

**NEWPORT MUNICIPAL WATER COMPANY
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Newport Municipal Water Company
Newport, Arkansas 72112

Opinions

We have audited the accompanying financial statements of the business type of activities of Newport Municipal Water Company, as of and for the year ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Newport Municipal Water Company's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Newport Municipal Water Company of the City of Newport, Arkansas as of August 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Newport Municipal Water Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Newport

Municipal Water Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newport Municipal Water Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Newport Municipal Water Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newport Municipal Water Company's financial statements. The supplementary information on pages 18-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information on pages 18-20 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Newport Municipal Water Company, and are not intended to present fairly the net position and results of operations of Newport, Arkansas, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2024 on our consideration of the Newport Municipal Water Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Newport Municipal Water Company's internal control over financial reporting and compliance.

Whitmire, Robinson & Co.
Batesville, Arkansas
November 27, 2024

**NEWPORT MUNICIPAL WATER COMPANY
COMPARATIVE STATEMENTS OF NET POSITION
AUGUST 31, 2024 AND 2023**

Assets		
	<u>2024</u>	<u>2023</u>
Current Assets		
Cash - operating accounts (Note 6)	\$331,207	\$372,451
Accounts receivable, net of		
Allowance for doubtful accounts of \$2,361 and \$2,361	258,483	265,100
Unbilled revenue	162,461	158,577
Accrued interest receivable	6,381	6,381
Inventory (Notes 1 and 12)	155,480	142,112
Other current assets	<u>52,446</u>	<u>46,721</u>
Total Current Assets	<u>966,458</u>	<u>991,342</u>
Noncurrent Assets		
Certificates of deposit - unrestricted (Notes 2 and 6)	4,405,637	4,262,031
Capital assets (Note 3)		
Land	285,197	285,197
Construction in progress	261,572	-0-
Other capital assets, less accumulated depreciation	<u>2,397,205</u>	<u>2,547,777</u>
Total Noncurrent Assets	<u>7,349,611</u>	<u>7,095,005</u>
Total Assets	<u><u>\$8,316,069</u></u>	<u><u>\$8,086,347</u></u>

The accompanying notes are an integral part of these financial statements.

NEWPORT MUNICIPAL WATER COMPANY
COMPARATIVE STATEMENTS OF NET POSITION (Cont.)
AUGUST 31, 2024 AND 2023

	Liabilities	<u>2024</u>	<u>2023</u>
Current Liabilities			
Accounts payable		\$10,581	\$15,696
Due city of Newport		139,882	140,457
Other current liabilities		9,755	10,284
Accrued payroll		7,962	6,358
Accrued vacation payable		20,804	18,241
Total Current Liabilities		<u>188,984</u>	<u>191,036</u>
Customer Deposits		<u>126,636</u>	<u>126,357</u>
Net Position			
Invested in capital assets		2,943,974	2,832,974
Net assets, unrestricted		5,056,475	4,935,980
Total Net Position		<u>8,000,449</u>	<u>7,768,954</u>
Total Liabilities, Contributions, and Net Position		<u><u>\$8,316,069</u></u>	<u><u>\$8,086,347</u></u>

The accompanying notes are an integral part of these financial statements.

**NEWPORT MUNICIPAL WATER COMPANY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Water service	\$1,356,054	\$1,407,407
Miscellaneous	13,906	31,165
Total Operating Revenues	<u>1,369,960</u>	<u>1,438,572</u>
Operating Expenses		
Purchased power	105,740	104,957
Supplies and materials	156,126	172,584
Salaries and wages	436,760	409,605
Repairs and maintenance	71,463	99,884
Utilities	9,926	11,000
Office supplies and postage	21,410	20,985
Payroll and other taxes	33,383	31,050
Transportation expenses	16,223	18,647
Tractor and ditching	3,072	1,150
Professional fees	29,045	28,614
Insurance	36,731	32,345
Employee benefits	117,090	129,002
Uniforms	11,829	9,424
Other expenses	26,222	27,572
Bad debts	2,710	4,393
Depreciation	232,185	235,521
Total Operating Expenses	<u>1,309,915</u>	<u>1,336,733</u>
Operating Income	<u>60,045</u>	<u>101,839</u>
Non-operating Revenue and Expense		
Interest income	161,450	136,042
Gain on equipment	10,000	30,246
Total Non-operating Revenue	<u>171,450</u>	<u>166,288</u>
Change in Net Assets	231,495	268,127
Capital Contributions	-0-	39,268
Net Assets, beginning of year	<u>7,768,954</u>	<u>7,461,559</u>
Net Assets, end of year	<u><u>\$8,000,449</u></u>	<u><u>\$7,768,954</u></u>

The accompanying notes are an integral part of these financial statements.

