

NORTH CROSSETT UTILITIES

Financial Statements

Years Ended June 30, 2023 and 2022

Maxwell CPA
Certified Public Accountants
Crossett, Arkansas

NORTH CROSSETT UTILITIES

June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Commissioners
North Crossett Utilities
Crossett, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of North Crossett Utilities, as of and for the years ended June 30, 2023 and 2022, and related notes to the financial statements, which collectively comprise North Crossett Utilities 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, the respective financial position of the business-type activities of North Crossett Utilities, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 North Crossett Utilities 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 North Crossett Utilities' 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 North Crossett Utilities' 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 North Crossett Utilities' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the schedule of customer connections and rates. Our opinions on the basic financial statements do 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 February 15, 2024, on our consideration North Crossett Utilities' 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 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.



MAXWELL CPA
Certified Public Accountants

Crossett, Arkansas
February 15, 2024

Management's Discussion and Analysis

North Crossett Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the years ended June 30, 2023 and 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 \$2,459,202 for the year end June 30, 2023, compared to \$2,449,532 for June 30, 2022, resulting in an increase in net position of \$9,670 from the prior year end.
- Water Fund - Revenues increased by 14.98%; expenses increased by 16.66%
Gas Fund - Revenues decreased by 14.86%; expenses decreased by 3.83%
Sewer Fund - Revenues increased by 22.92%; expenses increased by 8.49%
- Ending balance of cash accounts was \$829,849; \$193,226 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 increased by 0.39%, from \$2.449 million to \$2.459 million. Explanations of increases and decreases are as follows:

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

Capital assets - acquisitions totaled \$126,172 and depreciation expense totaled \$106,386.

Table 1 - Net Position

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Current and restricted assets	\$1,152,579	\$1,153,581	\$ (1,002)	(.08%)
Capital assets	<u>1,466,626</u>	<u>1,497,566</u>	<u>(30,940)</u>	<u>(2.06%)</u>
Total assets	<u>2,619,205</u>	<u>2,651,147</u>	<u>(31,942)</u>	<u>(1.20%)</u>
Current liabilities	147,666	185,917	(38,251)	(20.67%)
Non-current liabilities	<u>12,337</u>	<u>15,698</u>	<u>(3,361)</u>	<u>(21.41%)</u>
Total liabilities	<u>160,003</u>	<u>201,615</u>	<u>(41,612)</u>	<u>(20.64%)</u>

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Net position:				
Net investment in capital assets	\$1,466,626	\$1,497,566	\$(30,940)	(2.06%)
Restricted	193,226	190,600	2,626	1.38%
Unrestricted	799,350	761,366	37,984	4.99%
Total net position	<u>\$2,459,202</u>	<u>\$2,449,532</u>	<u>\$ 9,670</u>	<u>0.39%</u>

Changes in Net Position

Total revenues had a 10.45% increase in the current year. Total expenses had a 6.63% increase in the current year.

Table 2 - Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Inc (Dec)</u>
Charges for services:				
Water	\$ 361,009	\$ 337,841	\$ 50,641	14.98%
Gas	369,152	389,021	(19,869)	(14.86%)
Sewer	494,621	402,060	92,156	22.92%
Total charges for services	<u>1,224,782</u>	<u>1,128,922</u>	<u>122,928</u>	<u>10.89%</u>
Operating grants and contributions:				
Water	27,472	40,490	(13,018)	(32.15%)
Gas	0	0	0	0%
Sewer	0	0	0	0%
Total grants and contributions	<u>27,472</u>	<u>40,490</u>	<u>(13,018)</u>	<u>(32.15%)</u>
Other non-operating revenue:				
Water	38,780	0	0	0%
Gas	1,775	1,012	763	75.39%
Sewer	0	0	0	0%
Total non-operating revenue	<u>40,555</u>	<u>1,012</u>	<u>39,543</u>	<u>75.39%</u>
Total revenues	<u>1,292,809</u>	<u>1,170,424</u>	<u>122,385</u>	<u>10.45%</u>
Operating expenses:				
Water	196,488	168,427	28,061	16.66%
Gas	281,462	292,675	(11,213)	(3.83%)
Sewer	805,189	742,197	62,992	8.49%
Total operating expenses	<u>1,283,139</u>	<u>1,203,299</u>	<u>79,840</u>	<u>6.63%</u>
Total expenses	<u>1,283,139</u>	<u>1,203,299</u>	<u>79,840</u>	<u>6.63%</u>
Net income	<u>\$ 9,670</u>	<u>\$ (32,875)</u>	<u>\$ 42,450</u>	<u>129.12%</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 UTILITIES

