

CITY OF HIGHLAND SEWER DEPARTMENT

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
M. Garrett McSpadden, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and City Council
City of Highland Sewer Department
Highland, Arkansas

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

City of Highland 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 Mayor, City Council, and management of the City of Highland Sewer Department 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 banks, and we agreed the confirmed balance to the amount shown on the bank reconciliations maintained by the Sewer 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 balances.

We noted no 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 sub-ledger. We determined proper authorization of five customer adjustments.

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 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 equipment or \$500, whichever was greater.

We noted no additions or disposals of property, plant, and equipment; therefore, we could not perform testing of these procedures.

6. **Long-Term Debt**

We scheduled long-term debt and verified changes in all balances for the year. We confirmed loans with the lender. We determined that the appropriate debt service accounts had been established and maintained.

We noted no exceptions as a result of these procedures in the long-term debt balances. However, while performing these procedures, we noted that the short-lived asset account was, while established, was underfunded by \$195,063.

7. **General**

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

We noted no exceptions as a result of these procedures.

We were engaged by the Mayor, City Council, and management of the City of Highland 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 Highland 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 Mayor, City Council, and management of the City of Highland Sewer Department, the Arkansas Legislative Joint Auditing Committee, and the Arkansas Natural Resources Commission and is not intended to be and should not be used by anyone other than these specified parties.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
June 27, 2023

CITY OF HIGHLAND SEWER DEPARTMENT
Independent Accountant's Compilation Report
and Financial Statements
December 31, 2022

CITY OF HIGHLAND SEWER DEPARTMENT

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Independent Accountant's Compilation Report

To the Mayor and City Council
City of Highland Sewer Department
Highland, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the City of Highland Sewer Department, as of and for the year ended December 31, 2022, which collectively comprise the City of Highland 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 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.

Required Supplementary Information

Management has omitted the management, 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 Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
June 27, 2023

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CITY OF HIGHLAND SEWER DEPARTMENT

Statement of Net Position

December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$ 16,434
Accounts receivable	21,656
Inventory	21,475
Prepaid expenses	1,562
Total current assets	<u>61,127</u>

Noncurrent assets

Restricted cash and cash equivalents	80,037
Total noncurrent assets	<u>80,037</u>

Capital assets , net of accumulated depreciation of \$1,765,741	<u>3,507,855</u>
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Total assets	<u>\$ 3,649,019</u>
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Liabilities and Net Position

Current liabilities

Current maturities of long-term debt	\$ 39,682
Accounts payable	5,568
Accrued interest payable	3,077
Accrued payroll	694
Interfund payable - street	25,086
Total current liabilities	<u>74,107</u>

Long-term debt , net of current maturities	<u>1,138,577</u>
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Other non-current liabilities

Sewer deposits payable	10,714
Total other non-current liabilities	<u>10,714</u>

Total liabilities	<u>1,223,398</u>
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Net position

Net investment in capital assets	2,329,596
Unrestricted	15,988
Restricted for:	
Debt Service	80,037
Total net position	<u>2,425,621</u>

Total liabilities and net position	<u>\$ 3,649,019</u>
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See independent accountant's compilation report.

CITY OF HIGHLAND SEWER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2022

Operating revenues	
Sewer revenue	\$ 268,819
Other revenue	4,188
Total operating revenues	<u>273,007</u>
Operating expenses	
Salary and wages	21,583
Employee benefits	4,836
Utilities	22,438
Professional fees	10,259
Education	1,440
Insurance	3,594
Laboratory fees	5,130
Office expenses	2,767
Supplies	62,637
Repairs and maintenance	101,160
Waste disposal	6,038
Depreciation expense	116,619
Total operating expenses	<u>358,501</u>
Operating (loss)	<u>(85,494)</u>
Nonoperating revenues/(expenses)	
ARPA Grant	58,209
Interest income	42
Interest expense	(51,897)
Total nonoperating revenues/(expenses)	<u>6,354</u>
(Deficit) of revenues over expenses	<u>(79,140)</u>
Transfers in	<u>1,625</u>
Change in net position	<u>(77,515)</u>
Net position, beginning of year	<u>2,503,136</u>
Net position, end of year	<u><u>\$ 2,425,621</u></u>

See independent accountant's compilation report.