

NORTH CROSSETT UTILITIES

Financial Statements

Year Ended June 30, 2022

Richard L. Maxwell & Associates, PLLC
Certified Public Accountants
Crossett, Arkansas

NORTH CROSSETT UTILITIES

June 30, 2022

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Fund Net Position	5
Statement of Revenues, Expenses, and Changes in Fund Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8
SUPPLEMENTAL INFORMATION	
Schedule of Customer Connections and Rates	14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

RICHARD L. MAXWELL & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CRAIG G. KAMINICKI, CPA
RICHARD L. MAXWELL, CPA (1952-2008)
(870) 364-8992 Phone
(870) 364-4508 Fax

101 Cherrywood Lane
P. O. Box 548
Crossett, Arkansas 71635

Independent Auditors' Report

To the Board of Commissioners
North Crossett Utilities
Crossett, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of North Crossett Utilities as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Crossett Utilities as of June 30, 2022, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

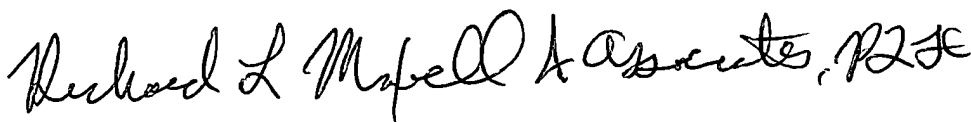
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Crossett Utilities' basic financial statements. The Schedule of Customer Connections and Rates is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Customer Connection and Rates has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of North Crossett Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of 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 effectiveness of North Crossett Utilities' 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 North Crossett Utilities' internal control over financial reporting and compliance.



RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
October 24, 2022

Management's Discussion and Analysis

North Crossett, Arkansas Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2022. We encourage readers to consider this information in conjunction with North Crossett, Arkansas Utilities' financial statements which follow.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities (net position) by \$2,449,532 for the year end June 30, 2022, compared to \$2,482,267 for June 30, 2021, resulting in a decrease in net position of \$36,009 from the prior year end.
- Water Fund - Revenues increased by 8.03%; expenses decreased by 14.68%
Gas Fund - Revenues decreased by 14.86%; expenses decreased by 1.57%
Sewer Fund - Revenues increased by 69.74%; expenses decreased by 6.59%
- Ending balance of cash accounts was \$831,554; \$190,600 of which is restricted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Fund Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position (on pages 6 and 7) provide information about the activities of the District's three major funds individually and in whole.

THE DISTRICT AS A WHOLE

Net Position

As Table 1 shows, the District's combined net position decreased 1.45%, from \$2.449 million to \$2.482 million. Explanations of increases and decreases are as follows:

Current and other assets – increase in cash, increase in inventory, and increase in prepaid insurance.

Capital assets - acquisitions totaled \$24,766 and depreciation expense totaled \$154,531.

Table 1 - Net Position

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Current and restricted assets	\$1,153,580	\$1,019,401	\$ 134,179	13.16%
Capital assets	<u>1,497,568</u>	<u>1,627,333</u>	<u>(129,765)</u>	<u>(7.97%)</u>
Total assets	<u>2,651,148</u>	<u>2,646,734</u>	<u>4,414</u>	<u>0.17%</u>
Current liabilities	185,918	155,366	30,552	19.66%
Non-current liabilities	<u>15,698</u>	<u>9,101</u>	<u>6,597</u>	<u>72.49%</u>
Total liabilities	<u>201,616</u>	<u>164,467</u>	<u>37,149</u>	<u>22.59%</u>

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Net position:				
Net investment in capital assets	\$1,497,568	\$1,627,333	\$(129,765)	(7.97%)
Restricted	190,600	190,084	516	0.27%
Unrestricted	<u>758,090</u>	<u>664,850</u>	<u>93,240</u>	<u>14.02%</u>
Total net position	<u>\$2,449,532</u>	<u>\$2,482,267</u>	<u>\$ (36,009)</u>	<u>(1.45%)</u>

Changes in Net Position

Total revenues had a 10.24% increase in the current year. Total expenses had a 6.67% decrease in the current year.

