

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2021

BALLARD & COMPANY, LTD.

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# BALLARD & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Members of the American Institute of Certified Public Accountants  
Member of the Arkansas Society of Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Members of City Council  
City of Norfolk, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the water and wastewater department of the City of Norfolk, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the water and wastewater department of the City of Norfolk, Arkansas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the City of Norfolk water and wastewater department as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 City of Norfolk water and wastewater 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 of the effectiveness of the City of Norfolk water and wastewater 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 no conditions or events, considered in the aggregate, that raise substantial doubt about the City of Norfolk water and wastewater 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.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the water and wastewater department of the City of Norfolk, Arkansas, and do not purport to, and do not present fairly the financial position of the City of Norfolk as of December 31, 2021, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Required Supplementary Information***

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

#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of City Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of the City of Norfolk, Arkansas water and wastewater department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Norfolk, Arkansas water and wastewater department's 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 Norfolk, Arkansas water and wastewater department's internal control over financial reporting and compliance.

*Ballard & Company, Ltd.*

Ballard & Company, Ltd.  
Mountain Home, Arkansas  
December 18, 2025

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 161,384
Accounts receivable	28,238
Total current assets	189,622
Restricted assets:	
Cash and cash equivalents	282,114
Capital assets:	
Nondepreciable assets	16,483
Depreciable assets, net of accumulated depreciation	1,802,766
Total capital assets	1,819,249
Total assets	2,290,985

**LIABILITIES**

Current liabilities - payable from current assets:	
Accounts payable	5,474
Other current liabilities	1,341
Total from current assets	6,815
Current liabilities - payable from restricted assets:	
Accrued interest payable	2,671
Current maturities - notes payable	25,128
Meter deposits refundable	27,961
Total from restricted assets	55,760
Long-term liabilities:	
Notes payable, net of current maturities	928,443
Total long-term liabilities	928,433
Total liabilities	991,008

**NET POSITION**

Net investment in capital assets	863,017
Restricted:	
Debt service	218,937
Other - meter deposits	35,216
Unrestricted	182,807
Total net position	\$ 1,299,977

The accompanying notes are an integral part of these statements.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021

<b><u>OPERATING REVENUES</u></b>	
Water service fees	\$ 163,425
Wastewater service and treatment fees	32,884
Sanitation fees	41,579
Sales taxes	16,861
Connection and related fees	3,500
Late penalties	3,599
Other	4,473
Total operating revenue	<u>266,321</u>
<b><u>OPERATING EXPENSES</u></b>	
Water department:	
Depreciation	35,482
Fuel	3,264
Legal and professional	5,850
Permits, dues and fees	3,703
Repairs and maintenance	2,837
Salaries and payroll expenses	69,278
Sales taxes	16,649
Supplies - office	5,674
Supplies - operating	37,113
Sanitation fees	38,595
Uniforms	476
Utilities	19,613
Total water expenses	<u>238,534</u>
Wastewater department:	
Depreciation	35,482
Fuel	618
Permits, dues and fees	160
Repairs and maintenance	1,752
Salaries and payroll expenses	13,106
Supplies - office	1,051
Supplies - operating	3,252
Wastewater analysis	949
Uniforms	90
Utilities	1,672
Total wastewater expenses	<u>58,132</u>
Operating income (loss)	<u>(30,345)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	
Interest income	872
Interest expense	<u>(35,180)</u>
Total nonoperating revenues (expenses)	<u>(34,308)</u>
Income (loss) before transfers	(64,653)
Transfers in	<u>66,711</u>
<b>CHANGE IN NET POSITION</b>	<b>2,058</b>
<u>Net Position - Beginning of Year</u>	<u>1,297,919</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<b><u>\$ 1,299,977</u></b>

The accompanying notes are an integral part of these statements.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 265,614
Cash paid to and/or for employees	(82,384)
Cash paid to suppliers	(145,082)
Net Cash Provided by (Used in) Operating Activities	38,148
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	66,711
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on notes payable	(27,731)
Interest paid on notes payable	(33,377)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(61,108)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash received from interest earned	872
NET INCREASE (DECREASE) IN CASH	44,623
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	398,875
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 443,498

