# City of Norfork, Arkansas
# Water and Wastewater Department

## Audited Financial Statements

For the Year Ended December 31, 2024

**Thomas, Speight & Noble**
Certified Public Accountants
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A Professional Association of Certified Public Accountants
Member of the Private Companies Section of the American Institute of Certified Public Accountants

June 12, 2026

To the City Council
City of Norfork, Arkansas
Water and Wastewater Departments

We have audited the financial statements of City of Norfork, Arkansas, Water and Wastewater Departments for the year ended December 31, 2024, and we will issue our report thereon dated June 12, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 20, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Norfork, Arkansas, Water and Wastewater Departments are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

> Management's estimate of the depreciation expense is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements attached to this letter.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 12, 2026.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We did identify a deficiency in internal control, described below that we consider to be a material weakness:

2024-001 To ensure proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. City of Norfork, Arkansas, Water and Wastewater Department's management did not segregate these duties to sufficiently reduce the risks of fraud and error properly safeguard assets, because of limited resources. We recommend that financial accounting duties be segregated among employees to the extent possible.

This information is intended solely for the use of The Board of Directors of City of Norfork, Arkansas, Water and Wastewater Departments and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

*Thomas, Speight & Noble, CPAs*

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas

# CITY OF NORFORK WATER AND WASTEWATER FUND
# CO-03
# 12/31/2024

| Account | Description | Workpaper Reference | Debit | Credit | Net Income Effect |
|---|---|---|---|---|---|
| **AJE01** | | | | | |
| To rollforward equity | | | | | |
| 100-109 | Other Assets | | 15.16 | 0.00 | |
| 100-111 | Acccounts Receivable | | 15,643.66 | 0.00 | |
| 100-122 | Vehicles | | 13,530.00 | 0.00 | |
| 100-123 | Equipment Asset | | 10,578.45 | 0.00 | |
| 100-124 | Accumulated Depreciation | | 0.00 | 501,680.00 | |
| 100-202 | Dept of Finance & Admin | | 0.00 | 7,297.43 | |
| 100-204 | Accounts Payable | | 0.00 | 2,993.30 | |
| 100-205 | Accrued Annual Leave | | 2,779.23 | 0.00 | |
| 100-206 | Accrued Interest Payable | | 0.00 | 1,103.65 | |
| 100-250 | N/P ARCN Deferred Loan | | 0.00 | 6,632.00 | |
| 100-251 | N/P USDA Construction Fund | | 137,144.87 | 0.00 | |
| 100-210 | Sales Tax Payable | | 0.00 | 2,543.00 | |
| 100-300 | Net Assets Unrestricted | | 342,558.01 | 0.00 | |
| 110-201 | Meter Deposit Liability | | 0.00 | 7,451.38 | |
| 110-300 | Net Assets Unrestricted | | 7,451.38 | 0.00 | |
| 120-104 | Long Term Res. CD #4265/7705 | | 335.85 | 0.00 | |
| 120-105 | Long Term Res CD #4305/4022 | | 917.62 | 0.00 | |
| 120-300 | Net Assets Unrestricted | | 0.00 | 1,253.47 | |
| 200-204 | Accounts Payable | | 460.76 | 0.00 | |
| 200-205 | Accrued Annual Leave | | 2,779.24 | 0.00 | |
| 200-250 | N/P USDA | | 10,013.65 | 0.00 | |
| 200-251 | N/P Arch Deferred Loan | | 0.00 | 8,901.00 | |
| 200-104 | Equipment Asset | | 0.00 | 1,591.40 | |
| 200-111 | Sewer Loan Res Cd #9097/9197 | | 17.40 | 0.00 | |
| 200-101 | Long-Term Res CD #5297/4163 | | 954.98 | 0.00 | |
| 200-300 | Net Assets Unrestricted | | 0.00 | 3,733.63 | |
| 100-302 | Net Assets Temp Restricted | | 0.00 | 23,063.07 | |
| 100-303 | Reserve Fund | | 0.00 | 216,202.47 | |
| 100-304 | Invested in Captial Assets | | 373,410.88 | 0.00 | |
| 100-300 | Net Assets Unrestricted | | 0.00 | 134,145.34 | |
| **Total** | | | **918,591.14** | **918,591.14** | **0.00** |
| **AJE02** | | | | | |
| To adjust meter deposit liability | | | | | |
| 110-201 | Meter Deposit Liability | | 0.00 | 851.59 | |
| 110-408 | Meter Deposit Income | | 851.59 | 0.00 | |
| **Total** | | | **851.59** | **851.59** | **-851.59** |
| **AJE03** | | | | | |
| To adjust accounts payable | | | | | |
| 100-204 | Accounts Payable | | 0.00 | 3,812.50 | |
| 100-527 | Waste Contract | | 3,812.50 | 0.00 | |
| 100-204 | Accounts Payable | | 5,325.64 | 0.00 | |
| 100-527 | Waste Contract | | 0.00 | 3,511.65 | |
| 100-526 | Utilities | | 0.00 | 1,813.99 | |
| 200-204 | Accounts Payable | | 140.70 | 0.00 | |

