

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT**

**SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED DECEMBER 31, 2020**

BALLARD & COMPANY, LTD.

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BALLARD & COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Bull Shoals, Arkansas

We have audited the accompanying financial statements of the water and wastewater department of the City of Bull Shoals, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the water and wastewater department of the City of Bull Shoals, Arkansas' basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Bull Shoals water and wastewater department as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and wastewater department of the City of Bull Shoals, Arkansas, and do not purport to, and do not, present fairly the financial position of the City of Bull Shoals as of December 31, 2020, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's 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 of the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the water and wastewater department of the City of Bull Shoals, Arkansas. The schedule of operating expenses, schedule of water and wastewater usage and rates, and the schedule of city officials, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of operating expenses, the schedule of water and wastewater usage and rates, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses, the schedule of water and wastewater usage and rates, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022, on our consideration of the City of Bull Shoals, Arkansas water and wastewater department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Bull Shoals, Arkansas water and wastewater department's 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 City of Bull Shoals, Arkansas water and wastewater department's internal control over financial reporting and compliance.

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
March 25, 2022

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS

Current assets:

| | |
|---|------------|
| Cash and cash equivalents | \$ 133,598 |
| Accounts receivable, net of allowance for doubtful accounts | 86,856 |
| Interfund receivables | 97,514 |
| Inventories | 51,132 |

| | |
|----------------------|---------|
| Total current assets | 369,100 |
|----------------------|---------|

| | |
|---|-----------|
| Restricted assets - cash and cash equivalents | 1,071,836 |
|---|-----------|

Capital assets:

| | |
|---|-----------|
| Nondepreciable assets | 78,971 |
| Depreciable assets, net of accumulated depreciation | 9,569,610 |

| | |
|---|-----------|
| Total capital assets, net of accumulated depreciation | 9,648,581 |
|---|-----------|

| | |
|--------------|------------|
| Total assets | 11,089,517 |
|--------------|------------|

LIABILITIES

Current liabilities:

| | |
|---------------------|--------|
| Accounts payable | 16,072 |
| Payroll liabilities | 1,877 |
| Sales tax payable | 3,999 |
| Sanitation payable | 13,001 |

| | |
|---------------------------|--------|
| Total current liabilities | 34,949 |
|---------------------------|--------|

Liabilities payable from restricted assets:

| | |
|---|---------|
| Accrued interest | 5,504 |
| Interfund payable | 274,841 |
| Refundable meter deposits | 66,625 |
| Final construction draw payable | 340,355 |
| USDA overfunding payable | 66,488 |
| Current maturities of long-term bonds payable | 120,406 |

| | |
|--|---------|
| Total liabilities payable from restricted assets | 874,219 |
|--|---------|

Long-term liabilities:

| | |
|--|-----------|
| Bonds payable, net of current maturities | 3,824,411 |
|--|-----------|

| | |
|-------------------|-----------|
| Total liabilities | 4,733,579 |
|-------------------|-----------|

NET POSITION

| | |
|----------------------------------|-----------|
| Net investment in capital assets | 1,271,029 |
|----------------------------------|-----------|

Restricted:

| | |
|---------------------------|---------|
| Debt service requirements | 230,668 |
| Other | 281,072 |

| | |
|--------------|-----------|
| Unrestricted | 4,573,169 |
|--------------|-----------|

| | |
|--------------------|--------------|
| Total net position | \$ 6,355,938 |
|--------------------|--------------|

The accompanying notes are an integral part of these statements.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

OPERATING REVENUES

| | |
|-------------------------|------------|
| Water service fees | \$ 345,350 |
| Wastewater service fees | 330,024 |
| Maintenance fees | 71,218 |
| Late penalties | 9,752 |
| Other | 12,340 |
| | <hr/> |
| Total operating revenue | 768,684 |
| | <hr/> |

OPERATING EXPENSES

| | |
|--------------------------|-----------|
| Water department | 370,538 |
| Wastewater department | 192,159 |
| Depreciation expense | 332,543 |
| | <hr/> |
| Total operating expenses | 895,240 |
| | <hr/> |
| Operating income (loss) | (126,556) |
| | <hr/> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|----------|
| Interest income | 1,724 |
| Interest expense | (95,584) |
| Gain (loss) on disposal of assets | (57,348) |
| Sales tax revenues | 222,327 |
| Paying agent fees | (500) |
| | <hr/> |
| Total nonoperating revenues (expenses) | 70,619 |
| | <hr/> |

