

**CITY OF CROSSETT
SEWER FUND**

Financial Statements

Years Ended December 31, 2022 and 2021

Maxwell CPA
Certified Public Accountants
Crossett, Arkansas

CITY OF CROSSETT SEWER FUND

December 31, 2022 and 2021

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Independent Auditors' Report

To the City of Crossett Sewer Fund
Crossett, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the City of Crossett Sewer Fund, an aggregate discretely presented component unit of the City of Crossett, Arkansas, as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City of Crossett Sewer Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Crossett Sewer Fund, an aggregate discretely presented component unit of the City of Crossett, Arkansas as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Crossett Sewer Fund, an aggregate discretely presented component unit of the City of Crossett, Arkansas, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Crossett Sewer Fund and do not purport to, and do not, present fairly the financial position of the City of Crossett, Arkansas, as of December 31, 2022, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crossett Sewer Fund's, a component unit of the City of Crossett, Arkansas, ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' 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 judgement 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 judgement 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 the City of Crossett Sewer Fund's, a component unit of the City of Crossett, Arkansas, 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 City of Crossett Sewer Fund's, a component unit of the City of Crossett, Arkansas, 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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024, on our consideration of the City of Crossett Sewer Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Crossett Sewer Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crossett Sewer Fund's internal control over financial reporting and compliance.



Maxwell CPA
Certified Public Accountants

Crossett, Arkansas
October 25, 2024

CITY OF CROSSETT SEWER FUND

Balance Sheet

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 226,829	\$ 197,232
Certificates of deposit (Note 2)	195,507	194,302
Accounts receivable, net	<u>531,905</u>	<u>526,548</u>
Total current assets	<u>954,241</u>	<u>918,082</u>
Non-current Assets		
Cash restricted for sewer improvements (Note 2)	1,767,279	908,128
Deferred outflow of resources pensions (Note 7)	57,009	10,341
Construction in progress, net (Note 3)	897,601	897,601
Property and equipment, net (Note 3)	2,305,131	2,704,845
Land	<u>4,000</u>	<u>4,000</u>
Total non-current assets	<u>5,031,020</u>	<u>4,524,915</u>
Total assets	<u>\$5,985,261</u>	<u>\$5,442,997</u>

LIABILITIES and FUND EQUITY

Current Liabilities		
Accounts payable	\$ 11,798	\$ 1,207
Due (to) from interfund accounts	454,846	454,846
Accrued pension liability (Note 7)	<u>221,059</u>	<u>186,016</u>
Total current liabilities	<u>687,703</u>	<u>642,069</u>
Fund Equity		
Contributed capital	154,836	154,836
Unrestricted	3,377,141	3,738,340
Restricted for capital improvements	<u>1,765,581</u>	<u>907,752</u>
Total fund equity	<u>5,297,558</u>	<u>4,800,928</u>
Total liabilities and fund equity	<u>\$5,985,261</u>	<u>\$5,442,997</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF CROSSETT SEWER FUND
Statement of Revenues, Expenses, and Changes in Fund Equity
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Sales	\$ 483,829	\$ 446,088
Sewer sales tax revenue	857,829	939,767
Service Fees	151	628
Other	<u>696</u>	<u>2,482</u>
Total operating revenues	<u>1,342,505</u>	<u>1,388,965</u>
Operating Expenses		
Salaries and employee benefits	261,050	480,415
Maintenance and operations	129,988	122,434
Materials and supplies	29,028	18,990
Depreciation	<u>403,843</u>	<u>417,673</u>
Total operating expenses	<u>823,909</u>	<u>1,039,512</u>
Operating income	<u>518,596</u>	<u>349,453</u>
Non-Operating Revenues (Expenses)		
Investment income	3,033	2,740
Total non-operating revenues (expenses)	<u>3,033</u>	<u>2,740</u>
Net income (loss) before transfers	521,629	352,193
Transfer to general fund (Note 4)	<u>(25,000)</u>	<u>(27,082)</u>
Change in fund equity, unrestricted	(361,200)	(582,641)
Change in fund equity, restricted	857,829	907,752
Fund equity, beginning	<u>4,646,092</u>	<u>4,320,981</u>
Fund equity, ending	<u>\$5,142,721</u>	<u>\$4,646,092</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF CROSSETT SEWER FUND
Statement of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from customers	\$1,342,505	\$1,388,966
Payments to suppliers	(220,127)	(142,532)
Payments to employees	<u>(206,328)</u>	<u>(304,740)</u>
Net cash provided (used) by operating activities:	<u>916,050</u>	<u>941,694</u>
Cash Flows from Capital and Related Financing Activities:		
Cash paid for transfers	(25,000)	(27,082)
Acquisition and construction of capital assets	<u>(4,128)</u>	<u>(196,417)</u>
Net cash provided (used) by capital and related financing activities	<u>(29,128)</u>	<u>(223,499)</u>
Cash Flows from Investing Activities:		
Interest received	3,033	2,740
Net change in certificates of deposits	<u>(1,203)</u>	<u>249,645</u>
Net cash provided (used) in investing activities	1,830	252,385
Net increase (decrease) in cash and cash equivalents	888,752	970,580
Cash and cash equivalents, January 1, 2021	<u>1,105,357</u>	<u>134,777</u>
Cash and cash equivalents, December 31, 2021	<u>\$1,994,109</u>	<u>\$1,105,357</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 518,596	\$ 349,453
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	403,843	417,673
(Increase) decrease:		
Accounts receivable	(5,357)	1,836
Increase (decrease) in:		
Accounts payable	(1,032)	172,780
Due to/from interfund accounts	<u>0</u>	<u>(48)</u>
Net cash provided (used) by operating activities:	<u>\$ 916,050</u>	<u>\$ 941,694</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Crossett Sewer Fund (the System) serves property located within the corporate limits of the City of Crossett (the City) and certain properties outside the city limits.