**NEWPORT MUNICIPAL WATER COMPANY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from customers	\$1,372,693	\$1,380,151
Total Receipts	<u>1,372,693</u>	<u>1,380,151</u>
Cash payments to suppliers for goods and services	515,810	572,681
Cash payments for employee services and fringe benefits	583,065	530,212
Total Operating Expenses	<u>1,098,875</u>	<u>1,102,893</u>
Net Cash Provided by Operating Activities	<u>273,818</u>	<u>277,258</u>
Cash Flows from Investing Activities		
Interest income	161,450	131,844
Purchase of certificate of deposit	-0-	(500,000)
Interest retained in certificate of deposit	(143,606)	(116,962)
Net Cash Used in Investing Activities	<u>17,844</u>	<u>(485,118)</u>
Cash Flows from Capital and Related Financing		
Customer deposits	279	2,677
Construction in progress	(261,572)	3,855
Capital contribution	-0-	39,268
Purchase of equipment	(71,613)	(287,238)
Net Cash Used in Financing Activities	<u>(332,906)</u>	<u>(241,438)</u>
Net (Decrease)/Increase in Cash	(41,244)	(449,298)
Cash, Beginning of Year	<u>372,451</u>	<u>821,749</u>
Cash, End of Year	<u>\$331,207</u>	<u>\$372,451</u>

The accompanying notes are an integral part of these financial statements.

**NEWPORT MUNICIPAL WATER COMPANY
COMPARATIVE STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Financing Activities		
Operating income	\$60,045	\$101,839
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	232,185	235,521
Increase or decrease in:		
Other current assets	(5,725)	(5,154)
Accounts receivable	6,617	(57,419)
Unbilled revenue	(3,884)	(1,002)
Accounts payable and accrued liabilities	(2,052)	16,220
Inventory	(13,368)	(12,747)
Net Cash Provided by Operating Activities	<u><u>\$273,818</u></u>	<u><u>\$277,258</u></u>
 Supplemental Disclosures to Cash Flow Information		
Amount of vehicle/equipment trade	\$10,000	\$34,000

The accompanying notes are an integral part of these financial statements.

**NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The Newport Municipal Water Company is considered to be a component unit enterprise fund of the City of Newport, Arkansas. The Department oversees, under the direction of the Water Committee, the water utility services for residents of Newport.

B. Accounting Methods

Newport Municipal Water Company is a proprietary enterprise fund. All proprietary funds maintain their accounts on the accrual basis of accounting and, accordingly, income is recognized when earned and expenses are recorded when incurred, regardless of when cash is received or paid. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Newport Municipal Water Company is operated as an enterprise fund. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and therefore assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting; thus, revenues are recognized when earned and expenses are recorded when incurred.

Under the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Newport Municipal Water Company has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal control service activities and the use of account groups to the already required fund financial statements and notes.

**NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

C. Revenue Recognition

The Company recognizes revenue as water services are provided to customers, which happens over time as the service is delivered and the performance obligation is satisfied. Water revenue is recorded based on customer water usage. Revenues recognized in an accounting period include amounts billed to customers on a cyclical basis as well as an estimate of charges for services provided but unbilled for the period. Unbilled amounts are calculated by deriving estimates based on average daily usage of the billing cycle immediately following the accounting period.

Accounts receivable related to water billing are shown net of an allowance for doubtful accounts. Credit extended to customers is generally uncollateralized. Accounts are due 10th of each month. Past due accounts are charged a 10% late fee. It is the Company's policy to disconnect services on the 20th. Customers are required to make a deposit, and deposits can be offset against the receivable.

