

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
P. O. BOX 28  
GASSVILLE, ARKANSAS 72635  
(870) 435-6439

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021

\*\*\*\*\*

BRIAN L. HAAS  
CERTIFIED PUBLIC ACCOUNTANT  
1616 HIGHWAY 62 WEST  
MOUNTAIN HOME, AR 72653  
(870) 424-2181

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report	1 - 3
REQUIRED SUPPLEMENTAL INFORMATION	
Management's discussion and analysis	4 - 8
FINANCIAL STATEMENTS	
Statement of fund net position – proprietary fund	9 - 10
Statement of revenues, expenses, and changes in fund net position – proprietary fund	11
Statement of cash flows – proprietary fund	12 - 13
Notes to financial statements	14 - 21
SUPPLEMENTAL INFORMATION	
Required supplementary information	22 - 25
Users by class	26
Water and wastewater rates	26
Report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards	27 - 28
Schedule of findings and responses	29 - 30

**Phone: (870) 424-2181**

**Fax: (870) 425-1339**

## INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and City Council  
City of Gassville Water and Wastewater Fund  
P. O. Box 28  
Gassville, Arkansas 72635

### **Report on Financial Statements**

I have audited the accompanying financial statements of the City of Gassville Water and Wastewater Fund, as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise the Fund's 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 the 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Gassville Water and Wastewater Fund as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Water and Sewer Fund and do not purport to and do not, present fairly the financial position of the City of Gassville, Arkansas as of December 31, 2021, the changes in its financial position, or where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplemental Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of governmental assistance, schedule of operating expenses, water budget, sewer budget, budgetary comparison information, users by class and water rates are presented for the purpose 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated June 21, 2022 on my consideration of the City of Gassville Water and Wastewater Fund's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of 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 Gassville Water and Wastewater Fund's internal control over financial reporting and compliance.



Brian Haas, CPA  
Mountain Home, AR 72653

June 21, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gassville Water and Wastewater Fund, we offer readers of the Fund's financial statements this narrative overview and analysis of the Fund's financial performance during the fiscal year ended December 31, 2021. Please read it in conjunction with the Fund's financial statements, which follow this section.

The City of Gassville Water and Wastewater Fund's financial statements consist of only one proprietary fund. The Board operates a water utility for customers (members) on a fee for services and related costs basis. The Board is Board is a non-profit entity.

---

### FINANCIAL HIGHLIGHTS

---

As of December 31, 2021:

- The Fund's assets exceeded its liabilities by \$3,712,217 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,630,451.
- Total net assets are comprised of the following:  
  
Capital assets, net of related debt of \$2,992,251, including property and equipment net of accumulated depreciation.
- Temporarily restricted assets of \$342,604 are reserved by constraints imposed by outside the Water and Sewer System, such as debt covenants, grantors, laws or regulations.
- Unrestricted net assets of \$377,362 represent portion available to maintain ongoing operations.

---

### OVERVIEW OF THE FINANCIAL STATEMENTS

---

- The Fund's annual audit report includes three major financial statements. These statements provide both long-term and short-term information about the Fund's overall status. Financial reporting at this level uses accrual basis accounting as in the private sector.
- The first of these statements is the Statement of Fund Net Position – Proprietary Fund. This is the Fund's statement of financial position presenting information that includes all of the Fund's assets and liabilities with the difference reported as fund net position. Over time, increases or decreases in the fund net position may serve as a useful indicator of whether the financial position of the Fund as a whole is improving or deteriorating.
- The second statement is the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund. This statement reports how the Fund's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund is to show the effectiveness of Fund rate structure and related revenues to adequately cover the operational costs of providing water services to the Fund's membership.

- The third major statement is the Statement of Cash Flows. This statement presents cash flows provided by operations, investing and financing on a net change basis.

---

## **REQUIRED FINANCIAL STATEMENTS**

---

- The financial statements of the Fund's report information of the Fund using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Fund Fund Net Position – Proprietary Fund includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Fund's creditors (liabilities). These also provide the basis for evaluating the capital structure of the Fund and assessing the liquidity and financial flexibility of the Fund.
- All of the prior years and current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund. This statement measures the success of the Fund's operations and can be used to determine whether the Fund has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.
- The final required financial statement is the Statement of Cash Flow– Propriety Fund. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting periods.

---

## **FINANCIAL ANALYSIS OF THE FUND**

---

- The Fund's net assets increased due to an excess of revenue over expenses of \$1,081,766. Total operating revenues were up from 2020 by \$26,243 to \$609,430. Total operating expenses were higher in 2021, \$496,474 compared to \$475,735 in 2020.

