

CITY OF WEST FORK, ARKANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS
DECEMBER 31, 2018

**CITY OF WEST FORK, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Independent Auditor's Report.....	1-3
Balance Sheet-Regulatory Basis.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance- Regulatory Basis.....	5
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual-General and Street Funds-Regulatory Basis.....	6
Notes to Financial Statements.....	7-19
Supporting Schedules	
Combining Balance Sheet-Other Funds in the Aggregate-Regulatory Basis.....	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Other Funds in the Aggregate-Regulatory Basis.....	21
Supplementary Information	
Schedule of Capital Assets-Unaudited.....	22
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.....	23-25
Schedule of Findings and Responses.....	26

DAVID BEAUCHAMP

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of West Fork
West Fork, Arkansas 72774

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the City of West Fork, Arkansas, which comprise the general fund, street fund and other funds in the aggregate of the City of West Fork, Arkansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of Arkansas Code 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 opinion.

Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the State of Arkansas Code 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U. S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of West Fork, Arkansas, as of December 31, 2018 and the respective changes in its financial position or where applicable, its cash flows, thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the respective regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of West Fork, Arkansas, as of December 31, 2018, the regulatory basis revenues, expenditures, and changes in the net position, and the budgetary comparisons for the general fund and street fund for the year then ended on the basis of financial reporting provisions of State of Arkansas Code 10-4-412 as described in Note 1.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the City would have included some funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the accompanying regulatory basis financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supporting schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole.

The supplementary information in the Schedules of Capital Assets required by the regulatory basis of presentation is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we do not express an opinion or provide assurance on the Schedule of Capital Assets.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2022 on our consideration of the City of West Fork's internal control over financial reporting and our tests of its compliance with certain provisions of the state constitution, laws regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Fork's internal control and over financial reporting and compliance.

David Beauchamp

David Beauchamp, CPA
Rogers, Arkansas
December 26, 2022

CITY OF WEST FORK, ARKANSAS
BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018

	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE
ASSETS:			
Cash and cash equivalents	\$ 773,995	\$ 375,289	\$ 1,372,562
Accounts receivable	49,990	26,018	27,903
Prepaid expenses	5,980	357	693
Interfund receivables	50,137	-	11,726
TOTAL ASSETS	<u>\$ 880,102</u>	<u>\$ 401,664</u>	<u>\$ 1,412,884</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 9,049	\$ 1,348	\$ 162
Payroll liabilities	507	-	-
Funds held in escrow			59,541
Interfund payables	11,711	8,349	43,728
Total Liabilities	<u>21,267</u>	<u>9,697</u>	<u>103,431</u>
 FUND BALANCES			
Restricted	-	391,967	1,309,453
Unassigned	858,835	-	-
Total Fund Balances	<u>858,835</u>	<u>391,967</u>	<u>1,309,453</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 880,102</u>	<u>\$ 401,664</u>	<u>\$ 1,412,884</u>

See Independent Auditor's report and notes to financial statements

CITY OF WEST FORK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE
REVENUES			
State aid	\$ 36,693	\$ 162,987	\$ -
Property taxes	130,362	14,092	-
Franchise taxes	55,979	56,042	-
Sales taxes	908,182	85,039	351,849
Fines, forfeitures and costs	221,808	-	200,342
Interest	4,289	2,510	17,400
Local permits and fees	16,643	-	24,338
Retirement contributions	-	-	25,426
Other	197,313	78,297	9,878
TOTAL REVENUES	<u>1,571,269</u>	<u>398,967</u>	<u>629,233</u>
EXPENDITURES			
Current:			
General government	635,811	-	-
Public Safety	631,225	-	198,800
Highways and streets	-	197,879	-
Capital outlay	131,650	137,280	348,412
Retirement payments	-	-	25,426
Recreation and culture	-	-	203,302
Total Current	<u>1,398,686</u>	<u>335,159</u>	<u>775,940</u>
Debt Service:			
Principal reduction on notes/bonds payable	56,398	-	50,000
Interest on notes/bonds payable	5,030	-	33,081
	<u>61,428</u>	<u>-</u>	<u>83,081</u>
TOTAL EXPENDITURES	<u>1,460,114</u>	<u>335,159</u>	<u>859,021</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,155	63,808	(229,788)
FUND BALANCES BEGINNING OF YEAR	<u>747,680</u>	<u>328,159</u>	<u>1,539,241</u>
FUND BALANCES END OF YEAR	<u>\$ 858,835</u>	<u>\$ 391,967</u>	<u>\$ 1,309,453</u>