# CITY OF NORFORK WATER AND WASTEWATER FUND
# CO-03
# 12/31/2024

| Account | Description | Workpaper Reference | Debit | Credit | Net Income Effect |
|---|---|---|---|---|---|
| 200-526 | Utilities | | 0.00 | 140.70 | |
| **Total** | | | **9,278.84** | **9,278.84** | **1,653.84** |
| **AJE04** | | | | | |
| To adjust land purchase | | | | | |
| 100-505 | Land Purchase | | 0.00 | 8,504.42 | |
| 100-125 | Land | | 8,504.42 | 0.00 | |
| **Total** | | | **8,504.42** | **8,504.42** | **8,504.42** |
| **AJE05** | | | | | |
| To record CY depreciation | | | | | |
| 100-124 | Accumulated Depreciation | | 0.00 | 65,039.69 | |
| 100-540 | Depreciation | | 65,039.69 | 0.00 | |
| **Total** | | | **65,039.69** | **65,039.69** | **-65,039.69** |
| **AJE06** | | | | | |
| To adjust payroll expenses | | | | | |
| 100-518 | Payroll Expenses | | 18,732.84 | 0.00 | |
| 100-207 | Payroll Liabilities | | 0.00 | 18,732.84 | |
| 200-518 | Payroll Expenses | | 1,582.00 | 0.00 | |
| 200-207 | Payroll Liabilities | | 0.00 | 1,582.00 | |
| **Total** | | | **20,314.84** | **20,314.84** | **-20,314.84** |
| **AJE07** | | | | | |
| To adjust notes payable | | | | | |
| 100-250 | N/P ARCN Deferred Loan | | 0.00 | 3,306.00 | |
| 100-251 | N/P USDA Construction Fund | | 22,261.51 | 0.00 | |
| 100-531 | Interest Expense | | 28,084.49 | 0.00 | |
| 200-250 | N/P USDA | | 1,499.85 | 0.00 | |
| 200-251 | N/P Arch Deferred Loan | | 0.00 | 126.00 | |
| 200-533 | USDA Loan Repayment | | 0.00 | 3,996.00 | |
| 200-531 | Interest Expense | | 2,622.15 | 0.00 | |
| 120-533 | USDA Loan Repayment | | 0.00 | 47,040.00 | |
| **Total** | | | **54,468.00** | **54,468.00** | **20,329.36** |
| **AJE08** | | | | | |
| To adjust interest payable | | | | | |
| 100-206 | Accrued Interest Payable | | 0.00 | 717.44 | |
| 100-531 | Interest Expense | | 717.44 | 0.00 | |
| **Total** | | | **717.44** | **717.44** | **-717.44** |
| **AJE09** | | | | | |
| To adjust sales tax payable | | | | | |
| 100-210 | Sales Tax Payable | | 812.65 | 0.00 | |
| 100-520 | Sales Tax Payable - Expense | | 0.00 | 812.65 | |
| **Total** | | | **812.65** | **812.65** | **812.65** |
| **AJE10** | | | | | |
| To clear out accounts | | | | | |
| 100-202 | Dept of Finance & Admin | | 0.00 | 73.77 | |

