

**City of Green Forest Arkansas  
Water and Waste Water Department**

**Independent Auditors' Report  
with  
Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

**City of Green Forest Arkansas**  
**Water and Waste Water Department**  
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**December 31, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayors and Members of the City Council of the City of Green Forest, Arkansas  
Water and Waste Water Department  
Green Forest, Arkansas

### Opinion

We have audited the accompanying financial statements of the City of Green Forest Arkansas Water and Waste Water Department (the Entity), a component unit of City of Green Forest, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the propriety activities of the City of Green Forest Arkansas Water and Waste Water Department, as of December 31, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the City of Green Forest Arkansas Water and Waste Water Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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

As more fully described in Note 5 to the financial statements, management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* for the City of Green Forest Arkansas Water and Waste Water Department. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred revenue, and deferred expenses for defined benefit pension plans have an actuarial study to determine the effect on net assets. The amount by which this departure would affect the assets, liabilities, deferred revenue, deferred expenses, and net assets has not been determine.

## **Management's Responsibility for the Financial Statements**

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

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

## **Auditors' Responsibility**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Matters**

##### *Required Supplementary Information*

Management has omitted the management discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of City of Green Forest Arkansas Water and Waste Water Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Green Forest Arkansas Water and Waste Water Department's internal control over financial reporting and compliance.

*Abacus CPAs, LLC*

Springfield, Missouri  
November 30, 2023

**City of Green Forest, Arkansas Water and Waste Water Department**

**Statements of Net Position  
December 31, 2022 and 2021**

**Assets**

	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,348,995	\$ 4,956,811
Accounts receivable	546,880	419,930
Prepaid expenses	21,807	19,331
<b>Total Current Assets</b>	<u>2,917,681</u>	<u>5,396,072</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	3,915,490	3,594,212
Certificates of deposit	3,175,905	168,408
<b>Total Restricted Assets</b>	<u>7,091,395</u>	<u>3,762,620</u>
<b>Property and Equipment</b>		
Land	380,587	380,587
Property and equipment, at cost	34,199,926	34,199,926
Accumulated depreciation	(13,293,953)	(12,435,681)
<b>Net Property and Equipment</b>	<u>21,286,560</u>	<u>22,144,832</u>
<b>Other Assets</b>		
Prepaid bond insurance costs, net	14,836	16,072
<b>Total Other Assets</b>	<u>14,836</u>	<u>16,072</u>
<b>Total Assets</b>	<u><u>\$ 31,310,472</u></u>	<u><u>\$ 31,319,596</u></u>

**Liabilities and Net Position**

<b>Current Liabilities:</b>		
Accounts payable	\$ 201,010	\$ 178,262
Sales tax payable	12,012	-
Payroll liabilities	6,341	13,979
<b>Total Current Liabilities</b>	<u>219,363</u>	<u>192,241</u>
<b>Current Liabilities Payable from Restricted Assets</b>		
Accrued interest	261,227	134,657
Current portion of bonds payable	459,382	441,285
Meter deposits	122,706	111,811
<b>Total Current Liabilities Payable from Restricted Assets</b>	<u>843,316</u>	<u>687,753</u>
<b>Long-term Liabilities</b>		
Bonds payable, net of current portion and bond discounts	13,969,089	14,197,987
<b>Total Long-term Liabilities</b>	<u>13,969,089</u>	<u>14,197,987</u>
<b>Total Liabilities</b>	<u>15,031,768</u>	<u>15,077,981</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	6,858,089	7,505,561
Restricted	6,248,079	3,074,867
Unrestricted	3,172,537	5,661,189
<b>Total Net Position</b>	<u>16,278,704</u>	<u>16,241,616</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 31,310,472</u></u>	<u><u>\$ 31,319,596</u></u>