See Independent Auditor's report and notes to financial statements

CITY OF WEST FORK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-GENERAL AND STREET FUNDS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 40,000	\$ 36,693	\$ (3,307)	\$ 158,000	\$ 162,987	\$ 4,987
Property taxes	229,848	130,362	(99,486)	14,000	14,092	92
Franchise taxes	54,000	55,979	1,979	54,000	56,042	2,042
Sales taxes	749,961	908,182	158,221	85,039	85,039	-
Fines, forfeitures and costs	200,800	221,808	21,008	-	-	-
Interest	2,035	4,289	2,254	2,000	2,510	510
Local permits and fees	9,600	16,643	7,043	-	-	-
Other	187,390	197,313	9,923	-	78,297	78,297
TOTAL REVENUES	<u>1,473,634</u>	<u>1,571,269</u>	<u>97,635</u>	<u>313,039</u>	<u>398,967</u>	<u>\$ 85,928</u>
EXPENDITURES						
Current:						
General government	604,229	635,811	(31,582)	-	-	-
Public safety	696,754	631,225	65,529	-	-	-
Highways and streets	-	-	-	226,039	197,879	28,160
Capital outlay	105,551	131,650	(26,099)	87,000	137,280	(50,280)
Total Current	<u>1,406,534</u>	<u>1,398,686</u>	<u>7,848</u>	<u>313,039</u>	<u>335,159</u>	<u>(22,120)</u>
Debt Service:						
Principle reduction on note payable	67,100	56,398	10,702	-	-	-
Interest on notes payable	-	5,030	(5,030)	-	-	-
	<u>67,100</u>	<u>61,428</u>	<u>5,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,473,634</u>	<u>1,460,114</u>	<u>13,520</u>	<u>313,039</u>	<u>335,159</u>	<u>(22,120)</u>
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	-	111,155	<u>\$ 111,155</u>	-	63,808	<u>\$ 63,808</u>
FUND BALANCES BEGINNING OF YEAR	<u>514,439</u>	<u>747,680</u>		<u>277,079</u>	<u>328,159</u>	
FUND BALANCES END OF YEAR	<u>\$ 514,439</u>	<u>\$ 858,835</u>		<u>\$ 277,079</u>	<u>\$ 391,967</u>	

See Independent Auditor's report and notes to financial statements

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of West Fork, Arkansas (the City) was incorporated in 1885, under the provisions of the State of Arkansas and operates under a Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board, the following fund of the City would have been included in the reporting entity: Water and Waste Water. However, under Arkansas's regulatory basis described below, inclusion of the fund is not required and this fund is not included in this report.

Basis of Presentation-Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by State of Arkansas Code 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements and presented as other funds in the aggregate. The law also stipulates that the financial statements consist of a balance sheet, a statement of revenues, expenditures and changes in fund equity and also a comparison of the final adopted budget to the actual expenditures for the general fund and street fund, notes to financial statements and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities, and fund balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements:

General Fund-The General Fund is the general operating fund and is used to account for all resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Police, Fire, Library and District Court.

Street Fund-The Street Fund (Special Revenue Fund) is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Street Fund accounts for and

CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate-Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds-Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes other than debt service or capital projects. The Parks Fund is the Special Revenue Fund reported with Other Funds in the Aggregate.

Debt Service Funds-Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned for expenditure for principal and interest.

Trust and Agency Funds-Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. The following Trust and Agency Funds are reported with other funds in the aggregate: Administration of Justice, Fire LOPFI, Police LOPFI and Treasurer's Retirement Fund.

Capital Projects Funds-Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay. The funds to remodel the administrative and utility office, library, police and court building and community building are reported with Other Funds in the Aggregate.

Basis of Accounting-Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed by Arkansas Code 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit.

Fund Balance

Restricted Fund Balance- amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance-amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).