The financial statements of the System 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 System applies all relevant GASB pronouncements. The System also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the System's accounting policies are described below.

Basis of Accounting

The Commission is an enterprise fund, which is a proprietary fund type. It is financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

Proprietary fund types are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Cash Equivalents

For the purposes of the statement of cash flows, the Commission considers all highly liquid assets (including restricted assets, if any) with a maturity of three months or less when purchased to be cash equivalents. Financial position statements assets are presented according to nearness of conversion to cash and liabilities according to their maturity and resulting use of cash.

Property, Plant, and Equipment

Additions to the System are recorded at cost or, if contributed property, at estimated fair value at time of contribution. Repairs and maintenance are charged to expense as incurred. Major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the results of operations. Depreciation has been calculated on each class of depreciable property using the straight-line method over the estimated useful life of the assets. Estimated useful lives are forty years for sewer lines and improvements, and five to seven years for equipment and fixtures.

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.

Allowance for Possible Losses

Accounts receivables are stated at the estimated amount of cash that will be realized, based on the allowance method. Under this method, an estimate is made of the accounts receivable that will eventually prove to be uncollectible. No allowance for uncollectible accounts has been reflected in the financial statements, as the amount considered uncollectible is immaterial.

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

Pensions

The Arkansas Public Employees Retirement System (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Arkansas and is included in State's Comprehensive Annual Financial Report.

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".

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.

Note 2 - Cash and Certificates of Deposit

At December 31, 2022 and 2021, the balances of the City of Crossett Sewer Fund deposits with Commercial Capital Bank, Crossett, Arkansas, were \$384,616 and \$353,882. The bank balances were covered up to \$500,000 by federal depository insurance. There were no uninsured cash balances at December 31, 2022.

At December 31, 2022 and 2021, the balances of the City of Crossett Sewer Fund deposits with Century Next Bank of Crossett, Arkansas, were \$1,805,000 and \$945,781, respectively. The bank balances were covered up to \$500,000 by federal depository insurance. Security pledges in the amount of \$1,305,000 were obtained to offset the balances that were not covered by FDIC insurance. There were no uninsured cash balances at December 31, 2022.

