

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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WATER AND WASTE WATER DEPARTMENT
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of **City of West Fork Water and Waste Water Department** (the Department) as of and for the years ended **December 31, 2020 and 2019**, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the Authority. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred outflows of resources, and deferred inflows of resources for defined benefit pension plans have an actuarial study to determine the effect on net position. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and net position has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position and cash flows of the Department as of **December 31, 2020 and 2019**, and the changes in the financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of West Fork, Arkansas, as of **December 31, 2020 and 2019** and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Bonds Outstanding, the Schedule of Water and Sewer Rates, and the Schedule of Findings and Responses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Bonds Outstanding, the Schedule of Water and Sewer Rates, and the Schedule of Findings and Responses are 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*, we have also issued our report dated **September 7, 2023**, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other 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 the Department's internal control over financial reporting and compliance.

Hubbs & Whitehead, CPAs

**Hubbs & Whitehead, CPAs
Van Buren, Arkansas**

September 7, 2023

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of **City of West Fork Water and Waste Water Department** (the Department) as of and for the year ended **December 31, 2020**, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated **September 7, 2023**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

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*Governmental Audit Quality Center

*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Compliance and Other Matters

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

City of West Fork Water and Waste Water Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hubbs & Whitehead, CPAs

**Hubbs & Whitehead, CPAs
Van Buren, Arkansas**

September 7, 2023

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS		2020	2019
CURRENT ASSETS			
Cash		\$ 500,939	\$ 218,984
Accounts receivable, net of allowance for doubtful accounts of \$6,822 and \$6,450, respectively		72,234	65,730
Inventories		52,971	46,568
Due from other fund		1,924	1,924
Total Current Assets		<u>628,068</u>	<u>333,206</u>
CAPITAL ASSETS, net		<u>7,411,579</u>	<u>2,654,985</u>
NONCURRENT ASSETS			
Restricted cash		<u>393,555</u>	<u>442,051</u>
Total Noncurrent Assets		<u>393,555</u>	<u>442,051</u>
Total Assets		<u><u>\$ 8,433,202</u></u>	<u><u>\$ 3,430,242</u></u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable		\$ 18,191	\$ 13,542
Sales tax payable		4,344	4,324
Other current liabilities		10,945	10,352
Accrued interest		12,949	9,994
Current portion of long-term debt		<u>57,433</u>	<u>56,589</u>
Total Current Liabilities		<u>103,862</u>	<u>94,801</u>
LONG-TERM DEBT			
Meter deposits payable		29,428	29,325
Bonds payable, net of current portion		7,246,500	2,797,037
Capital lease liability, net of current portion		<u>128,731</u>	<u>137,300</u>
Total Long-Term Debt		<u>7,404,659</u>	<u>2,963,662</u>
Total Liabilities		<u>7,508,521</u>	<u>3,058,463</u>
NET POSITION			
Invested in capital assets, net of related debt		(21,085)	(335,941)
Restricted		393,555	442,051
Unrestricted		<u>552,211</u>	<u>265,669</u>
Total Net Position		<u>924,681</u>	<u>371,779</u>
Total Liabilities and Net Position		<u><u>\$ 8,433,202</u></u>	<u><u>\$ 3,430,242</u></u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
Water and sewer revenues, net of provision for bad debts	\$ 830,559	\$ 751,567
Other operating revenues	<u>1,522</u>	<u>548</u>
 Total Operating Revenues	 <u>832,081</u>	 <u>752,115</u>
 OPERATING EXPENSES		
Salaries	169,863	184,366
Retirement	24,675	26,364
Utilities	20,029	21,988
Supplies	21,027	16,932
Chemicals	7,770	4,366
Legal and accounting	2,482	13,947
Repairs and maintenance	27,738	20,526
Truck maintenance and fuel	5,113	10,528
Depreciation	61,741	61,876
Insurance	28,135	30,159
Water purchases	188,929	172,788
Miscellaneous	<u>33,502</u>	<u>43,314</u>
 Total Operating Expenses	 <u>591,004</u>	 <u>607,154</u>
 OPERATING INCOME	 <u>241,077</u>	 <u>144,961</u>
 NON-OPERATING REVENUE (EXPENSES)		
Interest income	1,402	4,361
Interest Expense	(25,544)	(33,973)
Other non-operating revenues (expenses)	<u>335,967</u>	<u>(8)</u>
 Total Non-Operating Revenues (Expenses)	 <u>311,825</u>	 <u>(29,620)</u>
 CHANGE IN NET POSITION	 552,902	 115,341
 NET POSITION, BEGINNING OF YEAR	 <u>371,779</u>	 <u>256,438</u>
 NET POSITION, END OF YEAR	 <u>\$ 924,681</u>	 <u>\$ 371,779</u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 825,577	\$ 753,482
Cash payments to suppliers for goods and services	(360,541)	(354,001)
Cash payments to employees for services	(169,863)	(184,366)
	<u> </u>	<u> </u>
Net Cash Flows From Operating Activities	<u>\$ 295,173</u>	<u>215,115</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in meter deposits	103	(193)
Interest income	1,402	4,361
	<u> </u>	<u> </u>
Net Cash Flows From Investing Activities	<u>1,505</u>	<u>4,168</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(22,589)	(28,579)
Purchase of capital assets	(4,818,335)	(1,907,081)
Proceeds from issuance of bonds payable	4,498,327	2,131,052
Principal payments on long-term debt	(56,589)	(48,160)
Other non-operating revenues (expenses)	335,967	(8)
	<u> </u>	<u> </u>
Net Cash Flows From Capital and Related Financing Activities	<u>(63,219)</u>	<u>147,224</u>
 CHANGE IN CASH	 233,459	 366,507
 CASH, BEGINNING OF YEAR	 <u>661,035</u>	 <u>294,528</u>
 CASH, END OF YEAR	 <u>\$ 894,494</u>	 <u>\$ 661,035</u>
 UNRESTRICTED CASH	 \$ 500,939	 \$ 218,984
RESTRICTED CASH	<u>393,555</u>	<u>442,051</u>
	<u> </u>	<u> </u>
	<u>\$ 894,494</u>	<u>\$ 661,035</u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating income	<u>\$ 241,077</u>	<u>\$ 144,961</u>
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	\$ 61,741	61,876
Change in:		
Accounts receivable	(6,504)	1,367
Inventories	(6,403)	4,813
Prepaid insurance	-	1,144
Accounts payable	4,649	(201)
Sales tax payable	20	276
Other current liabilities	<u>593</u>	<u>879</u>
 Total adjustments	 <u>54,096</u>	 <u>70,154</u>
 Net Cash Flows From Operating Activities	 <u><u>\$ 295,173</u></u>	 <u><u>\$ 215,115</u></u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note 1: Summary of Significant Accounting Policies

