

CITY OF WEST FORK, ARKANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS
YEAR ENDED DECEMBER 31, 2023



Hubbs & Whitehead, CPAs

Certified Public Accountants

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165

handwcpas.com

**CITY OF WEST FORK, ARKANSAS
TABLE OF CONTENTS
DECEMBER 31, 2023**

INDEPENDENT AUDITOR’S REPORT	1
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	5
BASIC FINANCIAL STATEMENTS	
Balance Sheet – Regulatory Basis.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Regulatory Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis	9
Notes to the Financial Statements	10
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	22
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	23
OTHER INFORMATION	
Schedule of Capital Assets (Unaudited)	24
SCHEDULE OF FINDINGS AND RESPONSES	25

Cliff Hubbs, CPA
Kenny Whitehead, CPA
Justin Anthony, CPA

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165
handwcpas.com

Hubbs & Whitehead, CPAs
Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of West Fork, Arkansas
West Fork, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the **City of West Fork, Arkansas** (the City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of **December 31, 2023**, and the related Statements of Revenues, Expenditures, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City, as of **December 31, 2023**; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and the street fund for the year then ended, in accordance with the financial reporting provisions of Arkansas Code Annotated, Section 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City, as of **December 31, 2023**, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) 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 Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our 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.

Member of:

*American Institute of Certified Public Accountants
*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code Annotated, Section 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included some funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code Annotated, Section 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 the City'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 Responsibilities 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 opinion. 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 GAAS 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 GAAS 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 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 the City'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 the City'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the Schedule of Capital Assets (Unaudited) listed in the table of contents but does not include the regulatory basis financial statements, supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated **October 11, 2024** on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

October 11, 2024

Cliff Hubbs, CPA
Kenny Whitehead, CPA
Justin Anthony, CPA

1111 Fayetteville Road
Van Buren, AR 72956
Ph: (479) 474-3454
Fax: (479) 474-7165
handwcpas.com

Hubbs & Whitehead, CPAs
Certified Public Accountants



INDEPENDENT AUDITOR'S 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

**To the Honorable Mayor and City Council
City of West Fork, Arkansas
West Fork, Arkansas**

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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the **City of West Fork, Arkansas** (the City), as of and for the year ended **December 31, 2023**, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated **October 11, 2024**. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code Annotated, Section 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions to the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness.

Member of:

*American Institute of Certified Public Accountants
*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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*.

City of West Fork, Arkansas’ Response to Findings

The City’s response to the finding in our audit is described in the accompanying schedule of findings and responses. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Other Issues

The commentary contained in this section relates to the following officials that held office during **2023**:

- Mayor – Heith Caudle
- Clerk – Ann Upton
- Treasurer – Kristie Drymon
- District Court Clerk – Tracy Roebke
- Police Chief – Bruce Halliburton

We reviewed the City’s compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Our audit procedures indicated that the above offices were in substantial compliance with Arkansas fiscal and financial laws.

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. However, pursuant to Arkansas Code Annotated, Section 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

Hubbs & Whitehead, CPAs
Van Buren, Arkansas

October 11, 2024

**CITY OF WEST FORK, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 1,799,727	\$ 492,069	\$ 429,641
Accounts receivable	150,715	38,608	42,332
Interfund receivables	50,137	-	11,726
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,000,579</u>	<u>\$ 530,677</u>	<u>\$ 483,699</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payables	\$ 11,711	\$ 8,349	\$ 43,728
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>11,711</u>	<u>8,349</u>	<u>43,728</u>
Fund Balances:			
Restricted	-	522,328	439,971
Unassigned	1,988,868	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,988,868</u>	<u>522,328</u>	<u>439,971</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,000,579</u>	<u>\$ 530,677</u>	<u>\$ 483,699</u>

See Independent Auditor's Report and Notes to the Financial Statements.