---

**Fund Net Position**

---

- To begin our analysis, a summary of the Fund's Statements of Fund Net Position - Proprietary Fund are presented in Table A-1.

Table A-1  
The Fund's Net Position  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 381,229	\$ 341,589
Capital and non-current assets	<u>3,754,270</u>	<u>2,489,164</u>
 Total Assets	 4,135,499	 2,830,753
 Current Liabilities	 58,462	 64,339
Long-term Liabilities	<u>364,820</u>	<u>135,963</u>
 Total Liabilities	 423,282	 200,302
 Fund Net Position	 <u>\$ 3,712,217</u>	 <u>\$ 2,630,451</u>
 Invested in capital assets net of related debt	 \$ 2,992,251	 \$ 1,761,654
Temporarily restricted	342,604	530,961
Unrestricted	<u>377,362</u>	<u>337,836</u>
 Total Fund Net Position	 <u>\$ 3,712,217</u>	 <u>\$ 2,630,451</u>

The Fund's net position increased by \$1,081,766 over 2020. Additional information regarding capital assets is available in the Notes to the Basic Financial Statements.

A portion of the net assets is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net assets may be used to fund the Fund's programs in the next fiscal year. However, this does not mean that the Fund has significant surplus resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources. The balance has remained similar to the prior years.

---

**BUDGETARY HIGHLIGHTS**

---

- For 2021, the Fund's revenues were more than budgeted estimates by \$65,530. Expenses were lower than budget estimates. Total operating expenses were approximately \$11,042 under original budget.



---

## CAPITAL ASSETS AND DEBT ADMINISTRATION

---

- Capital Assets

At the end of 2021, the Fund had invested \$7,132,609 on a broad range of assets, including land, water distribution system, equipment and vehicles.

This was an increase over 2020. Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements.

Land	\$ 45,833
System & Improvements	2,730,843
Machinery & Equipment	427,593
Vehicles	128,376
Sewer plant expansion	1,885,952
Construction in progress	1,914,012
Less accumulated depreciation	<u>(3,775,538)</u>
Net capital assets	<u>\$ 3,357,071</u>

- Debt Administration

At the end of 2021, the Fund's long-term debt consisted of the following:

Note payable - USDA	<u>\$ 364,820</u>
Total long-term debt	<u>\$ 364,820</u>

More information about the Fund's debt is presented in the Notes to the Basic Financial Statements.

---

## **ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

---

- The City of Gassville will have completed a sewer expansion project and anticipates a new rate study to be implemented for water and sewer customers including necessary revenues for depreciation per the future implementation of Act 605. The rate study is being done by the Arkansas Rural Water Association.

---

## **CONTACTING THE FUND'S FINANCIAL MANAGER**

---

- This financial report is designed to provide a general overview of the Fund's finances, comply with finance-related laws and regulations, and demonstrate the Fund's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Fund's manager at:

P.O. Box 28  
Gassville, Arkansas 72653

Phone number: (870) 435-6439

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
STATEMENT OF FUND NET POSITION- PROPRIETARY FUND

December 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 301,571
Accounts receivable - consumers	47,655
Inventory - materials and supplies	31,742
Prepaid note payment	261
	261

Total current assets 381,229

RESTRICTED ASSETS: (NOTES 1 AND 2)

Cash:	
Meter deposit fund	63,080
Depreciation reserve	5,287
Debt service reserve	36,800
Sewer construction fund	55,165
Sewer lift station fee	5,481
AFDA CD	736
Tank maintenance fund	67,905
Water improvement savings	46,863
Sewer savings fund	58,474
Grant Fund	0
Wastewater capital reserve fund	36,328
Line Crew capital reserve fund	11,625
Ductile Iron depreciation reserve	9,455
	9,455

Total restricted assets 397,199

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment (Note 1)	7,132,609
Less accumulated depreciation	(3,775,538)
	(3,775,538)

Property, plant and equipment - net 3,357,071

Total assets \$4,135,499

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND

December 31, 2021

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	\$ 1,922
Sales tax payable	1,945
Current maturities	<u>-</u>
Total current liabilities	3,867
CURRENT LIABILITIES-PAYABLE FROM RESTRICTED ASSETS:	
Meter deposits (Note 2)	<u>54,595</u>
Total from restricted assets	54,595
LONG-TERM LIABILITIES:	
Note payable - USDA	364,820
Less current maturities	<u>0</u>
Total long-term liabilities	<u>364,820</u>
Total liabilities	423,282
NET POSITION:	
Invested in capital assets, net of related debt	2,992,251
Temporarily restricted	342,604
Unrestricted	<u>377,362</u>
Total net position	<u>3,712,217</u>
Total liabilities and net position	<u><u>\$ 4,135,499</u></u>