Assigned Fund Balance- amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance-amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

The proposed budget is discussed at a City Council meeting prior to adoption.

CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to February 1, the budget is legally enacted by an ordinance or resolution of the City Council.

Appropriations lapse at the end of each year.

Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund and the other special revenue funds.

Fund Balance Classification Policies and Procedures

The municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2-CASH AND CASH EQUIVALENTS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Cash and equivalents</u>		
Insured by FDIC	\$ 801,353	\$ 801,353
Collateralized:		
Collateral held by the City or City's agent in the City's name	968,923	988,182
Uncollateralized	<u>751,519</u>	<u>751,519</u>
Total cash and cash equivalents	<u>\$ 2,521,795</u>	<u>\$ 2,541,054</u>

The above deposits do not include cash on hand of \$50.

NOTE 3-LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

Governmental Fund Types

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than five years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4-ACCOUNTS RECEIVABLE

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4-ACCOUNTS RECEIVABLE

The accounts receivable balance at December 31, 2018 is composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
State Turnback	\$ 4,966	\$ 13,971	
Franchise Taxes	12,048	12,047	
Sales Taxes	<u>32,976</u>		\$ 27,903
Totals	<u>\$ 49,990</u>	<u>\$ 26,018</u>	<u>\$ 27,903</u>

NOTE 5-INTERFUND RECEIVABLES (PAYABLES)

The General Fund due to/from other funds for year ended December 31, 2018 consists of \$8,349 due from the Street Fund for payment of past worker's compensation and for taxes deposited in error, \$1,924 due to the Water Department for overpayment of past worker's compensation, \$41,788 due from the Park Fund (a Special Revenue Fund) for park maintenance paid by general fund, \$7,724 due to the Police LOPFI Fund and \$2,063 due to the Fire LOPFI Fund, for interest income earned and not distributed.

NOTE 6-ACCOUNTS PAYABLE

The accounts payable balance at December 31, 2018 is composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
Vendor Payable	<u>\$ 9,049</u>	<u>\$ 1,348</u>	<u>\$ 162</u>

CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7-DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications at December 31, 2018 are composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
Fund Balances:			
Restricted for:			
Highways and streets		\$ 391,967	
Law enforcement			\$ 7,047
Parks and recreation			146,773
Police and fire retirement			9,787
Capital projects			1,069,298
Debt service			<u>76,548</u>
Total Restricted		<u>391,967</u>	<u>1,309,453</u>
Unassigned	<u>858,835</u>		
Totals	<u>\$ 858,835</u>	<u>\$ 391,967</u>	<u>\$ 1,309,453</u>

NOTE 8-COMMITMENTS

Total commitments consist of the following at December 31, 2018:

Long-term liabilities	\$ 1,253,724
Construction contracts	<u>275,747</u>
Total Commitments	<u>\$ 1,529,471</u>

Long-term liabilities at December 31, 2018 consisted of the following:

Notes Payable

The City entered into a note payable agreement with a financial Institution to finance the purchase and renovation of an Administration building. The note was Issued 12/19/2016 in the amount of \$315,255 with interest @ 2.39 %, monthly payments of \$5,584 maturing November, 2021.

December 31, 2018

\$ 198,724

Bonds Payable

Sales and Use Tax Bonds Series 2016 was issued to fund improvements to the City Library, Police and Court Building and Community Center, principal amount of \$1,135,000 due on annual installments of \$30,000 to \$335,000 plus interest through December 1, 2035. Interest from 2.5% to 3.375%. Payments are to be made from the Sales and Use Tax Bond Series 2016 Debt Service Fund.

Total Long-term Liabilities

1,055,000
\$ 1,253,724

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8-COMMITMENTS (continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2018:

<u>Years Ending December 31,</u>	<u>Bonds</u>	<u>Note</u>	<u>Total</u>
2019	15,016	72,596	87,612
2020	15,016	67,012	82,028
2021	175,015	66,715	241,730
2022	13,416		13,416
2023	13,416		13,416
2024 thru 2028	349,830		349,830
2029 thru 2033	373,485		373,485
2034 thru 2035	<u>279,112</u>		<u>279,112</u>
Subtotal	1,234,306	206,323	1,440,629
Less interest	<u>(179,306)</u>	<u>(7,599)</u>	<u>(186,905)</u>
Total Principal	<u>\$ 1,055,000</u>	<u>\$ 198,724</u>	<u>\$ 1,253,724</u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

Construction Contracts

<u>Project Name</u>	<u>Completed or Estimated Completion Date</u>	<u>Contract Balance December 31, 2018</u>
Library, Court and Community Building	2020	<u>\$275,747</u>

NOTE 9-LEGAL DEBT LIMIT

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2018 there were no property tax secured bond issues.

