

**CITY OF ASH FLAT, ARKANSAS
WATER AND SEWER FUNDS
(Proprietary Funds of the
City of Ash Flat, Arkansas)**

Accountant's Agreed-Upon Procedures

As of December 31, 2022



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 Mayor, City Council and Management
of City of Ash Flat, Arkansas Water and Sewer Funds
Ash Flat, Arkansas

We have performed the procedures enumerated below on compliance with Ark. Code Ann. 14-234-119 to 122 of the City of Ash Flat, Arkansas Water and Sewer Funds, as of December 31, 2022. City of Ash Flat, Arkansas Water and Sewer Funds's management is responsible for the Department's accounting records.

City of Ash Flat, Arkansas Water and Sewer Funds has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with Ark. Code Ann. 14-234-119 to 122. Additionally, the Mayor, City Council, and Management of the City of Ash Flat, Arkansas Water and Sewer Funds have agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest as 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 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 City. 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:

	Reconciled Balances as of <u>December 31, 2022</u>
<u>First National Banking Company</u>	
Water Operating Account	\$ 13,286
Water Depreciation	24,015
Water Revenue Bond Fund CD	6,307
Water Depreciation CD	2,458
Water Special Savings	51,749
Water Debt Service CD	2,134
Sewer Operating Account	11,547
Sewer Bond Reserve	48,567
Sewer Depreciation	2,029
Sewer Pump Savings	161,770
Sewer Reserve	20,295
Sewer Special Savings	12,004
Meter Deposit Checking	23,243
Meter Deposit CD	5,691

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

2. **Receipts**

We agreed the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever was greater. We agreed ten customer payments on the accounts receivable sub-ledger to deposit and billing documents. For ten deposits, we agreed the cash/check composition of the deposit with receipt information.

We noted no exceptions as a result of these procedures.

3. **Accounts Receivable**

We agreed ten customer billings to the accounts receivable subledger. 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 analyzed all property, plant and equipment disbursements. We selected all disbursements paid to employees other than payroll and ten other disbursements to determine if they were adequately documented.

We noted no exceptions as a result of these procedures.

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. There were nineteen property, plant and equipment additions in the period ending December 31, 2022. We noted no disposals as a result of these procedures.

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>
Arkansas Natural Resources Commission	WSSW-96-02-D	\$ 115,375	\$ -	\$ -
United States Department of Agriculture	91-04	63,256	8,441	-
United States Department of Agriculture	92-02	61,813	20,295	2,029
First National Banking Company - Ash Flat	544411	86,911	-	-

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.

We were engaged by the Mayor, City Council, and Management of City of Ash Flat, Arkansas Water and Sewer Funds 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 examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. 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 City of Ash Flat, Arkansas Water and Sewer Funds and to meet our other 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 Mayor, City Council, Management of the City of Ash Flat, AR and the Arkansas Department of Legislative Audit and is not intended to be and should not be used by anyone other than those specified parties.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
February 16, 2023

**CITY OF ASH FLAT, ARKANSAS
WATER AND SEWER FUNDS
(Proprietary Funds of the
City of Ash Flat, Arkansas)**

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

December 31, 2022

CITY OF ASH FLAT, ARKANSAS WATER AND SEWER FUNDS
(Proprietary Funds of the City of Ash Flat, Arkansas)

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Independent Accountant's Compilation Report

To the Mayor, City Council and Management of
City of Ash Flat, Arkansas Water and Sewer Funds
Ash Flat, Arkansas

Management is responsible for the accompanying financial statements the business-type activities of the City of Ash Flat, Arkansas Water and Sewer Funds, as of and for the year ended December 31, 2022, which collectively comprise the City of Ash Flat, Arkansas Water and Sewer Funds basic financial statements as listed in the table of contents, in accordance with the accounting principles generally accepted in the United States of America. 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.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Department's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that Governmental Accounting Standards Board requires 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
February 16, 2023

CITY OF ASH FLAT, ARKANSAS WATER AND SEWER FUNDS
(Proprietary Funds of the City of Ash Flat, Arkansas)

Statement of Net Position

December 31, 2022

	Assets		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 36,579	\$ 60,114	\$ 96,693
Accounts receivable	26,663	23,884	50,547
Prepaid expenses	1,549	9,012	10,561
Total current assets	<u>64,791</u>	<u>93,010</u>	<u>157,801</u>
Noncurrent assets			
Cash and cash equivalents	75,764	196,097	271,861
Certificates of deposit	16,591	-	16,591
Total noncurrent assets	<u>92,355</u>	<u>196,097</u>	<u>288,452</u>
Capital assets			
Nondepreciable assets	25,285	-	25,285
Depreciable assets, net of accumulated depreciation, \$1,238,846 - water, \$1,920,531 - sewer	452,253	1,114,754	1,567,007
Total capital assets	<u>477,538</u>	<u>1,114,754</u>	<u>1,592,292</u>
 Total assets	 <u><u>\$ 634,684</u></u>	 <u><u>\$ 1,403,861</u></u>	 <u><u>\$ 2,038,545</u></u>

See independent accountant's compilation report.