See accompanying notes to financial statements.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUND

For year ended December 31, 2021

OPERATING REVENUES:	
Water sales	\$ 307,070
Wastewater service fees	232,471
Wholesale water sales	7,089
Penalties and late charges	12,997
New installation fees	7,200
Sales tax	25,353
Miscellaneous income	4,266
Permits	105
Sewer Lift Station	7,605
SDWA fees	3,458
Service fees	<u>1,816</u>
Total operating revenues	609,430
OPERATING EXPENSES (see page 23)	
	<u>496,474</u>
Operating income (loss) before depreciation expense	112,956
Depreciation expense	<u>(166,946)</u>
Total depreciation	<u>(166,946)</u>
Income (loss) from operations	(53,990)
NON-OPERATING REVENUE (EXPENSE):	
Interest income	7,333
Interest expense	(2,913)
Ductile Iron savings	(14,056)
Transfer in	14,592
Transfer out	0
Savings	0
Grant income	1,129,862
Other	<u>938</u>
Total non-operating revenue (expense)	<u>1,135,756</u>
Change in fund net position	1,081,766
Net fund position as of beginning of year	<u>2,630,451</u>
Net fund position as of end of year	<u><u>\$ 3,712,217</u></u>

See notes to accompanying financial statements.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the year ended December 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 609,362
Cash payments to suppliers for goods and services	(366,049)
Cash payments for employees services and payroll taxes	<u>(121,144)</u>
Net cash provided (used) by operations	122,169
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Cash received from (transferred to) restricted assets	184,697
Cash received from ACEDP grant	408,863
Cash received from USDA grant	720,999
Cash received from meter deposits, net of refunds	<u>3,660</u>
Net cash used by non-capital financing activities	1,318,219
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Proceeds from USDA loan	238,856
Cash paid to reduce principal on long-term debt	(19,650)
Cash received from interest earned	7,333
Cash used for interest expense	(2,913)
Transfers in	14,592
Transfers out	(14,056)
Miscellaneous	<u>938</u>
Net cash provided by capital financing activities	225,100
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Cash used to purchase property and equipment	<u>(1,616,749)</u>
Net cash flows provided by (applied to) investing activities	<u>(1,616,749)</u>
Net increase (decrease) in cash and cash equivalents	48,739
Cash and cash equivalents at beginning of year	<u>252,832</u>
Cash and cash equivalents at end of year	<u><u>\$ 301,571</u></u>

See notes to accompanying financial statements.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
(Continued)  
For the year ended December 31, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (53,990)
Depreciation expense	166,946
Changes in:	
Accounts receivable	(68)
Inventory	9,167
Sales tax payable	5
Accounts payable	109
	<hr/>
Net cash provided by operating activities	122,169
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<hr/> 0
	<hr/> <hr/>
	\$ 122,169

See accompanying notes to financial statements.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The water & wastewater fund is an enterprise fund that provides water and sewer services to the City of Gassville and the surrounding area. 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 City's comprehensive financial report is prepared by state legislative audit and does not include the water and wastewater fund, which is separately reported herein.

Basis of accounting:

The accounting policies of the water and wastewater fund of the City of Gassville, Arkansas, conform to generally accepted accounting principles as applicable to governmental units. The accrual basis of accounting is followed.

Budgets 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, generally accepted accounting principles do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons are included in the supplemental information policy for determining operating and non-operating revenues.

Inventories:

Inventories consist of expendable material and supplies held for consumption. Inventory is valued at the lower of cost or market, on a First-Out basis. Cost is deemed to approximate market value.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Water and Wastewater Fund of the City of Gassville, Arkansas, considers current non-restricted cash accounts as cash.

Cash accounts and certificates of deposit are displayed separately on the balance sheet as "current" and "restricted" cash. The bank balances are categorized to give an indication of the level of risk assumed by the Water and Wastewater Fund of the City of Gassville as follows:



CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents: (Continued)

Current cash	\$ 301,571
Restricted cash	<u>397,199</u>
 Total on deposit	 <u><u>\$ 698,770</u></u>
 Insured by the FDIC or collateralized by financial institutions	 <u><u>\$ 698,770</u></u>
 Uninsured and uncollateralized	 <u><u>\$ -</u></u>

The Cities of Cotter and Gassville, Arkansas jointly own EPA funds, therefore, only the portion owned by the City of Gassville, Arkansas, is recorded on their books.

