



Berry & Associates
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

August 16, 2022

Members of City Council
Keo Municipal Water and Sewer Department
P. O. Box 181
Keo, AR 72083

MANAGEMENT REPORT

In performing the agreed upon procedures of Keo Municipal Water and Sewer Department for the year ended December 31, 2021, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency.

Improve Financial Records

During our agreed upon procedures, we noted that there are three sets of QuickBooks established. This makes it impossible to get a comprehensive set of financial records for the department. With these accounts not being maintained, it does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system cannot be overemphasized. We recommend that you close two of the sets of QuickBooks, the Meter Deposit and Depreciation Reserve, and transfer their balances into the Main set. Three bank accounts (or more) can be handled in one set of QuickBooks, and you will have a complete set of financial records. We will provide Post Closing Adjustments to be posted as of January 1, 2022, and your financial records will correspond with our financial reports.

Debt Service Reserves

It has come to our attention that the restricted cash is underfunded. Debt service funds of \$20,800 are required to comply with the loan security agreements with Arkansas Natural Resources Commission. As of December 31, 2021, cash reserves were under funded by approximately \$19,131.

Meter Deposits

The meter deposit balance is uncertain, due to a listing of balances not being maintained. Copies of meter applications are being kept, but refunds are being made at current rates. Deposits from earlier times may have been less than current requirements, resulting in more money being refunded than was paid. Efforts should be made to determine a listing of meter deposits collected by customer and paid. Then the balance in the meter deposit account should be balanced to the complete listing.

Customer Payments

Each day's receipts should be deposited within 3 business days, and the totals should match payment records.

Customer Adjustments

A listing of customer adjustments should be printed each month, and it should be approved by at least one person other than the one making the adjustments.

We wish to thank the Mayor and accounting staff for their support and assistance during our engagement. Please mail a copy of the agreed upon procedures report to the following:

Arkansas Department of Agriculture
Natural Resources Division
#1 Natural Resources Drive
Little Rock, AR 72205

If you have any questions, please do not hesitate to call us at (501) 227-9044.

Sincerely,

Berry & Associates

Berry & Associates, P.A

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2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 972-437-2919
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KEO MUNICIPAL WATER AND SEWER DEPARTMENT
Keo, Arkansas
For the Year Ended December 31, 2021

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES



City Council
Keo Municipal Water and Sewer Department
Keo, Arkansas

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the members of the City Council on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119 for the Keo Municipal Water and Sewer Department for the year ended December 31, 2021. Keo Municipal Water and Sewer Department's management is responsible for the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. The sufficiency of these procedures is solely the responsibility of the members of the City Council. 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:

Cash

1. a. Perform a proof and reconciliation of cash for the year.
- b. Confirm the cash on deposit and investments with the depository institutions.
- c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Findings: We found no exceptions as a result of the procedures.

Receipts

2. 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 10 customer payments on the accounts receivable subsidiary ledger to deposit and billing documents.
- c. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: We found no exceptions as a result of the procedures.

Accounts Receivable

3. a. Agree 10 customer billings to the accounts receivable sub ledger.
- b. Determine that 5 customer adjustments were properly authorized.

Findings: We found no exceptions as a result of the procedures.

**City Council
Keo Municipal Water and Sewer Department**

Disbursements

4. 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 (10) other disbursements and determine if they were adequately documented.

Findings: We found no exceptions as a result of the procedures.

Property, Plant, & Equipment

5. a. Determine that additions and disposals were properly accounted for in the records.

Findings: We found no exceptions as a result of the procedures.

Long-Term Debt

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

Findings: We found the following exceptions as a result of these procedures: We found that the debt service account was underfunded. We found no other exceptions as a result of these procedures.

General

7. a. Determine that any items of financial significance were approved and documented in the minutes of the governing body minutes.

Findings: We found no exceptions as a result of the procedures.

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 or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the procedures specified by the Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119. 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.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, Arkansas Natural Resources Commission, and the Keo Municipal Water and Sewer Department and is not intended to be used by anyone other than this specified party.

Berry & Associates

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
August 16, 2022

**KEO MUNICIPAL WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2021
and
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

KEO MUNICIPAL WATER AND SEWER DEPARTMENT
Keo, Arkansas
For the Year Ended December 31, 2021

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**City Council
Keo Municipal Water and Sewer Department
Keo, Arkansas**

Management is responsible for the accompanying financial statements of Keo Municipal Water and Sewer Department which comprise the statement of assets, liabilities, and net position – modified cash basis as of December 31, 2021, and the related statement of cash receipts and cash disbursements—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 the disclosures ordinarily included in financial statements prepared in accordance with 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, net position, cash receipts, and cash disbursements. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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Little Rock, Arkansas
August 16, 2022

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KEO MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION-MODIFIED CASH BASIS
December 31, 2021

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 5,806
RESTRICTED ASSETS	
Restricted Cash	13,960
FIXED ASSETS	
Water Plant	336,147
Sewer Plant	450,041
	<u>786,188</u>
Less: Accumulated Depreciation	(748,043)
Net Fixed Assets	<u>38,145</u>
TOTAL ASSETS	<u>\$ 57,911</u>
 <u>LIABILITIES AND NET POSITION</u> 	
CURRENT LIABILITIES	
Current Maturities of Long-Term Debt	\$ 9,700
LONG-TERM DEBT, Net of Current Maturities	
Arkansas Natural Resources Commission	51,787
PAYABLES FROM RESTRICTED ASSETS	
Customer Water Meter Deposits	<u>9,285</u>
TOTAL LIABILITIES	<u>70,772</u>
NET POSITION	
Unrestricted, deficit	(14,530)
Temporarily Restricted	<u>1,669</u>
TOTAL NET POSITION, DEFICIT	<u>(12,861)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 57,911</u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**KEO MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2021**

CASH RECEIPTS

Water Revenue	\$ 117,981
Interest Income	11
Meter Deposits	2,535
Transfer In	16,940
Total Cash Receipts	<u>137,467</u>

CASH DISBURSEMENTS

Labor - contract labor	2,603
Labor - wages	18,767
Debt Service	
Principal	9,523
Interest	1,491
Chemicals	1,842
Customer Refunds	46
Dues & Subscriptions	535
Insurance	758
Lab Expenses	1,411
Licenses & Permits	787
Postage	1,160
Professional Fees	10,490
Repairs & Maintenance	44,405
Supplies	2,692
Taxes - payroll	3,542
Taxes - sales	7,569
Trash Service	11,549
Utilities	6,445
Water Purchased	1,114
Miscellaneous Expense	7,141
Meter Deposit Refunds	280
Total Cash Disbursements	<u>134,150</u>

INCREASE IN CASH AND RESTRICTED CASH

3,317

BEGINNING CASH AND RESTRICTED CASH, AT JANUARY 1, 202116,449**ENDING CASH AND RESTRICTED CASH, AT DECEMBER 31, 2021**\$ 19,766

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

