

WASHINGTON WATER DEPARTMENT



WASHINGTON, ARKANSAS

DECEMBER 31, 2018

WASHINGTON WATER DEPARTMENT  
WASHINGTON, ARKANSAS

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**TURNER, RODGERS, MANNING & PLYLER, PLLC**  
**Certified Public Accountants**

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Mayor and City Council  
Washington, Arkansas

We have performed the procedures enumerated below on the accounting records of Washington Water Department as of and for the year ended December 31, 2018. Washington Water Department's management is responsible for the accounting records.

Washington 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 one deposit, agree the cash/check composition of the deposit with receipt information.

Finding: Step 2c could not be completed as the receipt reports for Washington Water Department do not distinguish between cash/check payments.

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.

Finding: Step 6c, the debt service cash account has not been maintained in accordance with the loan agreement. The loan agreement calls for transfers equaling 3% of gross water sales into the debt service account, up to 10% of original loan amount. Zero transfers were made during 2018, and the debt service cash balance is less than 10% of the original loan amount.

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 Washington 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 Washington 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 Washington 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 Washington 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 11, 2021

**TURNER, RODGERS, MANNING & PLYLER, PLLC**  
***Certified Public Accountants***

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Washington Water Department  
Washington, AR

Management is responsible for the accompanying financial statements of Washington Water Department, which comprise the statement of assets, liabilities, and fund equity – 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 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 statement 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 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.

Management has elected to omit substantially all of the disclosures ordinarily included in the financial statements prepared in accordance with the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about Washington Water Department's cash position, and results of operations – cash basis. Accordingly, these financial statements are not for those who are not informed about such matters.

Management has omitted the management's discussion and analysis and budgetary comparison schedule that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas  
January 11, 2021

WASHINGTON WATER DEPARTMENT  
STATEMENT OF ASSETS, LIABILITIES  
AND FUND EQUITY - CASH BASIS  
DECEMBER 31, 2018

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ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 7,286
Certificates of Deposit	21,801
TOTAL CURRENT ASSETS	<u>29,087</u>

RESTRICTED ASSETS:

Cash - Meter Deposit Fund	7,791
Cash - Debt Service	3,930
TOTAL RESTRICTED ASSETS	<u>11,721</u>

TOTAL ASSETS	<u><u>\$ 40,808</u></u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Current portion of Note Payable	\$ 3,911
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LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Meter Deposits Payable	6,784
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LONG-TERM LIABILITIES:

Note Payable	72,732
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TOTAL LIABILITIES	<u>83,427</u>
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FUND EQUITY:

Restricted Net Assets	4,937
Unrestricted Net Assets	(47,556)
TOTAL FUND EQUITY	<u>(42,619)</u>

TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 40,808</u></u>
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See Independent Accountants' Compilation Report.

WASHINGTON WATER DEPARTMENT  
STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018

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CASH RECEIPTS:

Customer Collections	\$ 51,250
Capital Fund Assistance	39,274
Meter Deposits Received	50
Interest Received	98
TOTAL CASH RECEIPTS	<u>90,672</u>

CASH DISBURSEMENTS:

Payroll Expenses	32,033
Debt Service - Interest	4,018
Debt Service - Principal	3,724
Dues and Subscriptions	1,659
Insurance	1,994
Invested in Certificate of Deposit	87
Legal and Accounting	400
Office Expense	760
Repairs and Maintenance	5,232
Sales Tax Remittance	4,487
Supplies and Chemicals	48
Travel Expenses	1,048
Utilities	3,148
Capital Purchases	39,416
Miscellaneous	357
TOTAL CASH DISBURSEMENTS	<u>98,411</u>

NET CHANGE IN CASH	<u>(7,739)</u>
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	26,746
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 19,007</u></u>
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See Independent Accountants' Compilation Report.