# CITY OF NORFORK WATER AND WASTEWATER FUND
## CO-03
## 12/31/2024

| Account | Description | Workpaper Reference | Debit | Credit | Net Income Effect |
|---|---|---|---|---|---|
| 100-518 | Payroll Expenses | | 73.77 | 0.00 | |
| 100-109 | Other Assets | | 338.25 | 0.00 | |
| 100-421 | Miscellanous Income | | 0.00 | 338.25 | |
| **Total** | | | **412.02** | **412.02** | **264.48** |
| **AJE11** | | | | | |
| To adjust accounts receivable | | | | | |
| 100-111 | Acccounts Receivable | | 5,286.51 | 0.00 | |
| 100-402 | Water Sales | | 0.00 | 5,286.51 | |
| **Total** | | | **5,286.51** | **5,286.51** | **5,286.51** |
| **AJE12** | | | | | |
| To record CD interest | | | | | |
| 120-103 | Water Cap LT Rec CD #5289/9169 | | 2,353.64 | 0.00 | |
| 120-104 | Long Term Res. CD #4265/7705 | | 504.59 | 0.00 | |
| 120-105 | Long Term Res CD #4305/4022 | | 2,085.86 | 0.00 | |
| 200-101 | Long-Term Res CD #5297/4163 | | 2,144.63 | 0.00 | |
| 200-111 | Sewer Loan Res Cd #9097/9197 | | 242.40 | 0.00 | |
| 100-409 | Interest Income | | 0.00 | 4,944.09 | |
| 200-409 | Interest Income | | 0.00 | 2,387.03 | |
| **Total** | | | **7,331.12** | **7,331.12** | **7,331.12** |
| **GRAND TOTAL** | | | **1,091,608.26** | **1,091,608.26** | **-42,741.18** |

City of Norfork, Arkansas
Water and Wastewater Department
Audited Financial Statements
For the Year Ended December 31, 2024

Contents

**THOMAS, SPEIGHT & NOBLE**
1120 Windover Road, Jonesboro, AR 72401 (870) 932-5858

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# INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Norfork, Arkansas

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of City of Norfork, Arkansas, Water and Wastewater Department as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Norfork, Arkansas, Water and Wastewater Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects of City of Norfork, Arkansas, Water and Wastewater Department, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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 City of Norfork, Arkansas, 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 opinions.

### *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 City of Norfork, Arkansas, 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 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 City of Norfork, Arkansas, 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 conditions or events, considered in the aggregate, that raise substantial doubt about City of Norfork, Arkansas, 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.

***Other Matters***

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 on the basic financial statements is not affected by the missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2026, on our consideration of City of Norfork, 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 City of Norfork, 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 City of Norfork, Arkansas, Water and Wastewater Department's internal control over financial reporting and compliance.

*Thomas, Speight & Noble, CPAs*
Jonesboro, Arkansas
June 12, 2026

**City of Norfork, Arkansas**
**Water and Wastewater Fund**
**Statements of Net Position**
**December 31, 2024**

| | 2024 |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS** | |
| Cash and cash equivalents - unrestricted | $ 287,796 |
| Customer accounts receivable | 35,251 |
| Due from other funds | 55,984 |
| Total current assets | 379,031 |
| **RESTRICTED ASSETS** | |
| Cash and cash equivalents - restricted | 402,366 |
| **CAPITAL ASSET** | |
| Nondepreciable assets | 24,988 |
| Depreciable assets, net of accumulated deprerciation | 1,600,178 |
| Total capital assets | 1,625,166 |
| **TOTAL ASSETS** | $ 2,406,564 |
| **LIABILITIES AND NET POSITION** | |
| **CURRENT LIABILITIES - PAYABLE FROM CURRENT ASSETS** | |
| Accounts payable | $ 3,816 |
| Payroll liabilities | 20,315 |
| Sales tax payable | 1,730 |
| Total from current assets | 25,861 |
| **CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS** | |
| Accrued interest payable | 2,359 |
| Current maturities - note payable | 27,897 |
| Meter deposits refundable | 29,849 |
| Total from restricted assets | 60,105 |
| **LONG-TERM DEBT, net of current portion** | 847,575 |
| **TOTAL LIABILITIES** | 933,541 |
| **NET POSITION** | |
| Net investment in capital assets | 747,335 |
| Restricted for debt service | 57,179 |
| Restricted for capital improvements | 315,788 |
| Unrestricted | 352,720 |
| Total net position | 1,473,023 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 2,406,564 |