Table 2 - Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Charges for services:				
Water	\$1,337,841	\$ 312,726	\$ 25,115	8.03%
Gas	389,021	456,912	(67,891)	(14.86%)
Sewer	<u>402,060</u>	<u>236,869</u>	<u>165,191</u>	<u>69.74%</u>
Total charges for services	<u>1,128,922</u>	<u>1,006,507</u>	<u>122,415</u>	<u>12.16%</u>
Operating grants and contributions:				
Water	40,490	52,637	(12,147)	(23.08%)
Gas	0	0	0	0%
Sewer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
Total grants and contributions	<u>40,490</u>	<u>52,637</u>	<u>(12,147)</u>	<u>(23.08%)</u>
Other non-operating revenue:				
Water	0	0	0	0%
Gas	1,013	2,609	(1,596)	(61.17%)
Sewer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
Total non-operating revenue	<u>1,013</u>	<u>2,609</u>	<u>(1,596)</u>	<u>(61.17%)</u>
Total revenues	<u>1,170,425</u>	<u>1,061,753</u>	<u>108,672</u>	<u>10.24%</u>
Operating expenses:				
Water	168,427	197,411	(28,984)	(14.68%)
Gas	292,675	297,355	(4,680)	(1.57%)
Sewer	<u>742,057</u>	<u>794,381</u>	<u>(52,324)</u>	<u>(6.59%)</u>
Total operating expenses	<u>1,203,159</u>	<u>1,289,147</u>	<u>(85,988)</u>	<u>(6.67%)</u>
Total expenses	<u>1,203,159</u>	<u>1,289,147</u>	<u>(85,988)</u>	<u>(6.67%)</u>
Net income	<u>\$ (32,734)</u>	<u>\$ (227,394)</u>	<u>\$194,660</u>	<u>85.60%</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the North Crossett Utilities office at P. O. Box 576, Crossett, AR or telephone at 870-364-2188.

NORTH CROSSETT, ARKANSAS UTILITIES
Statement of Fund Net Position
June 30, 2022

ASSETS	Water	Gas	Sewer	Total
Current Assets				
Non-pooled cash and cash equivalents (Note 2)	\$ 168,436	\$391,233	\$ 81,285	\$ 640,954
Accounts receivable, net	111,644	24,631	54,907	191,182
Inventories	13,902	0	109,546	123,448
Prepaid insurance	5,984	785	628	7,397
Total current assets	<u>299,966</u>	<u>416,649</u>	<u>246,366</u>	<u>962,981</u>
Restricted Assets				
Non-pooled cash and cash equivalents (Notes 2 & 3)	57,255	133,345	0	190,600
Total restricted assets	<u>57,255</u>	<u>133,345</u>	<u>0</u>	<u>190,600</u>
Fixed Assets				
Property and equipment, net (Note 13)	765,472	11,604	625,730	1,402,806
Land	6,025	5,346	83,389	94,760
Total fixed assets	<u>771,497</u>	<u>16,950</u>	<u>709,119</u>	<u>1,497,566</u>
Total assets	<u>\$1,128,718</u>	<u>\$566,944</u>	<u>\$955,485</u>	<u>\$2,651,147</u>

LIABILITIES and FUND NET POSITION

Current Liabilities				
Accounts payable	\$ 16,231	\$ 39,924	\$ 29,287	\$ 85,442
Customer deposits	57,255	43,220	0	100,475
Total current liabilities	<u>73,486</u>	<u>83,144</u>	<u>29,287</u>	<u>185,917</u>
Non-Current Liabilities				
Compensated absences	0	0	15,698	15,698
Total non-current liabilities	<u>0</u>	<u>0</u>	<u>15,698</u>	<u>15,698</u>
Fund Net Position				
Net investment in capital assets	771,498	16,950	712,393	1,500,842
Restricted for customer deposits and gas storage	57,225	133,345	0	190,600
Unrestricted	226,509	333,505	198,107	758,090
Total fund net position	<u>1,055,232</u>	<u>483,800</u>	<u>910,500</u>	<u>2,449,532</u>
Total liabilities and fund net position	<u>\$1,128,718</u>	<u>\$566,944</u>	<u>\$955,485</u>	<u>\$2,651,147</u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT UTILITIES
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2022

