

WINSLOW WATER DEPARTMENT



WINSLOW, ARKANSAS

DECEMBER 31, 2022

WINSLOW WATER DEPARTMENT
WINSLOW, ARKANSAS

TABLE OF CONTENTS
DECEMBER 31, 2022

	<u>PAGE NO.</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1 - 2
Independent Accountants' Compilation Report	3
Statement of Assets, Liabilities and Net Position - Cash Basis - December 31, 2022	4
Statement of Cash Receipts and Cash Disbursements - For Year Ended December 31, 2022	5
Notes to Financial Statements	6 - 8
Supplementary Information	
SCHEDULE I Budgetary Comparison Schedule - Cash Basis For Year Ended December 31, 2022	9

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
Winslow Water Department

We have performed the procedures enumerated below on the accounting records of Winslow Water Department as of and for the year ended December 31, 2022. Winslow Water Department's management is responsible for the entity's accounting records.

Winslow Water Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. 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 purposes.

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 balances.
- 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.

We found no exceptions as a result of the procedures.

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.
- b. Agree ten customer payments on the accounts receivable sub ledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with receipt information.

We found no exceptions as a result of the procedures.

3. Accounts Receivable

- a. Agree ten customer billings to the accounts receivable sub ledger.
- b. Determine that five customer adjustments were properly authorized.

We found no exceptions as a result of the procedures.

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.
- b. Analyze all property, plant and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

We found no exceptions as a result of the procedures.

5. Property, Plant, and Equipment

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

We found no exceptions as a result of the procedure.

6. Long-Term Debt

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

We found no exceptions as a result of the procedures.

7. General

- a. Determine 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 the procedure.

We were engaged by Winslow Water 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 accounting records of Winslow Water Department. 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 Winslow Water Department and to meet 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 Winslow Water Department and the Arkansas Legislative Joint Auditing Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

January 8, 2024

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ARKADELPHIA, AR 71923

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To the Winslow Water Department
Winslow, Arkansas

Management is responsible for the accompanying financial statements of Winslow Water Department, which comprise the statement of assets, liabilities, and net position – cash basis as of December 31, 2022, and the related statement of cash receipts and cash disbursements for the year then ended, and the related notes to the financial statements 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule on page 9 be presented to supplement the basic financial statements. Such information is presented for the purposes of additional analysis and, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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. Such information is the responsibility of management. The required information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

As discussed in Note 1, the financial statements referred to above present only Winslow Water Department, which is an enterprise fund of the City of Winslow, and are not intended to present fairly the financial position of the City of Winslow, and the results of its operations and the cash flows of its other funds in conformity with generally accepted accounting principles.

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Arkadelphia, Arkansas
January 8, 2024

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WINSLOW WATER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES
AND NET POSITION - CASH BASIS
DECEMBER 31, 2022

Page 4

ASSETS

CURRENT ASSETS:

Cash	\$ 105,915
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RESTRICTED ASSETS:

Cash - Debt Service Reserve	27,708
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Cash - Depreciation	6,205
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Cash - Meter Deposits	55,199
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Cash - Grant Savings	1,834
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TOTAL RESTRICTED ASSETS	90,946
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TOTAL ASSETS	\$ 196,861
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Current Portion of Notes Payable	\$ 23,864
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LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Meter Deposits Payable	51,506
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LONG-TERM LIABILITIES:

Notes Payable	63,848
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TOTAL LIABILITIES	139,218
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NET POSITION:

Restricted	39,440
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Unrestricted	18,203
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TOTAL NET POSITION	57,643
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TOTAL LIABILITIES AND NET POSITION	\$ 196,861
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See Independent Accountants' Compilation Report and Notes to Financial Statements

WINSLOW WATER DEPARTMENT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR YEAR ENDED DECEMBER 31, 2022

Page 5

CASH RECEIPTS:

Water Revenue	\$ 473,618
Meter Deposits Received (Net)	5,591
Meter Usage Fees	6,055
Transfers from City of Winslow	152,861
Interest Income	96
TOTAL CASH RECEIPTS	<u>638,221</u>

CASH DISBURSEMENTS:

Water Purchased	167,716
Payroll Expenses	139,805
Capital Purchases	118,014
Contract Services	9,059
Debt Service - Interest Payments	5,004
Debt Service - Principal Payments	22,704
Dues and Fees	1,106
Insurance	5,673
Legal and Professional	2,786
Office Supplies and Postage	5,539
Repairs/Maintenance and Supplies	74,576
Sales Tax Expense	30,589
Travel	1,331
Utilities	41,886
Miscellaneous	6,915
TOTAL CASH DISBURSEMENTS	<u>632,703</u>

NET CHANGE IN CASH	<u>5,518</u>
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	191,343
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 196,861</u></u>
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See Independent Accountants' Compilation Report and Notes to Financial Statements.

WINSLOW WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Page 6

Note 1. Significant Accounting Policies:

Winslow Water Department, "the Department" is a component unit of the City of Winslow, Arkansas with operations directed by the City Council. The Department serves property located within the corporate limits of the City of Winslow and certain properties outside the city limits.

The accompanying financial statements reflect the Winslow Water Department fund only and do not include other funds of the City of Winslow, Arkansas.