Statements of Fund Net Position

June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Non-pooled cash and cash equivalents (Note 2)	\$ 636,623	\$ 640,954
Accounts receivable, net	185,380	191,182
Inventories	129,999	123,448
Prepaid insurance	7,351	7,397
Total current assets	<u>959,353</u>	<u>962,981</u>
Restricted Assets		
Non-pooled cash and cash equivalents (Notes 2 & 3)	193,226	190,600
Total restricted assets	<u>193,226</u>	<u>190,600</u>
Fixed Assets		
Property and equipment, net (Note 13)	1,371,866	1,402,806
Land	94,760	94,760
Total fixed assets	<u>1,466,626</u>	<u>1,497,566</u>
Total assets	<u>\$2,619,205</u>	<u>\$2,651,147</u>

LIABILITIES and FUND NET POSITION

Current Liabilities		
Accounts payable	\$ 44,981	\$ 85,442
Customer deposits	102,685	100,475
Total current liabilities	<u>147,666</u>	<u>185,917</u>
Non-Current Liabilities		
Compensated absences	12,337	15,698
Total non-current liabilities	<u>12,337</u>	<u>15,698</u>
Fund Net Position		
Net investment in capital assets	1,466,626	1,497,566
Restricted for customer deposits and gas storage	193,226	190,600
Unrestricted	799,350	761,366
Total fund net position	<u>2,459,202</u>	<u>2,449,532</u>
Total liabilities and fund net position	<u>\$2,619,205</u>	<u>\$2,651,147</u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT UTILITIES
Statements of Revenues, Expenses, and Changes in Fund Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Charges for services, net of bad debts	\$1,224,782	\$1,128,922
Act 833 and 903 revenue	<u>27,472</u>	<u>40,490</u>
Total operating revenue	<u>1,252,254</u>	<u>1,169,412</u>
Operating Expenses		
Auto	23,760	7,601
Dues and subscriptions	13,027	8,374
Gas and oil	19,398	15,804
Purchased gas	202,611	230,979
Supplies	141,969	74,325
Salaries and employee benefits	378,720	343,420
Act 903 fee expense	6,197	6,284
Office expense	20,768	38,506
Legal and accounting	32,981	46,863
Repairs and maintenance	68,102	50,236
Advertising	326	326
Payroll taxes	28,054	24,752
Insurance	95,173	106,273
Depreciation	157,113	154,531
Postage	7,897	7,751
Rent	4,510	1,751
Uniforms	8,887	7,027
Utilities	64,440	50,520
Telephone	9,206	14,364
Computer software	<u>0</u>	<u>13,612</u>
Total operating expenses	<u>1,283,139</u>	<u>1,203,299</u>
Operating income (loss)	<u>(30,885)</u>	<u>(33,887)</u>
Non-operating Revenue (Expense)		
Gain on sale of asset	38,780	0
Interest revenue	<u>1,775</u>	<u>1,012</u>
Total non-operating revenue (expense)	<u>40,555</u>	<u>1,012</u>
Change in fund equity	9,670	(32,875)
Total fund net position, beginning	<u>2,449,532</u>	<u>2,482,407</u>
Total fund net position, ending	<u>\$2,459,202</u>	<u>\$2,449,532</u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT UTILITIES
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,252,254	\$1,171,677
Payments to suppliers	(842,560)	(752,083)
Payments to employees	(378,720)	(343,420)
Net cash provided (used) by operating activities	<u>30,974</u>	<u>76,174</u>
Cash Flows from Capital and Related Financing Activities		
Customer deposits	2,210	(324)
Acquisition and construction of capital assets	(126,172)	7,147
Net cash provided (used) by capital and related financing activities	<u>(123,962)</u>	<u>6,823</u>
Cash Flows from Investing Activities		
Interest received	1,775	2,025
Disposal of assets	50,728	0
Gain on disposal of assets	38,780	0
Net cash provided (used) by investing activities	<u>91,283</u>	<u>2,025</u>
Net increase (decrease) in cash and cash equivalents	(1,705)	85,022
Cash and cash equivalents, July 1, 2023 and 2022	<u>831,554</u>	<u>746,532</u>
Cash and cash equivalents, June 30, 2023 and 2022	<u><u>\$ 829,849</u></u>	<u><u>\$ 831,554</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (30,885)	\$ (33,887)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	106,386	154,531
(Increase) decrease:		
Accounts receivable	5,801	(2,236)
Inventories	(6,552)	(20,678)
Increase (decrease) in:		
Accounts payable	(40,415)	(28,153)
Compensated absences	(3,361)	6,597
Net cash provided (used) by operating activities	<u><u>\$ 30,974</u></u>	<u><u>\$ 76,174</u></u>

See independent auditors' report and notes to financial statements.

