

CRAWFORDSVILLE
WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT

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WYNNE, ARKANSAS 72396

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Crawfordsville Water and Sewer Department
Crawfordsville, Arkansas 72327

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Crawfordsville Water and Sewer Department as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Crawfordsville Water and Sewer Department as of December 31, 2022 and 2021, and 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 Qualified 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 Controller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Crawfordsville Water and Sewer 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. As more fully described in Note G to the financial statements, for the years ended December 31, 2022 and 2021, the Entity has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employee pension

to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions, or events considered in the aggregate, that raise substantial doubt about the Crawfordsville Water and Sewer 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 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 Crawfordsville Water and Sewer 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 the Crawfordsville Water and Sewer 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 5 through 7 and 20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although 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

As discussed in Note A, the accompanying financial statements of the Crawfordsville Water and Sewer Department are intended to present the financial position, and the changes in financial position and the cash flows of the City that is attributable to the transactions of the Crawfordsville Water and Sewer Department. They do not purport to, and do not, present fairly the financial position of the City of Crawfordsville, Arkansas, as of December 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in

conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the Crawfordsville Water and Sewer Department's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Crawfordsville Water and Sewer Department's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas

May 11, 2023

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Within this section of the Crawfordsville Water and Sewer Department's financial report, the Entity's management provides narrative discussion and analysis of the financial activities of the Entity for the year ended December 31, 2022. The Entity's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Using this annual report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Entity as a whole and present a longer term view of the Entity's finances. The Statement of Cash Flows provides a summary of the changes in cash and cash equivalents for the year. Information is included in the Notes to Financial Statements to disclose accounting policies and additional financial detail amounts shown in the financial statements. A report on internal control is also included.

Reporting on Crawfordsville Water and Sewer Department as a whole

Our analysis of the Entity as a whole follows in the next section. The Entity operates as a business-type activity providing water utilities to its customers. Its revenues must be sufficient to cover the cost of operations, payments of indebtedness, and cost of improvements to the system. One of the most important questions asked about the Entity's finances is "Is the Entity as a whole better off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Entity as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Entity's net position and changes in net position. You can think of the Entity's net position (the difference between assets and liabilities) as one way to measure the Entity's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether the financial health is improving, or deteriorating. You will need to consider other nonfinancial factors, however, such as the conditions of the water and sewer system, to assess the overall health of the Entity.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Financial Highlights:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning Net Position	\$ 2,365,730	\$ 2,364,550	\$ 2,323,919
Increase (Decrease) in Net Position	(65,752)	1,180	40,631
Ending Net Position	<u>\$ 2,299,978</u>	<u>\$ 2,365,730</u>	<u>\$ 2,364,550</u>

The following table summarizes the entity's net position as of 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 451,725	\$ 472,209	\$ 421,064
Restricted assets	175,766	174,511	172,975
Capital Assets	1,963,444	2,017,492	2,074,532
Total Assets	<u>\$ 2,590,935</u>	<u>\$ 2,664,212</u>	<u>\$ 2,668,571</u>
Current Liabilities	\$ 201,369	\$ 194,535	\$ 185,526
Long-term liabilities	83,714	98,073	112,621
Total Liabilities	<u>285,083</u>	<u>292,608</u>	<u>298,147</u>
Contingency	<u>5,874</u>	<u>5,874</u>	<u>5,874</u>
Net Position			
Unrestricted	435,024	460,272	416,150
Restricted for debt service	-	-	-
Net invest in capital assets	1,864,954	1,905,458	1,948,400
Total Net Position	<u>\$ 2,299,978</u>	<u>\$ 2,365,730</u>	<u>\$ 2,364,550</u>

The following schedule presents a summary of revenues and expenditures for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 358,574	\$ 354,547	\$ 344,365
Operating Expenses	434,591	348,360	322,760
Operating Income	(76,017)	6,187	21,605
Other Income (Expenses)	10,265	(5,007)	19,026
Change in Net Position	<u>\$ (65,752)</u>	<u>\$ 1,180</u>	<u>\$ 40,631</u>

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end December 31, 2022, the Entity had \$ 1,963,444 invested in capital assets. This represents a net decrease of \$ 54,048 which is the result of additions of \$ 17,142 and depreciation expense recognized of \$ 71,190.