CITY OF ASH FLAT, ARKANSAS WATER AND SEWER FUNDS
(Proprietary Funds of the City of Ash Flat, Arkansas)

Statement of Net Position

December 31, 2022

Liabilities and Net Position

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current liabilities			
Current maturities - long-term liabilities	\$ 5,138	\$ 38,848	\$ 43,986
Accounts payable	22,541	3,990	26,531
Accrued interest payable	95	5,636	5,731
Interfund payables	216,675	443	217,118
Total current liabilities	<u>244,449</u>	<u>48,917</u>	<u>293,366</u>
Noncurrent liabilities			
Meter deposits	22,006	-	22,006
Notes payable, net of current maturities	58,118	225,251	283,369
Total noncurrent liabilities	<u>80,124</u>	<u>225,251</u>	<u>305,375</u>
Total liabilities	<u>324,573</u>	<u>274,168</u>	<u>598,741</u>
Net position			
Net investment in capital assets	414,282	850,655	1,264,937
Restricted expendable:			
Debt service	8,441	20,295	28,736
Capital and related projects	78,222	14,032	92,254
Other - meter deposits	5,691	-	5,691
Other - pump savings	-	161,770	161,770
Unrestricted (deficit)	(196,525)	82,941	(113,584)
Total net position	<u>310,111</u>	<u>1,129,693</u>	<u>1,439,804</u>
Total liabilities and net position	<u>\$ 634,684</u>	<u>\$ 1,403,861</u>	<u>\$ 2,038,545</u>

See independent accountant's compilation report.

CITY OF ASH FLAT, ARKANSAS WATER AND SEWER FUNDS
(Proprietary Funds of the City of Ash Flat, Arkansas)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating revenue			
Water service	\$ 342,921	\$ -	\$ 342,921
Sewer service	-	302,317	302,317
Connect/tapping fees	1,925	525	2,450
Late fees	7,832	-	7,832
Sales taxes	32,639	-	32,639
Total operating revenues	<u>385,317</u>	<u>302,842</u>	<u>688,159</u>
Operating expenses			
Depreciation	28,814	78,892	107,706
Dues and fees	4,399	2,511	6,910
Insurance	1,872	8,862	10,734
Lab testing	320	7,271	7,591
Legal and accounting	4,500	4,500	9,000
Miscellaneous	595	1,109	1,704
Payroll taxes and benefits	22,207	-	22,207
Postage	1,074	1,914	2,988
Repairs and maintenance	23,498	93,115	116,613
Retirement plan contribution	20,874	-	20,874
Salaries	137,841	-	137,841
Supplies - office	1,658	1,179	2,837
Supplies - operating	24,081	17,446	41,527
Taxes - sales	32,251	-	32,251
Trash	54,107	-	54,107
Uniforms	440	500	940
Utilities	29,958	52,775	82,733
Total operating expenses	<u>388,489</u>	<u>270,074</u>	<u>658,563</u>
Operating income (loss)	<u>(3,172)</u>	<u>32,768</u>	<u>29,596</u>
Nonoperating revenues (expenses)			
Interest income	104	209	313
Interest expense	(3,289)	(9,326)	(12,615)
Reimbursement income	-	1,583	1,583
Total nonoperating revenues (expenses)	<u>(3,185)</u>	<u>(7,534)</u>	<u>(10,719)</u>
Income (loss) before transfers	(6,357)	25,234	18,877
Transfers in	<u>124,863</u>	<u>-</u>	<u>124,863</u>
Increase in net position	118,506	25,234	143,740
Net position, beginning of year	<u>191,605</u>	<u>1,104,459</u>	<u>1,296,064</u>
Net position, end of year	<u>\$ 310,111</u>	<u>\$ 1,129,693</u>	<u>\$ 1,439,804</u>

See independent accountant's compilation report.