

KEO MUNICIPAL WATER AND SEWER DEPARTMENT
Keo, Arkansas
For the Year Ended December 31, 2022

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 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, 2022. 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.

Keo Municipal Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with Arkansas law and lender requirements. 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:

Cash

1. a. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
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.

Findings: *No exceptions were found as a result of applying 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 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.

Findings: *No exceptions were found as a result of applying the procedures.*

Accounts Receivable

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

Findings: *No exceptions were found as a result of applying the procedures.*

11225 Huron Lane, Suite 212 • Little Rock, AR 72211 • 501-227-9044 • Fax 501-227-8791•

jtberry@berryassociatescpa.com

2911 Turtle Creek Blvd., Suite 300 • Dallas, TX 75219 • 972-437-2919

2088 Main Street, Suite A • Madison, MS 39110 • 601-383-0119

**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 other disbursements and determine if they were adequately documented.

Findings: *No exceptions were found as a result of applying the procedures.*

Property, Plant, & Equipment

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

Findings: *No exceptions were found as a result of applying 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. No other exceptions were found as a result of applying 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: *No exceptions were found as a result of applying the procedures.*

We were engaged by the Keo Municipal Water and Sewer Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an audit or review engagement, 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.

We are required to be independent of the Keo Municipal Water and Sewer Department, and to meet our 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 the Keo Municipal Water and Sewer Department, Arkansas Natural Resources Commission, and the Legislative Joint Auditing Committee, and is not intended to be used by anyone other than these specified parties.

Berry + Associates

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
November 30, 2023

**KEO MUNICIPAL WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2022
and
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

KEO MUNICIPAL WATER AND SEWER DEPARTMENT
Keo, Arkansas
For the Year Ended December 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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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, 2022, 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.

Berry & Associates

Berry & Associates, P.A.
Little Rock, Arkansas
November 30, 2023

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KEO MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION-MODIFIED CASH BASIS
December 31, 2022

| <u>ASSETS</u> | | |
|--|--|-------------------------|
| CURRENT ASSETS | | |
| Cash | | \$ 36,265 |
| RESTRICTED ASSETS | | |
| Restricted Cash | | 25,093 |
| FIXED ASSETS | | |
| Water Plant | | 336,147 |
| Sewer Plant | | <u>450,041</u> |
| | | 786,188 |
| Less: Accumulated Depreciation | | <u>(753,224)</u> |
| Net Fixed Assets | | <u>32,964</u> |
| TOTAL ASSETS | | <u><u>\$ 94,322</u></u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | | \$ 9,900 |
| LONG-TERM DEBT, Net of Current Maturities | | |
| Arkansas Natural Resources Commission | | 41,864 |
| PAYABLES FROM RESTRICTED ASSETS | | |
| Customer Water Meter Deposits | | <u>11,395</u> |
| TOTAL LIABILITIES | | <u>63,159</u> |
| NET POSITION | | |
| Unrestricted | | 20,232 |
| Temporarily Restricted | | <u>10,931</u> |
| TOTAL NET POSITION | | <u>31,163</u> |
| TOTAL LIABILITIES AND NET POSITION | | <u><u>\$ 94,322</u></u> |

KEO MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2022

CASH RECEIPTS

| | |
|---------------------|----------------|
| Water Revenue | \$ 142,542 |
| Interest Income | 137 |
| Meter Deposits | 2,785 |
| Total Cash Receipts | <u>145,464</u> |

CASH DISBURSEMENTS

| | |
|--------------------------|----------------|
| Labor - wages | 18,980 |
| Debt Service | |
| Principal | 9,723 |
| Interest | 1,291 |
| Chemicals | 1,253 |
| Customer Refunds | 85 |
| Dues & Subscriptions | 1,560 |
| Insurance | 780 |
| Lab Expenses | 575 |
| Licenses & Permits | 480 |
| Postage | 888 |
| Professional Fees | 10,300 |
| Repairs & Maintenance | 12,728 |
| Supplies | 1,721 |
| Taxes - payroll | 6,515 |
| Taxes - sales | 8,699 |
| Trash Service | 12,779 |
| Utilities | 6,585 |
| Miscellaneous Expense | 8,255 |
| Meter Deposit Refunds | 675 |
| Total Cash Disbursements | <u>103,872</u> |

INCREASE IN CASH AND RESTRICTED CASH

| | |
|---|----------------------|
| BEGINNING CASH AND RESTRICTED CASH, AT JANUARY 1, 2022 | 41,592 |
| ENDING CASH AND RESTRICTED CASH, AT DECEMBER 31, 2022 | <u>19,766</u> |

\$ 61,358