Accounts receivable:

Consumer accounts receivable reflects the balances due from the individuals and businesses using the water and wastewater services provided by the City. The individuals and businesses are residents of the City of Gassville.

The Wastewater Treatment Plant Commission manages the wastewater treatment facility, jointly owned by the Cities of Cotter and Gassville, Arkansas. Operational costs are reimbursed, based on usage, by the Cities of Cotter and Gassville. The City of Gassville currently maintains the accounting records.

The water and wastewater fund uses the direct write-off method of accounting for bad debts. No allowances for uncollectible accounts have been provided since historically such accounts have been minimal.

Restricted assets:

These assets consist of cash restricted by various bond ordinances for debt service and depreciation reserves. When expenditures are incurred for which both restricted and unrestricted net assets are available, the policy is to use restricted assets first and unrestricted assets only after restricted assets are depleted.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment:

Property, plant and equipment are stated at cost and are depreciated by the straight-line method over the estimated useful lives of the various assets. Assets are constructed and acquired by four methods: by department work crews; by independent contractors financed by department funds; by grant financed water and sewer improvement projects; and by real estate developers in conjunction with a property development and contributed to the department. Assets acquired from grant fund improvement projects and real estate developers result in donated capital on the books of the department, which has been classified as contributed capital, and is reduced annually through a transfer to unreserved retained earnings of an amount based on the life of the system.

	<b>Capital assets, depreciated</b>						Total
	Land Rights	System & Improve.	Machinery & Equip.	Vehicles	Sewer plant expansion	Construction in Progress	
Balance, 12-31-20	\$ 45,833	\$ 2,712,843	\$ 411,072	\$ 128,376	\$ 1,885,952	\$ 331,783	\$ 5,515,860
Additions		18,000	16,521			1,582,229	1,616,750
Dispositions							-
Balance, 12-31-21	45,833	2,730,843	427,593	128,376	1,885,952	1,914,012	7,132,610
Accum. Depr.							
Balance, 12-31-20	-	1,947,016	338,759	111,625	1,211,192	-	3,608,592
Increases		52,653	32,988	5,557	75,748	-	166,946
Decreases							-
Balance, 12-31-21	-	1,999,669	371,747	117,182	1,286,940	-	3,775,538
Capital assets - net	<u>\$ 45,833</u>	<u>\$ 731,174</u>	<u>\$ 55,846</u>	<u>\$ 11,194</u>	<u>\$ 599,012</u>	<u>\$ 1,914,012</u>	<u>3,357,071</u>

The costs of assets retired from service are credited to the appropriate property, plant and equipment account. Costs of removal in addition to the asset cost are charged to the reserve for depreciation. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure (GASB 34):

Under the transition provisions of GASB 34, the City is not required to retroactively report major general infrastructure assets. There are infrastructure additions to the water/sewer system for the year ended December 31, 2021.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2: RESTRICTED ASSETS

The following restricted funds are by council designation to establish reserves to provide funds for future maintenance or capital expenditures, so as to not depend on outside financing. These are not required by any outside loan covenants or state requirements. Contributions are made as funds are available, but not required. They consist of the Sewer Construction Fund, Sewer Lift Station, Tank Maintenance, Water Improvement, Debt Service Reserve, and Sewer Savings.

Other requirements:

Water and wastewater depreciation fund – an amount equal to 3% of the gross revenues of the system is to be transferred from the revenue fund the first of each month until a reserve of \$4,000 is attained. The balance of \$5,287 in this account at December 31, 2021, was \$1,287 in excess of the requirement.

Meter deposits are refundable customer deposits for which reserves in an amount sufficient to refund the deposits in total must be held. Meter deposits totaled \$54,595. The balance in this account at December 31, 2021, of \$63,080 was \$8,485 more than the requirement.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 3: LONG-TERM DEBT

<b>Business-type activities:</b>	<u>Balance at 12-31-2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12-31-2021</u>	<u>Due within One Year</u>
<u>Bonds</u>					
A USDA revenue bond of \$365,000 was issued to finance construction at interest rate of 2.25%, over 40 years, payable in monthly installments of \$1,194. Payments do not begin until substantial amount of completion is completed.	\$ 126,144	\$ 238,856	\$ 180	\$ 364,820	\$ -
<u>Direct Borrowing</u>					
USDA note payable, bearing interest at 2.75%, payable in annual installments of \$7,891, secured by Waste Water Joint Water system.	14,530	-	14,530	-	-
Note from direct borrowing, bearing interest at 3.859%, with monthly payments of \$735, secured by a truck.	<u>4,940</u>	<u>-</u>	<u>4,940</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 145,614</u>	<u>\$ 238,856</u>	<u>\$ 19,650</u>	<u>\$ 364,820</u>	<u>\$ -</u>
Total long-term debt	<u>\$ 145,614</u>	<u>\$ 238,856</u>	<u>\$ 19,650</u>	<u>\$ 364,820</u>	<u>\$ -</u>