Accounts receivable consist of credit extended to users in the normal course of business. Newport Municipal Water Company uses the allowance method to account for uncollectible accounts receivable. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance accounts. The policy for determining when receivables are past due or delinquent is based on how recently payments have been received. Management uses significant judgment in estimating uncollectible amounts. While management believes that Newport Municipal Water Company processes effectively address its exposure to doubtful accounts, changes in economic, industry, or specific customer conditions may require adjustment to any allowance recorded by Newport Municipal Water Company.

These financial statements present only the Newport Municipal Water Company and are not intended to present the financial position and results of operations of the City of Newport, Arkansas, in conformity with generally accepted accounting principles.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits on instruments with original maturities of three months or less.

E. Inventory

Inventory is carried at moving average cost.

**NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

F. Compensated Absence

The Company allows one week of vacation per year to employees who have worked for the Company less than one year, two weeks of vacation per year to employees who have worked for the Company two to nine years, and three weeks vacation per year to employees who have worked for the Company ten years or more.

The Company allows one day per month worked for sick time up to 60 days per employee. Sick time is not vested, so the amount of any liability is not discernable.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Geographic Concentration

Newport Municipal Water Company grants credit to its customers, all of whom are located in the immediate geographic area, on terms which are usual for a water utility. The collectibility of Newport Municipal Water Company's receivables is dependent upon its members' ability to honor their water bill obligations. However, each member has a deposit with Newport Municipal Water Company which is held as security for up to \$50 of their unpaid balance.

I. Taxes

Newport Municipal Water Company is a government and is exempt from federal income taxes.

J. Risk Management

Newport Municipal Water Company is exposed to various risks of loss related to property and casualty losses. It is the policy of Newport Municipal Water Company to purchase commercial insurance, including worker's compensation, for the risks of loss to which it is exposed. Under this arrangement, the Board assumes the risk for the amount of loss where should risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023

Note 2 - Certificates of Deposits - Unrestricted

<u>Fund</u>	<u>Interest Rate</u>	<u>2024 Value</u>	<u>2023 Value</u>
Operating	3.0%	\$317,875	\$308,467
Operating	3.0%	99,391	96,221
Operating	3.0%	317,875	308,466
Operating	3.0%	197,350	191,736
Operating	3.0%	183,124	177,704
Operating	3.0%	57,585	55,881
Operating	3.0%	173,354	168,224
Operating	3.0%	173,354	168,224
Operating	3.0%	173,354	168,224
Operating	3.0%	131,223	127,339
Operating	3.0%	131,223	127,339
Operating	3.0%	351,344	340,945
Operating	3.0%	237,243	230,221
Operating	3.0%	237,243	230,221
Operating	4.5%	123,518	118,079
Operating	4.5%	123,518	118,079
Operating	4.25%	121,254	116,712
Operating	4.25%	121,254	116,712
Operating	3.0%	275,140	266,996
Operating	3.0%	107,897	104,703
Operating	3.0%	107,897	104,703
Operating	3.0%	107,897	104,703
Operating	4.5%	161,673	154,553
Operating	4.5%	161,673	154,553
Operating	4.5%	106,189	101,513
Operating	4.5%	106,189	101,513
		<u>\$4,405,637</u>	<u>\$4,262,031</u>

Certificates of Deposit with remaining maturities greater than one year are classified as non-current assets.

NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023

Note 3 -Capital Assets

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available and are depreciated over the estimated useful lives of the assets. Repairs and maintenance are expensed currently while system extensions and major replacements are capitalized.

	Balance 8/31/23	Additions	Reductions	Balance 8/31/24
Land	\$285,197	\$-0-		\$285,197
Organization costs	11,211	-0-	\$-0-	11,211
Other intangible assets	25,712	-0-	-0-	25,712
Building & water utility system	7,612,659	29,686		7,642,345
Furniture, tools, and Equipment	783,730	51,927	(31,920)	803,737
Leasehold improvements	12,363	-0-	-0-	12,363
Construction in progress	-0-	261,572		261,572
	<u>8,730,872</u>	<u>343,185</u>	<u>(31,920)</u>	<u>9,042,137</u>
Accumulated Depreciation	<u>(5,897,898)</u>	<u>(232,185)</u>	<u>31,920</u>	<u>(6,098,163)</u>
Total	<u><u>\$2,832,974</u></u>	<u><u>\$111,000</u></u>	<u><u>\$-0-</u></u>	<u><u>\$2,943,974</u></u>