The accompanying financial statements were prepared using the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues and expenses are recognized at the time cash is received or paid out. This contrasts the accrual method of accounting, which recognizes income at the time the revenue is earned and records expenses when liabilities are incurred regardless of when cash is received or paid.

The Department considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents.

Management has evaluated subsequent events through January 8, 2024, the date the financial statements were available for issuance.

Note 2: Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where principal and interest are fully guaranteed by the United States of America. All cash funds of the Department, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of City of Winslow – Winslow Water System in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Winslow Water Department does not have a policy for custodial credit risk. The carrying value of the Department's accounts and investments at December 31, 2022 was \$196,861. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$205,168 before adjustment for outstanding items.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. All Winslow Water Department accounts were fully covered or collateralized at December 31, 2022.

WINSLOW WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Page 7

Note 2: Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: The Department does not have an investment interest rate risk. All investments are short-term certificates of deposit and the Department is under no obligation to renew upon maturity.

Investment Credit Risk: The Department does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the Department has a collateral agreement.

Foreign Currency Risk: The Department has no exposure to foreign currency risk.

Note 3. Long-Term Debt:

Long-term debt consists of the following as of December 31, 2022:

Revenue bond payable to USDA, due in monthly installments of \$639 including interest at 5%, maturing in 2026, current portion is \$6,624.	\$ 23,891
Revenue bond payable to USDA, due in monthly installments of \$1,670 including interest at 5%, maturing in 2026, current portion is \$17,240.	63,821
	87,712
Less portion considered current	(23,864)
Total long-term debt	<u>\$ 63,848</u>

The future maturities of long-term debt as follows:

	Principal	Interest	Total
2023	23,864	3,844	27,708
2024	25,086	2,622	27,708
2025	26,369	1,339	27,708
2026	12,394	169	12,563
Total	<u>\$ 87,713</u>	<u>\$ 7,974</u>	<u>\$ 95,687</u>

The revenue bonds have restrictive covenants including requirements to accumulate a debt service reserve at \$230 per month until \$27,708 is accumulated. As of December 31, 2022, the debt service reserve was fully funded. The Department has pledged future water customer revenues, net of specified operating expenses, to repay \$87,713 in revenue bonds. Proceeds from the bonds were used for the building of the Department's water system.

WINSLOW WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Page 8

Note 4. Water Customers and Rates:

As of December 31, 2022, the number of active users of Winslow Water Department totaled 660.

The following water rates were in effect as of December 31, 2022:

Minimum water rates are for the first 1,000 gallons.

Minimum	1,000 gallons	\$31.00
Next	4,000 gallons	7.00 per 1,000 gallons
Next	35,000 gallons	11.00 per 1,000 gallons
Next	40,000 gallons	15.00 per 1,000 gallons
\$25.00 per 1,000 gallons for non-metered customers.		

Note 5. Insurance Coverage:

Type of Coverage	Amount of Coverage	Policy Period
Property	\$3,344,697 *	August 26, 2022 to August 26, 2023

Workers Compensation	Statutory	October 27, 2022 to October 27, 2023
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* Property coverage includes all City of Winslow property.

Note 6. Government:

The Water Department of the City of Winslow, Arkansas is governed by a mayor and six council members. The records are maintained by the City Recorder/Treasurer. The following individuals held those positions at December 31, 2022:

Randy Jarnagan	Mayor
Ann Malkie	Recorder/Treasurer
Marsha Cooley	Council Member
Cory Duncan	Council Member
Jerry Kidder	Council Member
Dan Dean	Council Member
Ken Stout	Council Member
David Holcomb	Council Member

SUPPLEMENTARY INFORMATION

WINSLOW WATER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2022

SCHEDULE I
Page 9

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
CASH RECEIPTS:			
Water Revenue	\$ 440,663	\$ 473,618	\$ 32,955
Other Income	-	5,591	5,591
Meter Usage Fees	6,600	6,055	(545)
Transfers from City of Winslow	202,528	152,861	(49,667)
Interest Income	54	96	42
TOTAL CASH RECEIPTS	<u>649,845</u>	<u>638,221</u>	<u>(11,624)</u>
CASH DISBURSEMENTS:			
Water Purchases	184,484	167,716	16,768
Payroll Expenses / Contract Labor	118,373	148,864	(30,491)
Capital Purchases	158,762	118,014	40,748
Debt Service - Interest Payments	-	5,004	(5,004)
Debt Service - Principal Payments	27,708	22,704	5,004
Dues and Fees	700	1,106	(406)
Insurance	6,831	5,673	1,158
Legal and Professional	3,000	2,786	214
Office Supplies and Postage	5,042	5,539	(497)
Repairs/Maintenance and Supplies	60,000	74,576	(14,576)
Sales Tax Expense	41,466	30,589	10,877
Travel	500	1,331	(831)
Utilities	36,179	41,886	(5,707)
Miscellaneous	6,800	6,915	(115)
TOTAL CASH DISBURSEMENTS	<u>649,845</u>	<u>632,703</u>	<u>17,142</u>
NET CHANGE IN CASH	<u>\$ -</u>	<u>\$ 5,518</u>	<u>\$ 5,518</u>

See Independent Accountants' Compilation Report.