

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
CONTENTS
DECEMBER 31, 2023 AND 2022**

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
 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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	 4
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	10
 SUPPLEMENTARY INFORMATION	
Schedule of Bonds Outstanding	22
Schedule of Water and Sewer Rates	25
 SCHEDULE OF FINDINGS AND RESPONSES	 26

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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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the **City of West Fork Water and Waste Water Department** (the Department), as of and for the years ended **December 31, 2023 and 2022** and the related notes to the financial statements, as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" 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, 2023 and 2022** and the changes in financial position and cash flows thereof for the years 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 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 audit opinions.

Matter Giving Rise to the 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 Department. 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.

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, 2023 and 2022** and the changes in its financial position for the year 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.

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*American Institute of Certified Public Accountants
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*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

Responsibilities of Management 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 Department'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 Responsibilities for the Audit of the Financial Statements

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 Department'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 Department'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’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 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 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 **August 21, 2024**, 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
Van Buren, Arkansas

August 21, 2024



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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, 2023**, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated **August 21, 2024**.

Report on 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 2023-001 that we consider to be a material weakness.

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*Arkansas Society of Certified Public Accountants

*Oklahoma Society of Certified Public Accountants

*Governmental Audit Quality Center

Report on 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 responses. 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
Van Buren, Arkansas

August 21, 2024

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 620,458	\$ 512,855
Accounts receivable, net of allowance for doubtful accounts of \$12,307 and \$9,808, respectively	94,639	91,876
Inventories	47,032	53,732
	<u>762,129</u>	<u>658,463</u>
Total Current Assets	762,129	658,463
CAPITAL ASSETS, net	8,595,344	8,829,481
NONCURRENT ASSETS		
Restricted cash	220,250	190,237
	<u>220,250</u>	<u>190,237</u>
Total Noncurrent Assets	220,250	190,237
Total Assets	\$ 9,577,723	\$ 9,678,181
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 36,308	\$ 53,065
Sales tax payable	4,264	4,206
Other current liabilities	12,382	11,860
Accrued interest	19,423	26,324
Current portion of long-term debt	171,040	137,423
	<u>243,417</u>	<u>232,878</u>
Total Current Liabilities	243,417	232,878
LONG-TERM DEBT		
Meter deposits payable	34,403	33,713
Bonds payable, net of current portion	4,117,655	4,268,095
Capital lease liability, net of current portion	97,483	118,083
	<u>4,249,541</u>	<u>4,419,891</u>
Total Long-Term Debt	4,249,541	4,419,891
Total Liabilities	4,492,958	4,652,769
NET POSITION		
Invested in capital assets, net of related debt	4,209,166	4,305,880
Restricted	220,250	190,237
Unrestricted	655,349	529,295
	<u>5,084,765</u>	<u>5,025,412</u>
Total Net Position	5,084,765	5,025,412
Total Liabilities and Net Position	\$ 9,577,723	\$ 9,678,181