	Balance 8/31/22	Additions	Reductions	Balance 8/31/23
Land	\$285,197	\$-0-		\$285,197
Organization costs	11,211	-0-	\$-0-	11,211
Other intangible assets	25,712	-0-	-0-	25,712
Building & water utility system	7,406,142	206,517		7,612,659
Furniture, tools, and Equipment	713,833	114,721	(44,824)	783,730
Leasehold improvements	12,363	-0-	-0-	12,363
	<u>8,454,458</u>	<u>321,238</u>	<u>(44,824)</u>	<u>8,730,872</u>
Accumulated Depreciation	<u>(5,703,448)</u>	<u>(235,521)</u>	<u>41,071</u>	<u>(5,897,898)</u>
Total	<u><u>\$2,751,010</u></u>	<u><u>\$85,717</u></u>	<u><u>(\$3,753)</u></u>	<u><u>\$2,832,974</u></u>

Estimated useful lives are as follows:

<u>Asset Category</u>	<u>Life</u>
Office furniture and equipment	5-7 years
New services and meters	7 years
Water system and buildings	40 years
Trucks and other equipment	5 years
Pump equipment	35-40 years

**NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023**

Note 3 -Capital Assets (continued)

The policy of Newport Municipal Water Company is to capitalize all assets with a cost in excess of \$500. Depreciation expense was \$232,185 and \$235,521 for the periods ending August 31, 2024 and August 31, 2023, respectively.

Note 4 - Water Customer Data

The composition of water customers for the current and three preceding years ended August 31, was as follows:

<u>Classification</u>	<u>Number of Water Customers</u>			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Industrial	16	17	17	16
Commercial	425	421	423	431
Residential	2,700	2,708	2,727	2,732
	<u>3,141</u>	<u>3,146</u>	<u>3,167</u>	<u>3,179</u>

Note 5 - Pension Plan

All full-time employees of Newport Municipal Water Company participate in a defined contribution pension plan qualified under Section 403(b). The plan is administered by the Merchants and Planters Bank. The Company matches employee contributions of up to 5% of wages of the employee. The Company can also make non-elective contributions at its discretion. The Company made matching contributions for 2024 and 2023 of \$29,733 and \$18,079 respectively. The liability for pension at August 31, 2024 and 2023 was \$0 and \$0 respectively.

Note 6 - Concentrations of Credit Risk

Financial instruments that potentially subject the Newport Municipal Water Company to concentrations of credit risk consist primarily of cash and cash investments. The Water Company maintains its cash accounts primarily with banks located in Newport, AR. Total cash balances are insured by the FDIC up to \$250,000 per bank. At August 31, 2024, the Company's carrying amount of deposits was \$4,736,844 and the bank balance was \$4,739,793. Of the bank balance, \$4,739,793 was insured by the FDIC and/or collateralized.

Note 7 - Related Party Transaction

The water company purchases vehicles and maintenance on vehicles from a dealership owned by a board member. The cost of vehicles purchased was \$0 and \$96,674 for the periods ending August 31, 2024 and August 31, 2023, respectively. The cost of expense incurred for maintenance was \$0 and \$1,442 for the periods ending August 31, 2024 and August 31, 2023 respectively. Amounts owed at August 31, 2024 and August 31, 2023 to the dealership was \$0 and \$0 respectively.

**NEWPORT MUNICIPAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (Cont.)
AUGUST 31, 2024 AND 2023**

Note 8 - Evaluation of Subsequent Events

The Water Company has evaluated subsequent events through November 27, 2024, the date which the financial statements were available to be issued.

Note 9 - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- Cash and cash equivalents. The carrying amount is a reasonable estimate of fair value.
- Accounts payable and accrued liabilities. The carrying amount is a reasonable estimate of fair value.
- There have been no changes in the valuation techniques used by the Water Company during the year ended August 31, 2024.