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS (55,937)

| | |
|-----------------------------------|-----------|
| Capital contributions from grants | 4,531,007 |
| | <hr/> |

INCREASE (DECREASE) IN NET POSITION 4,475,070

| | |
|--------------------------------|-----------|
| NET POSITION, beginning | 1,880,868 |
| | <hr/> |

| | |
|------------------------------------|--------------|
| <u>NET POSITION, ending</u> | \$ 6,355,938 |
| | <hr/> <hr/> |

The accompanying notes are an integral part of these statements.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------|
| Receipts from from customers | \$ 763,035 |
| Payments to and/or for employees | (197,358) |
| Payments to supplier for goods and services | (351,368) |
| | <hr/> |
| Net Cash Provided by (Used in) Operating Activities | 214,309 |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|-------------|
| Cash received from loan proceeds | 4,427,034 |
| Cash received from grant proceeds | 4,803,098 |
| Cash received from sales and use tax | 222,442 |
| Cash received from general fund for loan payoff | 31,700 |
| Cash paid to purchase and construct assets | (5,266,385) |
| Principal paid on notes payable | (3,531,411) |
| Principal paid on short-term notes payable | (400,000) |
| Interest paid on notes payable | (107,091) |
| Trustee fees paid | (500) |
| | <hr/> |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | 178,887 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------|-------|
| Cash received from interest earned | 1,724 |
| | <hr/> |

NET INCREASE (DECREASE) IN CASH

394,920

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

810,514

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,205,434

Reconciliation of Operating Income (Loss) to Net Cash Provided

(Used In) Operating Activities:

| | |
|-------------------------|--------------|
| Operating income (loss) | \$ (126,556) |
| Depreciation expense | 332,543 |

(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:

| | |
|---------------------------|---------|
| Accounts receivable | (6,619) |
| Inventory | 18,697 |
| Payroll liabilities | 263 |
| Accounts payable | (5,041) |
| Sales tax payable | 52 |
| Meter deposits refundable | 970 |
| | <hr/> |

Net Cash Flows from Operating Activities

\$ 214,309

Reconciliation of Total Cash and Cash Equivalents - End of Year

| | |
|---|----------------------------|
| Current assets - cash and cash equivalents | \$ 133,598 |
| Restricted assets - cash and cash equivalents | 1,071,836 |
| | <hr/> |
| | <u><u>\$ 1,205,434</u></u> |

Reconciliation of Total Cash and Cash Equivalents - Beginning of Year

| | |
|---|--------------------------|
| Current assets - cash and cash equivalents | \$ 109,416 |
| Restricted assets - cash and cash equivalents | 701,098 |
| | <hr/> |
| | <u><u>\$ 810,514</u></u> |

The accompanying notes are an integral part of these statements.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Bull Shoals, Arkansas, (the City) was established in 1946 and operates under a Mayor - Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water distribution system as well as its wastewater treatment system.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Bull Shoals, Arkansas. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operation and cash flows of the City of Bull Shoals, Arkansas as a whole.

Basis of Accounting

The water and wastewater department is used to account for the operations of the City of Bull Shoals, Arkansas' proprietary fund and is an enterprise fund. Enterprise funds are for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public be financed or recovered primarily through user charges.

The financial statements of the Department are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Basis of Presentation

The presentation of the Department's financial statements follows the requirement of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34) – applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the Department's net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable. In addition, operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for water, wastewater, and related services. Principal operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

Budget and Budgetary Accounting

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank deposits and a certificate of deposit. It also includes funds invested in the Fidelity Treasury Only Money Market Fund, and are held by Regions Bank, trustee for the Series 2010 and 2012 Revenue Bonds. The total of the funds held by the trustee as of December 31, 2020, was \$24,442.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Consumer accounts receivable reflects the balances due from the individuals and entities using the water and wastewater services provided by the Department. These consumers are substantially all local residents and businesses. Receivables are shown net of allowances for uncollectible accounts.

