

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

BRIAN L. HAAS
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CITY OF GASSVILLE
WATER AND WASTEWATER FUND

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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

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Gassville Water and Wastewater Fund as of December 31, 2023, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Gassville Water and Wastewater Fund, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Gassville Water and Wastewater Fund and do not purport to, and do not, present fairly the financial position of the City of Gassville, Arkansas, as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt that the City of Gassville Water and Wastewater Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

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

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

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 on pages 4 - 8 and 25-26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Gassville Water and Wastewater Fund's basic financial statements. The Schedule of Operating Expenses, Users by Class, and Water Rates is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 basic 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 December 17, 2024, 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 and compliance and the results of that testing, and not to provide an opinion on 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
December 17, 2024

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, 2023. 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.

FINANCIAL HIGHLIGHTS

As of December 31, 2023:

- The Fund's assets exceeded its liabilities by \$3,799,890 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,899,065.
- Total net assets are comprised of the following:
 - Capital assets, net of related debt of \$2,996,065, including property and equipment net of accumulated depreciation.
- Temporarily restricted assets of \$345,887 are reserved by constraints imposed by outside the Water and Sewer System, such as debt covenants, grantors, laws or regulations.
- Unrestricted net assets of \$457,938 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 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 decreased due to an excess of expenses over revenue of \$99,176. Total operating revenues were up from 2022 by \$80,012 to \$664,172. Total operating expenses were lower in 2023, \$530,904 compared to \$547,244 in 2022.

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 461,572	\$ 491,243
Capital and non-current assets	<u>3,766,185</u>	<u>3,836,959</u>
 Total Assets	 4,227,757	 4,328,202
 Current Liabilities	 10,969	 65,933
Long-term Liabilities	<u>416,898</u>	<u>363,204</u>
 Total Liabilities	 427,867	 429,137
 Fund Net Position	 <u>\$ 3,799,890</u>	 <u>\$ 3,899,065</u>
 Invested in capital assets net of related debt	 \$ 2,996,065	 \$ 3,093,616
Temporarily restricted	345,887	317,104
Unrestricted	<u>457,938</u>	<u>488,345</u>
 Total Fund Net Position	 <u>\$ 3,799,890</u>	 <u>\$ 3,899,065</u>

The Fund's net position decreased by \$99,176 under 2022. 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 2023, the Fund's revenues were more than budgeted estimates by \$69,378. Expenses were higher than budget estimates. Total operating expenses were approximately \$25,093 over original budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

● Capital Assets

At the end of 2023, the Fund had invested \$7,553,009 on a broad range of assets, including land, water distribution system, equipment and vehicles.

This was an increase over 2022. 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	606,582
Vehicles	128,376
Sewer plant expansion	4,041,375
Less accumulated depreciation	<u>(4,200,966)</u>
Net capital assets	<u>\$ 3,352,043</u>

● Debt Administration

At the end of 2023, the Fund's long-term debt consisted of the following:

Note payable - USDA	<u>\$ 355,978</u>
Total long-term debt	<u>\$ 355,978</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 adopted new water and sewer user rate ordinances in 2023 in accordance with Act 605 of 2021 of the Arkansas Legislature including a 3% annual increase for operation and maintenance (inflation) for both water and sewer. The city adopted ordinances raising fees for connecting to the water system and establishing a fifty-dollar fee for (shutoff/turn on). The city also called for (by election to be held March 2024) a 0.5% local sales and use tax for water and sewer purposes.

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, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 346,476
Accounts receivable - consumers	60,312
Inventory - materials and supplies	54,784
Prepaid note payment	<u> -</u>
Total current assets	461,572

RESTRICTED ASSETS: (NOTES 1 AND 2)

Cash:	
Meter deposit fund	67,098
Depreciation reserve	41,417
Debt service reserve	39,289
Water Pump CD	71,214
Sewer lift station fee	7,304
Debt Service Reserve	1,834
Tank maintenance fund	79,178
Water improvement savings	1,081
Sewer savings fund	10,268
Sewer short lived reserve	14,444
Ductile Iron II reserve	7,421
Wastewater capital reserve fund	29,400
Line Crew capital reserve fund	11,550
Ductile Iron depreciation reserve	<u>32,644</u>
Total restricted assets	414,142