NORTH CROSSETT UTILITIES

Notes to Financial Statements

June 30, 2023 and 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 UTILITIES

Notes to Financial Statements

June 30, 2023 and 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.

NORTH CROSSETT UTILITIES

Notes to Financial Statements

June 30, 2023 and 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	\$2,631
Gas	555
Sewer	<u>2,646</u>
	<u>\$5,832</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 position 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 February 15, 2024, the date which the financial statements were available to be issued.

NORTH CROSSETT UTILITIES

Notes to Financial Statements

June 30, 2023 and 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 \$829,849 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:

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 2,635	\$ 2,635
Demand deposit accounts	486,673	488,794
Money market accounts, local banks, unrated	90,541	90,125
Certificates of deposit	<u>250,000</u>	<u>250,000</u>
	<u>\$829,849</u>	<u>\$831,554</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents, unrestricted	\$636,623	\$640,954
Cash and cash equivalents, restricted	<u>193,226</u>	<u>190,600</u>
	<u>\$829,849</u>	<u>\$831,554</u>

Note 3 - Restricted Cash

Cash has been restricted in the following amounts:

	<u>2023</u>	<u>2022</u>
Customer deposits	\$102,685	\$100,475
Gas storage fund	<u>90,541</u>	<u>90,125</u>
	<u>\$193,226</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, 2022 reflected the following information:

For 2022, the political subdivision's annual pension cost of \$10,344 was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2022 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions

NORTH CROSSETT UTILITIES

Notes to Financial Statements

June 30, 2023 and 2022

effective for the 2022 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 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 (\$46,168), resulting in an unfunded liability of \$119,167. This liability has not been included in the financial statements of the Utility District. The combined employer rate computed for 2022 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, 2023:

	Payable at 6/30/22	Additions	Reductions	Payable at 6/30/23
Accounts payable	\$ 85,442	\$ 0	\$40,415	\$ 45,027
Customer deposits	100,475	2,210	0	102,685
	<u>\$185,917</u>	<u>\$2,210</u>	<u>\$40,415</u>	<u>\$147,712</u>

Note 9 - Changes in Long-term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Payable at 6/30/22	Additions	Reductions	Payable at 6/30/23
Comp. Absences	\$15,698	\$0	\$3,361	\$12,337

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

NORTH CROSSETT UTILITIES

Notes to Financial Statements

June 30, 2023 and 2022

the current year was \$231,741. Transfers between funds have been eliminated in the Statement of Activities.

Note 13 - Property, Plant, and Equipment

The District had the following changes in capital assets during the year ended June 30, 2023:

	Depreciable Capital Assets		Non-Depreciable Capital Assets	
	Autos Equip.	Infrastructure Buildings	Constr/Prog. Land	Total
Assets				
Beginning balance	\$1,167,559	\$5,189,150	\$94,760	\$6,451,469
Increases	126,172	0	0	126,175
Decreases	(50,728)	0	0	(50,728)
Ending balance	<u>1,243,003</u>	<u>5,189,150</u>	<u>94,760</u>	<u>6,526,913</u>
Accumulated depreciation				
Beginning balance	1,100,698	3,853,205	0	4,953,903
Increase	34,698	122,414	0	157,112
Decreases	(50,728)	0	0	(50,728)
Ending balance	<u>1,084,668</u>	<u>3,975,619</u>	<u>0</u>	<u>5,060,287</u>
Net cap assets	<u>\$ 158,335</u>	<u>\$1,213,531</u>	<u>\$94,760</u>	<u>\$1,466,626</u>

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

	2023	2022
Water	\$ 79,011	\$ 67,537
Gas	4,403	10,578
Sewer	73,698	76,416
	<u>\$157,112</u>	<u>\$154,531</u>

Note 14 - Restricted Assets

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

	2023	2022
Restricted for customer deposits and gas storage	<u>\$193,226</u>	<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, 2023

CUSTOMERS	Water	Gas	Sewer
July-22	1,274	579	1,139
August	1,266	572	1,133
September	1,273	574	1,140
October	1,272	584	1,138
November	1,271	584	1,138
December	1,271	580	1,129
January-23	1,267	586	1,138
February	1,268	583	1,138
March	1,269	580	1,132
April	1,268	583	1,137
May	1,266	577	1,131
June	<u>1,261</u>	<u>573</u>	<u>1,129</u>
Total Connections 7/1/22 - 6/30/23	<u>15,226</u>	<u>6,955</u>	<u>13,622</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

*Effective 12/15/21 - \$15 customer charge added to each account

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**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, 2023, and the related notes to the financial statements, which collectively comprise North Crossett Utilities' basic financial statements, and have issued our report thereon dated February 15, 2024.

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.

 CPA

MAXWELL CPA
Certified Public Accountants

Crossett, Arkansas
February 15, 2024