CITY OF WEST FORK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 35,583	\$ 195,949	\$ -
Property taxes	163,397	17,910	-
Franchise taxes	72,011	69,929	-
Sales taxes	1,064,948	53,892	528,011
Fines, forfeitures and costs	203,886	-	151,518
Interest	29,704	10,993	6,195
Local permits and fees	18,609	-	18,865
Retirement Contributions	-	-	25,426
Other revenues	212,644	3,560	77,148
	<u>1,800,782</u>	<u>352,233</u>	<u>807,163</u>
Total Revenues			
	<u>1,800,782</u>	<u>352,233</u>	<u>807,163</u>
EXPENDITURES			
Current:			
General government	585,458	-	-
Public safety	1,025,028	-	155,858
Highways and streets	-	284,539	-
Capital outlay	23,418	84,523	256,865
Retirement payments	-	-	25,426
Recreation and culture	-	-	277,440
Total Current	<u>1,633,904</u>	<u>369,062</u>	<u>715,589</u>
Debt Service:			
Principal retirement	-	-	125,000
Interest and fiscal charges	-	-	22,300
	<u>1,633,904</u>	<u>369,062</u>	<u>862,889</u>
Total Expenditures			
	<u>1,633,904</u>	<u>369,062</u>	<u>862,889</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(112,366)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(112,366)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>166,878</u>	<u>(16,829)</u>	<u>(168,092)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,821,990</u>	<u>539,157</u>	<u>608,063</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,988,868</u>	<u>\$ 522,328</u>	<u>\$ 439,971</u>

See Independent Auditor's Report and Notes to the Financial Statements.

CITY OF WEST FORK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023

	General Fund			Street Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 35,000	\$ 35,583	\$ 583	\$ 180,700	\$ 195,949	\$ 15,249
Property taxes	141,000	163,397	22,397	15,500	17,910	2,410
Franchise taxes	65,000	72,011	7,011	65,000	69,929	4,929
Sales taxes	831,093	1,064,948	233,855	47,850	53,892	6,042
Fines, forfeitures and costs	206,000	203,886	(2,114)	-	-	-
Interest	1,670	29,704	28,034	3,600	10,993	-
Local permits and fees	9,250	18,609	9,359	-	-	-
Other revenues	210,908	212,644	1,736	-	3,560	3,560
Total Revenues	1,499,921	1,800,782	300,861	312,650	352,233	32,190
EXPENDITURES						
Current:						
General government	526,906	585,458	(58,552)	-	-	-
Public safety	922,515	1,025,028	(102,513)	-	-	-
Highways and streets	-	-	-	312,650	284,539	28,111
Capital outlay	50,500	23,418	27,082	-	84,523	(84,523)
Total Current	1,499,921	1,633,904	(133,983)	312,650	369,062	(56,412)
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	1,499,921	1,633,904	(133,983)	312,650	369,062	(56,412)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	166,878	166,878	-	(16,829)	(24,222)
FUND BALANCE, BEGINNING OF YEAR		1,821,990			539,157	
FUND BALANCE, END OF YEAR		\$ 1,988,868			\$ 522,328	

See Independent Auditor's Report and Notes to the Financial Statements.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

The City of West Fork (the City) was incorporated in 1885 under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accountings Standards Board*, the following fund of the City would have been included in the reporting entity: Water and Waste Water. However, under Arkansas's regulatory basis described below, inclusion of the fund is not required, and this fund is not included in this report.

Basis of Presentation - Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code Annotated §10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statement.

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund – The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, and property taxes that are restricted or committed for maintaining and constructing highways and streets.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Other Funds in the Aggregate – Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See the supplementary information section for Special Revenue Funds as reported with other funds in the aggregate.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned for expenditure for principal and interest. See the supplementary information section for Debt Service Funds as reported with other funds in the aggregate.

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. See the supplementary information section for Trust and Agency Funds as reported with other funds in the aggregate.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay. See the supplementary information section for Capital Projects Funds as reported with other funds in the aggregate.

Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of presentation as prescribed or permitted by Arkansas Code Annotated §10-4-412. The regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considered revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State of Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purposes of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance – amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance – amounts that are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain circumstances, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and other operating funds.

Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

Subsequent Events

Subsequent events have been evaluated through October 11, 2024, which is the date the financial statements were available to be issued.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 2: Cash Deposits in Financial Institutions

Cash deposits in financial institutions are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 322,776	\$ 322,776
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,398,661	2,570,763
 Total Deposits	 \$ 2,721,437	 \$ 2,893,539

Note 3: Legal or Contractual Provisions for Deposits and Investments

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investments securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

Note 4: Accounts Receivable

The accounts receivable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State turnback	\$ 4,713	\$ 16,165	\$ -
Franchise taxes	12,414	12,414	-
Other taxes	133,588	10,029	42,332
 Totals	 \$ 150,715	 \$ 38,608	 \$ 42,332

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 5: Interfund Receivables and Payables

The General Fund due to/from other funds for year ended December 31, 2023 consists of \$8,349 due from the Street Fund for payment of past worker's compensation and for taxes deposited in error, \$1,924 due to the Water Department for overpayment of past worker's compensation, \$41,788 due from the Park Fund (a Special Revenue Fund) for park maintenance paid by general fund, \$7,724 due to the Police LOPFI Fund and \$2,063 due to the Fire LOPFI Fund, for interest income earned and not distributed.

Note 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2023, are composed of the following:

Description	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
General government	\$ -	\$ -	\$ 165,972
Highways and streets	-	522,328	-
Law enforcement	-	-	50,072
Parks and recreation	-	-	139,558
Police and fire retirement	-	-	9,787
Debt service	-	-	74,582
Total Restricted	<u>-</u>	<u>522,328</u>	<u>439,971</u>
Unassigned	<u>1,988,868</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,988,868</u>	<u>\$ 522,328</u>	<u>\$ 439,971</u>

Note 7: Commitments

Total commitments consist of the following at December 31, 2023:

Long-term liabilities	<u>\$ 580,000</u>
-----------------------	-------------------

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Long-Term Liabilities

Long-term liabilities at December 31, 2023 consisted of the following:

Series 2016 Sales and Use Tax Bonds, issued to fund improvements to the City Library, Police, principal amount of \$1,135,000, due in annual ranging from 2.500% to 3.375%, with payments to be made from the Sales and Use Tax Bond Series 2016 Debt Service Fund.	<u>\$ 580,000</u>
Total Long-Term Liabilities	<u><u>\$ 580,000</u></u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded on the financial statements.

Compensated Absences

Compensated absences do not vest or accumulate. The amount of compensated absences was not determined.

Post Employment Benefits Other than Pensions

The amount of any actuarially determined liability for post-employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

<u>Date of issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2023</u>	<u>Maturities to December 31, 2023</u>
11/30/2016	12/1/2035	2.500 - 3.375%	<u>\$ 1,135,000</u>	<u>\$ 580,000</u>	<u>\$ 555,000</u>
			<u>\$ 1,135,000</u>	<u>\$ 580,000</u>	<u>\$ 555,000</u>

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Changes in Long-Term Debt

	Balance, January 1, 2023	Issued	Retired	Balance, December 31, 2023
Long-term liabilities	\$ 705,000	-	\$ 125,000	\$ 580,000

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2023:

Year Ended December 31	PRINCIPAL	INTEREST	TOTAL
2024	\$ 60,000	\$ 24,081	\$ 84,081
2025	60,000	22,581	82,581
2026	60,000	21,081	81,081
2027	65,000	19,581	84,581
2028	65,000	17,550	82,550
2029-2033	270,000	49,420	319,420
Total	\$ 580,000	\$ 154,294	\$ 734,294

Note 8: Legal Debt Limit

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2023 there were no property tax secured bond issues.

Note 9: Pledged Revenues

The City pledged future one percent sales and use taxes as follows: 1/4 to police operations, 1/4 to fire operations, 1/8 to general fund operations and 3/8 to bond debt service. The debt service fund received \$144,003 in sales taxes for the year ended December 31, 2023.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 10: Local Police and Fire Retirement System (LOPFI) (A Defined Benefit Pension Plan)

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and town in Arkansas. The plan provides pension benefits, deferred allowances, annual cost-of-living adjustments and death and disability benefits to plan members and beneficiaries. Benefit provisions are established by state law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to the Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745 or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- B. Paid service also covered by Social Security: 2.5% of gross pay beginning July 1, 2009; no employee contributions prior to that date
- C. Paid service-benefit program 2: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- D. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution of the plan was \$91,178 for the year ended December 31, 2023.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2023 (actuarial valuation date and measurement date) was \$1,009,029.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 11: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributor and non-contributory plans. Contributory members are required by State law to contribute 5.5% of their salary as of July 1, 2023. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$75,334 for the year ended December 31, 2023.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2023 (actuarial valuation date and measurement date) was \$762,760.

