

**TOWN OF MAGNESS WATER
AND SEWER DEPARTMENT**

Accountant's Agreed-Upon Procedures

As of December 31, 2019



Welch, Couch & Company, PA

Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA

Members of American Institute of Certified Public Accountants
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Management
of Town of Magness Water and Sewer Department
Magness, Arkansas

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Magness Water and Sewer Department, solely to assist you in connection with compliance with Ark. Code. Ann. 14-234-119 to 122 as of December 31, 2019. Town of Magness Water and Sewer Department's management is responsible for the Department's accounting records. The sufficiency of these procedures is solely the responsibility of the management of Town of Magness Water and Sewer Department. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Cash and Investments

We obtained confirmation of the cash on deposit from the following bank, and we agreed the confirmed balance to the amount shown on the bank reconciliations maintained by the Management. We performed a proof of cash for the year and agreed the ending balances to the book balances within the greater of 5% or \$500. We reconciled the year-end bank balances to the book balance in the following amounts:

<u>First National Banking Company</u>	<u>Number</u>	<u>Reconciled Balances as of December 31, 2020</u>
Water Operating Account	53716	\$ 36,587
Water Debt Service	53724	7,479
Water Escrow	53732	9,592
Water Meter	53740	21,401
Water CD Fund	399175	2,282
Water CD Fund	399183	39,934
Water CD Fund	399205	40,587
		<u>\$ 157,862</u>

We noted no exceptions as a result of the above procedures.

2. Receipts

We agreed the deposits per the proof of cash for the year to the deposits per the journal within 5% or \$500, whichever was greater. We agreed ten customer payments on the billing register to deposit and billing documents.

We noted no exceptions as a result of the above procedures.

Batesville: PO Box 2094 | Batesville, AR 72503 | P: 870.793.5231 | F: 870.793.7788

Salem: PO Box 647 | Salem, AR 72576 | P: 870.895.3212 | F: 870.895.2998

West Plains: 1386 Bill Virdon Blvd. | West Plains, MO 65775 | P: 417.256.6624 | F: 417.256.1171

3. **Accounts Receivable**

We agreed ten customer billings to the billing register. We selected five customer adjustments to verify proper authorization.

We noted no exceptions as a result of our procedures.

4. **Disbursements**

We agreed the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever was greater. We selected ten disbursements to determine if they were adequately documented.

We noted no exceptions as a result of our procedure.

5. **Property, Plant and Equipment**

We determined that property, plant and equipment additions and disposals were properly accounted for in the records, at a level of materiality equal to 5% of total property, plant and equipment or \$500, whichever was greater.

We noted no exceptions meeting the scope as a result of our procedure.

6. **Long-Term Debt**

We obtained confirmation of the following loans payable, verified changes in all balances for the year, and determined that the appropriate debt service accounts had been established and maintained.

<u>Lender</u>	<u>Number</u>	<u>Balance</u>	<u>Debt Service Reserve</u>	<u>Depreciation Reserve</u>
United States Department of Agriculture	91-03	49,830	3,696	-
United States Department of Agriculture	91-04	48,565	3,612	-
United States Department of Agriculture	92-05	103,635	6,336	6,350

We noted no exception as a result of our procedure.

7. **General**

We determined that any item of financial significance was approved and documented in the minutes of governing body's meetings.

We noted no exception as a result of our procedure.

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, the objective of which would be the expression of an opinion on the specified

elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of Town of Magness Water and Sewer Department, the Arkansas Legislative Joint Auditing Committee, United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
March 29, 2021

**TOWN OF MAGNESS WATER
AND SEWER DEPARTMENT**

**Independent Accountant's Compilation Report
and Financial Statements**

December 31, 2019

TOWN OF MAGNESS WATER AND SEWER DEPARTMENT

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Independent Accountant's Compilation Report

To the Management of
Town of Magness Water and Sewer Department
Magness, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the Town of Magness Water and Sewer Department (the Department), which comprise the statement of assets, liabilities and net position – modified cash basis of Town of Magness Water and Sewer Department as of December 31, 2019, and the related statement of revenues, expenses and changes in net position – modified cash basis for the year then ended, and for determining that the modified 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 modified 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 financial statements prepared on the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Department's assets, liabilities, and net position resulting from cash transactions and the cash receipts and disbursements. Accordingly, these financial statements are not designed 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
March 29, 2021

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TOWN OF MAGNESS WATER AND SEWER DEPARTMENT

Statement of Assets, Liabilities and Net Position –
Modified Cash Basis

December 31, 2019

Assets

Current assets	
Cash and cash equivalents	\$ 36,587
Certificates of deposit	79,880
Total current assets	<u>116,467</u>
Restricted assets	
Cash and cash equivalents	38,473
Certificates of deposit	2,922
Total restricted assets	<u>41,395</u>
Capital assets	
Nondepreciable assets	20,000
Depreciable assets, net of accumulated depreciation	150,918
Total capital assets	<u>170,918</u>
Total assets	<u><u>\$ 328,780</u></u>

Liabilities and Net Position

Current liabilities	
Current maturities - long-term liabilities	\$ 5,218
Total current liabilities	<u>5,218</u>
Noncurrent liabilities	
Meter deposits	16,740
Notes payable, net of current maturities	196,812
Total noncurrent liabilities	<u>213,552</u>
Total liabilities	<u>218,770</u>
Net position	
Restricted expendable	19,994
Unrestricted	90,016
Total net position	<u>110,010</u>
Total liabilities and net position	<u><u>\$ 328,780</u></u>

See independent accountant's compilation report.

TOWN OF MAGNESS WATER AND SEWER DEPARTMENT
Statement of Revenues, Expenses and Changes in Net Position -
Modified Cash Basis

For the Year Ended December 31, 2019

Operating revenue	
Water service	\$ 122,599
Total operating revenues	<u>122,599</u>
 Operating expenses	
Salaries and employee taxes	2,392
Equipment and supplies	3,769
Sales tax	4,684
Garbage fees	9,072
Purchased services - water	88,731
Utilities	2,262
Administrative expenses	5,922
Depreciation expense	7,104
Total operating expenses	<u>123,936</u>
Operating (deficit)	<u>(1,337)</u>
 Nonoperating revenues (expenses)	
Interest income	401
Interest expense	(8,817)
Total nonoperating revenues (expenses)	<u>(8,416)</u>
(Decrease) in net position	(9,753)
Net position, beginning of year	<u>119,763</u>
Net position, end of year	<u><u>\$ 110,010</u></u>

See independent accountant's compilation report.