*The accompanying notes are an integral part of these financial statements.*

**City of Norfork, Arkansas**
**Water and Wastewater Fund**
**Statements of Revenues, Expenses, and Changes in Net Position**
**For the Years Ended December 31, 2024**

| | 2024 |
|---|---|
| **OPERATING REVENUES** | |
| Water service fees | $ 191,685 |
| Wastewater service and treatment fees | 33,210 |
| Sanitation fees | 45,576 |
| Connection and related fees | 2,950 |
| Penalties | 3,350 |
| Sales taxes | 132,174 |
| ARPA - payroll reimbursement | 48,217 |
| Other | 8,574 |
| Total operating revenue | 465,736 |
| **OPERATING EXPENSES** | |
| Bank charges | 313 |
| Depreciation | 65,040 |
| Fuel and education mileage | 3,445 |
| Insurance | 3,656 |
| Legal and professional fees | 120 |
| Permits, dues and fees | 2,533 |
| Repairs & maintenance | 39,838 |
| Salaries and payroll expenses | 64,117 |
| Sales taxes | 24,118 |
| Supplies - office | 4,545 |
| Supplies - operating | 1,422 |
| Sanitation fees | 43,553 |
| Uniform fees | 2,047 |
| Utilities | 24,289 |
| Wastewater analysis | 893 |
| Miscellaneous | 4,839 |
| Total water expenses | 284,768 |
| **OPERATING INCOME (LOSS)** | 180,968 |
| **NON-OPERATING REVENUES (EXPENSES)** | |
| Interest income | 8,030 |
| Interest expense | (31,439) |
| Transfers in/(out) | (2,751) |
| Total non-operating revenues (expenses) | (26,160) |
| **CHANGE IN NET POSITION** | 154,809 |
| **NET POSITION AT BEGINNING OF YEAR** | 1,318,214 |
| **NET POSITION AT END OF YEAR** | $ 1,473,023 |

*The accompanying notes are an integral part of these financial statements.*

**City of Norfork, Arkansas**
**Water and Wastewater Fund**
**Statement of Cash Flows**
**For the Years Ended December 31, 2024**

| | 2024 |
|---|---|
| **Cash flows from operating activities:** | |
| Cash receipts from customers | $ 404,465 |
| Cash payments to suppliers for goods and services | (156,506) |
| Cash payments to employees | (43,802) |
| Net cash provided by (used in) operating activities | 204,157 |
| **Cash flows from noncapital and related financing activities:** | |
| Transfers out | (2,751) |
| Net cash provided by (used in) financing activities | (2,751) |
| **Cash flows from capital and related financing activities:** | |
| Purchases of capital assets | (8,505) |
| Principal payments on long-term debt | (26,941) |
| Interest payments on long-term debt | (31,439) |
| Net cash provided by (used in) financing activities | (66,885) |
| **Cash flows from investing activities:** | |
| Interest received | 8,030 |
| Net cash provided by (used in) investing activities | 8,030 |
| **NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH** | 142,551 |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 547,611 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 690,162 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Operating income (loss) | $ 180,968 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 65,040 |
| (Increase)/Decrease In: | |
| Customer accounts receivable | (5,287) |
| Due from other funds | (55,984) |
| Increase/(Decrease) In: | |
| Accounts payable | (1,650) |
| Payroll liabilities | 20,315 |
| Sales tax payable | (813) |
| Accrued interest payable | 717 |
| Meter deposits refundable | 851 |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | $ 204,157 |

*The accompanying notes are an integral part of these financial statements.*

## City of Norfork, Arkansas
## Water and Wastewater Department
### Notes to the Financial Statements
### December 31, 2024

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Reporting Entity

The City of Norfork, 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 Norfork, 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 Norfork, Arkansas as a whole.