<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided</u></b>	
<b>(Used In) Operating Activities:</b>	
Operating income (loss)	\$ (30,345)
Depreciation expense	70,964
<b>(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:</b>	
Accounts receivable	(1,933)
Accounts payable	(1,796)
Other current liabilities	32
Meter deposits refundable	1,226
Net Cash Flows from Operating Activities	\$ 38,148

<b><u>Reconciliation of Total Cash and Cash Equivalents - Ending</u></b>	
Current assets - cash and cash equivalents	\$ 161,384
Restricted assets - cash and cash equivalents	282,114
	\$ 443,498

<b><u>Reconciliation of Total Cash and Cash Equivalents - Beginning</u></b>	
Current assets - cash and cash equivalents	\$ 153,130
Restricted assets - cash and cash equivalents	245,745
	\$ 398,875

The accompanying notes are an integral part of these statements.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Norfolk, Arkansas, (the City) operates under a Mayor - Council form of government. The water and wastewater department (the Department) is responsible for the operation and maintenance of the City's water distribution system as well as its wastewater treatment system.

The financial statements of the Department have been prepared and are presented herewith, separately from the comprehensive financial statements of the City of Norfolk, Arkansas. These financial statements are intended to present only the financial position, results of operations and cash flows attributable to the Department and are not intended to, and do not, reflect the financial position, results of operation and cash flows of the City of Norfolk, Arkansas as a whole.

**Basis of Accounting**

The water and wastewater department is used to account for the operations of the City of Norfolk, Arkansas' proprietary fund and is an enterprise fund. Enterprise funds are for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public be financed or recovered primarily through user charges.

The financial statements of the Department are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**Basis of Presentation**

The presentation of the Department's financial statements follows the requirement of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34) – applicable to enterprise funds, as amended. In accordance with the requirements of GASB Statement No. 34, the Department's net position is categorized into net investment in capital assets, restricted and unrestricted, as applicable. In addition, operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for water, wastewater, and related services. Principal operating expenses include the costs of providing these services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the notes. Actual results could differ from those estimates.

**Budget and Budgetary Accounting**

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with the changing service delivery levels, accounting principles generally accepted in the United States of America do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank deposits and certificates of deposit.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable reflects the balances due from the individuals and businesses using the water and sewer services provided by the City. Management closely monitors outstanding balances and evaluates collectability of its accounts receivable on a per-customer basis. Customer accounts are typically collected within a short period of time, and, based on its assessment of current conditions, management believes realization losses on the amount outstanding at the end of 2021 will be immaterial. Accordingly, the account balances are reported at the full amounts outstanding.

Capital Assets

Capital assets which are purchased or constructed are reported at historical cost. Contributed assets are reported at fair market value as of the date received. All capital assets are depreciated by the straight-line method over their estimated useful lives. Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions, betterments and major renewals are capitalized.

Estimated useful lives are as follows:

System and improvements	40 - 50 Years
Vehicles	5 Years
Equipment	5 - 10 Years

Accounts Payable

- Accounts payable consists of various trade accounts which are generally payable within thirty (30) days.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources, and is classified into the following categories:

- \* *Net Investment in Capital Assets* - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- \* *Restricted Net Position* - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- \* *Unrestricted Net Position* - consists of all other net position that does not meet the definition of the above two components and is available for general use of the Department.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 2: CASH AND INVESTMENTS**

State law generally provides that municipal funds be deposited in federally insured banks located in the State of Arkansas. These deposits may be in the form of checking accounts, savings accounts, and/or certificates of deposit. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

The carrying amount of the Department's cash deposits was \$443,498 and the respective bank balances totaled \$449,726. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the water and wastewater department of the City of Norfolk, Arkansas will not be able to recover deposits or will not be able to recover collateral securities. The Department's policy is to place deposits only in collateralized or insured accounts.