See Accompanying Notes to Financial Statements

**City of Green Forest, Arkansas Water and Waste Water Department**  
**Statements of Revenue, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Water and sewer services	\$ 6,032,173	\$ 5,603,732
Franchise fees	272,848	259,680
Miscellaneous operating income	434,247	300,150
Other income	(27,245)	300,797
<b>Total Operating Revenues</b>	<u>6,712,023</u>	<u>6,464,359</u>
<b>Operating Expenses:</b>		
Salaries, wages and fringe benefits	1,009,653	1,088,206
Supplies	598,152	572,993
Office and administration	115,145	69,850
Depreciation	920,248	745,394
Professional services	12,863	10,823
Repairs and maintenance	354,362	497,716
Insurance	16,877	15,276
Sales tax	302,908	273,156
Utilities and telephone	353,216	309,422
Water purchases	1,711,491	1,657,062
Franchise fees	272,846	259,679
Other expenses	173,705	81,277
<b>Total Operating Expenses</b>	<u>5,841,466</u>	<u>5,580,854</u>
<b>Operating Income</b>	870,558	883,505
<b>Other Income (Expense):</b>		
Interest income	75,721	60,219
Interest expense	(909,192)	(464,037)
Gain on sales of assets	-	-
<b>Total Other (Expense)</b>	<u>(833,471)</u>	<u>(403,818)</u>
<b>Increase (Decrease) in Net Position</b>	37,088	479,687

See Accompanying Notes to Financial Statements

City of Green Forest, Arkansas Water and Waste Water Department  
Statements of Cash Flow  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Cash Receipts:		
Water and sewer services	5,905,223	5,560,086
Franchise fees	272,848	259,680
Miscellaneous operating income	434,247	300,150
Other income	(27,245)	300,797
Cash Paid for:		
Salaries, wages and fringe benefits	(1,019,767)	(1,092,042)
Supplies	(575,403)	(579,179)
Office and administration	(115,145)	(69,850)
Professional services	(12,863)	(10,823)
Repairs and maintenance	(354,362)	(497,716)
Insurance	(16,877)	(15,276)
Sales tax	(302,908)	(273,156)
Utilities and telephone	(353,216)	(309,422)
Water purchases	(1,711,491)	(1,657,062)
Franchise fees	(272,846)	(259,679)
Other expenses	(173,707)	(81,277)
<b>Net Cash Provided by Operating Activities</b>	<b>1,676,491</b>	<b>1,575,231</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal payments on long-term debt	(459,116)	(438,204)
Bond insurance costs	1,236	1,597
Interest expense, net	(590,314)	(581,366)
<b>Net Cash (Used in) Noncapital Financing Activities</b>	<b>(1,048,194)</b>	<b>(1,017,974)</b>
<b>Cash Flows from Investing Activities:</b>		
Transfers (to) from restricted cash and cash equivalents	(321,278)	(198,913)
Transfers (to) from restricted certificates of deposit	(3,007,497)	1,155,350
Proceeds from disposal of property	-	-
Purchases of property and equipment	-	(332,898)
Increase in meter deposits	10,895	12,033
Interest Income	75,721	60,219
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(3,242,159)</b>	<b>695,791</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,613,862)</b>	<b>1,253,050</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,956,811</b>	<b>3,703,761</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,342,949</b>	<b>\$ 4,956,811</b>

See Accompanying Notes to Financial Statements



**City of Green Forest, Arkansas Water and Waste Water Department**

**Statements of Cash Flow - (continued)**

**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Increase (Decrease) in Net Position to Cash Flows from Operating Activities</b>		
Increase in net position	\$ 870,558	\$ 883,505
Depreciation	920,248	745,394
Changes in current assets and liabilities		
Accounts receivable	(126,950)	(43,646)
Prepaid expenses	(2,475)	(6,893)
Accounts payable	22,748	(6,186)
Payroll liabilities	(7,638)	3,057
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$ 1,676,491</u></u>	<u><u>\$ 1,575,231</u></u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	<u><u>\$ 782,622</u></u>	<u><u>\$ 581,366</u></u>

See Accompanying Notes to Financial Statements

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies**

**Nature of Activity**

The City of Green Forest, Arkansas (the City) is a municipality governed under an elected Mayor-Council form of government. The City of Green Forest, Arkansas Water and Waste Water Department (the Department) is governed by the City Council and provides water and waste water services to the residents of the City of Green Forest, Arkansas and surrounding communities.

**Reporting Entity**

The financial statements present only the Water and Waste Water Department are a component unit and are not intended to present fairly the financial position and results of operations of the City of Green Forest, Arkansas.