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, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Water and sewer revenues, net of provision for bad debts	\$ 1,114,236	\$ 1,026,026
	<u>1,114,236</u>	<u>1,026,026</u>
OPERATING EXPENSES		
Salaries	118,339	121,934
Retirement	17,256	17,877
Utilities	19,334	18,985
Legal and accounting	21,000	-
Repairs and maintenance	76,085	64,842
Truck maintenance and fuel	3,324	6,327
Depreciation	243,171	240,539
Insurance	22,730	24,225
Water purchases	158,731	198,876
Sewer costs	473,680	535,685
Miscellaneous	48,501	42,544
	<u>1,202,151</u>	<u>1,271,834</u>
OPERATING (LOSS)	<u>(87,915)</u>	<u>(245,808)</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest income	15,688	2,134
Interest expense	(142,330)	(147,491)
Grant expenses	(58,052)	(326,768)
Transfers in	331,962	259,862
	<u>147,268</u>	<u>(212,263)</u>
CHANGE IN NET POSITION	59,353	(458,071)
NET POSITION, BEGINNING OF YEAR	<u>5,025,412</u>	<u>5,483,483</u>
NET POSITION, END OF YEAR	<u>\$ 5,084,765</u>	<u>\$ 5,025,412</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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,111,473	\$ 1,018,863
Cash payments to suppliers for goods and services	(850,118)	(887,233)
Cash payments to employees for services	(118,339)	(121,934)
	<u>\$ 143,016</u>	<u>9,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in meter deposits	690	1,026
Interest income	15,688	2,134
	<u>16,378</u>	<u>3,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(149,231)	(139,474)
Purchase of capital assets	(9,034)	(502,554)
Proceeds from issuance of bonds payable	-	638,054
Principal payments on long-term debt	(137,423)	(133,378)
Grant expenses	(58,052)	(326,768)
Transfers in	331,962	259,862
	<u>(21,778)</u>	<u>(204,258)</u>
CHANGE IN CASH	137,616	(191,402)
CASH, BEGINNING OF YEAR	<u>703,092</u>	<u>894,494</u>
CASH, END OF YEAR	<u>\$ 840,708</u>	<u>\$ 703,092</u>
UNRESTRICTED CASH	\$ 620,458	\$ 512,855
RESTRICTED CASH	<u>220,250</u>	<u>190,237</u>
	<u>\$ 840,708</u>	<u>\$ 703,092</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, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating (loss)	<u>\$ (87,915)</u>	<u>\$ (245,808)</u>
Adjustments to reconcile operating (loss) to net cash flows from operating activities:		
Depreciation	\$ 243,171	240,539
Change in:		
Accounts receivable	(2,763)	(7,163)
Inventories	6,700	2,870
Accounts payable	(16,757)	18,678
Sales tax payable	58	27
Other current liabilities	<u>522</u>	<u>553</u>
 Total adjustments	 <u>230,931</u>	 <u>255,504</u>
 Net Cash Flows From Operating Activities	 <u><u>\$ 143,016</u></u>	 <u><u>\$ 9,696</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, 2023 AND 2022**

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, 2023 AND 2022**

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 \$12,307 and \$9,808, respectively, as of December 31, 2023 and 2022.

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, 2023 AND 2022**

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.

Accounting Pronouncements Adopted

In June 2022, the GASB issued Statement Number 101 (GASB 101), Compensated Absences – effective for periods beginning after December 15, 2023. GASB 101 is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Management has evaluated the impact of implementation of these statements to the financial statements of the Department and has concluded that the implementation of these statements does not significantly impact the financial statements of the Department.

Subsequent Events

Management has evaluated subsequent events through August 21, 2024, the date the financial statements were available to be issued.

Reclassification

Certain accounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023.

Cash consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Unrestricted cash		
Petty cash	\$ 300	\$ 300
Revenue Fund	222,949	96,829
O&M and Holding Fund	348,977	364,932
Meter Deposits	48,232	50,794
	\$ 620,458	\$ 512,855
Restricted cash		
Depreciation Fund	\$ 163,963	\$ 134,915
Sewer Construction Fund	43,220	42,552
Bond Holding Fund	13,067	12,770
	\$ 220,250	\$ 190,237

Note 3: Accounts Receivable

Accounts receivable at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Current	\$ 76,766	\$ 79,521
31-60 Days	2,626	298
61-120 Days	27,554	21,865
Less allowance for doubtful accounts	(12,307)	(9,808)
	\$ 94,639	\$ 91,876

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 4: Capital Assets

Changes in capital assets consist of the following:

	January 1, 2023	Additions	Retirements	December 31, 2023
Treatment Plant and Reservoirs	\$ 125,105	\$ -	\$ -	\$ 125,105
Mains and Hydrants	504,975	-	-	504,975
Meters	96,369	9,034	-	105,403
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	8,586,933	-	-	8,586,933
Water Tank and Transmission Lines	580,902	-	-	580,902
Land and Land Rights	26,119	-	-	26,119
Total	<u>\$ 10,905,743</u>	<u>\$ 9,034</u>	<u>\$ -</u>	<u>\$ 10,914,777</u>