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment (Note 1)	7,553,009
Less accumulated depreciation	<u>(4,200,966)</u>
Property, plant and equipment - net	<u>3,352,043</u>
Total assets	<u><u>\$ 4,227,757</u></u>

The accompanying notes are an integral part of these statements.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
December 31, 2023

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 2,929
Other	705
Current maturities	<u>7,335</u>

Total current liabilities 10,969

CURRENT LIABILITIES-PAYABLE FROM
RESTRICTED ASSETS:

Meter deposits (Note 2)	<u>68,255</u>
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Total from restricted assets 68,255

LONG-TERM LIABILITIES:

Loan - Sewer Line Extension	-
Note payable - USDA	355,978
Less current maturities	<u>(7,335)</u>

Total long-term liabilities 348,643

Total liabilities 427,867

NET POSITION:

Invested in capital assets, net of related debt	2,996,065
Temporarily restricted	345,887
Unrestricted	<u>457,938</u>

Total net position 3,799,890

Total liabilities and net position \$ 4,227,757

The accompanying notes are an integral part of these 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, 2023

OPERATING REVENUES:

Water sales	\$ 330,290
Wastewater service fees	276,791
Wholesale water sales	2,880
Penalties and late charges	14,585
New installation fees	12,350
Disconnect Fees	12,825
Miscellaneous income	4,465
Permits	596
Sewer Lift Station	8,735
SDWA fees	-
Service fees	<u>655</u>

Total operating revenues	664,172
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OPERATING EXPENSES (see page 24)	<u>530,904</u>
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Operating income (loss) before depreciation expense	133,268
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Depreciation expense	<u>(258,482)</u>
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Total depreciation	<u>(258,482)</u>
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Income (loss) from operations	(125,214)
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NON-OPERATING REVENUE (EXPENSE):

Interest income	24,682
Interest expense	(5,398)
Miscellaneous income	<u>6,754</u>

Total non-operating revenue (expense)	<u>26,038</u>
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Change in fund net position	(99,176)
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Net fund position as of beginning of year	<u>3,899,065</u>
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Net fund position as of end of year	<u><u>\$ 3,799,890</u></u>
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The accompanying notes are an integral part of these statements.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 652,639
Cash payments to suppliers for goods and services	(291,784)
Cash payments for employees services and payroll taxes	<u>(228,861)</u>

Net cash provided (used) by operations 131,994

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received from (transferred to) restricted assets	(34,001)
Cash received from meter deposits, net of refunds	<u>5,220</u>

Net cash used by non-capital financing activities (28,781)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Cash paid to reduce principal on long-term debt	(7,226)
Cash received from interest earned	24,682
Cash used for interest expense	(5,398)
Transfers in	<u>6,754</u>

Net cash provided by capital financing activities 18,812

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash used to purchase property and equipment	<u>(153,706)</u>
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Net cash flows provided by (applied to) investing activities (153,706)

Net increase (decrease) in cash and cash equivalents (31,681)

Cash and cash equivalents at beginning of year 378,157

Cash and cash equivalents at end of year \$ 346,476

The accompanying notes are an integral part of these statements.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the year ended December 31, 2023

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (125,214)
Depreciation expense	258,482
Changes in:	
Accounts receivable	(11,533)
Inventory	9,523
Accounts payable	<u>736</u>

Net cash provided by operating activities	131,994
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NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	<u>-</u>
	<u><u>\$ 131,994</u></u>

The accompanying notes are an integral part of these statements.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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:

Accounting principals generally accepted in the United States of America require budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Government Accounting Standards*.

Inventories:

Inventories consist of expendable material and supplies held for consumption. Inventory is valued at the lower of cost or market, on a First-In-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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents: (Continued)

Current cash	\$ 346,476
Restricted cash	<u>414,142</u>
Total on deposit	<u>\$ 760,618</u>
Insured by the FDIC or collateralized by financial institutions	<u>\$ 760,618</u>
Uninsured and uncollateralized	<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 assets are depleted.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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.