Debt

At year end, the Entity had \$ 98,490 in outstanding bonds and notes payable. This represents a net decrease of \$ 13,544 which is the result of repayments.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

No rate increase for next year is anticipated.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Entity's finances and to show the Entity's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mayor Joe Marotti, Crawfordsville, AR, 870-823-5291.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash on hand and in banks	\$ 243,688	\$ 264,439
Accounts receivable - customers	44,934	44,667
Accounts receivable - City of Crawfordsville	163,103	163,103
Total Current Assets	451,725	472,209
RESTRICTED ASSETS		
Cash - Construction	100	
Customer meter deposits	102,696	101,541
Depreciation reserve	72,970	72,970
Total restricted assets	175,766	174,511
PROPERTY AND EQUIPMENT		
Utility, plant and equipment	4,110,929	4,093,787
Less: accumulated depreciation	(2,147,485)	(2,076,295)
Net Property and equipment	1,963,444	2,017,492
TOTAL ASSETS	\$ 2,590,935	\$ 2,664,212

The accompanying notes are an integral part of the financial statements.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 5,831	\$ 12,607
Accounts payable - City of Crawfordsville	74,624	63,421
Current portion of notes payable	14,776	13,961
Accrued payroll and sales tax	3,147	3,002
Accrued interest payable	520	514
Total Current Liabilities	98,898	93,505
 PAYABLE FROM RESTRICTED ASSETS		
Customer meter deposits	102,471	101,030
 LONG TERM DEBT:		
Notes payable, net of current portion	83,714	98,073
Contingency reserve	5,874	5,874
 NET POSITION		
Invested in capital assets, net of related debt	1,864,954	1,905,458
Unrestricted	435,024	460,272
Net Position	2,299,978	2,365,730
 TOTAL LIABILITIES AND NET POSITION	\$ 2,590,935	\$ 2,664,212

The accompanying notes are an integral part of the financial statements.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUE		
Water Revenue	\$ 269,353	\$ 269,910
Sewer Revenue	86,050	82,849
Other Revenue	3,171	1,788
Total Operating Revenue	<u>358,574</u>	<u>354,547</u>
OPERATING EXPENSES		
Contract services	97,690	55,219
Depreciation	71,190	69,929
Insurance	12,075	12,287
Miscellaneous	11,489	4,582
Postage	4,217	4,299
Salaries and benefits	124,507	110,125
Payroll taxes	8,444	7,664
Repairs	61,760	49,351
Supplies	1,516	1,419
Training	61	40
Utilities	41,642	33,445
Total Operating Expenses	<u>434,591</u>	<u>348,360</u>
OPERATING INCOME	<u>(76,017)</u>	<u>6,187</u>
OTHER INCOME (EXPENSES)		
DRA Grant for Tank Repaint	107,635	107,983
Tank Repainting	(91,553)	(107,983)
Interest expense	(5,817)	(5,007)
Total Other Income (Expense)	<u>10,265</u>	<u>(5,007)</u>
Change in Net Position, Increase (Decrease)	(65,752)	1,180
Net Position, Beginning	<u>2,365,730</u>	<u>2,364,550</u>
Net Position, Ending	<u>\$ 2,299,978</u>	<u>\$ 2,365,730</u>