Basis of Accounting

The water and wastewater department is used to account for the operations of the City of Norfork, 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 charge.

The financial statements of the Department are prepared in accordance with accounting principals generally accepted in the United State 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).

Financial Statement Preparation

The Department adopted provisions of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. It requires classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets*—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same statement of net position component as unspent proceeds.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

- *Restricted*—This component of net position consists of constraints placed on asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets*—This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Management's Discussion and Analysis is intended to be presented for the reporting entity as a whole, not for individual Departments or component units; therefore, it has not been included as supplemental information to these financial statements.

### 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 principals 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

The Department considers all cash amounts on deposit with an original maturity of twelve months or less to be cash equivalents. Restricted cash is considered a cash equivalent.

### 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 2024 will be immaterial. Accordingly, the account balances are reported at the full amounts outstanding.

### Capital Assets

Fixed assets are recorded at historical cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using the straight-line method. Service lives by type of asset are as follows:

| | |
|---|---|
| Water and Sewer Systems | 30-50 Years |
| Water and Sewer System Improvements | 15-20 Years |
| Vehicles & Equipment | 5-10 Years |
| Computer & Software | 3-5 Years |

# City of Norfork, Arkansas
# Water and Wastewater Department
## Notes to the Financial Statements
## December 31, 2024

### NOTE 2: CAPITAL ASSETS

As summary of changes in capital assets for the year ended December 31, 2024 are as follows:

| | Balance 12/31/2023 | Additions | Deletions | Balance 12/31/2024 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 16,483 | $ 8,505 | $ - | $ 24,988 |
| Total capital assets not being depreciated | 16,483 | 8,505 | - | 24,988 |
| | | | | |
| Capital assets being depreciated: | | | | |
| Vehicles | 34,548 | - | - | 34,548 |
| Machinery and equipment | 123,024 | - | - | 123,024 |
| System and improvements | 2,734,867 | - | - | 2,734,867 |
| Total capital assets being depreciated | 2,892,439 | - | - | 2,892,439 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Vehicles | (34,548) | - | - | (34,548) |
| Machinery and equipment | (123,024) | - | - | (123,024) |
| System and improvements | (1,069,649) | (65,040) | - | (1,134,689) |
| Total accumulated depreciation | (1,227,221) | (65,040) | - | (1,292,261) |
| | | | | |
| Total capital assets, being depreciated, net | 1,665,218 | (65,040) | - | 1,600,178 |
| Total capital assets, net | $ 1,681,701 | $ (56,535) | $ - | $ 1,625,166 |

### NOTE 3: CUSTODIAL CREDIT RISK OF BANK DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department's deposit policy for custodial risk is compliant with bond requirements. Due to the dollar amounts of cash deposits and investments, and the limits of the Federal Deposit Insurance Corporation (FDIC), the Department was required to secure additional deposits by pledging securities held by the pledging financial institution's trust department or agent at year end December 31, 2024. At year end December 31, 2024, the Department had bank deposits in the amount of $685,288. There are no unsecured cash deposits as of December 31, 2024.

### NOTE 4: RISK MANAGEMENT AND LITIGATION

The Department is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage the risk of loss, the Department purchases commercial insurance policies, which include a worker's compensation insurance policy and a commercial vehicle policy.