	Capital assets, depreciated						Total
	Land Rights	System & Improve.	Machinery & Equip.	Vehicles	Sewer plant expansion	Construction in Progress	
Balance, 12-31-22	\$ 45,833	\$ 2,730,843	\$ 452,876	\$ 128,376	\$ 4,041,375	\$ -	\$ 7,399,304
Additions			153,706				153,706
Dispositions							-
Balance, 12-31-23	45,833	2,730,843	606,582	128,376	4,041,375	-	7,553,009
Accum. Depr.							
Balance, 12-31-22	-	2,052,322	404,735	122,739	1,362,688	-	3,942,484
Increases		52,653	124,524	5,557	75,748	-	258,482
Decreases							-
Balance, 12-31-23	-	2,104,975	529,259	128,296	1,438,436	-	4,200,966
Capital assets - net	<u>\$ 45,833</u>	<u>\$ 625,868</u>	<u>\$ 77,323</u>	<u>\$ 80</u>	<u>\$ 2,602,939</u>	<u>\$ -</u>	<u>3,352,043</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, 2023

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, 2023.

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, state mandate, or debt requirement 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 \$7,304 in this account at December 31, 2023, was \$3,304 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 \$68,255. The balance in this account at December 31, 2023, of \$67,098 was \$1,157 less than the requirement.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: LONG-TERM DEBT

Business-type activities:	Balance at 12- 31-2022	Increases	Decreases	Balance at 12- 31-2023	Due within One Year
Bonds					
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.	\$ 361,588	\$ -	\$ 5,610	\$ 355,978	\$ 7,335
Total business-type activities	\$ 361,588	\$ -	\$ 5,610	\$ 355,978	\$ 7,335
Total long-term debt	\$ 361,588	\$ -	\$ 5,610	\$ 355,978	\$ 7,335

Current maturities on long-term debt at December 31, 2023, are as follows:

Business-type Activities		
Bonds		
Year Ending December 31,	Principal	Interest
2024	\$ 7,335	\$ 5,289
2025	7,317	5,290
2026	7,427	5,179
2027	7,540	5,067
2028	7,654	4,953
Thereafter	318,705	86,818
Total	\$ 355,978	\$ 112,596

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, 2026
Jeff Lewis	Recorder/Treasurer	December 31, 2024
Ralph Bird	Ward 3-2	December 31, 2024
Naomi Lassen	Ward 3-1	December 31, 2024
Anita Seaman	Ward 2-2	December 31, 2024
Tim McFarland	Ward 1-1	December 31, 2024
Kenneth Smith	Ward 1-2	December 31, 2024
Ernest Adkins	Ward 2-1	December 31, 2024
Jamie Peeples	Billing Clerk	
Teresa Cooke	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 \$29,400 and CSLC Capital Reserve was \$11,550. The City's share of year end cash balances for Wastewater Treatment Fund was \$2,514 and CSLC was \$3,923.

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%

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 5: JOINT VENTURE (continued)

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, 2023 the Gassville portion of the joint reserve account had a balance of \$32,644. The loan was paid off. As of December 31, 2023, there is no longer an outstanding balance.

The City of Gassville is part of another joint venture with the City of Cotter. The Cities joined with each other to complete Phase II of the Ductile Iron Project. Each city will repay its share of a \$1.551 million loan with interest at \$1.75% over 40 years. Each city is setting required reserves to short lived asset accounts and debt reserve accounts. The City's share of those balances at year end were \$574 and \$888, respectively.

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, 2023, 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.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 6: RETIREMENT PLAN (continued)

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, 2023, was \$17,540. The required contributions for the year have been made.

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 \$2.01 [dollars in billions] at June 30, 2023. Total actuarial accrued liabilities were \$12.23 [dollars in billions], and total applicable assets at smoothed market related value were \$10.22 [dollars in billions], at June 30, 2023. 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 December 17, 2024. This is the first date the financial statements were available for issuance.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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.

	<u>Carrying Amount</u>
Insured (FDIC) or collateralized	\$ 760,618
Uninsured	<u>-</u>
Total Deposits	<u><u>\$ 760,618</u></u>

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, 2023 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 OPERATING EXPENSES
For the year ended December 31, 2023