For financial reporting purposes, the Department includes all funds over which the Department's management exercises financial accountability.

**Fund Types**

The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Department's various funds are grouped in the financial statements as a single enterprise fund. Enterprise Funds are used to account for operations that (a) 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 goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues and expenses along with the related assets and liabilities are recorded in the period in which the transactions occur, regardless of when the related cash is received or disbursed.

**Budgets and Budgetary Accounting**

State law requires that the City Council, before the end of each fiscal year, make appropriations, by ordinance, for the expenditures of City government for the following year. The City Council may make appropriation amendments at any time during the current fiscal year. Appropriations lapse at the end of each year. Under certain conditions, the budget may be amended subsequent to year-end.

The City prepared an annual budget on the regulatory basis of accounting for the Water and Waste Water Department.

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies - (continued)**

**Cash Equivalents**

The Department considers all non-restricted, highly liquid investments with maturity of three months or less to be cash equivalents.

**Accounts Receivable**

The accounts receivable are stated in the balance sheet at their estimated realizable value. The Department accounts for bad debts using the direct charge-off method, directly expensing receivables which management deems uncollectible. The direct charge-off method provides results similar to the reserve method in all material respects. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

**Restricted Assets**

Amounts shown as restricted assets have been restricted by either bond indenture, by law, by contractual obligations, or by ordinance designation to be used for specified purposes, such as servicing bond debt or construction of capital assets.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to expense as incurred; while major replacements and improvements are capitalized.

**Net Position Classifications**

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provision or enabling legislation.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies - (continued)**

**Revenue Recognition**

Revenues are recognized when earned, based upon customer usage or when the service is provided. Water and waste water revenues are billed to the residents in monthly cycles.

**Classification of Revenues**

Operating revenues consist of water and waste water sales, franchise fees, and other services to residents of the City. Non-operating revenues consist of state reimbursements, interest income and miscellaneous income.

**Advertising**

The Department follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2022 and 2021 were \$1,567 and \$635, respectively.

**Restricted Resources**

Under the terms of grant agreements, the Department funds certain infrastructure improvements by a combination of specific improvement-reimbursement grants and general revenues. Thus, when infrastructure improvements are incurred, there may be both restricted and unrestricted net assets available to finance these improvements. It is the Department's policy to first apply improvement-reimbursement grant resources to such improvements and then general revenues.

**Compensated Absences**

The employees of the Department are entitled to paid vacation, paid sick days, and personal days off; depending on job classification, length of service, and other factors. The Department has an established plan that generally requires employees to use leave benefits on an annual basis and disallows carryovers to succeeding years. Consequently, an accrual for compensated absences is not required for the years ended December 31, 2022 and 2021.

**Income Taxes**

Income of the Department is derived from the exercise of essential governmental functions and accrues to the Department, a component unit of the City of Green Forest, Arkansas. It is, therefore, not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**City of Green Forest Arkansas Water and Waste Water Department**

**Notes to Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies - (continued)**

**Reclassification**

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

**2. Financial Instruments with Risk of Accounting Loss**

As of December 31, 2022, financial instruments that could potentially subject the Department to a risk of accounting loss consists of restricted and unrestricted Cash and Cash Equivalents and Certificates of Deposit, exclusive of petty cash, carried at fair market value, as follows:

	Bank Balance	Carrying Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by pledged securities	7,654,493	7,588,384
Other assets held in trust	1,602,006	1,602,006
Uninsured or Uncollateralized		
<b>Total</b>	<b>\$ 9,506,499</b>	<b>\$ 9,440,390</b>

**3. Cash, Cash Equivalents and Certificate of Deposit**

Cash, cash equivalents and certificates of deposit consisted of the following:

	<u>2022</u>	<u>2021</u>
Unrestricted		
Petty Cash	\$ 50	\$ 50
Operating Accounts	2,348,945	4,956,761
<b>Total Unrestricted</b>	<b>\$ 2,348,995</b>	<b>\$ 4,956,811</b>
Restricted		
FMHA Revenue Bond Fund	\$ 283,387	\$ 244,135
Meter Deposits Fund	148,088	136,966
Depreciation Fund	1,882,008	1,604,662
2015 Bond Fund	117,215	118,335
2015 Debt Service Fund	107,150	107,150
2017 Bond Fund	327,257	327,560
2017 Debt Service Fund	865,785	862,702
2018 Debt Service Fund	169,399	169,399
2018 Bond Fund	15,199	23,273
Water Certificates of Deposit	3,175,905	168,408
<b>Total Restricted</b>	<b>7,091,395</b>	<b>3,762,590</b>
<b>Total Cash, Cash Equivalents and Certificate of Deposits</b>	<b>\$ 9,440,390</b>	<b>\$ 8,719,401</b>

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**4. Restricted Assets**

Restricted assets include cash reserves restricted by the Series 2015, Series 2017, and Series 2018 Bond covenants. These covenants establish the bond funds, reserve funds, the manner of accumulation and the allowable expenditures as follows.

**Bond Fund**

The Series 2015 Bonds requires the Department to make monthly transfers into a Bond Fund Account an amount equal to 1/6th of interest and 1/12 of principal due of the next installment for Series A, and a sum equal to the next installment due for the Series 2015B. The deposits are to be used to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$91,792 and \$91,312, respectively.

The Series 2017 Bonds requires the Department to make monthly transfers into a Bond Fund Account of an amount equal to 1/6th of interest and 1/12 of principal due of the next installment. The deposits are to be used to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$261,037 and \$262,306, respectively.

The Series 2018 Bonds requires the Department to make monthly transfers into a Bond Fund Account of an amount equal to 1/6th of interest and 1/12 of principal due of the next installment. The deposits are to be used to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$16,940 and \$16,940, respectively.

**Debt Service Reserve**

The Department is required to maintain an amount equal to one-half of the maximum annual principal and interest requirements on the Series 2015A Bonds. The deposits are to be held in reserve in the event that the Department failed to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$107,150.

The Department is required to maintain an amount equal to the maximum annual principal and interest requirements of the Series 2017 Bonds. The deposits are to be held in reserve in the event that the Department fails to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$859,619.

The Department is required to maintain an amount equal to the maximum annual principal and interest requirements of the Series 2018 Bonds. The deposits are to be held in reserve in the event that the Department fails to make the required bond payments. The required minimum balance at December 31, 2022 and 2021 was \$169,399.

**Depreciation**

Under the bond agreements, the Department is required to set aside amounts for the cost of necessary repairs or replacements made necessary by the depreciation of the System or to prevent a default on System Bonds. The agreement requires a monthly transfer of 3% of the net revenues for the preceding month

All debt covenant requirements were met as of December 31, 2022 and 2021.

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**5. Property and Equipment**

Major classifications of property and equipment are as follows:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2022</u>
Land	\$ 380,587	\$ -	\$ -	\$ 380,587
Buildings and improvements	427,441	-	-	427,441
Vehicles and equipment	13,572,255	-	-	13,572,255
Water and sewer system	20,200,230	-	-	20,200,230
Construction in progress	-	-	-	-
Total property and equipment	34,580,513	-	-	34,580,513
Accumulated depreciation	(12,435,681)	(858,272)	-	(13,293,953)
Net property and equipment	<u>\$ 22,144,833</u>	<u>\$ (858,272)</u>	<u>\$ -</u>	<u>\$ 21,286,560</u>

  

	<u>12/31/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2021</u>
Land	\$ 380,587	\$ -	\$ -	\$ 380,587
Buildings and improvements	248,174	18,767	160,500	427,441
Vehicles and equipment	2,179,784	-	11,392,471	13,572,255
Water and sewer system	20,200,230	-	-	20,200,230
Construction in progress	11,238,840	314,131	(11,552,971)	-
Total property and equipment	34,247,615	332,898	-	34,580,513
Accumulated depreciation	(11,690,287)	(745,394)	-	(12,435,681)
Net property and equipment	<u>\$ 22,557,328</u>	<u>\$ (412,496)</u>	<u>\$ -</u>	<u>\$ 22,144,832</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$858,272 and \$745,394, respectively. Construction in progress is not depreciated until assets are placed in service.