Note 12: Self-Administered Noncontributory Retirement Plan

The City has one retired elected officiation (the city clerk) covered under a self-administered noncontributory retirement plan that will pay retirement benefits equal to one-half the official's average annual salary for the year preceding retirement. The benefits are payable until the death of the official. This plan is completely vested after twenty years of service. At December 31, 2023 the official had met the vesting requirements.

Since the City includes the financial information on the self-administered plan in its financial statements, the plan does not issue a separate report. The City annually places funds to cover the future retirement cost of the self-administered plan in an interest bearing bank account. This bank account is reflected in the accompanying combining balance sheet-other funds in the aggregate as "City Clerk Retirement". At December 31, 2023, the City had not performed an actuarial valuation for the self-administered plan.

Since an actuarial valuation has not been made, the net pension obligation is unknown and the disclosures related to changes in the net pension obligation can not be made, however, the City does not believe that this omission is a material misstatement of the financial statements. The salary for the city clerk was \$41,250. The City made contributions to the plan in 2023. The city clerk retired in 2008 and the City made retirement payments of \$25,426 for the year ended December 31, 2023. The amount in the bank account at December 31, 2023 was \$-0-. The City Council has approved the transfer of funds to cover the pension obligation each year as needed from their General Fund budget.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

Note 13: Other Commitments

On January 1, 2013, the City renewed an agreement with the City of Greenland (“Greenland”) whereby the City agreed to provide standby fire protection and rescue services to Greenland with the express reservation that the services to Greenland would not impair service to the citizens of West Fork. Greenland agreed to hold the City harmless for any claims arising from the agreement and agreed to pay the City \$13,750 per quarter commencing January 1, 2023 and due the first day of each quarter thereafter over the term of the agreement. The agreement has a five-year life that ends January 1, 2028. The agreement includes termination terms that include non-payment of consideration, insufficiency of consideration due to growth and 90 day notice at the end of the agreement.

In contemplation of the agreement with Greenland, the City entered into an agreement with the West Fork Rural Fire Protection Association (the “Association”) on January 1, 2013, whereby the City and Association agrees to jointly respond to service requests from Greenland.

In consideration, the City agreed to remit one-half of any revenue earned from the Greenland agreement to the Association within thirty days of the City’s receipt of such revenue. The agreement with the Association contains the same language regarding termination as the Greenland agreement and expires on the same date.

On March 11, 2014 the City entered into an agreement with the West Fork Rural Fire Association, Inc. in which the City agrees to pay one half of the funding for two full-time firefighters that will respond to calls within the city limits of West Fork and within the territory served by the Association. The firefighters will be employees of the City and the Association will reimburse the City for one half of the cost of the firefighters on a quarterly basis beginning on April 15, 2014. The agreement shall be in effect for a term of one (1) year, beginning February 15, 2014. It will be extended for another period of one (1) year on each successive February 15, during the next twenty (20) years unless cancelled by a majority vote of either the West Fork City Council, or a majority vote of the Association Board.

Note 14: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by participation in a public entity risk pool.

The City participates in the Arkansas Municipal League Program (public entity risk pool) for coverage in the following areas:

Workers’ Compensation – This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers’ Compensation Commission.

**CITY OF WEST FORK, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

The City participates in the Arkansas Municipal Property and Vehicle Program for coverage in the following areas:

Building and Contents Program – The property program limits are blanket but the City’s property limits are tied to the insurance statement of values. The City pays for coverage based on the statement of values. Loss amounts will be reduced by a deductible amount of \$5,000.

Vehicle Program-Liability – This program covers claims for damages because of bodily injury, death or property damage caused by a covered vehicle for which the City is liable.

Vehicle Program-Physical Damage – This program covers vehicles and mobile equipment which are the property of the City. Property is valued at the cost to repair or replace the property. Loss amounts will be reduced by a deductible amount of \$1,000.