Current maturities on long-term debt at December 31, 2021, are as follows:

Year Ending December	<u>Business-type Activities</u>			
	<u>Bonds</u>		<u>Notes from Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ -	\$ 2,913	\$ -	\$ -
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
	<u>\$ -</u>	<u>\$ 2,913</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 4: CITY OFFICIALS

Certain regulatory agencies and creditors require that members of the governing board be presented. Members of the city council and officials and their terms follow:

Jeff Braim	Mayor	December 31, 2022
Jeff Lewis	Recorder/Treasurer	December 31, 2024
Ralph Bird	Ward 3-2	December 31, 2022
Naomi Lassen	Ward 3-1	December 31, 2022
Anita Seaman	Ward 2-2	December 31, 2022
Tim McFarland	Ward 1-1	December 31, 2022
Kenneth Smith	Ward 1-2	December 31, 2022
Ernest Adkins	Ward 2-1	December 31, 2022
Teresa Cook	Bookkeeper	
Wanda Watson	Billing Clerk	

NOTE 5: JOINT VENTURE

The City of Gassville operates a wastewater treatment facility and a sewer line maintenance crew as a joint venture with the City of Cotter, Arkansas. Each city bears its share of operating revenues and debt expense in relation to its usage of the facility. These expenses are shown on the respective financial statements of each city. Each city also recognizes the assets and any liabilities on their respective financial statements. The books and records for operation are maintained at the City of Gassville offices. Each City's financial statements have been adjusted to reflect total cost of the project as a capitalized asset and has it's own ADFA loan as long-term debt. The City's share of year end capital reserve savings for Wastewater Capital Reserve was \$35,192 and CSLC Capital Reserve was \$11,262. The City's share of year end cash balances for Wastewater Treatment Fund was \$9,398 and CSLC was \$5,193.

Financial statements for the wastewater treatment facility and sewer line maintenance crew are maintained by the City of Gassville and available upon request and can be obtained at City administrative offices.

The City of Gassville is part of a joint venture with the City of Cotter. The Cities joined with each other to complete what is known as the Ductile Iron Project. This project accomplished a major repair to the sewer system operated jointly by both cities. The joint venture obtained a grant from the Arkansas Natural Resource Commission of \$123,600 and a loan of \$69, 010 (Gassville \$44,857, Cotter \$24,153) to complete the renovation. Each city is repaying its share of the loan at 2.75% interest over 10 years. In addition each city is required to be setting aside 6% of sewer fees annually until a reserve of \$50,000 is acquired and held in an account. As of December 31, 2021 the Gassville portion of the joint reserve account had a balance of \$9,455. The loan was paid off. As of December 31, 2021, there is no longer an outstanding balance.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 6: RETIREMENT PLAN

The Arkansas Public Employees Retirement System is a separate entity, which issues separate audited financial statements. A copy of the most current financial report, for the fiscal year ended June 30, 2020, is on file at Gassville City Hall.

All full-time employees that have been employed 30 days or longer are eligible to participate in the Arkansas Public Employee Retirement System (APERS) pension plan. This is a multiple-employer, cost sharing defined benefit pension plan that was established by Act 177 of 1957. Act 793 of 1977 established a noncontributory plan. The City of Gassville employees participate in the noncontributory plan.

Benefits:

Benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. Members are eligible for full benefits as follows:

1. At age sixty-five (65) with five (5) years of actual service,
2. At any age with twenty-eight (28) years of actual service, or
3. Under the non-contributory plan, at age fifty-five (55) with thirty-five (35) years of credited service.

The normal benefit amount, paid on a monthly basis is determined by the member's final average salary and the number of years of service, at age 65 with five (5) or at any age with twenty-eight (28) years of actual service. APERS also provides for disability and survivor benefits.

Funding policy:

Contribution provisions applicable to the State, County, Municipal, and School Divisions are established by state law and may be amended only by the Arkansas General Assembly. The employer contribution rate for the Municipal Division non-contributory plan, as established by an actuarially determined reserve requirement for benefit payments, is 15.32% of covered employees' payroll.

