

THORNTON WATER WORKS



THORNTON, ARKANSAS

JUNE 30, 2017

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THORNTON, 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
Thornton, Arkansas

We have performed the procedures enumerated below which were agreed to by the Thornton Water Works and the Arkansas Legislative Joint Auditing Committee, solely to assist you with respect to the accounting records of the Thornton Water Works as of and for the year ended June 30, 2017. Thornton Water Works' management is responsible for the entity's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. 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 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.

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 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 Thornton Water Works 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
October 29, 2018

TURNER, RODGERS, MANNING & PLYLER, PLLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Thornton Water Works
Thornton, AR

Management is responsible for the accompanying financial statements of Thornton Water Works, which comprise the statement of assets, liabilities, and fund equity – modified cash basis as of June 30, 2017, 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. 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.

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 Thornton Water Works' cash position, and results of operations – modified cash basis. Accordingly, these financial statements are not for those who are not informed about such matters.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

October 29, 2018

THORNTON WATER WORKS
STATEMENT OF ASSETS, LIABILITIES
AND FUND EQUITY - MODIFIED CASH BASIS
JUNE 30, 2017

ASSETS

CURRENT ASSETS:	
Cash and Cash Equivalents	<u>\$ 16,732</u>
RESTRICTED ASSETS:	
Restricted Cash - Construction	7,121
Restricted Cash - Depreciation	17,362
Restricted Cash - Meter Deposits	26,996
Restricted Certificate of Deposit - Debt Service	23,869
Restricted Certificate of Deposit - Depreciation	5,092
Restricted Certificate of Deposit - Meter Deposits	<u>15,057</u>
TOTAL RESTRICTED ASSETS	<u>95,497</u>
FIXED ASSETS:	
Land	21,780
Water and Sewer System	1,623,902
Equipment and Vehicles	18,081
Construction in Progress	1,982,980
Less: Accumulated Depreciation	<u>(1,180,503)</u>
TOTAL FIXED ASSETS	<u>2,466,240</u>
TOTAL ASSETS	<u><u>\$2,578,469</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	
Current Portion of Long-Term Debt	\$ 21,081
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Meter Deposits Payable	27,040
LONG-TERM LIABILITIES:	
Bonds Payable	1,981,042
TOTAL LIABILITIES	<u>2,029,163</u>
FUND EQUITY:	
Restricted Net Assets	68,457
Unrestricted Net Assets	<u>480,849</u>
TOTAL FUND EQUITY	<u>549,306</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$2,578,469</u></u>

See Independent Accountants' Compilation Report.

THORNTON WATER WORKS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR YEAR ENDED JUNE 30, 2017

CASH RECEIPTS:

Water and Sewer Receipts	\$ 237,473
Transfers from General Fund	51,650
Meter Deposits Received	2,685
Loan Proceeds	378,983
Interest Received	224
TOTAL CASH RECEIPTS	<u>671,015</u>

CASH DISBURSEMENTS:

Payroll Expenses	63,875
Payroll Taxes	6,813
Contract Labor	40,006
Fixed Asset Additions	488,910
Insurance	37
Interest Expense	7,875
Licenses and Fees	5,021
Loan Payments - Principal	9,916
Meter Deposit Refunds	629
Office Supplies	1,353
Operating Supplies	45,589
Professional Fees	9,300
Repairs and Maintenance	11,177
Sales Tax	16,740
Transfers to General	15,464
Transfers to Solid Waste	16,840
Travel	24
Utilities and Telephone	12,275
Miscellaneous	80
TOTAL CASH DISBURSEMENTS	<u>751,924</u>

NET CHANGE IN CASH	<u>(80,909)</u>
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	149,120
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 68,211</u>
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See Independent Accountants' Compilation Report.