

**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, 2017**



**Welch, Couch & Company, PA**  
 Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA | Jeff D. Welch, CPA, JD

**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, which were agreed to by the Mayor, City Council and management of the City of Ash Flat, Arkansas Water and Sewer Funds, solely to assist you in connection with compliance with Ark. Code. Ann. 14-234-119 to 122 as of December 31, 2017. City of Ash Flat, Arkansas Water and Sewer Funds’ management is responsible for the Department’s accounting records. The sufficiency of these procedures is solely the responsibility of the Mayor, City Council and management of City of Ash Flat, Arkansas Water and Sewer Funds. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

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:

<u>First National Banking Company</u>	<u>Number</u>	<u>Reconciled Balances as of December 31, 2017</u>
Water Operating Account	15206	\$ 2,067
Water Depreciation	1000694	23,876
Water Revenue Bond Fund CD	5876	6,194
Water Depreciation CD	5878	2,414
Water Special Savings	10224935	16,537
Water Debt Service CD	2837586	2,095
Sewer Operating Account	83857	4,140
Sewer Bond Reserve	1177328	48,257
Sewer Depreciation	1069764	2,016
Sewer Pump Savings	10173763	27,397
Sewer Reserve	169756	20,166
Sewer Special Savings	1126275	20,580
Meter Deposit Checking	18614	21,499
Meter Deposit CD	5877	5,590

We found 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 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.

We found no exceptions as a result of the above procedures.

**3. Accounts Receivable**

We agreed ten customer billings to the accounts receivable subledger. We selected five customer adjustments to verify proper authorization.

We found 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 selected ten disbursements to determine if they were adequately documented.

We found no exceptions meeting scope as a result of our procedure.

**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.

As a result of our procedures, it was noted that asset additions of \$9,379 or less than 1% of the total property, plant and equipment was expensed on the Department's books instead of being properly recorded as capital assets.

**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	\$ 140,862	\$ -	\$ -
United States Department of Agriculture	91-04	85,430	8,289	-
United States Department of Agriculture	92-02	136,609	20,166	2,016
First National Banking Company	532291	20,843	-	-
First National Banking Company	2003 Bond	23,530	48,257	-

We found no exceptions as a result of the procedures.

#### 7. General

We determined that any item of financial significance were approved and documented in the minutes of governing body's meetings.

We noted no exceptions as a result of these procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Mayor, City Council, management of City of Ash Flat Arkansas Water and Sewer Funds, the Arkansas Legislative Joint Auditing Committee, United States Department of Agriculture 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  
April 26, 2018

**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, 2017**

**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 of City of Ash Flat, Arkansas Water and Sewer Funds, which comprise the statement of net position as of December 31, 2017, and the related statement of revenues, expenses and changes in net position for the year then ended 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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

A statement of cash flows for the year ended December 31, 2017, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

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

**Required Supplementary Information**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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. Our opinion on the basis financial statements is not affected by this missing information.

*Welch, Couch & Company, PA*  
Certified Public Accountants

Batesville, Arkansas  
April 26, 2018

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

**Statement of Net Position**

**December 31, 2017**

	<b>Assets</b>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,117	\$ 4,140	\$ 6,257
Accounts receivable	19,786	15,434	35,220
Prepaid expenses	1,651	5,059	6,710
<b>Total current assets</b>	<u>23,554</u>	<u>24,633</u>	<u>48,187</u>
<b>Noncurrent assets</b>			
Cash and cash equivalents	61,913	118,415	180,328
Certificates of deposit	16,293	-	16,293
<b>Total noncurrent assets</b>	<u>78,206</u>	<u>118,415</u>	<u>196,621</u>
<b>Capital assets</b>			
Nondepreciable assets	25,285	-	25,285
Depreciable assets, net of accumulated depreciation	211,913	1,178,238	1,390,151
	<u>237,198</u>	<u>1,178,238</u>	<u>1,415,436</u>
<b>Total assets</b>	<u>\$ 338,958</u>	<u>\$ 1,321,286</u>	<u>\$ 1,660,244</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, 2017**