The City of West Fork, Arkansas (the City) was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The Water and Waste Water Department of the City (the Department), a proprietary water and sewer fund of the City, is governed by a five-member committee appointed by the Mayor and City Council. A superintendent manages the daily operations of the Department and reports to the committee. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial principles.

Fund Type

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that 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 or 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.

Reporting Entity

The Department's financial statements reflect only the accounts directly under control of the Department. Using the criteria of ability to exercise oversight responsibility, there are no other component units that are or should be included in the Department's reporting entity.

The financial statements present only the Department of the City, and, accordingly, do not reflect other activities, funds and account groups of the City.

Basis of Accounting

The financial statements of the Department have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources management focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Income Taxes

The Department is exempt from income taxes as a governmental agency.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Accounts Receivable

The Department establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$6,822 and \$6,450, respectively, as of December 31, 2020 and 2019.

Capital Assets

Capital assets include property, plant and equipment and are valued at historical costs. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses as incurred. Renewals and substantial betterments are capitalized. The Department capitalizes assets with an initial cost greater or equal to \$500 and an estimated useful life greater than one year. Estimated useful lives range between 5 to 50 years. Depreciation is recorded utilizing the straight-line method over the estimated useful lives of assets.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Inventories consist primarily of water meters, pipes, valves and related supplies.

