

**CITY OF NEWARK
WATER AND SEWER DEPARTMENT**

**Independent Accountant's Report on
Applying 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

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 Newark Water and Sewer Department
 P.O. Box 315
 Newark, Arkansas 72562

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

City of Newark Water and 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, Town Council, and management of the City of Newark Water and 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 following banks, and we agreed the confirmed balance to the amount shown on the bank reconciliation maintained by the Department. We performed a proof of cash for the year and agreed the ending balances to the book balances within 5% or \$500, whichever was greater. We reconciled the year-end bank balances to the book balance.

<u>Merchants & Planters Bank</u>	<u>Account Number</u>	<u>Journal Account Balances as of December 31, 2022</u>	<u>Reconciled Balances as of December 31, 2022</u>
Revenue Checking	348-1	\$ 107,679	\$ 107,625
O&M Checking	350-3	2,401	2,401
Meter Deposit Checking	351-1	64,534	64,384
Equipment Checking	363-5	67,489	67,489
2018 Sewer Debt Service	344-4	9,166	9,166
2018 Short Lived Asset Acct	335-5	27,541	27,541
American Rescue	301-0	120,518	120,518
Maintenance	340-1	18,963	18,963
CD - Reserve Fund	589	30,271	30,271
CD - Debt Service	592	31,362	31,362
CD - Reserve Fund	591	10,936	10,936

We noted no exceptions 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.

3. **Accounts Receivable**

We agreed ten customer billings to the accounts receivable sub-ledger. We determined proper authorization of five customer adjustments.

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 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 were two property, plant and equipment additions and no disposals in the period ending December 31, 2022.

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 appropriate debt service accounts had been established and that monthly deposits had been made to this account.

We noted no exceptions as a result of these procedures.

7. **General**

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

We noted no exceptions as a result of these procedures.

We were engaged by the Mayor, Town Council, and management of City of Newark Water and 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 Newark Water and 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, Town Council, and management of the City of Newark Water and 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

Welch, Couch & Company, PA

Certified Public Accountants

Batesville, Arkansas
January 30, 2023

**CITY OF NEWARK
WATER AND SEWER DEPARTMENT**

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

December 31, 2022

CITY OF NEWARK WATER AND SEWER DEPARTMENT

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Mayor, City Council and Management
of City of Newark Water and Sewer Department
P.O. Box 315
Newark, Arkansas 72562

Management is responsible for the accompanying financial statements of the business-type activities of the City of Newark Water and Sewer Department which comprise the statement of assets, liabilities and net position – modified cash basis as of December 31, 2022, and the related statement of revenues, expenses and changes in net position – modified cash basis for the year then ended, in accordance with 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. 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, revenues, and expenses. Accordingly, these 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
Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
January 30, 2023

CITY OF NEWARK WATER AND SEWER DEPARTMENT

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

December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$ 230,597
Total current assets	<u>230,597</u>

Noncurrent assets

Restricted cash and cash equivalents	260,261
Total noncurrent assets	<u>260,261</u>

Capital assets , net of accumulated depreciation of \$1,052,617	<u>1,001,417</u>
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Total assets	<u><u>\$ 1,492,275</u></u>
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Liabilities and Net Position

Current liabilities

Current maturities of long-term debt	\$ 26,177
Total current liabilities	<u>26,177</u>

Long-term debt , net of current maturities	<u>816,340</u>
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Other noncurrent liabilities

Meter deposits	64,384
Total other noncurrent liabilities	<u>64,384</u>

Total liabilities	906,901
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Net position

Invested in capital assets, net of related debt	158,900
Restricted expendable:	
Meter deposits	65,534
Equipment reserve	155,200
Debt service reserve	40,528
Unrestricted	165,212
Total net position	<u>585,374</u>

Total liabilities and net position	<u><u>\$ 1,492,275</u></u>
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See independent accountant's compilation report.

CITY OF NEWARK WATER AND SEWER DEPARTMENT

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

For the Year Ended December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Service revenue	\$ 332,037	\$ 161,415	\$ 493,452
Other revenue	44,329	15,734	60,063
Total operating revenues	<u>376,366</u>	<u>177,149</u>	<u>553,515</u>
Operating expenses			
Salaries	186,934	73,686	260,620
Payroll taxes	10,318	4,022	14,340
Employee benefits	17,424	7,272	24,696
Office supplies	8,267	2,312	10,579
Utilities	41,717	22,459	64,176
Supplies	25,435	7,928	33,363
Fees	4,502	3,659	8,161
Repairs and maintenance	11,354	8,844	20,198
Vehicle and fuel expense	4,846	2,385	7,231
Insurance	4,796	2,055	6,851
Depreciation expense	8,107	43,921	52,028
Professional fees	5,180	2,220	7,400
Total operating expenses	<u>328,880</u>	<u>180,763</u>	<u>509,643</u>
Operating income (loss)	<u>47,486</u>	<u>(3,614)</u>	<u>43,872</u>
Nonoperating revenues (expenses)			
Interest expense	(14,848)	(15,763)	(30,611)
Interest income	2,006	493	2,499
American Rescue Grant	124,217	-	124,217
Total nonoperating revenues (expenses)	<u>111,375</u>	<u>(15,270)</u>	<u>96,105</u>
Increase (Decrease) in net position	<u>\$ 158,861</u>	<u>\$ (18,884)</u>	<u>\$ 139,977</u>
Net position - beginning of year			445,397
Net position - end of year			<u>\$ 585,374</u>

See independent accountant's compilation report.