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Charges for services, net of bad debts	\$ 337,841	\$ 389,021	\$ 402,060	\$1,128,922
Act 833 and 903 revenue	<u>40,490</u>	<u>0</u>	<u>0</u>	<u>40,490</u>
Total operating revenue	<u>378,331</u>	<u>389,021</u>	<u>402,060</u>	<u>1,169,412</u>
Operating Expenses				
Auto	615	0	6,986	7,601
Dues and subscriptions	912	2,945	4,517	8,374
Gas and oil	0	0	15,804	15,804
Purchased gas	0	230,979	0	230,979
Supplies	70,077	1,366	2,882	74,325
Salaries and employee benefits	16,032	0	327,388	343,420
Act 903 fee expense	6,284	0	0	6,284
Office expense	1,096	1,759	35,651	38,506
Legal and accounting	0	0	46,863	46,863
Repairs and maintenance	4,937	1,754	43,545	50,236
Advertising	0	326	0	326
Payroll taxes	0	0	24,752	24,752
Insurance	937	42,968	62,368	106,273
Depreciation	67,537	10,578	76,416	154,531
Postage	0	0	7,751	7,751
Rent	0	0	1,751	1,751
Uniforms	0	0	7,027	7,027
Utilities	0	0	50,520	50,520
Telephone	0	0	14,364	14,364
Computer Software	<u>0</u>	<u>0</u>	<u>13,472</u>	<u>13,472</u>
Total operating expenses	<u>168,427</u>	<u>292,675</u>	<u>742,057</u>	<u>1,203,159</u>
Operating income (loss)	<u>209,904</u>	<u>96,346</u>	<u>(339,997)</u>	<u>(33,747)</u>
Non-operating Revenue (Expense)				
Gain on Sale of Asset	0	0	0	0
Interest revenue	<u>0</u>	<u>1,013</u>	<u>0</u>	<u>1,013</u>
Total non-operating revenue (expense)	<u>0</u>	<u>1,013</u>	<u>0</u>	<u>1,013</u>
Income (loss) before contributions and transfers	209,904	97,346	(339,997)	(32,734)
Transfers from other funds	0	0	385,752	385,752
Transfers to other funds	<u>(204,614)</u>	<u>(181,139)</u>	<u>0</u>	<u>(385,752)</u>
Change in fund equity	5,290	(83,780)	45,755	(32,735)
Total fund net position, beginning	<u>1,049,943</u>	<u>567,580</u>	<u>864,745</u>	<u>2,482,268</u>
Total fund net position, ending	<u>\$1,055,233</u>	<u>\$ 483,800</u>	<u>\$ 910,500</u>	<u>\$2,449,533</u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT, ARKANSAS UTILITIES

Statement of Cash Flows Year Ended June 30, 2022

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities				
Cash received from customers	\$ 381,063	\$ 386,845	\$ 403,769	\$1,171,677
Interfund transfers	(204,614)	(181,138)	385,752	0
Payments to suppliers	(89,356)	(303,530)	(359,197)	(752,083)
Payments to employees	(16,032)	0	(327,388)	(343,420)
Net cash provided (used) by operating activities	<u>71,061</u>	<u>(97,823)</u>	<u>102,936</u>	<u>76,174</u>
Cash Flows from Capital and Related Financing Activities				
Customer deposits	86	(410)	0	(324)
Acquisition and construction of capital assets	(5,918)	51,190	(38,125)	7,147
Net cash provided (used) by capital and related financing activities	<u>(5,832)</u>	<u>50,780</u>	<u>(38,125)</u>	<u>6,823</u>
Cash Flows from Investing Activities				
Interest received	0	2,025	0	2,025
Net cash provided (used) by investing activities	<u>0</u>	<u>2,025</u>	<u>0</u>	<u>2,025</u>
Net increase (decrease) in cash and cash equivalents	65,229	(45,018)	64,811	85,022
Cash and cash equivalents, July 1, 2021	<u>160,462</u>	<u>569,596</u>	<u>16,474</u>	<u>746,532</u>
Cash and cash equivalents, June 30, 2022	<u><u>\$ 225,691</u></u>	<u><u>\$ 524,578</u></u>	<u><u>\$ 81,285</u></u>	<u><u>\$ 831,554</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities				
Operating Income (loss)	\$ 209,904	\$ 96,346	\$(339,997)	\$ (33,747)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	67,537	10,578	76,416	154,531
Interfund transfers	(204,614)	(181,138)	385,752	0
(Increase) decrease:				
Accounts receivable	(2,733)	2,176	(1,679)	(2,236)
Inventories	0	0	(20,678)	(20,678)
Accrued expenses	0	0	0	0
Increase (decrease) in:				
Accounts payable	967	(25,785)	(3,475)	(28,293)
Compensated absences	0	0	6,597	6,597
Net cash provided (used) by operating activities	<u><u>\$ 71,061</u></u>	<u><u>\$ (97,823)</u></u>	<u><u>\$ 102,936</u></u>	<u><u>\$ 76,174</u></u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