Compensated Absences

Compensated absences are not accrued because they are not readily determined and are not considered material to the financial statements.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal ongoing operations. Operating expenses for the Department include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, the Department’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

Subsequent Events

Management has evaluated subsequent events through September 7, 2023, the date the financial statements were available to be issued.

Note 2: Deposits and Restricted Cash

Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it. The Department’s deposit policy for custodial credit risk requires compliance with provisions of state law. Arkansas law requires collateralization of all deposits by federal depository insurance (FDIC) and/or qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. Agencies. The Department’s deposits were all fully insured or collateralized as of December 31, 2020.

Cash consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrestricted cash		
Petty cash	\$ 300	\$ 300
Revenue Fund	57,970	37,787
O&M and Holding Fund	394,721	136,252
Meter Deposits	47,948	44,645
	<u>\$ 500,939</u>	<u>\$ 218,984</u>
Restricted cash		
Depreciation Fund	\$ 110,440	\$ 130,004
Sewer Construction Fund	42,365	42,313
Bond Holding Fund	240,750	269,734
	<u>\$ 393,555</u>	<u>\$ 442,051</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note 3: Accounts Receivable

Accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Current	\$ 64,100	\$ 57,824
31-60 Days	72	147
61-120 Days	14,884	14,209
Less allowance for doubtful accounts	<u>(6,822)</u>	<u>(6,450)</u>
	<u>\$ 72,234</u>	<u>\$ 65,730</u>

Note 4: Capital Assets

Changes in capital assets consist of the following:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>
Treatment Plant and Reservoirs	\$ 125,105	\$ -	\$ -	\$ 125,105
Mains and Hydrants	504,975	-	-	504,975
Meters	73,440	6,386	-	79,826
Office Furniture and Equipment	73,747	-	-	73,747
Equipment	254,812	-	-	254,812
Sewer Collectors and Outfalls	477,031	-	-	477,031
Sewer Plant	179,750	-	-	179,750
Sewer Additions	29,750	-	-	29,750
Water Tank and Transmission Lines	580,902	-	-	580,902
Land and Land Rights	26,119	-	-	26,119
Construction in Progress - Sewer Line Project	<u>2,040,807</u>	<u>4,811,949</u>	-	<u>6,852,756</u>
Total	<u>\$ 4,366,438</u>	<u>\$ 4,818,335</u>	<u>\$ -</u>	<u>\$ 9,184,773</u>

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2019</u>
Treatment Plant and Reservoirs	\$ 125,105	\$ -	\$ -	\$ 125,105
Mains and Hydrants	504,975	-	-	504,975
Meters	64,264	9,176	-	73,440
Office Furniture and Equipment	73,747	-	-	73,747
Equipment	277,753	-	22,941	254,812
Sewer Collectors and Outfalls	477,031	-	-	477,031
Sewer Plant	179,750	-	-	179,750
Sewer Additions	29,750	-	-	29,750
Water Tank and Transmission Lines	580,902	-	-	580,902
Land and Land Rights	26,119	-	-	26,119
Construction in Progress - Sewer Line Project	<u>142,902</u>	<u>1,897,905</u>	-	<u>2,040,807</u>
Total	<u>\$ 2,482,298</u>	<u>\$ 1,907,081</u>	<u>\$ 22,941</u>	<u>\$ 4,366,438</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Changes in accumulated depreciation on capital assets consist of the following:

	January 1, 2020	Additions	Retirements	December 31, 2020
Treatment Plant and Reservoirs	\$ 115,347	\$ 392	\$ -	\$ 115,739
Mains and Hydrants	389,185	9,767	-	398,952
Meters	46,002	3,036	-	49,038
Office Furniture and Equipment	59,693	-	-	59,693
Equipment	160,112	22,827	-	182,939
Sewer Collectors and Outfalls	430,132	9,539	-	439,671
Sewer Plant	151,250	3,595	-	154,845
Sewer Additions	10,669	966	-	11,635
Water Tank and Transmission Lines	349,063	11,619	-	360,682
Land and Land Rights	-	-	-	-
Construction in Progress - Sewer Line Project	-	-	-	-
Total	<u>\$ 1,711,453</u>	<u>\$ 61,741</u>	<u>\$ -</u>	<u>\$ 1,773,194</u>