# City of Norfork, Arkansas
## Water and Wastewater Department
### Notes to the Financial Statements
### December 31, 2024

**NOTE 5: LONG-TERM DEBT**

Long-term debt on December 31, 2024, consisted of the following:

| | | |
|---|---|---|
| USDA Rural Development 92-06, 4.125%, $78,000; principal and interest payable monthly beginning December 4, 2008; matures December 4, 2048 | $ | 59,967 |
| USDA Rural Development 91-09, 3.250%, $1,000,000; principal and interest payable monthly beginning April 27, 2010; matures May 27, 2050 | | 750,325 |
| ANRC 2009 Issuance, 5.000%, $82,400; principal and interest payable yearly beginning May 6, 2009; matures June 1, 2038 | | 65,450 |
| | $ | 875,742 |

All bonds are secured by revenues and water system of City of Norfork, Arkansas, Water and Sewer Department.

Maturities and analysis of long-term debt changes to the Department's long-term debt are as follows:

| | | 2024 |
|---|---|---|
| Total long-term debt at beginning of year | $ | 902,413 |
| Note payable retirements | | (26,941) |
| Total long-term debt at the end of the year | | 875,472 |
| Less: current portion | | (27,897) |
| Long-term debt, net of current portion | $ | 847,575 |

### NOTE 5: LONG-TERM DEBT (Continued)

Maturities of long-term debt on December 31, 2024, are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 27,897 | $ 29,751 | $ 57,648 |
| 2026 | 28,888 | 28,760 | 57,648 |
| 2027 | 29,916 | 27,732 | 57,648 |
| 2028 | 30,981 | 26,667 | 57,648 |
| 2029 | 32,084 | 25,564 | 57,648 |
| 2030-2034 | 178,447 | 109,793 | 288,240 |
| 2025-2039 | 206,182 | 75,447 | 281,629 |
| 2040-2044 | 215,603 | 39,575 | 255,178 |
| 2045-2048 | 125,477 | 10,131 | 135,608 |
| | $ 875,475 | $ 373,420 | $ 1,248,895 |

Interest expenses were $31,439 for the year ended December 31, 2024.

### NOTE 6: BOND REQUIREMENTS

The Department must maintain certain requirements after receiving bonds or loans from Arkansas Natural Resources Commission (ANRC) and the United States Department of Agriculture (USDA). The ANRC loan requires a depreciation reserve fund to be established and maintained. This fund is for the replacement of the loan project and shall not be used for any other purpose without prior written approval of ANRC. The USDA loans require a debt service reserve fund to be established and maintained.

## City of Norfork, Arkansas
## Water and Wastewater Department
### Notes to the Financial Statements
### December 31, 2024

**NOTE 7: RESTRICTED CASH**

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, 2024 were as follows:

| | |
|---|---|
| Debt services funds | $ 57,179 |
| Capital improvements funds | 315,788 |
| Meter deposit fund | 29,399 |
| Total | $ 402,366 |

**NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS**

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.

**NOTE 9: 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.

**NOTE 10: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 12, 2026, the date on which the financial statements were available to be issued.

**THOMAS, SPEIGHT & NOBLE**
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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*

Honorable Mayor and Members of the City Council of
City of Norfork, 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 City of Norfork, Arkansas, Water and Wastewater Department, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Norfork, Arkansas, Water and Wastewater Department's basic financial statements and have issued our report thereon dated June 12, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Norfork, Arkansas, Water and Wastewater 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 City of Norfork, Arkansas, Water and Wastewater Department's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Norfork, Arkansas, Water and Wastewater 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 questioned costs as item 2024-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Norfork, Arkansas, Water and Wastewater Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.


| | | | | |
|---|---|---|---|---|
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**City of Norfork, Arkansas**
**Water and Wastewater Department**
**Schedule of Findings and Questioned Costs**
**For the Year Ended December 31, 2024**

**Section I - Summary of Auditors' Results**
***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Any material weakness(es) identified? | x Yes __ No |
| Any significant deficiency(ies) identified? | __ Yes x No |
| Any noncompliance material to financial statements noted? | __ Yes x No |

**Section II - Financial Statement Findings**
**Finding: 2024-001**
**Material Weakness - Internal Control over Financial Reporting**
**Segregation of duties**

Condition: City of Norfork, Arkansas, Water and Wastewater Departments does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the City of Norfork, Arkansas Water and Wastewater Departments's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: City of Norfork, Arkansas Water and Wastewater Departments's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.