The City of Gassville Municipal Water and Wastewater Fund's total required contribution for the year ended December 31, 2021, was \$17,626 and included an allowable purchase for the years of service prior to Gassville's enrollment in the System in 1995. The required contributions for the year have been made.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 6: RETIREMENT PLAN (CONTINUED)

Funding status and progress:

Per the most current APERS audit report, the excess of the accrued liability of the System over the actuarial value of assets, as adjusted to fair value based on the Entry Age Normal Cost Method, was \$2.42 [dollars in billions] at June 30, 2020. Total actuarial accrued liabilities were \$11.51 [dollars in billions], and total applicable assets at smoothed market related value were \$9.09 [dollars in billions], at June 30, 2020. APERS does not conduct separate measurements for the separate divisions or employers of the System.

Significant assumptions used to compute the actuarial value of assets and accrued liabilities along with the schedule of funding status and progress, which presents the progress in accumulating sufficient assets to pay benefits when due, and other statistical data are also presented in the APERS annual financial report.

NOTE 7: SUBSEQUENT EVENTS REVIEW

Subsequent events were evaluated by management through June 21, 2022. This is the first date the financial statements were available for issuance.

NOTE 8: CUSTODIAL CREDIT RISK

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "cash" and "assets whose use is limited". The Fund does not have a policy for custodial credit risk.

	Carrying Amount
Insured (FDIC) or collateralized	\$698,770
Uninsured	-
Total Deposits	\$ 698,770

NOTE 9: CREDIT RISK

The Fund has no formal policy on credit risk. The Fund has relied on the depository institutions to provide sufficient collateralization. The amounts collateralized at December 31, 2021 were covered by bonds held by First Horizon Bank. The credit ratings on those bonds were MOODY Aa2 and AA+.

**SUPPLEMENTAL INFORMATION**



CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
SCHEDULE OF GOVERNMENTAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>DEPARTMENT/DIVISION PROGRAM</u>	<u>CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<b>FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE</b>		
<b><u>Department of Housing and Urban Development</u></b>		
Community Development Block Grant	14.228	\$ 408,863
<b><u>Department of Agriculture</u></b>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>720,999</u>
<b>Total Federal Assistance</b>		<u>\$ 1,129,862</u>

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND

SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water System	WWTF Treatment System	CSLC Sewer System
AD&D Insurance	0	50	0
Aeration Bridges	0	0	1,645
Backhoe/Bush hog/Mowing Fees	(880)	0	0
Camera System	0	0	465
Contract Labor	0	0	0
Dues & Fees	1,138	2,603	0
Generator Maintenance	0	1,756	0
EFF Flow Meter/Troj. Sensor	0	276	0
Electric	21,595	14,778	0
Employment Security Division	75	41	43
FICA	5,936	2,586	2,383
Fuel	3,258	0	0
Insurance - Building	2,362	2,063	0
Insurance - Equipment	536	0	448
Insurance - Vehicle	0	333	444
Landfill Fees (RLH)	0	3,585	0
Medicare	1,388	604	558
Misc.	2,926	0	0
Municipal Health Benefit Fund	19,299	7,977	7,312
O&M/Building & Grounds	32,372	15,444	8,535
O&M/Vehicles, Etc.	0	995	0
Office Supplies	660	0	0
Bad Debt	28	0	0
Postage	4,227	0	0
Professional/Technical	8,811	0	0
Public Employees Retirement	17,626	6,112	6,047
Refunds	4,855	0	0
Tower inspection	0	0	0
Salary	113,820	41,710	39,473
Sales Tax	24,779	0	0
SDWA Payment	3,749	0	0
Self Improvement/Plant Expansion	0	1,151	0
Telephone	0	1,330	544
Monitors	10,244	1,850	0
Tools & Safety	0	168	584
Tower Rental	(1,270)	0	0
Travel	0	620	0
Uniforms	1,310	1,037	1,248
Utilities - Gas	1,979	0	0
6% Reserve	0	0	0
Water	0	1,358	0
Workman's Comp	1,863	548	548
Interdepartmental transfers	0	620	620
Repairs	9,168	0	0
Other	0	(407)	(123)
Equip loan	5,700	0	0
Sewer lift fees	500	0	0
Administrative fees	12,732	3,237	2,490
<b>Total operating expense</b>	<b>\$ 310,785</b>	<b>\$ 112,425</b>	<b>\$ 73,264</b>

See accompanying independent auditor's report.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