**Liabilities and Net Position**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Current liabilities</b>			
Current maturities - long-term liabilities	\$ 8,553	\$ 46,208	\$ 54,761
Accounts payable	4,671	6,112	10,783
Accrued interest payable	129	6,492	6,621
Interfund payables	150,404	443	150,847
Other current liabilities	1,545	-	1,545
<b>Total current liabilities</b>	<u>165,302</u>	<u>59,255</u>	<u>224,557</u>
<b>Noncurrent liabilities</b>			
Meter deposits	20,333	-	20,333
Bonds payable, net of current maturities	81,427	10,015	91,442
Notes payable, net of current maturities	5,872	255,200	261,072
<b>Total noncurrent liabilities</b>	<u>107,632</u>	<u>265,215</u>	<u>372,847</u>
<b>Total liabilities</b>	<u>272,934</u>	<u>324,470</u>	<u>597,404</u>
<b>Net position</b>			
Net investment in capital assets	141,346	866,815	1,008,161
Restricted expendable:			
Debt service	8,289	68,423	76,712
Capital and related projects	42,828	22,595	65,423
Other - meter deposits	27,088	-	27,088
Other - pump savings	-	27,397	27,397
Unrestricted (deficit)	(153,527)	11,586	(141,941)
<b>Total net position</b>	<u>66,024</u>	<u>996,816</u>	<u>1,062,840</u>
<b>Total liabilities and net position</b>	<u><b>\$ 338,958</b></u>	<u><b>\$ 1,321,286</b></u>	<u><b>\$ 1,660,244</b></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, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Operating revenue</b>			
Water service	\$ 275,193	\$ -	\$ 275,193
Sewer service	-	228,463	228,463
Connect/tapping fees	5,593	1,575	7,168
Late fees	5,523	-	5,523
Sales taxes	22,744	-	22,744
Other	922	265	1,187
<b>Total operating revenues</b>	<b>309,975</b>	<b>230,303</b>	<b>540,278</b>
<b>Operating expenses</b>			
Depreciation	11,786	67,947	79,733
Dues and fees	2,179	1,181	3,360
Insurance	1,563	5,723	7,286
Lab testing	-	3,912	3,912
Miscellaneous	1,235	510	1,745
Payroll taxes and benefits	19,714	-	19,714
Postage	1,307	1,264	2,571
Professional fees	3,075	3,075	6,150
Repairs and maintenance	35,342	46,957	82,299
Retirement plan contribution	14,047	-	14,047
Salaries	105,302	-	105,302
Supplies - office	2,127	2,083	4,210
Supplies - operating	9,263	9,749	19,012
Taxes - sales	22,364	-	22,364
Travel and training	835	200	1,035
Uniforms	606	445	1,051
Utilities	65,453	38,333	103,786
<b>Total operating expenses</b>	<b>296,198</b>	<b>181,379</b>	<b>477,577</b>
<b>Operating income</b>	<b>13,777</b>	<b>48,924</b>	<b>62,701</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	134	124	258
Interest expense	(4,786)	(16,881)	(21,667)
<b>Total nonoperating revenues (expenses)</b>	<b>(4,652)</b>	<b>(16,757)</b>	<b>(21,409)</b>
<b>Income before transfers</b>	<b>9,125</b>	<b>32,167</b>	<b>41,292</b>
<b>Transfers in</b>	1,610	1,610	3,220
<b>Transfers out</b>	(100)	-	(100)
<b>Increase in net position</b>	<b>10,635</b>	<b>33,777</b>	<b>44,412</b>
<b>Net position, beginning of year</b>	<b>55,389</b>	<b>963,039</b>	<b>1,018,428</b>
<b>Net position, end of year</b>	<b>\$ 66,024</b>	<b>\$ 996,816</b>	<b>\$ 1,062,840</b>

See independent accountant's compilation report.