

TOWN OF MORRISON BLUFF, ARKANSAS
WATER DEPARTMENT

DECEMBER 31, 2023 AND 2022

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WATER DEPARTMENT

DECEMBER 31, 2023 AND 2022

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

Board of Directors and Management
Town 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 – 122, solely to assist the specified parties in evaluating the Town of Morrison Bluff Water Department's compliance with the *Guidelines and Rules* specified below, as of December 31, 2023 and 2022. The Town of Morrison Bluff Water Department's management is responsible for the compliance with those requirements.

The procedures and associated findings are as follows:

1. Cash and Investments

- a. Prepared proof of cash for the year and reconcile the year-end bank statement balance to book balance for all accounts.
- b. Confirmed with depository institutions the cash on deposit and investments.
- c. Agreed the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of these procedures.

2. Receipts

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

We found no exceptions as a result of these procedures.

3. Accounts Receivable

- a. Agreed ten customer billings to the accounts receivable subledger and meter readings.
- b. Determined that five customer adjustments were properly authorized.

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

4. Disbursements

- a. Agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater. Analyzed all property, plant, and equipment disbursements.
- c. Selected all disbursements paid to employees other than payroll and ten other disbursements and determined if they were adequately documented.
- d. Reviewed maintenance expenses to determine they were properly coded and should not be capitalized.
- e. Agreed ledger payroll to payroll reports.

We found no exceptions as a result of these procedures.

5. Property, and Equipment

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

Long-term Debt

- a. Confirmed there was no debt within the scope of the compilation.

6. General

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

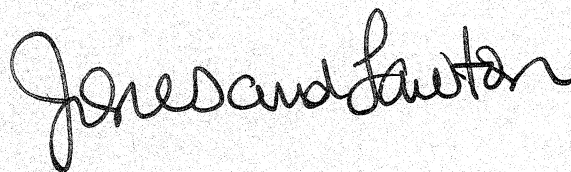
We found no exceptions as a result of these procedures.

These agreed-upon procedures engagements were 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. If we had 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 Town 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
July 22, 2024

A handwritten signature in cursive script that reads "Jones and Lawton".

MORRISON BLUFF WATER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents: (Note 2)			
Unrestricted		\$ 294,823	\$ 299,330
Restricted		14,646	9,232
Accounts Receivable		<u>1,890</u>	<u>1,231</u>
		<u>311,359</u>	<u>309,793</u>
 <u>LIABILITIES</u>			
Accounts Payable		5,018	7,654
Customer Deposits		<u>9,248</u>	<u>9,232</u>
		<u>14,266</u>	<u>16,886</u>
 <u>NET POSITION</u>			
Unrestricted		291,695	292,907
Restricted		5,398	0
		<u>297,093</u>	<u>292,907</u>
		<u>\$ 311,359</u>	<u>\$ 309,793</u>

See Independent Accountants' Compilation Report
and Notes to Financial Statements

MORRISON BLUFF WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water Sales and Other Income	\$ 73,822	\$ 75,836
Payments from City General Fund	0	6,160
	73,822	81,996
OPERATING EXPENSES		
Water Purchased	38,562	39,341
Salaries	15,489	15,489
Legal & Accounting	2,400	1,800
Dues & Fees	1,274	1,222
Supplies	770	464
Office Expense	1,045	596
System Repairs	15,972	0
Purchase of new Meters	0	31,244
Travel Expense	1,479	1,520
	76,991	91,676
Operating Loss	(3,169)	(9,680)
OTHER INCOME		
Interest Income	7,355	1,663
CHANGE IN NET POSITION	4,186	(8,017)
NET POSITION, BEGINNING OF YEAR	292,907	300,924
NET POSITION, END OF YEAR	\$ 297,093	\$ 292,907

See Independent Accountants' Compilation Report
and Notes to the Financial Statements