	January 1, 2022	Additions	Retirements	December 31, 2022
Treatment Plant and Reservoirs	\$ 125,105	\$ -	\$ -	\$ 125,105
Mains and Hydrants	504,975	-	-	504,975
Meters	87,934	8,435	-	96,369
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	8,557,183	-	8,586,933
Water Tank and Transmission Lines	580,902	-	-	580,902
Land and Land Rights	26,119	-	-	26,119
Construction in Progress - Sewer Line Project	8,063,064	494,119	8,557,183	-
Total	<u>\$ 10,403,189</u>	<u>\$ 9,059,737</u>	<u>\$ 8,557,183</u>	<u>\$ 10,905,743</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	January 1, 2023	Additions	Retirements	December 31, 2023
Treatment Plant and Reservoirs	\$ 116,523	\$ 392	\$ -	\$ 116,915
Mains and Hydrants	414,881	3,692	-	418,573
Meters	57,294	5,351	-	62,645
Office Furniture and Equipment	59,693	-	-	59,693
Equipment	228,588	17,857	-	246,445
Sewer Collectors and Outfalls	458,753	9,541	-	468,294
Sewer Plant	162,035	3,595	-	165,630
Sewer Additions	194,578	191,126	-	385,704
Water Tank and Transmission Lines	383,917	11,617	-	395,534
Land and Land Rights	-	-	-	-
Total	<u>\$ 2,076,262</u>	<u>\$ 243,171</u>	<u>\$ -</u>	<u>\$ 2,319,433</u>

	January 1, 2022	Additions	Retirements	December 31, 2022
Treatment Plant and Reservoirs	\$ 116,131	\$ 392	\$ -	\$ 116,523
Mains and Hydrants	408,720	6,161	-	414,881
Meters	52,862	4,432	-	57,294
Office Furniture and Equipment	59,693	-	-	59,693
Equipment	205,763	22,825	-	228,588
Sewer Collectors and Outfalls	449,212	9,541	-	458,753
Sewer Plant	158,440	3,595	-	162,035
Sewer Additions	12,602	181,976	-	194,578
Water Tank and Transmission Lines	372,300	11,617	-	383,917
Land and Land Rights	-	-	-	-
Total	<u>\$ 1,835,723</u>	<u>\$ 240,539</u>	<u>\$ -</u>	<u>\$ 2,076,262</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 5: Long-Term Debt

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

	<u>2023</u>	<u>2022</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 1.50% and service fees at a rate of 1.00%, maturing April 15, 2037, secured by revenues and property of the Department.	\$ -	\$ 618,000
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 3.90% maturing June 1, 2039, secured by revenues and property of the Department.	344,878	360,818
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 2.00% and service fees at a rate of 1.00%, maturing October 15, 2051, secured by revenues and property of the Department.	-	3,426,700
Series 2016A water and sewer revenue replacement bond, original amount of \$582,153. Payments are made April 15 and October 15 of each year, starting April 15, 2024 in the amount of \$25,537, including interest at a rate of 0.75% and service fees at a rate of 1.00%, maturing October 15, 2036, secured by revenues and property of the Department.	582,153	-
Series 2019B water and sewer revenue replacement bond, original amount of \$3,351,185. Payments are made April 15 and October 15 of each year, starting April 15, 2024. in the amount of \$88,877, including interest at a rate of 1.25% and service fees at a rate of 1.00%, maturing October 15, 2048, secured by revenues and property of the Department.	3,351,185	-
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 3.50%, and transfers ownership to the Department at the end of the lease in 2034 for the cost of \$100. Secured by capital assets.	<u>107,962</u>	<u>118,083</u>
Total long-term debt	4,386,178	4,523,601
Less: current portion	<u>(171,040)</u>	<u>(137,423)</u>
Long-term debt, net	<u>\$ 4,215,138</u>	<u>\$ 4,386,178</u>

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Bonds payable are scheduled to be repaid as follows:

Years ending December 31,	PRINCIPAL	INTEREST	TOTAL
2024	\$ 160,561	\$ 262,834	\$ 423,395
2025	164,263	256,088	420,351
2026	168,059	249,138	417,197
2027	171,946	241,974	413,920
2028	175,931	234,593	410,524
2029-2033	942,949	1,054,144	1,997,093
2034-2038	942,812	832,807	1,775,619
2039-2043	767,857	600,138	1,367,995
2044-2048	783,839	368,386	1,152,225
	<u>4,278,217</u>	<u>4,100,102</u>	<u>8,378,319</u>
Total	\$ 4,278,217	\$ 4,100,102	\$ 8,378,319

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

Years ending December 31,	PRINCIPAL	INTEREST	TOTAL
2024	\$ 10,479	\$ 3,687	\$ 14,166
2025	10,848	3,318	14,166
2026	11,231	2,935	14,166
2027	11,627	2,539	14,166
2028	12,038	2,128	14,166
2029-2032	51,739	4,925	56,664
	<u>107,962</u>	<u>19,532</u>	<u>127,494</u>
Total	\$ 107,962	\$ 19,532	\$ 127,494