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10-PLEDGED REVENUES

The City pledged future one percent sales and use taxes as follows: $\frac{1}{4}$ to police operations, $\frac{1}{4}$ to fire operations, $\frac{1}{8}$ to general fund operations and $\frac{3}{8}$ to bond debt service. The debt service fund received \$95,959 in sales taxes in 2018.

NOTE 11-LOCAL POLICE AND FIRE RETIREMENT SYSTEM (LOPFI)

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides pension benefits, deferred allowances, annual cost-of-living adjustments and death and disability benefits to plan members and beneficiaries. Benefit provisions are established by state law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745 or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A Paid service not covered by Social Security: 8.5% of gross pay
- B Paid service also covered by Social Security 2.5% of gross pay
- C Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State Law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$57,500 for the year ended December 31, 2018.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement No. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2018 was \$820,377.

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12-ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under the System. APERS, administrated by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State Law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Directors of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$78,179 for the year ended December 31, 2018.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure to the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2018 was \$620,300.

NOTE 13-SELF-ADMINISTERED NONCONBRIBUTORY RETIREMENT PLAN

The City has one retired elected official (the city treasurer) covered under a self-administered noncontributory retirement plan that will pay retirement benefits equal to one-half the official's average annual salary for the year preceding retirement. The benefits are payable until the death of the official. This plan is completely vested after twenty years of service. At December 31, 2018 the official had met the vesting requirements.

Since the City includes the financial information on the self-administered plan in its' financial statements, the plan does not issue a separate report. The City annually places ds to cover the future retirement cost of the self-administered plan in an interest bearing bank account. This bank account is reflected in the accompanying combining

CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13-SELF-ADMINISTERED NONCONTRIBUTORY RETIREMENT PLAN
(Continued)

balance sheet-other funds in the aggregate as "City Treasurer Retirement". At December 31, 2018, the City had not performed an actuarial valuation for the self-administered plan.

Since an actuarial valuation has not been made, the net pension obligation is unknown and the disclosures related to changes in the net pension obligation can not be made, however, the City does not believe that this omission is a material misstatement of the financial statements. The salary for the city treasurer was \$41,250. The City made contributions to the plan in 2018. The city treasurer retired in 2008 and the City made retirement payments of \$25,426 for 2018. The amount in the bank account at December 31, 2018 was \$-0-. The City Council has approved the transfer of funds to cover the pension obligation each year as needed from their General Fund budget.

NOTE 14- OTHER COMMITMENTS

On January 1, 2013, the City renewed an agreement with the City of Greenland ("Greenland") whereby the City agreed to provide standby fire protection and rescue services to Greenland with the express reservation that the services to Greenland would not impair service to the citizens of West Fork. Greenland agreed to hold the City harmless for any claims arising from the agreement and agreed to pay the City \$11,250 per quarter commencing January 1, 2013 and due the first day of each quarter thereafter over the term of the agreement. The agreement has a five year life that ends January 1, 2018. The agreement includes termination terms that include non-payment of consideration, insufficiency of consideration due to growth and 90 day notice at the end of the agreement.

In contemplation of the agreement with Greenland, the City entered into an agreement with the West Fork Rural Fire Protection Association (the "Association") on January 1, 2013, whereby the City and Association agrees to jointly respond to service requests from Greenland.

In consideration, the City agreed to remit one-half of any revenue earned from the Greenland agreement to the Association within thirty days of the City's receipt of such revenue. The agreement with the Association contains the same language regarding termination as the Greenland agreement and expires on the same date.