North Crossett Utilities (the District) is an improvement district that consists of three (3) utility operations: gas, water, and sewer.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant GASB pronouncements. The District also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the District's accounting policies are described below.

Basis of Presentation

The basic financial statements of the reporting district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. The funds of the financial reporting district are described below:

Proprietary Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting district includes the Water, Gas, and Sewer funds. These funds provide the specified utilities to the public.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

All the financial statements of the District use the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

The basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Cash Equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid assets (including restricted assets, if any) with a maturity of twelve months or less when purchased to be cash equivalents.

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

Receivables

In the government-wide and fund financial statements, receivables consist of utility accounts.

Inventory and Prepaids

Inventories in the proprietary funds are included at the lower of cost or market and are reported on a first-in, first-out basis.

Prepaids are included in the financial statements for items paid at year end that benefit future periods.

Property, Plant, and Equipment

The District's property, equipment, and infrastructure capitalizes and depreciates items having useful lives of one year or more and a cost exceeding \$2,000. These assets are recorded in the statements at historical cost. The District maintains infrastructure asset records on the same basis as other depreciated assets of the District. Donated assets are recorded at their fair market value when donated. The costs of normal maintenance and repair items are not capitalized.

Capital assets are depreciated using the straight line method having useful lives of the following:

Sewer lines and improvements	60 Years
Gas lines and improvements	35 Years
Water lines and improvements	40 Years
Buildings and improvements	15 - 20 Years
Equipment and autos	3 - 10 Years

When capital assets are disposed, the cost and applicable accumulated depreciation is written off the books and any resulting gain or loss is recorded.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to debt service, customer deposits, and maintenance.

Compensated Absences

Full-time employees of the District are given vacation pay and sick leave at various amounts depending on their tenure with the District. Unused vacation pay is payable to employees upon leaving the employment of the District. A liability for the accrued vacation pay has been included in the statements of the District. The unused sick leave is not payable by the District if an employee leaves or is terminated from the District, therefore no liability has been accrued for unused sick leave.

Capitalized Interest

Interest cost associated with long term construction projects is capitalized and depreciated over the life of the asset constructed.

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

Bad Debt Recognition

The District uses the direct write off method for bad debts and they are written off when determined to be non-collectible. The following amounts were written off in the current year and are netted against sales revenue in the financial statements:

Water	\$1,955
Gas	568
Sewer	<u>1,886</u>
	<u>\$4,409</u>

Revenue Recognition

The District bills monthly for services and products sold to customers. The receivables are due by the 10th of the next month with penalties added for payments not received by the 10th. Any amounts not received by the end of the month are considered delinquent and are subject to having the utility turned off. The accrued trade receivables recorded in the financial statements are based on estimated customer consumption from the date of last billing to the end of the current year.

Equity Classification

Equity is classified as net assets and displayed in three components:

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

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

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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through October 24, 2022, the date which the financial statements were available to be issued.

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

Note 2 - Cash and cash equivalents

The District's cash consists of cash in operating accounts, certificates of deposit and money market accounts, all allowed to be held by state statute. Various amounts in money market and CDs were held during the year that were not held at year end. At year end the cash and cash equivalents held in financial institutions amounted to \$741,429 and were fully insured by depository insurance or secured collateral held by the District's agent in its name.