Inventories

Inventories held by the water and wastewater department are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. Contributed assets are reported at fair market value as of the date received. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

| | |
|-------------------------|---------------|
| System and improvements | 10 - 40 Years |
| Vehicles | 5 Years |
| Equipment | 10 - 20 Years |

Accounts Payable

Accounts payable consists of various trade accounts which are generally payable within thirty (30) days.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- * *Net Investment in Capital Assets* - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- * *Restricted Net Position* – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- * *Unrestricted Net Position* - consists of all other net position that does not meet the definition of the above two components and is available for general use of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 2: CASH AND INVESTMENTS

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

The carrying amount of the Department's cash deposits was \$1,205,434 and the respective bank balances totaled \$1,214,933. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and wastewater department of the City of Bull Shoals, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Department's policy is to place deposits only in collateralized or insured accounts. As of December 31, 2020, all bank balances of the Department were fully insured or collateralized.

NOTE 3: RESTRICTED ASSETS

Restricted assets consist of cash and equivalents restricted by various bond ordinances and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2020 were as follows:

| | |
|---------------------------|---------------------|
| Debt service funds | \$ 225,215 |
| Depreciation funds | 110,992 |
| Capital improvement funds | 684,010 |
| Meter deposit fund | <u>51,619</u> |
| Total restricted assets | <u>\$ 1,071,836</u> |

NOTE 4: FUND REQUIREMENTS

The various bond and loan documents established certain funds and the manner in which revenues are to be deposited and transferred between the various funds. Except as noted below, cash funds were deposited and transferred as required.

Ordinance 2011-02, effective with its adoption July 28, 2011, provided for a maintenance fee of \$5.00 to be included on each water bill in order to establish a water depreciation fund. This depreciation fund has been established, however monthly transfers of the maintenance fees collected were not being made until late 2019. The Department will continue to make monthly transfers as required.

Meter deposits are customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposit reserves at December 31, 2020 were \$51,619, a deficit in the amount of \$15,006 from the total customer deposits of \$66,625.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|---|----------------------|----------------------|-----------------------|---------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land and land rights | \$ 78,971 | \$ - | \$ - | \$ 78,971 |
| Construction in progress | 3,868,478 | 5,421,980 | (9,290,458) | - |
| | <u>3,947,449</u> | <u>5,421,980</u> | <u>(9,290,458)</u> | <u>78,971</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Equipment | 1,210,274 | 179,354 | (774,341) | 615,287 |
| Vehicles | 52,200 | 53,396 | (33,200) | 72,396 |
| System and improvements | 5,995,316 | 9,246,968 | (1,137,835) | 14,104,449 |
| | <u>7,257,790</u> | <u>9,479,718</u> | <u>(1,945,376)</u> | <u>14,792,132</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Equipment | (1,086,223) | (47,960) | 756,644 | (377,539) |
| Vehicles | (52,200) | (5,340) | 33,200 | (24,340) |
| System and improvements | (5,639,585) | (279,243) | 1,098,185 | (4,820,643) |
| | <u>(6,778,008)</u> | <u>(332,543)</u> | <u>1,888,029</u> | <u>(5,222,522)</u> |
| Total capital assets, being depreciated, net | <u>479,782</u> | <u>9,147,175</u> | <u>(57,347)</u> | <u>9,569,610</u> |
| Capital assets, net | <u>\$ 4,427,231</u> | <u>\$ 14,569,155</u> | <u>\$ (9,347,805)</u> | <u>\$ 9,648,581</u> |

Depreciation expense was charged to the water and wastewater departments as follows:

| | |
|-----------------------|-------------------|
| Water department | \$ 41,824 |
| Wastewater department | <u>290,719</u> |
| | <u>\$ 332,543</u> |

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 6: INTERFUND RECEIVABLE AND PAYABLE

The Department has a receivable due from the Street Fund in the amount of \$863 for payments made by the Department on an equipment loan. It also has a receivable due from the General Fund in the amount of \$96,651. This amount is comprised of \$16,651 for the December 2020 sales and use tax monies collected and \$80,000 for a duplicate transfer made related to the wastewater facilities improvement project.

The Department has a payable due to the General Fund in the amount of \$274,841. This amount is due as reimbursement for various invoices paid for out of the General Fund for the wastewater facilities improvement project. See note 12 for further discussion regarding this project.

