

**CITY OF NEWARK
WATER AND SEWER DEPARTMENT**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

As of December 31, 2023



Welch, Couch & Company, PA

Certified Public Accountants

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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, 2023. 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.

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.

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

3. **Accounts Receivable**

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

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 equipment or \$500, whichever was greater.

We noted no exceptions as a result of these procedures. There were no property, plant and equipment additions or disposals in the period ending 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 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, 2024

**CITY OF NEWARK
WATER AND SEWER DEPARTMENT**

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

December 31, 2023

CITY OF NEWARK WATER AND SEWER DEPARTMENT

Table of Contents

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



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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, 2023, 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.

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Batesville, Arkansas
January 30, 2024

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CITY OF NEWARK WATER AND SEWER DEPARTMENT

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

December 31, 2023

<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 212,661
Total current assets	<u>212,661</u>
Noncurrent assets	
Restricted cash and cash equivalents	281,321
Total noncurrent assets	<u>281,321</u>
Capital assets , net of accumulated depreciation of \$1,108,718	<u>945,316</u>
Total assets	<u><u>\$ 1,439,298</u></u>
<u>Liabilities and Net Position</u>	
Current liabilities	
Current maturities of long-term debt	\$ 27,334
Total current liabilities	<u>27,334</u>
Long-term debt , net of current maturities	<u>789,243</u>
Other noncurrent liabilities	
Meter deposits	64,454
Total other noncurrent liabilities	<u>64,454</u>
Total liabilities	881,031
Net position	
Invested in capital assets, net of related debt	128,739
Restricted expendable:	
Meter deposits	65,454
Equipment reserve	171,994
Debt service reserve	43,873
Unrestricted	148,207
Total net position	<u>558,267</u>
Total liabilities and net position	<u><u>\$ 1,439,298</u></u>

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, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Service revenue	\$ 332,074	\$ 162,000	\$ 494,074
Other revenue	42,001	27,378	69,379
Total operating revenues	<u>374,075</u>	<u>189,378</u>	<u>563,453</u>
Operating expenses			
Salaries	179,496	76,927	256,423
Payroll taxes	9,757	4,181	13,938
Employee benefits	16,716	7,242	23,958
Office supplies	22,391	3,687	26,078
Utilities	34,431	15,612	50,043
Supplies	34,658	11,548	46,206
Fees	4,973	4,015	8,988
Repairs and maintenance	24,352	17,241	41,593
Vehicle and fuel expense	4,545	1,948	6,493
Insurance	6,020	2,580	8,600
Depreciation expense	14,387	41,714	56,101
Professional fees	5,356	2,295	7,651
Total operating expenses	<u>357,082</u>	<u>188,990</u>	<u>546,072</u>
Operating income	<u>16,993</u>	<u>388</u>	<u>17,381</u>
Nonoperating revenues (expenses)			
Interest expense	(14,003)	(15,509)	(29,512)
Interest income	6,986	1,938	8,924
Capital expense - general fund - ARPA	(13,900)	-	(13,900)
Total nonoperating revenues (expenses)	<u>(20,917)</u>	<u>(13,571)</u>	<u>(34,488)</u>
Decrease in net position	<u>\$ (3,924)</u>	<u>\$ (13,183)</u>	<u>\$ (17,107)</u>
Net position - beginning of year			585,374
Net position - end of year			<u>\$ 568,267</u>