The accompanying notes are an integral part of the financial statements.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 359,748	\$ 350,106
Cash payments to suppliers	(245,525)	(166,298)
Cash payments to employees	(124,507)	(110,125)
	(10,284)	73,683
CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES		
Transfers from (to) City of Crawfordsville	11,203	6,748
Transfers from (to) restricted funds	(1,255)	(1,536)
	9,948	5,212
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(17,142)	(12,889)
Proceeds from Construction Grants	107,635	107,983
Tank Repainting	(91,553)	(107,983)
Principal payments on loans	(13,544)	(14,101)
Interest paid	(5,811)	(5,296)
	(20,415)	(32,286)
Net Increase (decrease) in cash and cash equivalents	(20,751)	46,609
Cash and equivalents, beginning of year	264,439	217,830
	\$ 243,688	\$ 264,439
Adjustments to reconcile operating income to Net Cash Provided by Operating Activities		
Operating Income	\$ (76,017)	\$ 6,187
Depreciation	71,190	69,929
(Increase) decrease in accounts receivable	(267)	(4,536)
Increase (decrease) in accounts payable	(6,776)	1,718
Increase (decrease) in accrued liabilities	145	290
Increase (decrease) in customer meter deposits	1,441	95
	\$ (10,284)	\$ 73,683

The accompanying notes are an integral part of the financial statements.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Crawfordsville Water and Sewer Department is a fund of the City of Crawfordsville. Its purpose is to provide water and sewer service to the citizens of Crawfordsville, AR. The financial statements are those of the Water and Sewer Department fund only, and not a government wide presentation for the City of Crawfordsville.

Accounting Method - Crawfordsville Water and Sewer Department prepares its financial statements in accordance with generally accepted accounting principles. The accrual basis of accounting is used for financial reporting purposes.

Accounts Receivable - Accounts receivable is presented at estimated net realizable value. The specific charge off method is used to record bad debt expense. No material difference results from use of the specific charge off method instead of the reserve method as required by generally accepted accounting principles.

Property, Plant and Equipment - Property and equipment are capitalized and recorded at cost. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is computed using the straight-line method, based upon estimated useful lives of the assets, which range from 5 to 10 years for office and other equipment, and 10 to 40 years for buildings and water and sewer improvements.

Cash Equivalents - For purposes of the statement of cash flows, the Department considers all cash and savings accounts to be cash equivalents. Cash restricted for specific use under terms of loan agreements are not considered cash equivalents.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management - The Crawfordsville Water and Sewer Department minimizes risk of loss through purchase of commercial insurance.

Sales Taxes - Water sales are subject to Arkansas Sales Tax. Revenues are presented net of sales taxes.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE B - RESTRICTED ASSETS:

Customer meter deposits held by the Crawfordsville Water and Sewer Department at December 31, 2022 totaled \$ 102,471. The restricted cash account contains \$ 225 more than the required amount. A contingency reserve has been established due to excess amounts in the meter deposit account over detailed records of users and their deposits. The reserve will be used to refund deposits to users who leave the system.

The Depreciation Reserve Account is required to be accumulated to a total of \$10,000 for contingent repair work.

The 2002 Revenue Bonds require a depreciation reserve to be accumulated at a rate of 3 % of gross revenue while the Bond is outstanding. The 2004 Note Payable to Arkansas Soil and Water Conservation Commission requires that the Crawfordsville Water and Sewer Department maintain a depreciation reserve. The 2017 Note Payable to Arkansas Natural Resource Commission requires that a depreciation reserve should be established with 3% of gross revenues added to the reserve monthly until \$50,000 is accumulated. At year end for 2022 and 2021, the City had depreciation reserves of \$ 72,970 and \$ 72,970.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE C – LONG-TERM DEBT:

	2022	2021
5% Note Payable to Arkansas Soil and Water Conservation Commission, due in annual installments of \$ 4,132 through June 2024.	7,699	11,268
3.0% Note Payable to Arkansas Natural Resource Commission due in annual installments of \$ 3,462.	23,406	24,274
4.6% Revenue Bond, due in semi-annual installments of \$ 6,631 through June 2029. Secured by pledges of future revenues.	67,385	76,492
Total	98,490	112,034
Less: Current Portion	(14,776)	(13,961)
Long-Term Debt, net of Current Portion	\$ 83,714	\$ 98,073

A summary of Long-Term Debt activity is as follows:

Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
\$ 112,034	\$ -	\$ 13,544	\$ 98,490

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2022 AND 2021

NOTE C - NOTES PAYABLE (cont'd)