**6. Bond Insurance Costs**

On April 14, 2015, the City issued revenue bonds totaling \$3,785,965. The bond agreement requires the purchase of insurance which guarantees payment of principal and interest during the term the bonds are outstanding. The insurance premium of \$24,726 is being amortized over the twenty year life of the bonds. Prepaid bond insurance was \$16,072 and \$17,669 as of December 31, 2022 and 2021, respectively.

City of Green Forest Arkansas Water and Waste Water Department  
Notes to Financial Statements  
For the Years Ended December 31, 2022 and 2021

7. Long-Term Debt

Long-term debt consisted of the following:

	12/31/2021	Additions	Retirements	12/31/2022
2.00% - 3.50% revenue bonds, Series 2015A, issued April 14, 2015, secured by assets and revenue, original issue amount \$2,385,000	\$ 1,855,000	\$ -	\$ (190,000)	\$ 1,665,000
2.74% revenue bonds, Series 2015B, issued April 14, 2015, secured by assets and revenue, original issue amount \$1,400,965	680,867	-	(286,634)	394,233
2.00% - 4.125% revenue bonds, Series 2017A, issued January 18, 2017, secured by assets and revenue, original issue amount \$8,840,000	8,590,000	-	(175,000)	8,415,000
3.375% - 4.375% revenue bonds, Series 2017B, issued January 18, 2017, secured by assets and revenue, original issue amount \$2,350,000, interest payments only until 2026	2,350,000	-	-	2,350,000
3.63% revenue bonds, Series 2018, issued December 1, 2018, secured by assets and revenue, original issue amount \$1,949,000	1,743,167	-	(24,329)	1,718,838
<b>Total debt</b>	<b>15,219,034</b>	<b>-</b>	<b>(675,963)</b>	<b>14,543,071</b>
Less: current portion	(428,441)			(459,382)
<b>Long-term portion</b>	<b>14,790,593</b>			<b>14,083,689</b>
Less: bond discounts	(141,558)			(120,646)
<b>Net long-term debt</b>	<b>14,649,035</b>			<b>13,963,043</b>



**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**7. Long-Term Debt - (continued)**

Maturities of long-term debt for the years ending December 31 are as follows:

	Principal
2023	459,382
2024	472,741
2025	485,130
2026	498,187
2027	517,208
2028 - 2032	2,856,090
2033 - 2037	2,749,895
2038 - 2042	3,175,000
2043 - 2046	3,329,438
<b>Total long-term debt</b>	<b>\$ 14,543,071</b>

Interest expense, net of amortization of bond discount, for the years ended December 31, 2022 and 2021 totaled \$898,190 and \$560,454, respectively.

**8. Restricted Net Position**

Restricted Net Position has been reserved by bond covenants or capital projects restrictions in the amount of related restricted assets less the current amount payable from restricted assets.

**9. Water and Sewer Rates**

The following rates were in effect during the years ended December 31, 2022 and 2021:

	Water Rates		
	Inside City Limit	Outside City Limit	North/East Extensions
First 1,000 gallons	\$15.00 minimum	\$15.00 minimum	\$17.31 minimum
Next 29,000 gallons	\$3.21 per 1,000 GA	\$3.80 per 1,000 GA	\$4.38 per 1,000 GA
Next 170,000 gallons	\$2.84 per 1,000	\$3.05 per 1,000	\$3.05 per 1,000 GA
Usage over 200,000 gallons	\$2.36 per 1,000	\$2.77 per 1,000	\$2.77 per 1,000 GA
	Tysons/Unique Linen		
First 2,000 gallons	\$15.00 minimum		
Next 29,000 gallons	\$2.84 per 1,000 GA		
Usage over 200,000 gallons	\$2.36 per 1,000 GA		

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**9. Water and Sewer Rates - (continued)**

	Water Rates		
	Inside City Limit	Outside City Limit	North/East Extensions
First 2,000 gallons	\$8.30 minimum	\$8.30 minimum	\$8.30 minimum
Usage over 2,000 gallons	\$3.37 per 1,000 GA	\$3.37 per 1,000 GA	\$3.37 per 1,000 GA

Customers who consume more than 100,000 gallons of water per month are billed at the rate of \$8.30 for the first 2,000 gallons of water consumption and \$3.97 per 1,000 GA of water consumption thereafter.