On March 11, 2014 the City entered into an agreement with the West Fork Rural Fire Association, Inc. in which the City agrees to pay one half of the funding for two full-time firefighters that will respond to calls within the city limits of West Fork and within the territory served by the Association. The firefighters will be employees of the City and the Association will reimburse the City for one half of the cost of the firefighters on a

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14-OTHER COMMITMENTS (continued)

quarterly basis beginning on April 15, 2014. The agreement shall be in effect for a term of one (1) year, beginning February 15, 2014. It will be extended for another period of one (1) year on each successive February 15, during the next twenty (20) years unless cancelled by a majority vote of either the West Fork City Council, or a majority vote of the Association Board.

NOTE 15-RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by participation in a public entity risk pool.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following area:

Workers' Compensation-This program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

The City participates in the Arkansas Municipal Property and Vehicle Program for coverage in the following areas:

Building and Contents Program-The property program limits are blanket but the City's property limits are tied to the insurance statement of values. The City pays for coverage based on the statement of values. Loss amounts will be reduced by a deductible amount of \$5,000.

Vehicle Program-Liability-This program covers claims for damages because of bodily injury, death or property damage caused by a covered vehicle for which the City is liable.

Vehicle Program-Physical Damage-This program covers vehicles and mobile equipment which are the property of the City. Property is valued at the cost to repair or replace the property. Loss amounts will be reduced by a deductible amount of \$1,000.

Municipal Legal Defense Program-The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suite against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages-not punitive damages) imposed on municipality officials and

**CITY OF WEST FORK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 15-RISK MANAGEMENT (Continued)

employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

NOTE 16-SUBSEQUENT EVENTS EVALUATION DATE

The City evaluated the events and transactions subsequent to December 31, 2018 balance sheet date and determined there were no significant events to report through December 26, 2022, which is the date the City issued its financial statements.

CITY OF WEST FORK, ARKANSAS
COMBINING BALANCE SHEET-OTHER FUNDS IN THE AGGREGATE
REGULATORY BASIS
DECEMBER 31, 2018

	SPECIAL REVENUE FUNDS		TRUST FUNDS	
	Parks	Admin. of Justice	Fire LOPFI	Police LOPFI
ASSETS				
Cash and cash equivalents	\$ 167,738	\$ 66,588	\$ -	\$ -
Accounts receivable	20,293	-	-	-
Prepaid expenses	693	-	-	-
Interfund receivables	1,939	-	2,063	7,724
TOTAL ASSETS	<u>\$ 190,663</u>	<u>\$ 66,588</u>	<u>\$ 2,063</u>	<u>\$ 7,724</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 162	\$ -	\$ -	\$ -
Funds held in escrow	-	59,541	-	-
Interfund payables	43,728	-	-	-
Total Liabilities	<u>43,890</u>	<u>59,541</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	<u>146,773</u>	<u>7,047</u>	<u>2,063</u>	<u>7,724</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 190,663</u>	<u>\$ 66,588</u>	<u>\$ 2,063</u>	<u>\$ 7,724</u>

CAPITAL PROJECTS FUNDS					DEBT SERVICE FUNDS		
Treasurer's Retirement	Admin Building	Library Projects	Police/Court Projects	Community Center Projects	2016 Sales Tax Bonds	TOTALS	
\$ -	\$ 8,284	\$ 481,429	\$ 401,970	\$ 177,615	\$ 68,938	\$ 1,372,562	
-	-				7,610	27,903	
-	-					693	
-	-					11,726	
\$ -	\$ 8,284	\$ 481,429	\$ 401,970	\$ 177,615	\$ 76,548	\$ 1,412,884	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162	
-	-	-	-	-	-	59,541	
-	-	-	-	-	-	43,728	
-	-	-	-	-	-	103,431	
-	8,284	481,429	401,970	177,615	76,548	1,309,453	
\$ -	\$ 8,284	\$ 481,429	\$ 401,970	\$ 177,615	\$ 76,548	\$ 1,412,884	