The cash is held in the following types of funds and accounts:

Cash on hand	\$ 2,635
Demand deposit accounts	488,794
Money market accounts, local banks, unrated	90,125
Certificates of deposit	<u>250,000</u>
	<u>\$831,554</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents, unrestricted	\$640,954
Cash and cash equivalents, restricted	<u>190,600</u>
	<u>\$831,554</u>

Note 3 - Restricted Cash

Cash has been restricted in the following amounts:

Customer deposits	\$100,475
Gas storage fund	<u>90,125</u>
	<u>\$190,600</u>

Note 4 - Medical Health Insurance

The District pays a portion of employee premiums to a private carrier for the employee's major medical coverage. Any amounts not covered by the insurance coverage are paid by the employee.

Note 5 - Insurance Coverage

The District has commercial insurance coverage to provide for potential loss to physical property and also for liability coverage.

Note 6 - Firemen's Pension Plan

The District has only volunteer firemen. These firemen are covered under the state's firemen's pension plan and are administered under the state's LOPFI pension fund. The fund's most recent PERS report may be obtained from Tina Maxwell via e-mail from a representative of the LOPFI fund. The fund's actuarial report evaluation as of December 31, 2021 reflected the following information:

For 2021, the political subdivision's annual pension cost of \$10,284 was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2021 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions effective for the 2021 valuation included (a) a rate of return on the investment of present and future assets of 7.25% per year, (b) the assumption that benefits will increase 2.25% per year after

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

retirement, (c) remaining amortization period of 1 years beginning January 1, 2023, and (d) pre- and post-retirement mortality based on the RP-2014 Employee and Healthy Annuitant tables, respectively adjusted for fully generational mortality improvements using Scale MP-2020. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period.

The actuarial value of assets was (\$43,130), resulting in an unfunded liability of \$108,095. This liability has not been included in the financial statements of the Utility District. The combined employer rate computed for 2021 to fund the LOPFI pension plan is \$60.00 per month, per member, which is 14.

Note 7 - Employee Pension Plan (Other than Firemen - included in Note 6)

The District contributes a portion of the employee's salary to an IRA for pension plan coverage. All contributions are 100% vested to the employee when contributed. Participation in the program is not mandatory by the employees.

Note 8 - Changes in Short Term Debt and Accounts Payable

The following gives the changes in short term debt for the year ended June 30, 2022:

	Payable at 6/30/21	Additions	Reductions	Payable at 6/30/22
Accounts payable	\$ 55,215	\$30,227	\$0	\$ 85,442
Customer deposits	100,151	324	0	100,475
	<u>\$155,366</u>	<u>\$30,551</u>	<u>\$0</u>	<u>\$185,917</u>

Note 9 - Changes in Long-term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Payable at 6/30/21	Additions	Reductions	Payable at 6/30/22
Comp. Absences	\$ 9,101	\$6,597	\$0	\$15,698

Note 10 - Component Units

There are no component units for the North Crossett Utilities, therefore the financial statements do not present a column for component units.

Note 11 - Economic Dependency

Georgia Pacific Corporation is the major employer for citizens living in the North Crossett Improvement District area. As a result, the Improvement District is affected by the interrelationship with Georgia Pacific and its operations.

Note 12 - Transfers

The Gas, Water, and Sewer funds transfer monies between themselves as needed for payment of various expenses. These funds are not required to be repaid to the fund making the transfer and no liability is recorded in the financial statements of the individual funds for these transfers. The transfers are reflected separately in the Statement of Revenues, Expenses and Changes in Fund Net Assets as transfers from other funds and transfers to other funds. Total transfers between funds for the current year was \$385,752. Transfers between funds have been eliminated in the Statement of Activities.

NORTH CROSSETT, ARKANSAS UTILITIES

Notes to Financial Statements

June 30, 2022

Note 13 - Property, Plant, and Equipment

The District had the following changes in capital assets during the year ended June 30, 2022:

	Depreciable Capital Assets		Non-Depreciable Capital Assets	
	Autos Equip.	Infrastructure Buildings	Constr/Prog. Land	Total
Assets				
Beginning balance	\$1,142,793	\$5,189,150	\$94,760	\$6,426,703
Increases	24,766	0	0	24,766
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending balance	<u>1,167,559</u>	<u>5,189,150</u>	<u>94,760</u>	<u>6,451,469</u>
Accumulated depreciation				
Beginning balance	1,068,680	3,730,691	0	4,799,371
Increase	32,018	122,514	0	154,532
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending balance	<u>1,100,698</u>	<u>3,853,205</u>	<u>0</u>	<u>4,953,903</u>
Net cap assets	<u>\$ 66,861</u>	<u>\$1,335,945</u>	<u>\$94,760</u>	<u>\$1,497,566</u>