WATER & SEWER BUDGET

<u>ACCOUNT</u>	<u>Actual</u>	<u>%</u>	<u>Final Budget</u>	<u>%</u>	<u>Variance over (under)</u>	<u>Original Budget</u>
<u>Income</u>						
Water service	\$307,070	50.39%	\$280,000	51.48%	\$ 27,070	280,000
Wastewater service fees	232,471	38.15%	215,000	39.53%	17,471	215,000
Penalties and late charges	12,997	2.13%	13,500	2.48%	(503)	13,500
New installation fees	7,200	1.18%	2,350	0.43%	4,850	2,350
Wholesale water sales	7,089	1.16%	500	0.09%	6,589	500
Sales Tax	25,353	4.16%	25,000	4.60%	353	25,000
Sewer lift fees	7,605	1.25%	3,500	0.64%	4,105	3,500
Miscellaneous income	4,266	0.70%	100	0.02%	4,166	100
Permits	105	0.02%	200	0.04%	(95)	200
SDWA fees	3,458	0.57%	2,750	0.51%	708	2,750
Service fees	1,816	0.30%	1,000	0.18%	816	1,000
	<u>\$609,430</u>	100.00%	<u>\$543,900</u>	100.00%	<u>\$ 65,530</u>	<u>\$ 543,900</u>
<u>Expenses</u>						
Dues and memberships	\$ 1,138	0.23%	\$ 1,350	0.27%	\$ (212)	\$ 1,350
Backhoe/Bush hog/Mowing fees	(880)	-0.18%	(500)	-0.10%	(380)	(500)
Insurance-general	2,898	0.58%	2,840	0.56%	58	2,840
Insurance-health	19,299	3.89%	19,299	3.80%	0	19,299
Workmen's compensation	1,863	0.38%	1,233	0.24%	630	1,233
Office supplies and expense	660	0.13%	1,000	0.20%	(340)	1,000
Pension expense	17,626	3.55%	18,370	3.62%	(744)	18,370
Professional fees	8,811	1.77%	10,000	1.97%	(1,189)	10,000
Repairs and maintenance (tower)	9,168	1.85%	8,000	1.58%	1,168	8,000
Salaries and wages	113,820	22.93%	120,407	23.72%	(6,587)	120,407
Payroll taxes	7,324	1.48%	9,173	1.81%	(1,849)	9,173
Utilities	23,574	4.75%	22,000	4.33%	1,574	22,000
Water	0	0.00%	0	0.00%	0	0
Testing fees	0	0.00%	0	0.00%	0	0
Uniforms	1,310	0.26%	1,600	0.32%	(290)	1,600
Bad debts	28	0.01%	0	0.00%	28	0
Refunds	4,855	0.98%	5,000	0.99%	(145)	5,000
Unemployment	75	0.02%	53	0.01%	22	53
Fuel	3,258	0.66%	5,000	0.99%	(1,742)	5,000
Operation & Maintenance	32,372	6.52%	35,000	6.90%	(2,628)	35,000
Postage	4,227	0.85%	4,500	0.89%	(273)	4,500

See note to required supplementary information.

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2021

WATER & SEWER BUDGET (continued)

SDWA payment	3,749	0.76%	3,600	0.71%	149	3,600
Tank maintenance	0	0.00%	0	0.00%	0	0
Sewer lift fees	6,200	1.25%	3,500	0.69%	2,700	3,500
Miscellaneous	2,926	0.59%	0	0.00%	2,926	0
State sales tax	24,778	4.99%	25,000	4.93%	(222)	25,000
Interdepartmental transfers	0	0.00%	0	0.00%	0	0
Tower Rental	(1,270)	-0.26%	(1,234)	-0.24%	(36)	(1,234)
Administrative fees	12,732	2.56%	12,732	2.51%	0	12,732
Monitors	10,244	2.06%	9,500	1.87%	744	9,500
Capital improvement	0	0.00%	0	0.00%	0	0
6% Reserve	0	0.00%	1,500	0.30%	(1,500)	1,500
Other	0	0.00%	0	0.00%	0	0
WWTF	112,425	22.64%	126,811	24.99%	(14,386)	126,811
CSLC	73,264	14.76%	61,781	12.17%	11,483	61,781
	<u>73,264</u>		<u>61,781</u>		<u>11,483</u>	<u>61,781</u>
Total	<u>\$ 496,474</u>	100.00%	<u>\$ 507,515</u>	100.00%	<u>\$ (11,042)</u>	<u>\$ 507,515</u>

Note: Required Supplementary Information - Budget Reconciliation

The difference between legally adopted expenditures for the Water and Wastewater budgets and generally accepted principles figures are as follows:  
(Capitalization of asset expenditures and nonrevenue treatment of loan proceeds.)