	January 1, 2019	Additions	Retirements	December 31, 2019
Treatment Plant and Reservoirs	\$ 114,956	\$ 391	\$ -	\$ 115,347
Mains and Hydrants	379,417	9,768	-	389,185
Meters	43,784	2,218	-	46,002
Office Furniture and Equipment	59,693	-	-	59,693
Equipment	159,275	23,778	22,941	160,112
Sewer Collectors and Outfalls	420,591	9,541	-	430,132
Sewer Plant	147,655	3,595	-	151,250
Sewer Additions	9,702	967	-	10,669
Water Tank and Transmission Lines	337,445	11,618	-	349,063
Land and Land Rights	-	-	-	-
Construction in Progress - Sewer Line Project	-	-	-	-
Total	<u>\$ 1,672,518</u>	<u>\$ 61,876</u>	<u>\$ 22,941</u>	<u>\$ 1,711,453</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note 5: Long-Term Debt

Long-term Debt of the Department consists of the following:

	<u>2020</u>	<u>2019</u>
Series 2016A water and sewer revenue bonds, original amount of \$800,000. Payments are made April 15 and October 15 of each year in the amount of \$25,537, including interest at a rate of 1.5% and service fees at a rate of 1.0%, maturing April 15, 2037, secured by revenues and property of the Department.	\$ 687,076	\$ 720,348
Series 2019A water and sewer revenue bonds, original amount of \$412,000. Payments are made June 1 and December 1 of each year in the amount of \$14,929, including interest at a rate of 3.9% maturing June 1, 2039, secured by revenues and property of the Department.	390,909	405,105
Series 2019B water and sewer revenue bonds, original amount of \$3,500,000, with \$1,717,379 disbursed as of December 31, 2020. Payments are made April 15 and October 15 of each year, starting April 15, 2022. in the amount of \$88,877, including interest at a rate of 2.0% and service fees at a rate of 1.0%, maturing October 15, 2051, secured by revenues and property of the Department.	1,717,379	-
Series 2019C water and sewer revenue bonds, original amount of \$4,500,000, with \$4,500,000 disbursed as of December 31, 2020. Payments are made April 15 and October 15 of each year, starting April 15, 2022. in the amount of \$114,270, including interest at a rate of 2.0% and service fees at a rate of 1.0%, maturing October 15, 2051, secured by revenues and property of the Department.	4,500,000	1,719,052
Capital lease-purchase agreement with Arkansas Natural Resource Commission, original cost of financing of #231,959. Payments are made semi-annually in the amount of \$7,083, including interest at a rate of 3.5%, and transfers ownership to the Department at the end of the lease in 2034 for the cost of \$100. Secured by capital assets.	<u>137,300</u>	<u>146,421</u>
Total long-term debt	7,432,664	2,990,926
Less: current portion	<u>(57,433)</u>	<u>(56,589)</u>
Long-term debt, net	<u>\$ 7,375,231</u>	<u>\$ 2,934,337</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Bonds payable are scheduled to be repaid as follows:

Years ending December 31,	PRINCIPAL	INTEREST	TOTAL
2021	\$ 48,864	\$ 32,068	\$ 80,932
2022	217,845	269,381	487,226
2023	224,392	262,834	487,226
2024	231,138	256,088	487,226
2025	238,088	249,138	487,226
2026-2030	1,302,351	1,133,779	2,436,130
2031-2035	1,510,776	925,354	2,436,130
2036-2040	1,521,732	690,864	2,212,596
2041-2045	1,566,932	464,538	2,031,470
2046-2050	1,818,490	212,980	2,031,470
2051	397,377	8,963	406,340
Total	<u>\$ 9,077,985</u>	<u>\$ 4,505,987</u>	<u>\$ 13,583,972</u>

The capital lease payable is scheduled to be repaid as follows:

Years ending December 31,	PRINCIPAL	INTEREST	TOTAL
2021	\$ 9,442	\$ 4,724	\$ 14,166
2022	9,775	4,391	14,166
2023	10,121	4,045	14,166
2024	10,479	3,687	14,166
2025	10,848	3,318	14,166
2026-2030	60,264	10,566	70,830
2031-2034	26,371	1,961	28,332
Total	<u>\$ 137,300</u>	<u>\$ 32,692</u>	<u>\$ 169,992</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Activity of long-term debt consists of the following:

	January 1, 2020	Additions	Reductions	December 31, 2020
Series 2016A Bonds	\$ 720,348	\$ -	\$ 33,272	\$ 687,076
Series 2019A Bonds	405,105	-	14,196	390,909
Series 2019B Bonds	-	1,717,379	-	1,717,379
Series 2019C Bonds	1,719,052	2,780,948	-	4,500,000
Capital Lease Payable	146,421	-	9,121	137,300
Total	\$ 2,990,926	\$ 4,498,327	\$ 56,589	\$ 7,432,664

	January 1, 2019	Additions	Reductions	December 31, 2019
Series 2016A Bonds	\$ 752,804	\$ -	\$ 32,456	\$ 720,348
Series 2019A Bonds	-	412,000	6,895	405,105
Series 2019C Bonds	-	1,719,052	-	1,719,052
Capital Lease Payable	155,230	-	8,809	146,421
Total	\$ 908,034	\$ 2,131,052	\$ 48,160	\$ 2,990,926

The bond covenants to the Series 2016 bond issue requires a Depreciation Reserve Fund to be accumulated to an amount equal to 10 percent of the Bond Principal of the 2016A & B bonds, which amounts to \$200,000. It is to be accumulated at a rate equal to 3 percent of the gross monthly system revenues. Once the Depreciation Reserve Fund reaches the required level, deposits into the Fund may be suspended. The bond covenants to the Series 2019 bond issue requires a Depreciation Reserve Fund to be accumulated to an amount equal to 10 percent of the Bond Principal of the 2019B & C bonds, which amounts to \$800,000. It is to be accumulated at a rate equal to 3 percent of the gross monthly system revenues. Once the Depreciation Reserve Fund reaches the required level, deposits into the Fund may be suspended. The balances of the Depreciation Reserve Fund as of December 31, 2020 and 2019 were \$110,440 and \$130,004, respectively.

Note 6: Due From Other Fund

The Department reimburses the City's general fund for payroll tax liabilities. In 2002, the Department overpaid the liability due by \$1,924, which is reflected in the accompanying statement of net position as due from other fund at December 31, 2020 and 2019.

Note 7: Concentrations of Risk

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The Department sells only to its customers within a defined geographic region.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note 8: Commitments

In 1995, the Department entered into an agreement with the Washington County Rural Development Authority (the RDA), whereby the Department committed to sell water to the RDA for a maximum period of five years. The agreement calls for a maximum price per gallon of water not to exceed 115% of the Department's cost of purchasing water from the City of Fayetteville, Arkansas (Fayetteville). The agreement gives the Department the right to increase rates based upon increases in the Department's operating costs and sets the maximum quantity under the agreement at 1.5 million gallons of water per month. The agreement specifically states that the RDA understands that the Department's primary obligation is to furnish water to the citizens of the City of West Fork, Arkansas and that in the event of an acute water shortage, the Department has the right to limit water sales to the RDA.

The agreement provides for an extension of seven consecutive terms of five years each providing that the Department has sufficient access to a water supply.

In June 1999, the Department entered into an agreement with Fayetteville, whereby Fayetteville agreed to sell water to the Department at a rate not to exceed six hundred (600) gallons per minute. Fayetteville warranted that the water would be potable and meet the purity standards established by the Arkansas State Board of Health. Fayetteville also reserved the right to limit or discontinue water sales in the event of an acute water shortage.

The agreement includes a minimum quantity of 2.7 million gallons per month on a take-or-pay basis. The standard water rate in the agreement is stated as \$2.70 per thousand gallons; however, Fayetteville reserved the right to alter the rate schedule without notice. The agreement also provides for a reduced demand water rate, providing the City construct a storage facility with a capacity of at least 2.5 times the Department's average daily usage. The storage facility was completed in 2004. The current rate is \$1.81 per thousand gallons.