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Activity of long-term debt consists of the following:

	January 1, 2023	Additions	Reductions	December 31, 2023
Series 2016A Bonds	\$ 618,000	\$ -	\$ 618,000	\$ -
Series 2019A Bonds	360,818	-	15,940	344,878
Series 2019B Bonds	3,426,700	-	3,426,700	-
Series 2016A Replacement Bond	-	582,153	-	582,153
Series 2019 B Replacement Bond	-	3,351,185	-	3,351,185
Capital Lease Payable	118,083	-	10,121	107,962
Total	\$ 4,523,601	\$ 3,933,338	\$ 4,070,761	\$ 4,386,178

	January 1, 2022	Additions	Reductions	December 31, 2022
Series 2016A Bonds	\$ 652,967	\$ -	\$ 34,967	\$ 618,000
Series 2019A Bonds	376,154	-	15,336	360,818
Series 2019B Bonds	2,861,946	638,054	73,300	3,426,700
Capital Lease Payable	127,858	-	9,775	118,083
Total	\$ 4,018,925	\$ 638,054	\$ 133,378	\$ 4,523,601

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, 2023 and 2022 were \$163,963 and \$134,915, respectively.

Note 6: 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, 2023 AND 2022**

Note 7: 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 8: 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	\$ 2,511,848
Building and contents	Arkansas Municipal League	Property	188,091
Vehicles	Arkansas Municipal League	Property	57,302
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, 2023 AND 2022**

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 9: 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, 2023 and 2022, annual pension contributions amounted to \$17,256 and \$17,877, 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*.

Note 10: Operating Transfers In

The City of West Fork, Arkansas began making operating transfers to the Department to help cover the costs of water and sewer line extensions, betterments, and improvements to the water and sewer facilities of the system. Transfers to the Department were \$331,962 and \$259,862 for the years ended December 31, 2023 and 2022.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Note 11: Error Correction

For the years ended December 31, 2019 and 2020, it was discovered that the proceeds for the Series 2019C Water and Sewer Revenue Bonds were simultaneously forgiven at the time of disbursement. The effects of adjusting the prior period financial statements are as follows:

	<u>2019</u>	<u>Adjustment</u>	<u>2019 Restated</u>
Series 2019C Bonds	\$ 1,719,052	\$ (1,719,052)	\$ -
Accrued interest	9,994	(2,411)	7,583
Forgiveness of 2019C Bond	-	1,719,052	1,719,052
Bond interest expense	33,973	(2,411)	31,562
Net position, invested in capital assets, net of related debt	(335,941)	1,719,052	1,383,111
Net position, unrestricted	265,669	2,411	268,080
	<u>2020</u>	<u>Adjustment</u>	<u>2020 Restated</u>
Series 2019C Bonds	\$ 4,500,000	\$ (4,500,000)	\$ -
Accrued interest	12,949	(4,219)	8,730
Forgiveness of 2019C Bond	-	2,780,948	2,780,948
Bond interest expense	25,544	(1,808)	23,736
Net position, invested in capital assets, net of related debt	(21,085)	4,500,000	4,478,915
Net position, unrestricted	552,211	4,219	556,430
	<u>2021</u>	<u>Adjustment</u>	<u>2021 Restated</u>
Series 2019C Bonds	\$ 4,500,000	\$ (4,500,000)	\$ -
Accrued interest	35,182	(16,875)	18,307
Bond interest expense	36,792	(12,656)	24,136
Net position, invested in capital assets, net of related debt	34,798	4,500,000	4,534,798
Net position, unrestricted	506,246	16,875	523,121
	<u>2022</u>	<u>Adjustment</u>	<u>2022 Restated</u>
Series 2019C Bonds	\$ 4,405,758	\$ (4,405,758)	\$ -
Series 2019B Bonds	3,309,794	116,906	3,426,700
Accrued interest	53,860	(27,536)	26,324
Bond interest expense	273,772	(126,281)	147,491
Grant expenses	-	326,768	326,768
Net position, invested in capital assets, net of related debt	17,028	4,288,852	4,305,880
Net position, unrestricted	501,759	27,536	529,295