NOTE 7: SHORT-TERM NOTE PAYABLE

Ordinance 2019-04 extended the authority of Ordinances 2017-05 and 2018-04 which authorized the Mayor to enter into short-term financing to initiate improvements to the wastewater system. This one-year loan, originally dated July 20, 2017 in the amount of \$400,000, was taken out from First Security Bank and is payable in monthly, interest-only payments at rate of 5%. The note was extended one year to July 2020 but was then paid in full in March 2020.

Changes in the short-term loan for the year ended December 31, 2020 are as follows

| | <u>BEGINNING BALANCE</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>ENDING BALANCE</u> |
|---------------------|------------------------------|------------------|-------------------|---------------------------|
| First Security Bank | \$ 400,000 | \$ 0 | \$ (400,000) | \$ 0 |

NOTE 8: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2020 are as follows:

| | <u>BEGINNING BALANCE</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>ENDING BALANCE</u> | <u>AMOUNTS DUE WITHIN ONE YEAR</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--|
| USDA – 2020 sales and use tax/revenue bond | \$ 0 | \$ 3,530,000 | \$ (41,186) | \$ 3,488,814 | \$ 56,373 |
| USDA - 1988 revenue bond | 113,051 | 0 | (10,977) | 102,074 | 11,538 |
| ANRC - 2010 revenue bond | 316,671 | 0 | (16,501) | 300,170 | 16,874 |
| ANRC - 2012 revenue bond | 88,506 | 0 | (34,747) | 53,759 | 35,621 |
| First Security Bank – 2018 sales and use tax/revenue bond | 2,530,966 | 897,034 | (3,428,000) | 0 | 0 |
| Total long-term debt | <u>\$ 3,049,194</u> | <u>\$ 4,427,034</u> | <u>\$ (3,531,411)</u> | <u>\$ 3,944,817</u> | <u>\$ 120,406</u> |

BONDS PAYABLE

1988 Bonds Payable

Under the authority of Ordinance 1988-04 dated April 28, 1988, the City issued water and sewer revenue bonds in the amount of \$280,000 to finance improvements to the water and wastewater system. The United States Department of Agriculture – Rural Development (USDA) purchased the bonds under a loan agreement dated October 24, 1988 subject to a interest rate of 5.00% per annum over a 40-year payment period. The bonds are secured by a pledge of the system revenues and are scheduled to mature in 2028.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 8: LONG-TERM LIABILITIES – Continued

BONDS PAYABLE

2010 Bond Payable

Under the authority of Ordinance 2010-02 dated February 01, 2010, the City issued a water and sewer revenue bond in the amount of \$399,640 to finance improvements to the wastewater facilities. The Arkansas Natural Resources Commission (ANRC) purchased the bond under a memorandum of agreement dated November 01, 2009. The loan had a closing date of June 07, 2010 with an original interest rate of 4.75% per annum over a 35-year payment period. As of October 05, 2016, the loan was refinanced with a new interest rate of 2.25% over a 20-year payment period. The bonds are secured by a pledge of the system revenues and are scheduled to mature in 2036.

2012 Bond Payable

Under the authority of Ordinance 2012-04 dated February 01, 2012, the City issued a water and sewer revenue bond in the amount of \$309,000 to finance improvements to the water facilities. The Arkansas Natural Resources Commission (ANRC) purchased the bond under a memorandum of agreement dated May 07, 2012. The loan had a closing date of December 05, 2012 with an interest rate 2.50% per annum over a 10-year payment period. The bonds are secured by a pledge of the system revenues and are scheduled to mature in 2022.

2018 and 2020 Sales and Use Tax and Water and Sewer Revenue Bonds Payable

Ordinance 2018-05, dated August 20, 2018, authorized the issuance of a sales and use tax and water and sewer revenue bond to finance improvements to the wastewater facilities of the system. On October 18, 2018, a \$3,428,000 bond was issued and was purchased by First Security Bank at an interest rate of 2.98%. The bond was issued to provide interim financing for a portion of the costs of the improvements. The bond was secured by a pledge of the (a) the collections of the City's 1% sales and use tax levied by Ordinance 2017-03, adopted February 23, 2017 and (b) revenues derived from the operation of the water and wastewater system.