Note 9: Risk Management & Insurance Coverage

The Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters of which the Department maintains insurance coverage as follows:

<u>Description</u>	<u>Insurer</u>	<u>Insurance Type</u>	<u>Covered Value</u>
Treatment plants, storage, and distribution system	Arkansas Municipal League	Property	\$ 782,253
Building and contents	Arkansas Municipal League	Property	128,750
Vehicles	Arkansas Municipal League	Property	74,502
Defalcation & dishonesty	Arkansas Municipal League	Fidelity	250,000

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

The fidelity bond includes elected officials and employees. Indemnity on each occurrence is limited to \$250,000 and has a deductible of \$1,000 per occurrence.

Note 10: Employee Benefits

The Department is a participant in the Arkansas Public Employees Retirement System (APERS). APERS is a cost sharing, multiple employer, defined benefit pension plan established by authority of the Arkansas General Assembly with passage of Act 177 of 1957 to provide retirement benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The laws governing operations of APERS are set forth in Arkansas Code of 1987 Annotated and 1993 Cumulative Supplement, Title 24, Chapters 3 and 4, with related laws in Chapter 2. APERS utilizes a five-year vesting schedule for all employees. As of December 31, 2020 and 2019, annual pension contributions amounted to \$24,675 and \$26,364, respectively. Management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

SUPPLEMENTARY INFORMATION

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2020**

<u>Year</u>	<u>2016A Series Principal</u>	<u>2016A Series Interest and Service Fee Rate</u>	<u>2016A Series Interest and Service Fees</u>	<u>Total</u>
2021	\$ 34,109	2.5%	\$ 16,965	\$ 51,074
2022	34,967	2.5%	16,107	51,074
2023	35,847	2.5%	15,227	51,074
2024	36,749	2.5%	14,326	51,075
2025	37,673	2.5%	13,401	51,074
2026	38,620	2.5%	12,453	51,073
2027	39,592	2.5%	11,482	51,074
2028	40,588	2.5%	10,486	51,074
2029	41,609	2.5%	9,645	51,254
2030	42,655	2.5%	8,418	51,073
2031	43,729	2.5%	7,345	51,074
2032	44,829	2.5%	6,245	51,074
2033	45,956	2.5%	5,117	51,073
2034	47,112	2.5%	3,961	51,073
2035	48,298	2.5%	2,776	51,074
2036	49,512	2.5%	1,561	51,073
2037	25,231	2.5%	130	25,361
	<u>\$ 687,076</u>		<u>\$ 155,645</u>	<u>\$ 842,721</u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2020**

<u>Year</u>	<u>2019A Series Principal</u>	<u>2019A Series Interest Rate</u>	<u>2019A Series Interest</u>	<u>Total</u>
2021	\$ 14,755	3.9%	\$ 15,103	\$ 29,858
2022	15,336	3.9%	14,522	29,858
2023	15,940	3.9%	13,918	29,858
2024	16,568	3.9%	13,290	29,858
2025	17,220	3.9%	12,638	29,858
2026	17,899	3.9%	11,959	29,858
2027	18,603	3.9%	11,255	29,858
2028	19,336	3.9%	10,522	29,858
2029	20,098	3.9%	9,760	29,858
2030	20,888	3.9%	8,970	29,858
2031	21,711	3.9%	8,147	29,858
2032	22,566	3.9%	7,292	29,858
2033	23,455	3.9%	6,403	29,858
2034	24,379	3.9%	5,479	29,858
2035	25,339	3.9%	4,519	29,858
2036	26,336	3.9%	3,522	29,858
2037	27,374	3.9%	2,484	29,858
2038	28,451	3.9%	1,407	29,858
2039	14,655	3.9%	286	14,941
	<u>\$ 390,909</u>		<u>\$ 161,476</u>	<u>\$ 552,385</u>

