

**CITY OF SCRANTON, ARKANSAS
WATER AND SEWER DEPARTMENT**

**AGREED-UPON PROCEDURES REPORT AND
COMPILED FINANCIAL STATEMENTS**

DECEMBER 31, 2022 AND 2021



CITY OF SCRANTON, ARKANSAS WATER AND SEWER DEPARTMENT

DECEMBER 31, 2022 AND 2021

CONTENTS

	<u>Page</u>
Independent Accountant's Report On Applying Agreed-Upon Procedures.....	1-3
Accountant's Compilation Report.....	4
Financial Statements	
Statements of Net Position.....	5
Statements of Revenues, Expenses, and Changes in Net Position.....	6



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and City Council
City of Scranton, Arkansas Water and Sewer Department
Scranton, Arkansas

We have performed the procedures enumerated below on the financial and billing records of the City of Scranton, Arkansas Water and Sewer Department, (the Department) as of and for the year ended December 31, 2022. The City of Scranton, Arkansas Water and Sewer Department's management is responsible for the financial and billing records.

The City of Scranton, Arkansas Water and Sewer Departments has agreed to, and acknowledged that the procedures performed are appropriate to meet the intended purpose which is to comply with Arkansas Code Annotated 14-234-119 through 14-234-122 and *Guidelines for Conducting Agreed-Upon Procedures for Water and Sewer Service providers* as prepared by Arkansas Legislative Audit. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to 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 purpose.

The procedures and associated findings are as follows:

(1) Cash and Investments

- A. Perform a proof of cash for the year and reconcile year-end bank balances to book balance. We concluded this procedure with no findings.
- B. Confirm with depository institutions the cash on deposit and investments. We concluded this procedure with no findings.
- C. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater. The ending balances for all accounts were within these parameters.

(2) Receipts

- 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. We concluded this procedure and found the deposits were within the parameters.

- B. Agree ten customer payments on the accounts receivable sub ledger to deposit, billing documents. We concluded this procedure with no findings.
- C. For ten deposits, agree the cash/check composition of the deposit with receipt information. We concluded this procedure with no findings.

(3) Accounts Receivable

- A. Agree ten customer billings to the accounts receivable sub ledger. We concluded this procedure with no findings.
- B. Determine that five customer adjustments were properly authorized. We concluded this procedure with no findings.

(4) Disbursements

- 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. We concluded this procedure and found the disbursements to be within the parameters.
- B. Analyze all property, plant and equipment disbursements. We concluded this procedure with no findings.
- C. Select all disbursements to employees other than payroll and ten other disbursements and determine if they were adequately documented. We concluded this procedure with no findings.

(5) Property, plant and equipment

- A. Determine that additions and disposals were properly accounted for in the records. We concluded this procedure with no findings.

(6) Long-term debt

- A. Schedule long-term debt and verify changes in all balances for the year. We concluded this procedure with no findings.
- B. Confirm loans, bond, notes and contracts payable with lender/trustee/contractor. We concluded this procedure with no findings.
- C. Determine that the appropriate debt service accounts have been established and maintained. This procedure was not applicable

(7) General

- A. Determine that any items of financial significance were approved and documented in the minutes of the City Council meetings. The minutes were provided to us and were read. We found all financially significant items to be documented.

We were engaged by the City of Scranton, Arkansas 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 financial and billing records. 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 City of Scranton, Arkansas Water and Sewer 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 City of Scranton, Arkansas Water and Sewer Department and Arkansas Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Przybysz & Associates".

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 25, 2023



To the Honorable Mayor and City Council
City of Scranton, Arkansas Water and Sewer Department
Scranton, Arkansas

Management is responsible for the accompanying financial statements of the City of Scranton, Arkansas Water and Sewer Department, which comprise the statements of net position as of December 31, 2022 and 2021, the related statements of revenues, expenses and changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 form of assurance on these financial statements.

The financial statements referenced in the first paragraph of this report present only the water department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Scranton, Arkansas Water and Sewer Department, as of December 31, 2022 and 2021, and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Department's financial position, results of operations, and cash flows. Accordingly, these financial statements are not for those who are not informed about such matters.

Required Supplementary Information

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial for placing the financial statements in an appropriate operational, economic or historical context.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 25, 2023

4200 Jenny Lind Road, Ste. B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectlanding.com
www.selectcpa.com

FINANCIAL STATEMENTS

CITY OF SCRANTON, ARKANSAS

WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 75,370	\$ 119,815
Restricted checking and savings accounts	248,599	594,155
Restricted certificate of deposit	402,351	78,794
Restricted investments	44,249	43,699
Accounts receivable, less allowance for doubtful accounts	156,117	158,534
Inventories	3,015	3,015
Total Current Assets	929,701	998,012
Noncurrent Assets		
Capital Assets		
Land	27,212	27,212
Water and sewer system	12,676,305	12,673,086
Truck	17,289	17,289
Equipment	3,680	1,350
Total Capital Assets	12,724,486	12,718,937
Less accumulated depreciation	5,616,718	5,286,507
Net Capital Assets	7,107,768	7,432,430
Total Assets	\$ 8,037,469	\$ 8,430,442
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 65,918	\$ 84,962
Payroll tax payable	3,700	2,273
Sales tax payable	12,365	11,729
Accrued interest	6,777	12,358
Customer meter deposits	8,460	7,450
Current portion of long-term debt	238,084	230,464
Total Current Liabilities	335,304	349,236
Long-Term Debt	870,779	1,708,863
Total Liabilities	1,206,083	2,058,099
Net Position		
Net investment in capital assets	5,998,905	5,493,103
Restricted	680,801	697,997
Unrestricted	151,680	181,243
Total Net Position	6,831,386	6,372,343
Total Liabilities and Net Position	\$ 8,037,469	\$ 8,430,442

See accountant's compilation report.

CITY OF SCRANTON, ARKANSAS

WATER AND SEWER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2022	2021
Operating Revenue		
Water and sewer revenue	\$ 1,997,666	\$ 1,907,829
Hook-up fees	5,750	6,560
Other revenue	5,959	4,401
Total Operating Revenue	2,009,375	1,918,790
Operating Expense		
Water purchases	900,747	830,824
Sewage and water treatment	7,483	4,218
Wages	104,415	59,098
Employee benefits	14,802	9,477
Outside labor	15,070	45,726
Insurance	12,579	13,134
Professional fees	9,550	9,024
Testing	3,362	3,274
Miscellaneous	7,330	7,727
Bank charges	2,648	2,967
Public service fees	2,947	2,947
Repairs and maintenance	27,055	12,759
Supplies	3,563	1,393
Truck expense	5,466	3,820
Utilities and telephone	30,881	24,757
Memberships and licenses	687	640
Office expense	4,796	1,809
Payroll taxes	8,063	4,563
Depreciation	330,210	321,765
Total Operating Expenses	1,491,654	1,359,922
Net Income From Operations	517,721	558,868
Other Revenue (Expenses)		
Interest income	5,441	2,950
Interest expense	(52,216)	(83,611)
Transfers	(11,903)	(9,656)
Total Net Other Revenue (Expenses)	(58,678)	(90,317)
Change in Net Position	459,043	468,551
Net Position at Beginning of Year	6,372,343	5,903,792
Net Position at End of Year	\$ 6,831,386	\$ 6,372,343

See accountant's compilation report.