Note 10 - Construction in Progress

The City of Newport received an ARPA grant of \$344,418 for filter media replacement for the water system. Management and the project engineers have estimated the total cost to be \$605,990. The water company has paid the match amount required of \$261,572 and will carry as Construction in Progress until the project has been completed.

**NEWPORT MUNICIPAL WATER COMPANY
INSURANCE COVERAGE
AUGUST 31, 2024**

<u>Type of Insurance</u>	<u>Amount of Coverage</u>	<u>Period Covered</u>	<u>Company</u>
Real and personal property, building and contents	\$13,526,640	August 31, 2023 to August 31, 2024	CNA Insurance Company
Automobile	\$1,000,000	August 31, 2023 to August 31, 2024	CNA Insurance Company
Directors & Officers	\$1,000,000 annual aggregate	May 8, 2024 to May 8, 2025	Continental Casualty Company

**NEWPORT MUNICIPAL WATER COMPANY
WATER RATE INFORMATION
AUGUST 31, 2024**

Water Rates

First 1,000 gallons	\$6.62
All over 1,000 gallons	\$2.00 per thousand

Grubbs

First 2,000 gallons	\$24.00
2,001 - 5,000 gallons	\$5.00 per thousand
All over 5,000 gallons	\$4.00 per thousand

**NEWPORT MUNICIPAL WATER COMPANY
BUDGET COMPARISON
FOR THE YEAR ENDED AUGUST 31, 2024**

	Original/ Final Budget	Actual	Over/ (Under) Budget
Operating Income			
Water sales	\$1,360,000	\$1,356,054	(\$3,946)
Connection charges	1,000	-0-	(1,000)
Miscellaneous income	2,000	13,906	11,906
Total Operating Income	<u>1,363,000</u>	<u>1,369,960</u>	<u>6,960</u>
Operating Expenses			
Salaries	431,600	436,760	(5,160)
Gas and telephone	12,000	9,926	2,074
Power purchased	120,000	105,740	14,260
Operating supplies	215,000	156,126	58,874
Repairs	50,000	71,463	(21,463)
Tractor	2,000	3,072	(1,072)
Uniforms	10,000	11,829	(1,829)
Transportation	20,000	16,223	3,777
Office supplies and postage	20,000	21,410	(1,410)
Insurance	38,000	36,731	1,269
Professional fees	31,000	29,045	1,955
Payroll taxes	33,300	33,383	(83)
Employee benefits	120,500	117,090	3,410
Bad debts/returned checks	7,600	2,710	4,890
Dues	3,000	2,635	365
Miscellaneous	14,550	23,587	(9,037)
Depreciation and amortization	250,000	232,185	17,815
Total Operating Expenses	<u>1,378,550</u>	<u>1,309,915</u>	<u>68,635</u>
Net Income from Operations	(15,550)	60,045	75,595
Other Income - Interest	150,000	161,450	11,450
Other Income-Gain on Equipment	-0-	10,000	10,000
Net Income (Loss) Before Capital Contributions and Grants	<u>\$134,450</u>	<u>\$231,495</u>	<u>\$97,045</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Newport Municipal Water Company
Newport, Arkansas 72112

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Newport Municipal Water Company as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Newport Municipal Water Company's basic financial statements, and have issued our report thereon dated November 27, 2024.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Newport Municipal Water Company's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newport Municipal Water Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Newport Municipal Water Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

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Criteria: A proper segregation of duties is an integral part of the control structure.

Condition: The Company's internal control structure disclosed that there are inherent limitations in the Company's controls in this regard.

Cause: The Company does not presently have the staff necessary to achieve a complete segregation of duties and the employment of additional personnel for the purpose of segregating duties may not be practical from a cost-benefit stand point.

Effect or Potential Effect: There is not an adequate separation of duties.

Recommendations: We recommend that this control be kept in mind when reviewing the flow of transactions and the organizational structure.

Response: Newport Municipal Water Company is aware of the deficiency and will continue to mitigate the deficiency with increased controls and monitoring of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newport Municipal Water Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Newport Municipal Water Company's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Newport Municipal Water Company's response to the findings identified in our audit and described above. Newport Municipal Water Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitmire, Robinson & Co.
Newport, Arkansas
November 27, 2024