	Water System	WWTF Treatment System	CSLC Sewer System
AD&D Insurance	\$ -	\$ -	\$ -
Auto Expense	701	-	1,548
Backhoe/Bush hog/Mowing Fees	-	-	-
Gravel/Base	1,837	-	-
Other	199	-	-
License	85	104	141
Dues & Fees	2,092	2,374	-
Install	3,569	-	-
Electric	-	-	-
Payroll: Salaries/Wages	90,001	36,078	42,502
Payroll: Vacation/Sick	24,452	8,085	11,317
FICA/SUTA	8,586	3,769	3,871
Fuel	6,775	-	-
Insurance - Building and Equipment	6,243	2,727	-
Insurance - Health	20,881	8,413	9,936
Insurance - Other	934	773	1,240
Landfill Fees (RLH)	-	4,013	-
Payroll: Misc.	-	-	-
Misc.	3,198	59	-
USDA Loan Interest Expense	-	-	-
O&M/Building & Grounds	41,563	-	8,529
O&M/Vehicles, Etc.	-	-	-
Office Supplies	859	57	27
Bad Debt	-	-	-
Postage	5,325	-	-
Accounting/Legal	7,149	428	428
APERS	17,540	7,034	8,418
Refunds	-	-	-
Security	-	79	-
Salary	-	-	-
Engineering	6,468	-	-
Testing	-	2,442	-
Self Improvement/Plant Expansion	-	1,276	-
Telephone	3,794	2,034	-

See note to Required Supplementary Information on page 27.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
SCHEDULE OF OPERATING EXPENSES
For the year ended December 31, 2023

	<u>Water System</u>	<u>WWTF Treatment System</u>	<u>CSLC Sewer System</u>
Small Tools	-	327	354
Tower Rental	-	-	-
Education	402	302	-
Uniforms	1,388	892	998
Utilities - Gas/Elec	32,741	15,734	-
Lift Operating Supplies	-	-	-
6% Fee Ductile Iron	6,769	-	-
Water	-	-	-
Workman's Comp	1,593	53	-
UV Bulbs	-	-	-
Repairs	690	21,686	1,348
Software Expense	965	-	495
Equip loan	-	-	-
Sewer lift fees	-	-	-
Administrative fees	16,425	4,022	3,094
Trash	673	-	-
Advertising	-	-	-
Loan-Cotter	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total operating expense	<u><u>\$313,897</u></u>	<u><u>\$122,761</u></u>	<u><u>\$94,246</u></u>
Combined Total	<u><u>\$530,904</u></u>		

See note to Required Supplementary Information on page 26.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

WATER & SEWER BUDGET

<u>ACCOUNT</u>			Final		Variance	Original
	<u>Actual</u>	<u>%</u>	<u>Budget</u>	<u>%</u>	<u>over</u> <u>(under)</u>	<u>Budget</u>
<u>Income</u>						
Water sales	\$ 330,290	49.73%	\$ 300,000	50.44%	\$ 30,290	\$ 300,000
Sewer sales	276,791	41.67%	265,000	44.55%	11,791	265,000
Penalties and late charges	14,585	2.20%	12,000	2.02%	2,585	12,000
New installation fees	12,350	1.86%	1,200	0.20%	11,150	1,200
Wholesale water sales	2,880	0.43%	500	0.08%	2,380	500
Disconnect	12,825	1.93%	5,000	0.84%	7,825	5,000
Sewer lift fees	8,735	1.32%	8,000	1.35%	735	8,000
Miscellaneous income	4,465	0.67%	595	0.10%	3,870	595
Permits	596	0.09%	550	0.09%	46	550
Sales tax discounts	-	0.00%	450	0.08%	(450)	450
Service fees	655	0.10%	1,500	0.25%	(845)	1,500
Total income	<u>\$ 664,173</u>	100.00%	<u>\$ 594,795</u>	100.00%	<u>\$ 69,378</u>	<u>\$ 594,795</u>
<u>Expenses</u>						
Administrative Fees	\$ 16,425	3.01%	\$ 16,425	3.04%	\$ (0)	16,425
Dues and memberships	2,092	0.38%	2,000	0.37%	92	2,000
Backhoe/Bush hog/Mowing fees	-	0.00%	(100)	-0.02%	100	(100)
Insurance-general	7,177	1.32%	4,100	0.76%	3,077	4,100
Insurance-health	20,882	3.83%	20,739	3.84%	143	20,739
Workmen's compensation	1,593	0.29%	1,283	0.24%	310	1,283
Office supplies and expense	857	0.16%	1,500	0.28%	(643)	1,500
Pension expense	17,540	3.21%	17,892	3.31%	(352)	17,892
Professional fees	7,149	1.31%	9,000	1.67%	(1,851)	9,000
Repairs and maintenance (tower)	2,727	0.50%	2,000	0.37%	727	2,000
Salaries and wages	114,454	20.98%	116,786	21.62%	(2,332)	116,786
Payroll taxes	8,586	1.57%	9,009	1.67%	(423)	9,009
Utilities	32,741	6.00%	40,500	7.50%	(7,759)	40,500
Uniforms	1,388	0.25%	1,600	0.30%	(212)	1,600
Reconciliation discrepancies	2,932	0.54%	-	0.00%	2,932	-
Engineering	6,469	1.19%	-	0.00%	6,469	-
Unemployment	-	0.00%	-	0.00%	-	-
Fuel	6,775	1.24%	7,500	1.39%	(725)	7,500
Operation & Maintenance	41,563	7.62%	45,000	8.33%	(3,437)	45,000
Postage	5,325	0.98%	5,000	0.93%	325	5,000
Auto	701	0.13%	-	0.00%	701	-