Municipal Legal Defense Program – The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program’s available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with other, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

SUPPLEMENTARY INFORMATION

CITY OF WEST FORK, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2023

	Special Revenue Funds			Trust Funds			Debt Service Fund	Totals
	Parks	Admin. Of	American Rescue	Fire LOPFI	Police LOPFI	City Clerk's Retirement	2016 Sales	
		Justice	Plan Act				Tax Bonds	
ASSETS								
Cash and cash equivalents	\$ 150,560	\$ 50,072	\$ 165,972	\$ -	\$ -	\$ -	\$ 63,037	\$ 429,641
Accounts receivable	30,787	-	-	-	-	-	11,545	42,332
Interfund receivables	1,939	-	-	2,063	7,724	-	-	11,726
Total Assets	\$ 183,286	\$ 50,072	\$ 165,972	\$ 2,063	\$ 7,724	\$ -	\$ 74,582	\$ 483,699
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund payables	\$ 43,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,728
Total Liabilities	43,728	-	-	-	-	-	-	43,728
Fund Balances:								
Restricted	139,558	50,072	165,972	2,063	7,724	-	74,582	439,971
Total Liabilities and Fund Balances	\$ 183,286	\$ 50,072	\$ 165,972	\$ 2,063	\$ 7,724	\$ -	\$ 74,582	\$ 483,699

See Independent Auditor's Report and Notes to the Financial Statements.

CITY OF WEST FORK, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE - REGULATORY
BASIS
YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds			Trust Funds			Debt Service Fund	Totals
	Parks	Admin. Of Justice	American Rescue Plan Act	Fire LOPFI	Police LOPFI	City Clerk's Retirement	2016 Sales Tax Bonds	
REVENUES								
Sales taxes	\$ 384,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,003	\$ 528,011
Fines, forfeitures and costs	-	151,518	-	-	-	-	-	151,518
Interest	443	-	338	-	-	-	5,414	6,195
Local permits and fees	18,865	-	-	-	-	-	-	18,865
Retirement Contributions	-	-	-	-	-	25,426	-	25,426
Other revenues	4,187	-	72,961	-	-	-	-	77,148
Total Revenues	407,503	151,518	73,299	-	-	25,426	149,417	807,163
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	155,858	-	-	-	-	-	155,858
Highways and streets	-	-	-	-	-	-	-	-
Capital outlay	256,865	-	-	-	-	-	-	256,865
Retirement payments	-	-	-	-	-	25,426	-	25,426
Recreation and culture	277,440	-	-	-	-	-	-	277,440
Total Current	534,305	155,858	-	-	-	25,426	-	715,589
Debt Service:								
Principal retirement	-	-	-	-	-	-	125,000	125,000
Interest and fiscal charges	-	-	-	-	-	-	22,300	22,300
Total Expenditures	534,305	155,858	-	-	-	25,426	147,300	862,889
OTHER FINANCING SOURCES (USES)								
Transfers In (out)	-	-	(112,366)	-	-	-	-	(112,366)
Total Other Financing Sources (Uses)	-	-	(112,366)	-	-	-	-	(112,366)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(126,802)	(4,340)	(39,067)	-	-	-	2,117	(168,092)
FUND BALANCES, BEGINNING OF YEAR	266,360	54,412	205,039	2,063	7,724	-	72,465	608,063
FUND BALANCES, END OF YEAR	\$ 139,558	\$ 50,072	\$ 165,972	\$ 2,063	\$ 7,724	\$ -	\$ 74,582	\$ 439,971

See Independent Auditor's Report and Notes to the Financial Statements.

OTHER INFORMATION

CITY OF WEST FORK, ARKANSAS
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)
DECEMBER 31, 2023

Land	\$	172,113
Buildings		502,262
Improvements		400,865
Equipment		2,667,254
New streets		2,035,006
Books - library		452,430
Parks Department - new construction		2,517,335
Administration building and remodel		1,568,893
	\$	<u>10,316,158</u>

See Independent Auditor's Report.

**CITY OF WEST FORK, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

SECTION I – CURRENT YEAR

2023-01 Internal Control over Financial Reporting - Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the City’s assets and ensure accurate financial reporting.

Condition: The City has a limited number of employees which effectively preclude an adequate segregation of duties relating to the recording, processing, reconciling and reporting of cash and other transactions in the accounting records, as well as the safeguarding of assets.

Cause: The City’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the City should consider a formal evaluation of their risks associated with this lack of duties segregation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts.

Responsible Official’s Response: The City concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the City plans to make certain changes in procedures that will improve the overall lack of segregation of duties.

SECTION II – CURRENT YEAR

Compliance and Other Matters - No Findings

SECTION III – PRIOR YEAR

2022-01 Internal Control over Financial Reporting - Segregation of Duties

The finding was restated for the current year.

Compliance and Other Matters - No Findings