**NOTE 3: RESTRICTED ASSETS**

Restricted assets consist of cash and equivalents restricted by various bond ordinances and the City Council for debt service and other specific uses. Restricted assets as of December 31, 2021 were as follows:

Debt service funds	\$ 53,694
Capital improvement funds	199,714
Meter deposit fund	<u>28,706</u>
Total restricted assets	<u>\$ 282,114</u>

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 4: CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<i>Capital assets, not being depreciated:</i>				
Land and land rights	\$ 16,483	\$ -	\$ -	\$ 16,483
	<u>16,483</u>	<u>-</u>	<u>-</u>	<u>16,483</u>
<i>Capital assets, being depreciated:</i>				
Vehicles	34,548	-	-	34,548
Machinery and equipment	123,024	-	-	123,024
System and improvements	2,734,867	-	-	2,734,867
	<u>2,892,439</u>	<u>-</u>	<u>-</u>	<u>2,892,439</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	(27,783)	(2,706)	-	(30,489)
Machinery and equipment	(116,396)	(3,218)	-	(119,614)
System and improvements	(874,530)	(65,040)	-	(939,570)
	<u>(1,018,709)</u>	<u>(70,964)</u>	<u>-</u>	<u>(1,089,673)</u>
Total capital assets, being depreciated, net	<u>1,873,730</u>	<u>(70,964)</u>	<u>-</u>	<u>1,802,766</u>
Capital assets, net	<u>\$ 1,890,213</u>	<u>\$ (70,964)</u>	<u>\$ -</u>	<u>\$ 1,819,249</u>

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 5: LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended December 31, 2021 are as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
USDA - 91-09	\$ 835,196	\$ 0	\$ (20,197)	\$ 814,999	\$ 20,862
USDA - 92-06	65,344	0	(1,326)	64,018	1,381
ANRC	77,291	0	(2,747)	74,544	2,885
US Bank	3,461		(3,461)	0	0
<b>Total long-term debt</b>	<b>\$ 981,292</b>	<b>\$ 0</b>	<b>\$ (27,731)</b>	<b>\$ 953,561</b>	<b>\$ 25,128</b>

Combined maturity requirements of the notes payable subsequent to December 31, 2021 are as follows:

	Principal	Interest
12-31-2022	\$ 25,128	\$ 32,520
12-31-2023	26,018	31,630
12-31-2024	26,940	30,708
12-31-2025	27,897	29,751
12-31-2026	28,888	28,760
2027 - 2031	160,624	127,616
2032 - 2036	191,446	96,794
2037 - 2041	207,525	60,880
2042 - 2046	230,358	24,822
2047 - 2048	28,737	367
<b>Total</b>	<b>\$ 953,561</b>	<b>\$ 463,848</b>

**NOTE 6: RISK MANAGEMENT**

The water and wastewater department of the City of Norfolk, Arkansas has purchased insurance coverage to cover potential losses due to the various risks related to the damage to and/or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in the Arkansas Municipal League Program for its building and contents. The amount of settlements has not exceeded the insurance coverage in the past three years. Further, there were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

**NOTE 7: PENSION PLAN**

With the passage of Ordinance 2005-7, the City elected to become a participating employer in the Arkansas Diamond Deferred Compensation Plan, a Section 457B defined contribution pension plan. Voya Financial is the record keeper and administrator of the plan. All employees are eligible to participate. The Department contributes 5% of eligible compensation and employees can contribute at their own discretion.

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8: SALES AND USE TAX

Authorized through the adoption of Resolution 2012-10 on November 20, 2012, 75% of the 1% City sales and use tax is transferred to the water and wastewater department's water capital improvement fund. Funds from this account are maintained for future upgrades to the system.

OTHER INFORMATION

CITY OF NORFORK, ARKANSAS  
WATER AND WASTEWATER DEPARTMENT  
SCHEDULE OF CITY OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Position</u>	<u>Official</u>
Mayor	Lisa Harrison
Council Member	Kay Gragg
Council Member	Angie Parnell
Council Member	Ian Vickery
Council Member	Harry Roderick
Council Member	Phillip Stultz

See auditor's report on other information.

OTHER REPORTS



# **BALLARD & COMPANY, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

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

To the Members of City Council  
City of Norfolk, Arkansas

We have audited, 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, the financial statements of the water and wastewater department of the City of Norfolk, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Norfolk, Arkansas water and wastewater department's basic financial statements, and have issued our report thereon dated December 18, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the water and wastewater department of the City of Norfolk, Arkansas' internal control over financial reporting (internal control) as a basis for designing 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 water and wastewater department of the City of Norfolk, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the water and wastewater department of the City of Norfolk, Arkansas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the water and wastewater department of the City of Norfolk, Arkansas' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of This Report

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

*Ballard & Company, Ltd.*

Ballard & Company, Ltd.  
Mountain Home, Arkansas  
December 18, 2025