MORRISON BLUFF WATER DEPARTMENT
STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Customers and Other Income	\$ 73,006	\$ 83,381
Payments to Suppliers	(59,246)	(74,156)
Payments to Employees	(15,489)	(15,489)
Payments for Other Admin Costs	(4,719)	(3,618)
Net Cash Provided by Operating Activities	<u>(6,448)</u>	<u>(9,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	7,355	1,663
Net Cash Provided by Investing Activities	<u>7,355</u>	<u>1,663</u>
CHANGE IN CASH AND CASH EQUIVALENTS	907	(8,219)
CASH AND CASH EQUIVALENTS, BEG OF YEAR	<u>308,562</u>	<u>316,781</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 309,469</u>	<u>\$ 308,562</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Reconciliation of Cash to the Statement of Net Position		
Unrestricted Cash	\$ 294,823	\$ 299,330
Restricted Cash	\$ 14,646	9,232
	<u>\$ 309,469</u>	<u>\$ 308,562</u>

See Independent Accountants' Compilation Report
and Notes to Financial Statements

MORRISON BLUFF WATER DEPARTMENT
STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Loss from Operations	\$ (3,169)	\$ (9,680)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(659)	1,256
Increase (Decrease) in Accounts Payable	(2,636)	(1,434)
Increase (Decrease) in Customer Deposits	16	(24)
	(3,279)	(202)
Net Cash Provided by Operating Activities	\$ (6,448)	\$ (9,882)

See Independent Accountants' Compilation Report
and Notes to Financial Statements

MORRISON BLUFF WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

Organization

The Morrison Bluff Water Department is a municipally operated system governed by the Town Council of the Town of Morrison Bluff, Arkansas. The Department is a proprietary fund type utilizing enterprise funds to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

These financial statements represent only the Water System funds and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The billing to our customers is on a regular cycle and becomes an accounts receivable balance when the bill is generated. Revenues are recognized when billed and expenses are recognized when incurred, regardless of the timing of the related cash flows.

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.

Cash Equivalents

The Department considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

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, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Morrison Bluff Water Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, the System had unrestricted and restricted cash shown as follows:

	<u>2023</u>	<u>2022</u>
<u>Unrestricted</u>		
Operations and Maintenance Fund	\$ 39,223	\$ 8,992
Water System General Fund	1,231	83,171
Certificates of Deposit	<u>254,369</u>	<u>207,167</u>
	<u>294,823</u>	<u>299,330</u>
<u>Restricted</u>		
Meter Fund	9,248	9,232
Depreciation Fund	<u>5,398</u>	<u>0</u>
	<u>14,646</u>	<u>9,232</u>
	<u>\$ 309,469</u>	<u>\$ 308,562</u>

MORRISON BLUFF WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3: PROPERTY, PLANT, AND EQUIPMENT

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

NOTE 4: 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 5: 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 Department 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Funds insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 250,000
Funds collateralized by securities held by the financial institution's trust department or agent	<u>59,469</u>	<u>58,563</u>
	<u>\$ 309,469</u>	<u>\$ 308,562</u>

The Department provides water services and sewer services (if applicable) to residents of Morrison Bluff, Arkansas. The Department grants unsecured credit to its customers. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered.

NOTE 6: CUSTOMERS

The number of customers using the water services as of December 31, 2023 and 2022 were 127 and 128, respectfully.

NOTE 7: SCHEDULE OF RATES

The monthly water rates for customers from February 1, 2023 through December 31, 2023:

Monthly Water Rates	In Town Limits:	
	First 1,000 gallons	\$13.75
	Next 4,000 gallons	5.25 per 1,000 gallons
	Next 3,000 gallons	4.25 per 1,000 gallons
	Over 8,000 gallons	3.75 per 1,000 gallons
Monthly Water Rates	Outside Town Limits:	
	First 1,000 gallons	\$15.25
	Next 4,000 gallons	5.32 per 1,000 gallons
	Next 3,000 gallons	4.32 per 1,000 gallons
	Over 8,000 gallons	3.82 per 1,000 gallons

MORRISON BLUFF WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

The monthly water rates for customers from January 1, 2022 through January 31, 2023:

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 8: SUBSEQUENT EVENTS

Management has evaluated events through July 22, 2024, which is the date the financial statements were available to be issued.