

KENSETT WATER & SEWER DEPARTMENT

Accountant's 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
M. Garrett McSpadden, CPA

Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Kensett City Council
of Kensett Water & Sewer Department
Kensett, Arkansas

We have performed the procedures enumerated below on compliance with Ark. Code Ann. 14-234-119 to 122 of the Kensett Water & Sewer Department as of December 31, 2023. Kensett Water & Sewer Department's management is responsible for the Department's accounting records.

Kensett Water & 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 Kensett Water & 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 First Community 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.

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

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.

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

www.welchcouch.com

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 was one property, plant and equipment addition in the period ending December 31, 2023. 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.

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 City Council and Management of Kensett Water & 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 Kensett Water & 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 Kensett Water & Sewer Department, United States Department of Agriculture, 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
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
February 1, 2024

**CITY OF KENSETT, ARKANSAS
WATER AND SEWER FUNDS
(Proprietary Funds of the
City of Kensett, Arkansas)**

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

December 31, 2023

**KENSETT WATER & SEWER DEPARTMENT
(Proprietary Funds of the City of Kensett, Arkansas)**

Table of Contents

	<u>Page</u>
Independent Accountant's Compilation Report	1
Financial Statements	
Statement of Net Position	2
Statement of Revenues, Expenses and Changes in Net Position	3



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 Compilation Report

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

Management is responsible for the accompanying financial statements of the business-type activities of the Kensett Water & Sewer Department, as of and for the year ended December 31, 2023, which collectively comprise the Kensett Water & Sewer Department's 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. 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 Governmental 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
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
February 1, 2024

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

KENSETT WATER & SEWER DEPARTMENT
(Proprietary Funds of the City of Kensett, Arkansas)

Statement of Net Position

December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$ 177,613
Certificates of deposit	122,389
Accounts receivable, net of allowance of \$47,167	59,636
Total current assets	<u>359,638</u>

Noncurrent assets

Cash in bank	130,676
Certificates of deposit	53,109
Total noncurrent assets	<u>183,785</u>

Capital assets - net of accumulated depreciation of \$1,656,052	<u>2,602,783</u>
--	------------------

Total assets	<u><u>\$ 3,146,206</u></u>
---------------------	----------------------------

Liabilities and Net Position

Current liabilities

Accounts payable	\$ 16,126
Interest payable	8,164
Accrued interest payable	540
Accrued expenses	4,473
Current maturities of long-term debt	20,408
Total current liabilities	<u>49,711</u>

Noncurrent liabilities

Notes payable, net of current maturities	852,096
Total noncurrent liabilities	<u>852,096</u>

Other liabilities

Meter Deposits	72,279
----------------	--------

Total liabilities	<u>974,086</u>
--------------------------	----------------

Net position

Net investment in capital assets	1,700,976
Restricted expendable:	
Customer deposits	97,924
Debt service	62,748
Depreciation reserve	23,113
Unrestricted	287,359
Total net position	<u>2,172,120</u>

Total liabilities and net position	<u><u>\$ 3,146,206</u></u>
---	----------------------------

See independent accountant's compilation report.

KENSETT WATER & SEWER DEPARTMENT
(Proprietary Funds of the City of Kensett, Arkansas)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating revenue			
Service Revenue	\$ 293,146	\$ 234,163	\$ 527,309
Other Revenue	10,750	1,346	12,096
Total operating revenues	<u>303,896</u>	<u>235,509</u>	<u>539,405</u>
Operating expenses			
Water expense	109,235	-	109,235
Salaries	54,761	54,762	109,523
Payroll taxes	4,399	4,399	8,798
Employee benefits	5,207	4,881	10,088
Office supplies	3,374	4,993	8,367
Utilities	1,072	41,399	42,471
Supplies	568	36,271	36,839
Other	5,340	3,846	9,186
Fees and testing	5,434	14,464	19,898
Repairs and maintenance	3,689	16,317	20,006
Vehicle and fuel expense	3,139	2,758	5,897
Insurance	1,529	1,529	3,058
Depreciation expense	34,038	34,039	68,077
Sales tax	16,501	-	16,501
Professional fees	5,500	5,500	11,000
Retirement expense	2,718	2,719	5,437
Bad debt	3,888	5,016	8,904
Total operating expenses	<u>260,392</u>	<u>232,893</u>	<u>493,285</u>
Operating income	<u>43,504</u>	<u>2,616</u>	<u>46,120</u>
Nonoperating revenues (expenses)			
Interest expense	-	(20,920)	(20,920)
Interest income	2,074	2,073	4,147
Non-cash contribution for sewer rehabilitation	-	281,623	281,623
Total nonoperating revenues (expenses)	<u>2,074</u>	<u>262,776</u>	<u>264,850</u>
Increase in net position	45,578	265,392	310,970
Net position, beginning of year			<u>1,861,150</u>
Net position, end of year			<u><u>\$ 2,172,120</u></u>

See independent accountant's compilation report.