Depreciation expense for the current year by function included in the Statement of Activities is as follows:

Water	\$ 67,537
Gas	10,578
Sewer	<u>76,416</u>
	<u>\$154,531</u>

Note 14 - Restricted Assets

The Statement of Net Position reflects restricted expendable funds for the following items:

Restricted for customer deposits and gas storage	<u>\$190,600</u>
--	------------------

Note 15 - Postemployment Benefits

The employees of the District have the option of continuing medical coverage after retirement with the provider the District uses. The post retirement premiums are the responsibility of the employee and the District pays no part of the continued coverage. There are no other post employee benefits other than pension benefits as explained in Notes 6 and 7.

NORTH CROSSETT, ARKANSAS UTILITIES
Schedule of Customer Connections and Rates
June 30, 2022

CUSTOMERS	Water	Gas	Sewer
July-21	1,303	591	1,159
August	1,303	589	1,154
September	1,308	589	1,167
October	1,295	584	1,160
November	1,298	612	1,161
December	1,290	586	1,154
January-22	1,288	590	1,148
February	1,294	590	1,156
March	1,298	593	1,163
April	1,288	590	1,153
May	1,289	590	1,152
June	<u>1,280</u>	<u>584</u>	<u>1,147</u>
Total Connections 7/1/21 - 6/30/22	<u>15,534</u>	<u>7,088</u>	<u>13,874</u>
Total Connections 7/1/20 - 6/30/21	<u>15,661</u>	<u>7,168</u>	<u>13,987</u>

RATES

Water System		3/4 In. Meter	1 In. Meter	3 In. Meter	w5 Meter
First	2,000 Gals @	\$10.70	\$21.55	\$134.20	\$184.80
Next	3,000 Gals @	3.65	Minimum	Minimum	Minimum
Next	5,000 Gals @	3.65	5,000	40,000	75,000
Next	90,000 Gals @	3.15			
Over	100,000 Gals @	2.3	2 In. Meter	6 In. Meter	
			\$61.60	\$243.10	
			Minimum	Minimum	
			17,000	75,000	

Gas System

First	500 CCF @	\$17.40 MINIMUM
Next	3,500 CCF @	1.42 per CCF
Next	10,000 CCF @	1.35 per CCF
Next	20,000 CCF @	1.27 per CCF
Next	46,000 CCF @	1.25 per CCF
Over	80,000 CCF @	1.23 per CCF

Sewer System	Residential	Commercial	Industrial
0 - 2,000 Gal	\$18.30	\$19.80	\$29.05
2,001 - 5,000 Gal	1.70/M Gal	2.1	2.1
5,001 - 8,000 Gal	2.25/M Gal	2.65	2.65
8,001 - 10,000 Gal	1.55/M Gal	2.65	2.65
10,001 - 20,000 Gal	1.20/M Gal	1.45	1.45
Over 20,000 Gal	1.05/M Gal	1.2	1.3

RICHARD L. MAXWELL & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CRAIG G. KAMINICKI, CPA
RICHARD L. MAXWELL, CPA (1952-2008)
(870) 364-8992 Phone
(870) 364-4508 Fax

101 Cherrywood Lane
P. O. Box 548
Crossett, Arkansas 71635

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners
North Crossett Utilities
Crossett, 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 North Crossett Utilities as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise North Crossett Utilities' basic financial statements, and have issued our report thereon dated October 24, 2022.

Internal Control Over Financial Reporting

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

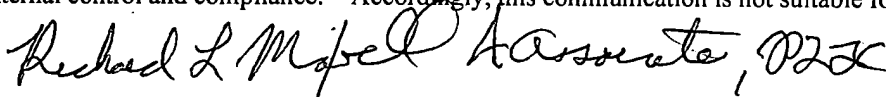
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.



RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
October 24, 2022