Interest only on the interim bond was due on October 18, 2019, and both principal and interest were payable at maturity on October 18, 2020. Final repayment of this bond was made in March 2020 with proceeds from a long-term financing arrangement through the USDA Rural Utilities Service. This new USDA loan was issued in the amount of \$3,530,000, bears interest at 2.25%, and matures in 2060.

Combined maturity requirements of the bonds payable subsequent to December 31, 2020 are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|---------------------|
| 12-31-2021 | \$ 120,406 | \$ 90,544 |
| 12-31-2022 | 105,177 | 87,394 |
| 12-31-2023 | 89,361 | 84,845 |
| 12-31-2024 | 91,754 | 82,452 |
| 12-31-2025 | 94,218 | 79,988 |
| 2026 – 2030 | 466,960 | 362,832 |
| 2031 - 2035 | 479,738 | 309,392 |
| 2036 – 2040 | 416,005 | 258,234 |
| 2041 - 2045 | 462,416 | 209,044 |
| 2046 – 2050 | 517,422 | 154,038 |
| 2051 - 2055 | 578,972 | 92,488 |
| 2056 - 2060 | 522,388 | 24,800 |
| Total | <u>\$ 3,944,817</u> | <u>\$ 1,836,051</u> |

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 9: RISK MANAGEMENT

The water and wastewater department of the City of Bull Shoals, Arkansas has purchased insurance coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the Arkansas Municipal League Program for its building and contents, vehicle, general liability, and workers' compensation coverage. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

NOTE 10: PENSION PLAN

Plan Description

The City elected to become a participating employer in the Arkansas Diamond Deferred Compensation Plan, a Section 457B defined contribution pension plan. The City adopted this plan on March 21, 2006. Voya Financial is the record keeper and administrator of the plan.

Eligibility

Employees are eligible to participate in the plan after they have completed one year of service and must be scheduled to work a minimum of 40 hours per week in order to be eligible for employer contributions under the plan.

Contributions and Earnings

As a condition for sharing in employer contributions, each participant shall contribute two percent (2%) of his compensation to the plan. Employer contribution percentages are based on each participant's number of years of employment, increasing from one percent (1%) up to 5 percent (5%) of compensation, beginning with the first year through the fifth-plus year of employment.

The percentage of each participant's employer contribution account which shall be non-forfeitable upon termination of his employment for reasons other than death, disability, or normal retirement is based on years of service (1,000 hours worked in a plan year constitutes a year of service) pursuant to the following schedule:

| <u>Years of Service</u> | <u>Vesting Percentage</u> |
|-----------------------------|-------------------------------|
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

During the year ended December 31, 2020, employer contributions to the plan totaled \$3,666.

NOTE 11: SALES AND USE TAX

Ordinance 2017-03, adopted on February 23, 2017, called for a special election on the question of issuing improvement bonds of up to \$5,000,000 for the purpose of financing a portion of the cost of wastewater improvements and levying a one percent (1%) sales and use tax for the purpose of retiring such bonds. The citizens of Bull Shoals, Arkansas voted for the bond issuance and for the sales and use tax to retire the bonds. During the year ended December 31, 2018, the City issued a 2.98% sales and use tax and water and sewer revenue bond in the amount of \$3,428,000. Final repayment of this bond was made in March 2020 with proceeds from a long-term financing arrangement through the USDA Rural Utilities Service. This new USDA loan was issued in the amount of \$3,530,000, bears interest at 2.25%, and matures in 2060. See note 8 for further information regarding this bond.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12: WASTEWATER FACILITIES IMPROVEMENT PROJECT

During the year ended December 31, 2017, the Department began a project to replace the City's aging wastewater treatment facility. The project is being funded through the issuance of improvement bonds as discussed in Note 8, as well as grants from the Delta Regional Authority, the U.S. Department of Commerce Economic Adjustment Assistance Program, and the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities Program (USDA). This project was completed during the year ended December 31, 2020, and the system improvements have been capitalized on the books of the Department. As the final construction draw for the project was paid in early 2021, a payable has been recorded as of December 31, 2020. Further, as an overpayment of federal funds was received from USDA, a payable for the amount to be remitted back to the agency has also been recorded.

