons	3.72 per 1,000 gallons

**NOTE 9: SUBSEQUENT EVENTS**

Management has evaluated events through December 2, 2022, which is the date the financial statements were available to be issued.