Future payments required on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For years ending December 31			
2023	\$ 14,776	\$ 4,079	\$ 18,855
2024	15,470	3,403	18,873
2025	12,028	2,695	14,723
2026	12,554	2,169	14,723
2027	13,127	1,604	14,731
Five year periods:			
2032	24,313	3,499	27,812
2037	6,222	1,007	7,229
	<u>\$ 98,490</u>	<u>\$ 18,456</u>	<u>\$ 116,946</u>

NOTE D - CASH AND CERTIFICATES OF DEPOSIT:

At December 31, cash consists of the following

	<u>2022</u>	<u>2021</u>
Water and Sewer Operations	\$ 243,688	\$ 264,439
Customer Meter Deposits	102,696	101,541
Cash - Construction	100	-
Reserve for Depreciation	72,970	72,970
	<u>\$ 419,454</u>	<u>\$ 438,950</u>

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2022 AND 2021

NOTE D - CASH AND CERTIFICATES OF DEPOSIT (CONT'D):

The entity's policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation Insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 2022. The categories of risk are described as follows:

Category 1 - Insured or collateralized by securities held by the entity or by entity's agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or by its agent in the entity's name.

Category 3 - Uncollateralized

As of December 31, 2022, cash deposits categorized by level of risk are:

	category		
carrying amount	1	2	3
\$ 419,454	\$ 250,000	\$ 169,454	\$ -

As of December 31, 2021, cash deposits categorized by level of risk are:

	category		
carrying amount	1	2	3
\$ 438,950	\$ 250,000	\$ 188,950	\$ -

The operating and maintenance accounts contain the funds necessary to pay monthly expenses of operations, repairs, maintenance and interest.

The revenue account is used for deposit of revenue received from all sources.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE D - CASH AND CERTIFICATES OF DEPOSIT (CONT'D):

The depreciation account is used to accumulate funds for future repair work.

The bond and interest sinking account consists of the debt service reserve required by the USDA loans.

The customer meter deposit account represents the customers' meter deposits held by Crawfordsville Water and Sewer Department.

NOTE E - REFUSE AND MOSQUITO CONTROL:

Refuse and mosquito control revenues are collected by the Water and Sewer Department on behalf of the City of Crawfordsville. Transfers are made monthly to the City of Crawfordsville general fund.

NOTE F - ACCOUNTS RECEIVABLE / PAYABLE CITY OF CRAWFORDSVILLE:

Accounts receivable / payable City of Crawfordsville represents collections on behalf of the City or purchases made for the water and sewer department by the city, and funds advanced from the water department to the city.

NOTE G – EMPLOYEE’S RETIREMENT SYSTEM

All eligible employees participate in the Arkansas Employees Retirement System (APERS), a statewide cost-sharing multiple employer pension plan established by the authority of the Arkansas General Assembly. APERS provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. Contribution requirements are set forth by Arkansas Statute, and the Entity is required to contribute at an actuarially determined rate. For the years ended December 31, 2022, and 2021, the Entity’s contributions were \$ 15,433 and \$ 13,460 respectively.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE G – EMPLOYEE’S RETIREMENT SYSTEM (cont’d)

Because the plan is a multi-employer defined benefit pension plan, accounting principles generally accepted in the United States of America require the cost of employee’s pensions to be recognized over the employee’s respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets. APERS has provided the necessary information for the entire City of Crawfordsville. We were unable to determine the specific amounts allocable to the Crawfordsville Water and Sewer Department.