See note to Required Supplementary Information on page 26.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

WATER & SEWER BUDGET (continued)

Small Tools	-	0.00%	-	0.00%	-	-
Software	965	0.18%	1,350	0.27%	(385)	1,350
License	85	0.02%	-	0.00%	85	-
SDWA payment	-	0.00%	-	0.00%	-	-
Telephone	3,794	0.71%	2,500	0.49%	1,294	2,500
Sewer lift fees	-	0.00%	-	0.00%	-	-
Miscellaneous	264	0.05%	500	0.10%	(236)	500
State sales tax	-	0.00%	-	0.00%	-	-
Tower rental	-	0.00%	(1,273)	-0.25%	1,273	(1,273)
Travel	402	0.08%	-	0.00%	402	-
Lift Operation	-	0.00%	500	0.10%	(500)	500
Installment expense	3,569	0.67%	-	0.00%	3,569	-
6% Reserve	6,769	1.27%	10,000	1.98%	(3,231)	10,000
Trash	673	0.13%	-	0.00%	673	-
WWTF	122,761	23.12%	112,000	22.14%	10,761	112,000
CSLC	94,246	17.75%	80,000	15.82%	14,246	80,000
Total	<u>\$ 530,904</u>	100.00%	<u>\$ 505,811</u>	100.00%	<u>\$ 25,093</u>	<u>\$ 505,811</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	\$ 505,811
Depreciation	166,946
Capital expense	(34,521)
Changes in A/P	<u>(109)</u>
GAAP	<u>\$ 638,127</u>

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
USERS BY CLASS
December 31, 2023

Customer category (usage in gallons)	Customer Count			Total
	Water Only	Sewer Only	Water and Sewer	
< 2,000	32	56	345	433
2,001 - 4,000	9	25	267	301
4,001 - 6,000	2	14	105	121
6,001 - 8,000	3	7	25	35
8,001 - 10,000	0	1	4	5
> 10,000	4	4	20	28
	50	107	766	923

RATE STRUCTURE:

The following rates are in effect for customers as of December 31, 2023.

Water:

0 - 2,000	\$	17.26	
2,001 - 4,000	\$	8.50	per thousand gallons
4,001 - 6,000	\$	8.50	per thousand gallons
6,001 - 8,000	\$	8.50	per thousand gallons
8,001 - 10,000	\$	8.50	per thousand gallons
Greater than 10,000	\$	8.50	per thousand gallons

Sewer:

0 - 1,000	\$	9.16	per thousand gallons
Greater than 1,000	\$	6.65	per thousand gallons

ADDITIONAL INFORMATION

Water loss figures for the year ended December 31, 2023 are as follows:

Gallons of water pumped	43,000,000
Gallons of water sold and used	<u>36,817,464</u>
Gallons of water lost	<u><u>6,182,536</u></u>

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 City of Gassville Water and Wastewater Fund which comprise the statement of financial position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net fund position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 17, 2024.

Report on 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 (internal control) as a basis for designing 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 their 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 as Findings 1 and 2 that I consider to be significant deficiencies

Report on 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 from 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Gassville Water and Wastewater Fund's response to the findings identified in my audit and described in the accompanying schedule of findings. The City of Gassville Water and Wastewater Fund's response was not subjected to the other auditing 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

December 17, 2024

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended December 31, 2023

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.

CITY OF GASSVILLE
WATER AND WASTEWATER FUND
SCHEDULE OF FINDINGS AND RESPONSES
Year ended December 31, 2023

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.
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.