NOTE 13: WATER AND WASTEWATER RATE INCREASE

The water and wastewater rates that were in effect during all of 2020 were set forth under the authority of Ordinance 2019-2. This ordinance specifies that water and wastewater service charges shall increase annually at a rate of two percent, or at a rate equal to the federal consumer price index – whichever is greater. Although rates were not raised during 2020, Resolution 2020-R-4 provided for a two-percent increase in the water and wastewater rates effective January 01, 2021.

NOTE 14: CORONAVIRUS DISEASE 2019 (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

SUPPLEMENTARY AND OTHER INFORMATION

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Water Department | Wastewater Department |
|-----------------------------|-----------------------------|----------------------------------|
| Auto and fuel expense | \$ 5,423 | \$ 7,814 |
| Bad debt expense | 2,885 | 2,885 |
| Bank charges and fees | 892 | - |
| Computer support | 4,942 | 1,848 |
| Dues and licenses | 16,803 | 618 |
| DMR reports | - | 7,027 |
| Educational expense | 144 | - |
| Insurance - general | 5,623 | 11,484 |
| Insurance - health and life | 17,362 | 18,033 |
| Legal and professional | 11,737 | 11,838 |
| Postage and freight | 1,721 | 1,727 |
| Pension expense | 1,794 | 1,872 |
| Repairs and maintenance | 4,491 | 276 |
| Salaries | 78,054 | 68,940 |
| Sludge removal | - | 1,804 |
| Supplies - office | 1,425 | 865 |
| Supplies - operating | 11,041 | 3,764 |
| Taxes - payroll | 6,185 | 5,381 |
| Telephone and utilities | 4,326 | 45,475 |
| Uniforms | 485 | 508 |
| Water purchases | 195,205 | - |
| Total Operating Expenses | <u>\$ 370,538</u> | <u>\$ 192,159</u> |

See auditor's report on supplementary information.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF WATER AND WASTEWATER USAGE AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Rate Schedule

Ordinance 2019-02, effective with its adoption on February 28, 2019, set forth the following water and wastewater rates as follows:

| <u>Meter Size</u> | <u>Water Minimum Rates</u> | | <u>Wastewater Minimum Rates</u> | |
|-----------------------------|----------------------------|-------------------|---------------------------------|-------------------|
| ¾ " | \$16.84 | 2,000 gallons | \$18.90 | 2,000 gallons |
| 1" | \$24.70 | 3,000 gallons | \$27.18 | 3,000 gallons |
| 1 ½ " | \$49.35 | 7,000 gallons | \$46.33 | 7,000 gallons |
| 2" | \$89.16 | 13,000 gallons | \$80.87 | 13,000 gallons |
| 3" | \$207.64 | 26,000 gallons | \$222.38 | 26,000 gallons |
| 4" | \$302.96 | 40,000 gallons | \$308.04 | 40,000 gallons |
| All usage over the minimum: | \$5.60 | per 1,000 gallons | \$3.62 | per 1,000 gallons |

Ordinance 2011-02, effective with its adoption on July 28, 2011, provided for a \$5.00 maintenance fee to be added to each monthly water bill to maintain a water depreciation fund.

Note that Ordinance 2019-2 specifies that water and wastewater service charges shall increase annually at a rate of two percent, or at a rate equal to the federal consumer price index – whichever is greater. Although rates were not raised during 2020, Resolution 2020-R-4 provided for a two-percent increase in the water and wastewater rates effective January 01, 2021.

Water Usage

Gallons purchased and sold during the year ended December 31, 2020 were as follows:

| | |
|----------------------------|-------------------|
| Gallons of water purchased | 63,151,000 |
| Gallons of water sold | <u>45,625,907</u> |
| Gallons of water lost | <u>17,525,093</u> |

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| <u>Position</u> | <u>Official</u> |
|------------------------|------------------------|
| Mayor | David Nixon |
| Council Member | Alan Graley |
| Council Member | Jim Traylor |
| Council Member | Daryl Lindman |
| Council Member | Joey Grede |
| Council Member | Dino Giannini |
| Council Member | Lynn Nickels |

See auditor's report on other information.