NOTE H - CONCENTRATION OF CREDIT RISK:

Accounts receivable arises from water and sewer sales to residents of the City of Crawfordsville. The department maintains cash deposits from customers to collateralize accounts receivable.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE I – UTILITY, PLANT & EQUIPMENT:

At December 31, 2022, Utility, Plant & Equipment consists of the following:

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
Assets Not Subject to Depreciation				
Land and Improvements	\$ 22,432	\$ -	\$ -	\$ 22,432
	<u>22,432</u>	<u>-</u>	<u>-</u>	<u>22,432</u>
Assets Subject to Depreciation				
Buildings and improvements	25,438	-	-	25,438
Furniture and fixtures	16,595	-	-	16,595
Computer equipment	23,803	-	-	23,803
Waterlines and meters	1,135,365	-	-	1,135,365
Well	43,261	-	-	43,261
Sewer plant and equipment	2,583,516	-	-	2,583,516
Machinery and equipment	243,377	17,142	-	260,519
Total Depreciable Assets	<u>4,071,355</u>	<u>17,142</u>	<u>-</u>	<u>4,088,497</u>
Utility, Plant and Equipment	<u>4,093,787</u>	<u>17,142</u>	<u>-</u>	<u>4,110,929</u>
Less Accumulated Depreciation	(2,076,295)	(71,190)		(2,147,485)
Net Property and Equipment	<u>\$ 2,017,492</u>	<u>\$ (54,048)</u>	<u>\$ -</u>	<u>\$ 1,963,444</u>

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report.
No events were noted which would require disclosure.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE
 DECEMBER 31, 2022

	ACTUAL	BUDGETED	OVER (UNDER)
OPERATING REVENUE			
Water Revenue	\$ 269,353	\$ 400,000	\$ (130,647)
Sewer Revenue	86,050	-	86,050
Other Revenue	3,171	47,300	(44,129)
Total Operating Revenue	<u>358,574</u>	<u>447,300</u>	<u>(88,726)</u>
OPERATING EXPENSES			
Contract Services	97,690	70,000	27,690
Depreciation	71,190	-	71,190
Dues and fees		5,000	(5,000)
Garbage	-	30,000	(30,000)
Gas and Fuel		3,000	(3,000)
Insurance	12,075	14,500	(2,425)
Loan payments		35,000	(35,000)
Miscellaneous	11,489	2,200	9,289
Postage	4,217	3,500	717
Salary and benefits	124,507	58,000	66,507
Payroll taxes	8,444	8,000	444
Repairs	61,760	30,000	31,760
Sales tax		22,000	(22,000)
Sewer- Jeanette	-	13,000	(13,000)
Supplies	1,516	-	1,516
Training	61	500	(439)
Utilities	41,642	31,500	10,142
Total Operating Expenses	<u>434,591</u>	<u>326,200</u>	<u>108,391</u>
OPERATING INCOME	<u>(76,017)</u>	<u>121,100</u>	<u>(197,117)</u>
OTHER INCOME (EXPENSES)			
DRA Grant for Tank	107,635		107,635
Tank Repainting	(91,553)		(91,553)
Interest expense	(5,817)		(5,817)
Total Other Income (Expense)	<u>10,265</u>	<u>-</u>	<u>10,265</u>
Change in Net Position, Increase (Decrease)	<u>\$ (65,752)</u>	<u>\$ 121,100</u>	<u>\$ (186,852)</u>

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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*

To the Mayor and City Council
Crawfordsville Water and Sewer Department
Crawfordsville, Arkansas 72327

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 the business-type activities of the Crawfordsville Water and Sewer Department, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Crawfordsville Water and Sewer Department's basic financial statements and have issued our report thereon dated May 11, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Crawfordsville Water and Sewer 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 the Crawfordsville Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crawfordsville Water and Sewer 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (#22-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crawfordsville Water and Sewer 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Crawfordsville Water and Sewer Department's Response to Findings

The Crawfordsville Water and Sewer Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Crawfordsville Water and Sewer Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

May 11, 2023

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022

Internal Control:

22-001 Segregation of Duties

CONDITION: The Crawfordsville Municipal Water and Sewer Department does not have enough employees for the appropriate segregation of duties necessary for effective internal control.

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

EFFECT: Inadequate segregation of duties reduces the Entity's internal control over financial reporting, processing of transactions, and safeguarding of assets.

RECOMMENDATION: The Entity's management should review all transactions, and accounting records, and reconciliations, in order to compensate for the limited number of employees. Such review should be performed at least monthly and documented.

RESPONSE: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, all employees are supervised by management, and financial records reviewed monthly by the council.