

**SULPHUR ROCK SEWER DEPARTMENT**  
**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, Town Council and Management  
of Sulphur Rock Sewer Department  
Sulphur Rock, Arkansas

We have performed the procedures enumerated below, which were agreed to by the Mayor, City Council and management of the Sulphur Rock Sewer Department, solely to assist you in connection with compliance with Ark. Code. Ann. 14-234-119 to 122 as of December 31, 2017. Sulphur Rock Sewer Department's management is responsible for the Department's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Mayor, Town Council and management of Sulphur Rock Sewer Department. 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:

#### Cash and Investments

1. 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 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 balance in the following amounts:

<u>Citizens Bank</u>	<u>Number</u>	<u>Reconciled Balances as of December 31, 2017</u>
Checking - Operating	543519	\$ 52,993
Service Reserve	6804306	27,217

We found no exceptions as a result of our procedures.

#### Receipts

2. 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

Sulphur Rock Sewer Department does not keep billing documents or an accounts receivable sub-ledger. Therefore, we were unable to trace customer payments.

**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

### **Accounts Receivable**

3. Agree ten customer billings to the accounts receivable sub-ledger and determine proper authorization of five customer adjustments.

Sulphur Rock Sewer Department does not keep billing documents or an accounts receivable sub-ledger, so we were unable to trace customer billings. Also the Sewer Department does not have a policy regarding adjustments to customers' accounts and does not keep supporting documentation for these adjustments. Therefore, we were unable to determine proper authorization for adjustments.

### **Disbursements**

4. 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 ten disbursements to determine if they were adequately documented.

We agreed the disbursements per the proof of cash without exception. We noted no exceptions as a result of these procedures.

### **Property, Plant and Equipment**

5. 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 determined there were no additions or disposals as a result of these procedures.

### **Long-Term Debt**

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

We noted no exceptions as a result of the 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 or review, 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.

This report is intended solely for the information and use of the Mayor, Town Council, management of Sulphur Rock Sewer Department, and the Arkansas Legislative Joint Auditing Committee, 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  
November 19, 2018

**SULPHUR ROCK SEWER DEPARTMENT**

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

**December 31, 2017**

# SULPHUR ROCK SEWER DEPARTMENT

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### INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Mayor, City Council and Management  
of Sulphur Rock Sewer Department  
Sulphur Rock, Arkansas

Management is responsible for the accompanying financial statements of the business-type activities of the Sulphur Rock Sewer Department which comprise the statement of assets, liabilities and net position – modified cash basis as of December 31, 2017, and the related statement of revenues, expenses and changes in net position – modified cash basis for the year then ended in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. 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.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Department's assets, liabilities, and net position. 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 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Batesville, Arkansas  
November 19, 2018

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**SULPHUR ROCK SEWER DEPARTMENT**

**Statement of Assets, Liabilities and Net Position – Modified Cash Basis**

**December 31, 2017**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 52,993
<b>Total current assets</b>	<u>52,993</u>

**Noncurrent assets**

Assets limited to use	27,217
<b>Total noncurrent assets</b>	<u>27,217</u>

<b>Capital assets</b> , net of accumulated depreciation of \$693,815	<u>477,543</u>
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<b>Total assets</b>	<u><u>\$ 557,753</u></u>
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**Liabilities and Net Position**

**Current liabilities**

Current maturities of long-term debt	\$ 22,734
<b>Total current liabilities</b>	<u>22,734</u>

<b>Long-term debt</b> , net of current maturities	<u>35,086</u>
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<b>Total liabilities</b>	<u>57,820</u>
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**Net position**

Invested in capital assets, net of related debt	419,723
Assets limited to use	27,217
Unrestricted	52,993
<b>Total net position</b>	<u>499,933</u>

<b>Total liabilities and net position</b>	<u><u>\$ 557,753</u></u>
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See independent accountant's compilation report.

**SULPHUR ROCK SEWER DEPARTMENT**

**Statement of Revenues, Expenses and Changes in Net Position –  
Modified Cash Basis**

**For the Year Ended December 31, 2017**

<b>Operating revenues</b>	
Sewer sales	\$ 60,238
<b>Total operating revenues</b>	<u>60,238</u>
<b>Operating expenses</b>	
Taxes and licenses	660
Repairs and maintenance	13,718
Insurance	429
Utilities	12,492
Fees and dues	2,234
Supplies	4,370
Miscellaneous	2,972
Depreciation	28,909
<b>Total operating expenses</b>	<u>65,784</u>
<b>Operating (loss)</b>	<u>(5,546)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest income	27
Interest expense	(1,804)
<b>Total nonoperating revenues (expenses)</b>	<u>(1,777)</u>
<b>Decrease in net position</b>	(7,323)
<b>Net position - beginning of year</b>	<u>507,256</u>
<b>Net position - end of year</b>	<u><u>\$ 499,933</u></u>

See independent accountant's compilation report.