<u>Expenditures</u>	<u>Water</u>
Legal budget	\$ 507,515
Depreciation	166,946
Capital expense	(34,521)
Changes in A/P	<u>(109)</u>
GAAP	<u>\$ 639,831</u>

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
USERS BY CLASS  
DECEMBER 31, 2021

Customer category (usage in gallons)	Customer Count			Total
	Water Only	Sewer Only	Water and Sewer	
< 2,000	31	25	293	349
2,001 - 4,000	8	9	279	296
4,001 - 6,000	5	5	109	119
6,001 - 8,000	1	3	30	34
8,001 - 10,000	2	0	13	15
> 10,000	1	1	5	7
	48	43	729	820

RATE STRUCTURE:

The following rates are in effect for customers as of December 31, 2021.

Water:

0 - 2,000	\$ 15.48
2,001 - 4,000	\$ 7.74 per thousand gallons
4,001 - 6,000	\$ 7.74 per thousand gallons
6,001 - 8,000	\$ 7.74 per thousand gallons
8,001 - 10,000	\$ 7.74 per thousand gallons
Greater than 10,000	\$ 7.74 per thousand gallons

Sewer:

0 - 1,000	\$ 6.50 per thousand gallons
Greater than 1,000	\$ 6.50 per thousand gallons

ADDITIONAL INFORMATION

Water loss figures for the year ended December 31, 2021 are as follows:

Gallons of water pumped	43,407,000
Gallons of water sold and used	36,871,692
Gallons of water lost	6,535,308

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 Gassville Water and Wastewater Fund  
P. O. Box 28  
Gassville, Arkansas 72635

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Gassville Water and Wastewater Fund, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Gassville Water and Wastewater Fund's basic financial statements and have issued my report thereon dated June 21, 2022.

**Internal control over financial reporting**

In planning and performing my audit of the financial statements, I considered the City of Gassville Water and Wastewater Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gassville Water and Wastewater Fund's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Gassville Water and Wastewater Fund'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies (Findings #1 & #2).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gassville Water and Wastewater Fund's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Gassville Water and Wastewater Fund's Response to Findings**

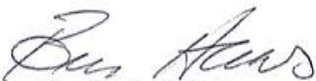
The City of Gassville Water and Wastewater Fund's response to the findings identified in my audit is described in the accompanying schedule of findings. The City of Gassville Water and Wastewater Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Prior year findings**

The City of Gassville Water and Wastewater Fund's findings and response to the prior year findings are also presented in the schedule of findings. The response was not subject to the audit procedures applied in the audit of the financial statements, and accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal controls and compliance and for 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



Brian L. Haas, C.P.A.  
1616 Highway 62 West  
Mountain Home, Arkansas 72653

June 21, 2022

CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Gassville Water and Wastewater Fund.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the report on compliance and internal control. The staff is not trained to draft financial statements and footnotes. The conditions reported are not a material weakness.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCIES:**

**1. Segregation of duties:**

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled properly.
Condition:	The City does not have a proper segregation of duties. This condition also existed in prior years.
Causes:	The staff is so small there are only a limited number of people for certain functions.
Effect:	Transactions could be mishandled, which could affect the accuracy of the financial statements.
Recommendation:	Duties should be separated as much as possible and alternative controls used to compensate for lack of separation.
Response:	Management has determined that it is not economically feasible to have the necessary segregation of duties required to have a more adequate internal control system.

**2. Establish internal control over financial statement preparation and review:**

Criteria:	Management is responsible for establishing and maintaining control and for the fair presentation of the net assets, supplementary information, and disclosures in the financial statements, in conformity with generally accepted accounting standards.
-----------	---



CITY OF GASSVILLE  
WATER AND WASTEWATER FUND  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021

Condition: The City of Gassville Water and Wastewater Fund does not have a system of internal control that would provide management with reasonable assurance that the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting standards. As such, management requested me to compile and prepare a draft of the financial statements, including the related note disclosures. This condition also existed in prior years.

Cause: There are limited personnel with proper training and skills to provide the necessary reporting skills for the fair presentation of all the financial information.

Effect: Financial statements and related footnote disclosures and supplementary information required by generally accepted accounting standards would not be complete.

Recommendation: Use of an outside consultant to use as an aid to drafting the financial statements.

Response: Management has determined that it is not economically feasible to acquire an employee capable of drafting the financial statements. These conditions have persisted from prior years into the current year which has not allowed the Fund to improve this aspect of controls.