

**GUIDELINES FOR CONDUCTING
AGREED-UPON PROCEDURES
FOR WATER AND SEWER SERVICE PROVIDERS**

December 9, 2025

(Effective for engagements beginning on or after July 28, 2021)

LEGISLATIVE JOINT AUDITING COMMITTEE



GUIDELINES FOR CONDUCTING
AGREED-UPON PROCEDURES
FOR WATER AND SEWER SERVICE PROVIDERS

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Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

FOREWORD

This booklet is intended to provide guidance for those accountants employed by water and sewer providers to perform agreed-upon procedures as authorized by Ark. Code Ann. § 14-234-119. The code provides that sewer or water systems providing services for at least one hundred (100) but less than two thousand (2,000) service connections shall obtain an annual audit or an annual agreed-upon procedures and compilation report. Any sewer or water system having at least two thousand (2,000) service connections shall obtain an annual financial audit of their system. The agreed-upon procedures and compilation engagements shall be conducted in accordance with standards established by the American Institute of Certified Public Accountants and subject to minimum procedures prescribed by the Legislative Joint Auditing Committee. Those procedures are listed in this booklet. Ark. Code Ann. §§ 14-234-119 – 14-234-122 are included as a part of this booklet and provide specific guidance concerning the requirements imposed on the accountants performing these reports.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Kevin White".

Kevin William White, CPA, JD
Legislative Auditor

MINIMUM AGREED-UPON PROCEDURES PRESCRIBED
BY THE LEGISLATIVE JOINT AUDITING COMMITTEE

Cash and Investments

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.

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 subledger to deposit and billing documents.
- C. For ten deposits, agree the cash/check composition of the deposit with receipt information.

Accounts Receivable

3. A. Agree ten customer billings to the accounts receivable subledger.
- B. Determine that five customer adjustments were properly authorized.

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.

Property, Plant, and Equipment

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

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 lender/trustee/contractor.
- C. Determine that the appropriate debt service accounts have been established and maintained.

General

- 7. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

14-234-119. Annual audits and procedures.

(a)

(1) A county, municipality, improvement district, or not-for-profit association or entity receiving fees from customers for providing sewage services shall obtain an annual financial audit of the system if the system has at least two thousand (2,000) service connections during a fiscal year.

(2) A county, municipality, improvement district, or not-for-profit association or entity receiving fees from customers for providing water services shall obtain an annual financial audit of the system if the system has at least two thousand (2,000) service connections during a fiscal year.

(b)

(1)

(A) A county, municipality, improvement district, or not-for-profit association or entity receiving fees from customers for providing sewage services and having at least one hundred (100) but less than two thousand (2,000) service connections during a fiscal year shall obtain an annual audit or an annual agreed-upon procedures and compilation report.

(B) A county, municipality, improvement district, or not-for-profit association or entity receiving fees from customers for providing water services and having at least one hundred (100) but less than two thousand (2,000) service connections during a fiscal year shall obtain an annual audit or an annual agreed-upon procedures and compilation report.

(2) The agreed-upon procedures and compilation report engagement shall be conducted in accordance with standards established by the American Institute of Certified Public Accountants and subject to minimum procedures prescribed by the Legislative Joint Auditing Committee.

(c) The audits or agreed-upon procedures and compilation reports shall be completed within one (1) year following each system's fiscal year end.

(d) Each entity shall choose and employ accountants who are licensed and in good standing with the Arkansas State Board of Public Accountancy.

HISTORY: Acts 1997, No. 272, § 1; 1999, No. 218, § 1; 2011, No. 605, § 1; 2011, No. 615, § 1; 2015, No. 400, § 1; 2021, No. 907, § 1.

14-234-120. Filing of report — Withholding of turnback funds — Definition.

(a) As used in this section, "turnback funds" means:

(1) General revenue turnback funds, as defined in the Revenue Stabilization Law, § 19-20-101 et seq.; and

(2) Highway revenue turnback funds, as distributed under § 27-70-207.

(b)

(1) Within thirty (30) days of completion of the audit report or the agreed-upon procedures and compilation report, the accountant performing the audit or agreed-upon procedures and compilation shall submit the report to the Legislative Auditor.

(2) The report shall be submitted in an electronic media format approved by the Legislative Auditor.

(c)

(1) If the report for a municipal water or sewer system is not submitted to the Legislative Auditor on behalf of the municipality within eighteen (18) months after the end of a fiscal year that the report covers, the Legislative Joint Auditing Committee may give notice of that fact to the Treasurer of State, who shall then withhold any turnback funds due the municipality in escrow until notified by the Legislative Joint Auditing Committee that all reports covering periods through the most recent fiscal year have been filed, at which time the escrowed turnback funds shall be released to the municipality.

(2) If the Treasurer of State holds a municipality's turnback funds under this subsection longer than twelve (12) months:

(A) The turnback funds shall be redistributed to all other municipalities receiving turnback funds; and

(B) The municipality shall not accrue additional turnback funds until the Legislative Joint Auditing Committee notifies the Treasurer of State that all reports under this section covering periods through the most recent fiscal year ended have been filed.

(3) The withholding of turnback funds under this subsection is in addition to penalties that may be assessed under § 14-234-122.

History: Acts 1997, No. 272, § 2; 1999, No. 218, § 2; 2011, No. 615, § 2; 2023, No. 453, § 3; 2025, No. 419, § 142.

14-234-121. Review of audit report or report of agreed-upon procedures by board.

Each audit report or report of agreed-upon procedures shall be reviewed by the appropriate board at the next regularly scheduled open meeting after receiving the audit report or the report of agreed-upon procedures from the accountant.

HISTORY: Acts 1997, No. 272, § 3; 1999, No. 218, § 3.

14-234-122. Penalty provision.

Any entity not complying with §§ 14-234-119 -- 14-234-121 may be subject to fines up to one thousand dollars (\$1,000) by the Department of Health, the Division of Environmental Quality, or the Arkansas Natural Resources Commission and any permits or licenses obtained from these agencies are subject to cancellation or nonrenewal.

HISTORY: Acts 1997, No. 272, § 4; 1999, No. 218, § 4; 2019, No. 910, § 3037.