**10. Retirement Plan**

The Department contributes to the Arkansas Public Employees' Retirement System (APERS), a cost-sharing multiple-employer defined benefit plan administered by the Board of Trustees of the Arkansas Public Employees' Retirement System. APERS provide retirement and disability benefits, annual redetermination of benefit adjustments, and survivor benefits to plan members and beneficiaries. Benefits and contribution provisions are established by State law and can be amended only by the General Assembly's legislative power. This power includes the enactment and amendment of benefit provisions of APERS as published in Chapters 2, 3 and 4 of Title 24 of the Arkansas Code Annotated. The Arkansas Public Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees' Retirement System, One Union National Plaza, 124 West Capitol, Little Rock, Arkansas, 72201 or by calling (800) 682-7377.

**Funding Policy**

APERS has contributory and noncontributory plans. Contributory members are required to contribute 5% of their salary. Each participating employer is required to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% from July 1, 2022 and 15.32% from July 1, 2021 of annual covered payroll. The amounts contributed by the Department for the years ended December 31, 2022 and 2021 were \$115,185 and \$122,785, respectively.

**11. Accrued Pension Obligation**

The Department participates in the APERS, as described in Note 10 above. The City of Green Forest, Arkansas processes the Department's payroll and remits pension payments directly to APERS. The Department's share of the net pension liability has not been determined. Such obligations would have materially affected the Department's statements of net position and increases (decreases) in net position.

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**12. Risk Management**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered by property and casualty insurance policies on real and personal property, including vehicles, and liability under the Arkansas's insurance policies with the Arkansas Municipal League Program. There were no material reductions in insurance coverage from the coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

**13. Commitments and Contingencies**

The Department has entered into an agreement with the Carroll Boone Water District. The contract price as of December 31, 2022 and 2021 was \$1.75 and \$1.75 per 1,000 gallons, respectively. Additionally, the Department is required to pay their pro-rata share of any revenue shortfall of the District and a demand charge for water purchases from other sources of \$0.49 per 1,000 gallons purchased. There were no additional charges due for the years ended December 31, 2021 and 2020.

The Department executed an agreement for the collection and transfer of solid waste and recyclable materials with Carroll County Solid Waste Authority. This agreement cannot be modified or amended unless approved by the governing bodies of both parties and signed by the authorized representatives of the City and the contractor.

In the normal course of operations, the Department receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Department believes any liability for reimbursement, which may arise as a result of audits of grant funds, would not be material.

**14. Concentrations and Economic Dependency**

The Department's business activities are concentrated with customers located in and near the City of Green Forest, Arkansas. The local economy is highly dependent on the poultry industry. All of the future revenue is associated within the above-mentioned geographic region.

One customer, Tyson Foods, Inc., accounted for approximately 52% and 59% of the water revenues and 87% and 81% of the waste water revenues and years ended December 31, 2022 and 2021, respectively.

The Department purchases water from the Carroll Boone Water District. This is the Department's only contracted source of water. In addition, the Department contracts all of its solid waste with a single provider.

The Department maintains cash and cash equivalents with local financial institutions, in which the Department's deposits are insured by the FDIC up to \$250,000 per financial institution. At times during the years ended December 31, 2022 and 2021, the Department's balances did exceed the amount insured. When this occurs, the uninsured balances are collateralized by securities pledged to the Department by the financial institutions.

**City of Green Forest Arkansas Water and Waste Water Department**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**15. Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Department's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Department's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may permanently impact the Department's financial condition or results of operations is uncertain.

**16. Subsequent Events**

Management has evaluated subsequent events through November 30, 2023, the date on which the financial statements were available to be issued.

**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 Members of the City Council of the City of Green Forest, Arkansas  
Water and Waste Water Department  
Green Forest, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Green Forest, Arkansas Water and Waste Water Department (the Entity), which comprise the statement of financial position as December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended and the related notes to financial statements, and have issued our report thereon dated November 30, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Springfield, Missouri  
November 30, 2023