Note 3 - Property, Plant, and Equipment

A summary of changes in property, plant, and equipment for the year ended December 31, 2021 follows:

Depreciable

Non-Depreciable

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

	<u>Capital Assets</u>		<u>Capital Assets</u>	
	<u>Autos Equip.</u>	<u>Infrastructure Buildings</u>	<u>Constr/Prog. Land</u>	<u>Total</u>
Assets				
Bal., December 31, 2021	\$1,512,966	\$12,437,698	\$901,601	\$14,852,265
Increases	2,292	1,836	0	4,128
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Bal., December 31, 2022	<u>1,515,258</u>	<u>12,439,534</u>	<u>901,601</u>	<u>14,856,393</u>
Accumulated depreciation				
Bal., December 31, 2021	1,425,804	9,820,015	0	11,245,819
Increase	30,784	373,059	0	403,843
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Bal., December 31, 2022	<u>1,456,588</u>	<u>10,193,074</u>	<u>0</u>	<u>11,649,662</u>
Net capital assets	<u>\$ 58,670</u>	<u>\$ 2,246,460</u>	<u>\$901,601</u>	<u>\$ 3,206,731</u>

Depreciation expense for the current year and prior year is as follows:

	<u>2022</u>	<u>2021</u>
Depreciation	<u>\$403,843</u>	<u>\$417,673</u>
	<u>\$403,843</u>	<u>\$417,673</u>

Note 4 - Transfer to General Fund

In accordance with certain provisions of the City of Crossett Ordinance number A-86, during the year ended December 31, 2022 and 2021, funds have been transferred to the City of Crossett, Office of the City Engineer, in the amount of \$25,000 and \$27,082, respectively.

Note 5 - Economic Dependency

The regional economy is dependent upon a manufacturer in the paper industry. The manufacturer is a major customer of the System as well as a major employer in the region.

Note 6 - Insurance

The System carries outside commercial insurance for coverage related to its risk of loss of physical facilities.

Note 7 - Pension Plan

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to www.apers.org for more complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 730 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% of the percentage change in the Consumer Price index.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

APERS Fiduciary Net Position

Detailed information about APERS’s fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$2,696,383,462 was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the Net Pension Liability was based on the employer’s share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for your employer are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$5,066	\$(2,548)
Changes in Proportion and differences between employer contributions and proportionate share of contribution	\$9,048	\$(7,466)
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	\$42,895	
Total	\$57,009	\$(10,014)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in your financial statements as follows:

<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>
\$365	\$(981)	\$(905)	\$9,484	\$ 0	\$ 0

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

Remaining Amortization Period	26 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7989

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	<u>18%</u>	0.57%
Total	100%	

CITY OF CROSSETT SEWER FUND

Notes to Financial Statements

December 31, 2022 and 2021

Total Real Rate of Return	4.93%
Plus: Price Inflation- Actuary Assumption	<u>2.50%</u>
Net Expected Return	7.43%

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
6.15%	7.15%	8.15%
<u>\$3,444,798</u>	<u>\$2,166,789</u>	<u>\$1,111,677</u>

Note 8 - Subsequent Events

The System has evaluated subsequent events through October 25, 2024, the date which the financial statements were available to be issued.

**City of Crossett Sewer Fund
Schedule of Employer Contributions to APERS
For the Year ending 12/31/22**

Pension year end	<u>6/30/2022</u>	<u>6/30/2021</u>
Employer's proportionate share of collective pension liability (%)	0.08035907%	0.07690892%
Employer's proportionate share of collective pension liability (\$)	\$211,045	\$61,554
Employer's covered payroll	\$206,328	\$217,069
Employer's proportionate share (\$) of the collective net pension liability as a percentage of the employer's covered employee payroll	102%	28%
Pension plan's fiduciary net position as a percentage of the total pension liability	100%	100%
Statutory required employer contribution	\$23,517	\$32,866
Amount of contributions recognized by the pension plan in relation to the statutory required contribution	\$23,517	\$32,866
Difference between the statutory contribution actual contribution	-	-
Amount of contributions recognized by the pension plan in relation to the statutory contribution as a percentage of covered payroll.	11%	15%

Pension schedules included in the required supplementary information section are intended to show information for ten years. Only two years of information was available, and additional years' information will be added as it becomes available.

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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 City of Crossett Sewer Fund
Crossett, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Crossett Sewer Fund, a component unit of the City of Crossett, Arkansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crossett Sewer Fund's internal control over financial reporting (internal control) as a basis for designing 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 City of Crossett Sewer Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Crossett Sewer Fund'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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Maxwell CPA". The signature is written in a cursive, flowing style.

Maxwell CPA
Certified Public Accountants

Crossett, Arkansas
October 25, 2024