SUPPLEMENTARY INFORMATION

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2023**

<u>Year</u>	<u>2016A Series Replacement Principal</u>	<u>2016A Series Replacement Interest and Service Fee Rate</u>	<u>2016A Series Replacement Interest and Service Fees</u>	<u>Total</u>
2024	41,065	1.75%	10,009	51,074
2025	41,786	1.75%	9,288	51,074
2026	42,521	1.75%	8,553	51,074
2027	43,269	1.75%	7,805	51,074
2028	44,030	1.75%	7,044	51,074
2029	44,803	1.75%	6,271	51,074
2030	45,591	1.75%	5,483	51,074
2031	46,392	1.75%	4,682	51,074
2032	47,208	1.75%	3,866	51,074
2033	48,037	1.75%	3,037	51,074
2034	48,881	1.75%	2,193	51,074
2035	49,741	1.75%	1,333	51,074
2036	38,829	1.75%	459	39,288
	<u>\$ 582,153</u>		<u>\$ 70,023</u>	<u>\$ 652,176</u>

See Independent Auditor's Report.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2023**

<u>Year</u>	<u>2019A Series Principal</u>	<u>2019A Series Interest Rate</u>	<u>2019A Series Interest</u>	<u>Total</u>
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>\$ 344,878</u>		<u>\$ 117,933</u>	<u>\$ 462,811</u>

See Independent Auditor's Report.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULES OF BONDS OUTSTANDING
DECEMBER 31, 2023**

<u>Year</u>	<u>2019B Series Replacement Principal</u>	<u>2019B Series Replacement Interest and Service Fee Rate</u>	<u>2019B Series Replacement Interest and Service Fees</u>	<u>Total</u>
2024	102,928	2.25%	74,826	177,754
2025	105,257	2.25%	72,497	177,754
2026	107,639	2.25%	70,115	177,754
2027	110,074	2.25%	67,680	177,754
2028	112,565	2.25%	65,189	177,754
2029	115,112	2.25%	62,642	177,754
2030	117,716	2.25%	60,038	177,754
2031	120,380	2.25%	57,374	177,754
2032	123,104	2.25%	54,651	177,755
2033	125,889	2.25%	51,865	177,754
2034	128,737	2.25%	49,017	177,754
2035	131,650	2.25%	46,104	177,754
2036	134,629	2.25%	43,125	177,754
2037	137,675	2.25%	40,079	177,754
2038	140,790	2.25%	36,964	177,754
2039	143,976	2.25%	33,778	177,754
2040	147,234	2.25%	30,520	177,754
2041	150,565	2.25%	27,189	177,754
2042	153,972	2.25%	23,782	177,754
2043	157,456	2.25%	20,298	177,754
2044	161,018	2.25%	16,736	177,754
2045	164,662	2.25%	13,092	177,754
2046	168,387	2.25%	9,367	177,754
2047	172,197	2.25%	5,557	177,754
2048	117,573	2.25%	1,660	119,233
	<u>\$ 3,351,185</u>		<u>\$ 1,034,145</u>	<u>\$ 4,385,330</u>

See Independent Auditor's Report.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULE OF WATER AND SEWER RATES
DECEMBER 31, 2023**

WATER AND SEWER RATE SCHEDULE

First	2,000	gallons per month	\$ 49.17	Minimum
Next	3,000	gallons per month	17.20	Per 1,000 gallons
Next	45,000	gallons per month	16.92	Per 1,000 gallons
Over	50,000	gallons per month	16.92	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 \$112.45 per month

WATER COMMITTEE AND CITY COUNCIL

<u>NAME</u>	<u>TITLE</u>
Joe Toher	Water Committee Member
Anita Lowry	Water Committee Member
Duane Boyd	Water Committee Member
Josh Barger	Water Committee Member
Jayce Branson	Water Committee Member
Don Rollins	Alderman
John Collins	Alderman
Jimmie Conduff	Alderman
Misty Caudle	Alderman
Jeff Upton	Alderman
Dena McKnight	Alderman
Jan Throgmorton	Alderman
Marti Lindabury	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
YEAR ENDED DECEMBER 31, 2023**

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 **2023-001**. 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, 2023**.
7. Additional information necessary for full disclosure is included in the audit report dated **August 21, 2024** and the audited financial statements of the Department for the year ended **December 31, 2023**.

**CITY OF WEST FORK
WATER AND WASTE WATER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

SECTION I – CURRENT YEAR

2023-001 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

2022-001 Internal Control over Financial Reporting - Segregation of Duties

The finding was restated for the current year.

Compliance and Other Matters - No Findings