

CITY OF KENSETT WATER AND SEWER DEPARTMENT

**Independent Accountant's Report on
Agreed-Upon Procedures**

As of December 31, 2024



Welch, Couch & Company, PA

Certified Public Accountants

Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA
M. Garrett McSpadden, CPA | Allen E. Brinkman, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Kensett City Council and Management
City of Kensett Water and Sewer Department
Kensett, Arkansas

We have performed the procedures enumerated below on compliance with Ark. Code Ann. 14-234-119 to 122 of the City of Kensett Water and Sewer Department as of December 31, 2024. Kensett Water and Sewer Department's management is responsible for the Department's accounting records.

City of Kensett Water and Sewer Department 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 City Council and management of the City of Kensett Water and Sewer Department have agreed to and acknowledged that the procedures performed are appropriate for their purpose. 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 the associated findings are as follows:

1. Cash and Investments

We obtained confirmation of the cash on deposit from First Community Bank, and we agreed the confirmed balances to the amount shown on the bank reconciliations maintained by the Department. 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.

We were unable to confirm the cash on deposit balances with Centennial Bank due to Centennial Bank's confirmation procedures. No noted no other exceptions as a result of these procedures.

2. Receipts

We agreed the deposits per the proof of cash for the year to the deposits per the journal within 5% or \$500, whichever was greater. We agreed ten customer payments on the accounts receivable subledger 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 these 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

Little Rock: 1501 N. University, Suite 268 | Little Rock, AR 72207 | P: 501.468.0089 | F: 501.557.3929

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 as a result of these procedures.

6. **Long-Term Debt**

We obtained confirmation of the loan balances with the lender, verified changes in all balances for the year, and determined that the appropriate debt service accounts had been established and maintained.

We noted no exceptions as a result of these procedures.

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 exceptions as a result of these procedures.

We were engaged by the City Council and management of the City of Kensett 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 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 Kensett Water and Sewer Department 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 City Council and management of the City of Kensett Water and Sewer Department, United States Department of Agriculture, 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.

Welch, Couch & Company, PA
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Certified Public Accountants

Batesville, Arkansas
April 28, 2025

**CITY OF KENSETT
WATER AND SEWER DEPARTMENT
(A Proprietary Fund of the
City of Kensett, Arkansas)**

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

December 31, 2024

**CITY OF KENSETT WATER AND SEWER DEPARTMENT
(A Proprietary Fund of the City of Kensett, Arkansas)**

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Independent Accountant's Compilation Report

To the City Council and Management of
City of Kensett Water and Sewer Department
Kensett, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the City of Kensett Water and Sewer Department (a propriety fund of the City of Kensett, Arkansas), as of and for the year ended December 31, 2024, which collectively comprise the City of Kensett Water and Sewer Department's basic financial statements as listed in the table of contents, in accordance with 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. We do not express an opinion, a conclusion, nor provide any 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 City of Kensett Water and Sewer 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 the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Welch, Couch & Company, PA
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Certified Public Accountants

Batesville, Arkansas
April 28, 2025

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**CITY OF KENSETT WATER AND SEWER DEPARTMENT
(A Proprietary Fund of the City of Kensett, Arkansas)**

Statement of Net Position

December 31, 2024

Assets

Current assets	
Cash and cash equivalents	\$ 210,975
Certificates of deposit	126,251
Accounts receivable, net of allowance of \$52,301	72,141
Total current assets	409,367
 Restricted assets	
Cash and cash equivalents	164,197
Certificates of deposit	54,145
Total restricted assets	218,342
Capital assets - net of accumulated depreciation of \$1,722,397	2,539,092
Total assets	\$ 3,166,801

Liabilities and Net Position

Current liabilities	
Accounts payable	\$ 23,331
Interfund payable	11,389
Accrued interest payable	540
Accrued expenses	4,953
Current maturities of long-term debt	21,919
Total current liabilities	62,132
 Noncurrent liabilities	
Meter deposits	76,720
Long-term debt, net of current maturities	829,163
Total noncurrent liabilities	905,883
Total liabilities	968,015
 Net position	
Investment in capital assets, net of related debt	1,688,010
Restricted expendable:	
Debt service	67,150
Depreciation reserve	46,741
Unrestricted	396,885
Total net position	2,198,786
Total liabilities and net position	\$ 3,166,801

See independent accountant's compilation report.

**CITY OF KENSETT WATER AND SEWER DEPARTMENT
(A Proprietary Fund of the City of Kensett, Arkansas)**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating revenue			
Service revenue	\$ 354,914	\$ 272,197	\$ 627,111
Bad debt	(2,567)	(2,567)	(5,134)
Other revenue	6,953	3,074	10,027
Total operating revenues	<u>359,300</u>	<u>272,704</u>	<u>632,004</u>
Operating expenses			
Water expense	141,360	=	141,360
Salaries	60,203	60,202	120,405
Payroll taxes	5,177	5,176	10,353
Employee benefits	4,224	4,511	8,735
Office supplies	3,423	6,075	9,498
Utilities	3,064	38,075	41,139
Supplies	3,606	37,523	41,129
Other	6,495	9,084	15,579
Fees and testing	5,915	14,147	20,062
Repairs and maintenance	36,692	27,599	64,291
Vehicle and fuel expense	2,517	13,136	15,653
Insurance	1,757	1,757	3,514
Depreciation expense	33,172	33,172	66,344
Sales tax	21,083	=	21,083
Professional fees	3,500	3,500	7,000
Retirement expense	2,947	2,948	5,895
Total operating expenses	<u>335,135</u>	<u>256,905</u>	<u>592,040</u>
Operating income	<u>24,165</u>	<u>15,799</u>	<u>39,964</u>
Nonoperating revenues (expenses)			
Interest expense	-	(19,907)	(19,907)
Interest income	3,305	3,304	6,609
Total nonoperating revenues (expenses)	<u>3,305</u>	<u>(16,603)</u>	<u>(13,298)</u>
Increase (decrease) in net position	<u>\$ 27,470</u>	<u>\$ (804)</u>	<u>26,666</u>
Net position, beginning of year			<u>2,172,120</u>
Net position, end of year			<u>\$ 2,198,786</u>

See independent accountant's compilation report.