

CITY OF HIGHLAND SEWER DEPARTMENT

Agreed-Upon Procedures

As of December 31, 2023



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
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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 by the City of Highland Sewer Department, as of December 31, 2023. City of Highland Sewer Department's management is responsible for the Sewer 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 their purposes. 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 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 did not receive a response to our confirmation request for three bank accounts with one financial institution. We 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 determined proper authorization of five customer adjustments.

We noted no exceptions as a result of these procedures when vouching billings to the accounts receivable subledger. However, while conducting adjustment approval testing, we noted one exception, which was the absence of an approval signature.

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

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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 equipment or \$500, whichever was greater.

We noted no exceptions as a result of these procedures. There was one property, plant, and equipment addition and no disposals during the year ended December 31, 2023.

6. **Long-Term Debt**

We scheduled long-term debt and verified changes in all balances for the year. We confirmed loans with the lenders. We determined that the appropriate debt service accounts had been established and that monthly deposits had been made to the accounts.

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, while established, was underfunded by \$194,796.

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
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
August 16, 2024

CITY OF HIGHLAND SEWER DEPARTMENT
Independent Accountant's Compilation Report
and Financial Statements

December 31, 2023

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 (a proprietary fund of the City of Highland, Arkansas), as of and for the year ended December 31, 2023, 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 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 Highland 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
August 16, 2024

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CITY OF HIGHLAND SEWER DEPARTMENT

Statement of Net Position

December 31, 2023

Assets	
Current assets	
Cash and cash equivalents	\$ 29,714
Accounts receivable	22,504
Inventory	24,048
Prepaid expenses	1,685
Total current assets	<u>77,951</u>
Restricted assets	
Restricted cash and cash equivalents	103,299
Total restricted assets	<u>103,299</u>
Capital assets , net of accumulated depreciation of \$1,882,361	<u>3,448,735</u>
Total assets	<u>\$ 3,629,985</u>
Liabilities and Net Position	
Current liabilities	
Current maturities of long-term debt	\$ 47,674
Accounts payable	2,535
Accrued interest payable	2,959
Accrued payroll	694
Interfund payable - street	25,086
Total current liabilities	<u>78,948</u>
Long-term debt , net of current maturities	<u>1,090,422</u>
Other noncurrent liabilities	
Sewer deposits payable	13,576
Total other noncurrent liabilities	<u>13,576</u>
Total liabilities	<u>1,182,946</u>
Net position	
Net investment in capital assets	2,310,639
Unrestricted	33,101
Restricted for:	
Debt Service	103,299
Total net position	<u>2,447,039</u>
Total liabilities and net position	<u>\$ 3,629,985</u>

See independent accountant's compilation report.

CITY OF HIGHLAND SEWER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2023

Operating revenues	
Sewer revenue	\$ 308,317
Other revenue	60,259
Total operating revenues	<u>368,576</u>
Operating expenses	
Salary and wages	20,635
Employee benefits	4,626
Utilities	23,946
Professional fees	8,327
Education	548
Insurance	3,949
Laboratory fees	4,383
Office expenses	3,454
Supplies	103,078
Repairs and maintenance	45,526
Waste disposal	3,130
Depreciation expense	116,619
Total operating expenses	<u>338,221</u>
Operating income	<u>30,355</u>
Nonoperating revenues/(expenses)	
ARPA Grant	39,727
Interest income	174
Interest expense	(48,838)
Total nonoperating revenues/(expenses)	<u>(8,937)</u>
Change in net position	21,418
Net position, beginning of year	<u>2,425,621</u>
Net position, end of year	<u>\$ 2,447,039</u>

See independent accountant's compilation report.