SINGLE AUDIT SECTION

CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| <u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| <u>United States Department of Agriculture</u> | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | \$ 4,969,103 |
| <u>United States Department of Commerce</u> | | |
| <i>Economic Development Cluster</i> | | |
| Economic Adjustment Assistance | 11.307 | 390,080 |
| <u>Delta Regional Authority</u> | | |
| Delta Local Development District Assistance | 90.202 | <u>218,650</u> |
| Total Expenditures of Federal Awards | | <u><u>\$ 5,577,833</u></u> |

The accompanying notes are an integral part of this schedule.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Bull Shoals, Arkansas water and wastewater department under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Bull Shoals Arkansas water and wastewater department, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bull Shoals, Arkansas water and wastewater department.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: Indirect Cost Rate

The City of Bull Shoals, Arkansas water and wastewater department has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: Outstanding Loan Balance

The outstanding balance of the loan under the federal award program through the U.S. Department of Agriculture - Water and Wastewater Disposal Systems for Rural Communities (CFDA No. 10.760) as of December 31, 2020 was \$3,488,814.



BALLARD & COMPANY, LTD.

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870-269-2390

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ASH FLAT, AR 72513
870-994-2812

352 HIGHWAY 62 EAST
SALEM, AR 72576
870-895-2661

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of City Council
City of Bull Shoals, Arkansas

We have audited, 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, the financial statements of the water and wastewater department of the City of Bull Shoals, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Bull Shoals, Arkansas water and wastewater department's basic financial statements, and have issued our report thereon dated March 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the water and wastewater department of the City of Bull Shoals, Arkansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the water and wastewater department of the City of Bull Shoals, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the water and wastewater department of the City of Bull Shoals, Arkansas' 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the water and wastewater department of the City of Bull Shoals, Arkansas' 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*.

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 result 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.

Ballard & Company, Ltd.

Ballard & Company, Ltd.
Mountain Home, Arkansas
March 25, 2022



BALLARD & COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of City Council
City of Bull Shoals, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the City of Bull Shoals, Arkansas water and wastewater department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bull Shoals, Arkansas water and wastewater department's major federal programs for the year ended December 31, 2020. The City of Bull Shoals, Arkansas water and wastewater department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bull Shoals, Arkansas water and wastewater department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bull Shoals, Arkansas water and wastewater department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bull Shoals, Arkansas water and wastewater department's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bull Shoals, Arkansas water and wastewater department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City of Bull Shoals, Arkansas water and wastewater department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bull Shoals, Arkansas water and wastewater department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bull Shoals, Arkansas water and wastewater department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ballard & Company, Ltd.

Mountain Home, Arkansas
March 25, 2022

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **UNMODIFIED**
2. Significant deficiencies in internal control were disclosed by the audit of the financial statement: **NO**
3. Material weaknesses in internal control were disclosed by the audit of the financial statement: **NO**
4. Noncompliance which is material to the financial statements: **NO**

Federal Awards

5. Significant deficiencies in internal control over major programs: **NO**
6. Material weaknesses in internal control over major programs: **NO**
7. Type of auditor's report issued on compliance for major program: **UNMODIFIED**
8. Any audit findings required to be reported in accordance with 2 CFR 200.516(a): **NO**
9. Major federal programs:
**CFDA No. 10.760 - Department of Agriculture – Water and Wastewater Disposal Systems
for Rural Communities**
10. Threshold used for distinguishing between Type A and B programs: **\$750,000**
11. The water and wastewater department of the City of Bull Shoals, Arkansas did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable.

**CITY OF BULL SHOALS, ARKANSAS
WATER AND WASTEWATER DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL STATEMENT FINDINGS

FINDING 2019-1: Segregation of Duties

Condition: The cash management duties relating to initiating, receipting, depositing, disbursing, and recording of cash transactions are not sufficiently segregated to ensure the proper safeguarding of assets.

Recommendation: Cash management duties noted should be segregated among employees to the extent possible with the current staffing levels.

Current Status: As of the beginning of 2020, management has segregated the duties relating to initiating, receipting, depositing, disbursing and recording of cash transactions among employees to the extent possible with current staffing levels. Further, oversight and continuing review of the financial activity has been increased as considered necessary.

FEDERAL AWARDS FINDINGS

No matters are reportable.