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

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2020**

<u>Year</u>	<u>2019C Series Principal</u>	<u>2019C Series Interest and Service Fee Rate</u>	<u>2019C Series Interest and Service Fees</u>	<u>Total</u>
2021	\$ -	3.0%	\$ -	\$ -
2022	94,242	3.0%	134,298	228,540
2023	97,090	3.0%	131,450	228,540
2024	100,025	3.0%	128,515	228,540
2025	103,047	3.0%	125,493	228,540
2026	106,162	3.0%	122,378	228,540
2027	109,371	3.0%	119,169	228,540
2028	112,677	3.0%	115,863	228,540
2029	116,082	3.0%	112,458	228,540
2030	119,591	3.0%	108,949	228,540
2031	123,205	3.0%	105,335	228,540
2032	126,929	3.0%	101,611	228,540
2033	130,766	3.0%	97,774	228,540
2034	134,719	3.0%	93,821	228,540
2035	138,791	3.0%	89,749	228,540
2036	142,985	3.0%	85,555	228,540
2037	147,307	3.0%	81,233	228,540
2038	151,760	3.0%	76,780	228,540
2039	156,346	3.0%	72,194	228,540
2040	161,071	3.0%	67,469	228,540
2041	165,940	3.0%	62,600	228,540
2042	170,956	3.0%	57,584	228,540
2043	176,123	3.0%	52,417	228,540
2044	181,446	3.0%	47,094	228,540
2045	186,930	3.0%	41,610	228,540
2046	192,580	3.0%	35,960	228,540
2047	198,401	3.0%	30,139	228,540
2048	204,398	3.0%	24,142	228,540
2049	210,576	3.0%	17,964	228,540
2050	216,941	3.0%	11,599	228,540
2051	223,543	3.0%	5,042	228,585
	<u>\$ 4,500,000</u>		<u>\$ 2,356,245</u>	<u>\$ 6,856,245</u>

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

**CITY OF WEST FORK
 WATER AND WASTE WATER DEPARTMENT
 SCHEDULE OF WATER AND SEWER RATES
 DECEMBER 31, 2020**

WATER AND SEWER RATE SCHEDULE

First	2,000	gallons per month	\$ 45.00	Minimum
Next	3,000	gallons per month	15.75	Per 1,000 gallons
Next	45,000	gallons per month	15.50	Per 1,000 gallons
Over	50,000	gallons per month	15.50	Per 1,000 gallons

A monthly surcharge of \$22.50 per meter for all customers whose water connection is located outside the corporate limits of the City. Sewer only customers shall pay a flat fee of \$100 per month

WATER COMMITTEE AND CITY COUNCIL

<u>NAME</u>	<u>TITLE</u>
Joe Toher	Water Committee Member/Alderman
Duane Boyd	Water Committee Member
Jayce Branson	Water Committee Member
Josh Barger	Water Committee Member
Anita Lowry	Water Committee Member/Alderman
Jeff Upton	Alderman
Marti Lindabury	Alderman
John Collins	Alderman
Misty Caudle	Alderman
Jan Throgmorton	Alderman
Don Rollins	Alderman
Dena McKnight	Alderman

ACCOUNTING RECORDS AND CONTROL OVER PHYSICAL ASSETS

The Department's accounting records, with the exception of normal adjusting entries, are in agreement with these financial statements. The accounting records of the Department are adequate. The Department's control over physical assets is adequate.

MATERIAL OR UNUSUAL ADJUSTMENTS

The accounting records of the Department incurred no unusual adjustments.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of **City of West Fork Water and Waste Water Department** (the Department).
2. Our audit was conducted 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
3. One deficiency in internal control was disclosed during the audit of the financial statements and reported in Section I of the schedule of findings and responses, finding **2020-001**. This condition is reported as a material weakness.
4. No instances of noncompliance material to the financial statements of the Department required to be reported in accordance with *Government Auditing Standards* are disclosed in the audit.
5. The Department is in compliance with all sections of its bond covenants.
6. The Department's deposits in financial institutions were all either insured or collateralized as of **December 31, 2020**.
7. Additional information necessary for full disclosure is included in the audit report dated **September 7, 2023** and the audited financial statements of the Department for the year ended **December 31, 2020**.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020**

SECTION I – CURRENT YEAR

2020-001 Internal Control over Financial Reporting - Segregation of Duties

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

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

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

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

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

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

SECTION II – CURRENT YEAR

Compliance and Other Matters - No Findings

SECTION III – PRIOR YEAR

2019-001 Internal Control over Financial Reporting - Segregation of Duties

The finding was restated for the current year.

Compliance and Other Matters - No Findings