See Independent Auditor's report and notes to financial statements

CITY OF WEST FORK, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
OTHER FUNDS IN THE AGGREGATE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	SPECIAL REVENUE FUNDS		TRUST FUNDS		
	Parks	Admin. Of Justice	Fire LOPFI	Police LOPFI	Treasurer's Retirement
REVENUES					
Sales taxes	\$ 255,890	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and costs	-	200,342	-	-	-
Interest	188	-	-	-	-
Local permits and fees	24,338	-	-	-	-
Retirement contributions	-	-	-	-	25,426
Other	9,878	-	-	-	-
TOTAL REVENUES	290,294	200,342	-	-	25,426
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public Safety	-	198,800	-	-	-
Highways and streets	-	-	-	-	-
Capital outlay	70,543	-	-	-	-
Retirement payments	-	-	-	-	25,426
Recreation and culture	203,302	-	-	-	-
Total Current	273,845	198,800	-	-	25,426
Debt Service:					
Bond principal	-	-	-	-	-
Bond interest and other charges	-	-	-	-	-
TOTAL EXPENDITURES	273,845	198,800	-	-	25,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,449	1,542	-	-	-
FUND BALANCES, BEGINNING OF YEAR	130,324	5,505	2,063	7,724	-
FUND BALANCES, END OF YEAR	\$ 146,773	\$ 7,047	\$ 2,063	\$ 7,724	\$ -

CAPITAL PROJECTS FUNDS				DEBT SERVICE FUND	
Admin Building	Library Projects	Police/Court Projects	Community Center Projects	2106 Sales Tax Bonds	Totals
\$ -	\$ -	\$ -	\$ -	\$ 95,959	\$ 351,849
-	-	-	-	-	200,342
-	7,197	6,009	2,655	1,351	17,400
-	-	-	-	-	24,338
-	-	-	-	-	25,426
-	-	-	-	-	9,878
-	7,197	6,009	2,655	97,310	629,233
-	-	-	-	-	-
-	-	-	-	-	198,800
-	-	-	-	-	-
277,869	-	-	-	-	348,412
-	-	-	-	-	25,426
-	-	-	-	-	203,302
277,869	-	-	-	-	775,940
-	-	-	-	50,000	50,000
-	-	-	-	33,081	33,081
277,869	-	-	-	83,081	859,021
(277,869)	7,197	6,009	2,655	14,229	(229,788)
286,153	474,232	395,961	174,959	62,320	1,539,241
\$ 8,284	\$ 481,429	\$ 401,970	\$ 177,614	\$ 76,549	\$ 1,309,453

See Independent Auditor's report and notes to the financial statement

CITY OF WEST FORK, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2018
(Unaudited)

Land	\$ 172,113
Buildings	564,366
Improvements	358,760
Equipment	2,610,246
New streets	1,705,648
Books – library	386,005
Parks Department – new construction	2,000,893
Administration building and remodel	<u>357,016</u>
	<u>\$ 8,155,047</u>

DAVID BEAUCHAMP,
CERTIFIED PUBLIC ACCOUNTANT

**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**

Honorable Mayor and
Members of the City Council
City of West Fork
West Fork, Arkansas 72774

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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate as listed in the table of contents, of the City of West Fork, Arkansas (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated December 26, 2022

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

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.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City'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 instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

City of West Fork, Arkansas's Response to Findings

The City's response to the findings in our audit is described in the accompanying schedule of findings and responses. The City'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.

Other Issues

The commentary contained in this section relates to the following officials that held office during 2018:

Mayor-Heith Caudle
Clerk-Marsha Hungate
Treasurer-Christy Drymon
District Court Clerk-Pauletta Welch
Police Chief-John Nelson

We reviewed the City's compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Our audit procedures indicated that the above offices were in substantial compliance with Arkansas fiscal and financial laws.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

David Beauchamp, CPA
Rogers, Arkansas
December 26, 2022

CITY OF WEST FORK

Schedule of Findings and Responses For the Year Ended December 31, 2018

Segregation of Duties

Condition: Due to the limited numbers of employees in the accounting department, there is an inadequate segregation of duties in the City.

Criteria: Internal controls should be in place that provide for reasonable assurance that there is sufficient segregation of duties in the City to minimize misstatements in the financial statements.

Effect: Lack of segregation of duties could cause misstatements in the financial statements.

Recommendation: Because of the size of the City and the cost restrictions we understand segregation of duties is difficult. We recommend that the Council monitor financial results on a monthly basis to help alleviate the segregation of duties condition.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the recommended procedures have been implemented.