

CRAWFORDSVILLE  
WATER AND SEWER DEPARTMENT  
FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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

# CRAWFORDSVILLE WATER AND SEWER DEPARTMENT

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P. O. BOX 1045  
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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 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 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, 2021 and 2020, 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 January 27, 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

January 27, 2023

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

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, 2021. 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, 20201

Financial Highlights:

	2021	2020	2019
Beginning Net Position	\$ 2,364,550	\$ 2,323,919	\$ 2,239,862
Increase (Decrease) in Net Position	1,180	40,631	84,057
Ending Net Position	<u>\$ 2,365,730</u>	<u>\$ 2,364,550</u>	<u>\$ 2,323,919</u>

The following table summarizes the entity's net position as of 2021, 2020, and 2019:

	2021	2020	2019
Current Assets	\$ 472,209	\$ 421,064	\$ 330,468
Restricted assets	174,511	172,975	189,379
Capital Assets	2,017,492	2,074,532	2,130,803
Total Assets	<u>\$ 2,664,212</u>	<u>\$ 2,668,571</u>	<u>\$ 2,650,650</u>
Current Liabilities	\$ 194,535	\$ 185,526	\$ 194,722
Long-term liabilities	98,073	112,621	126,135
Total Liabilities	<u>292,608</u>	<u>298,147</u>	<u>320,857</u>
Contingency	<u>5,874</u>	<u>5,874</u>	<u>5,874</u>
Net Position			
Unrestricted	460,272	416,150	329,420
Restricted for debt service	-	-	19,291
Net invest in capital assets	1,905,458	1,948,400	1,975,208
Total Net Position	<u>\$ 2,365,730</u>	<u>\$ 2,364,550</u>	<u>\$ 2,323,919</u>

The following schedule presents a summary of revenues and expenditures for the years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
Operating Revenues	\$ 354,547	\$ 344,365	\$ 360,448
Operating Expenses	348,360	322,760	334,493
Operating Income	6,187	21,605	25,955
Other Income (Expenses)	(5,007)	19,026	58,102
Change in Net Position	<u>\$ 1,180</u>	<u>\$ 40,631</u>	<u>\$ 84,057</u>



**CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At year end December 31, 2021, the Entity had \$ 2,017,492 invested in capital assets. This represents a net decrease of \$ 57,040 which is the result of additions of \$ 12,889 and depreciation expense recognized of \$ 69,929.

**Debt**

At year end, the Entity had \$ 112,034 in outstanding bonds and notes payable. This represents a net decrease of \$ 14,101 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, 2021 AND 2020

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash on hand and in banks	\$ 264,439	\$ 217,830
Accounts receivable - customers	44,667	40,131
Accounts receivable - City of Crawfordsville	163,103	163,103
Total Current Assets	<u>472,209</u>	<u>421,064</u>
<b>RESTRICTED ASSETS</b>		
Cash - Construction		52
Customer meter deposits	101,541	99,953
Depreciation reserve	72,970	72,970
Total restricted assets	<u>174,511</u>	<u>172,975</u>
<b>PROPERTY AND EQUIPMENT</b>		
Utility, plant and equipment	4,093,787	4,080,898
Less: accumulated depreciation	<u>(2,076,295)</u>	<u>(2,006,366)</u>
Net Property and equipment	<u>2,017,492</u>	<u>2,074,532</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,664,212</u></u>	<u><u>\$ 2,668,571</u></u>

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

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2021 AND 2020

**LIABILITIES AND NET POSITION**

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Accounts payable	\$ 12,607	\$ 10,889
Accounts payable - City of Crawfordsville	63,421	56,673
Current portion of notes payable	13,961	13,514
Accrued payroll and sales tax	3,002	2,712
Accrued interest payable	514	803
Total Current Liabilities	<u>93,505</u>	<u>84,591</u>
 PAYABLE FROM RESTRICTED ASSETS		
Customer meter deposits	<u>101,030</u>	<u>100,935</u>
 LONG TERM DEBT:		
Notes payable, net of current portion	<u>98,073</u>	<u>112,621</u>
 Contingency reserve	<u>5,874</u>	<u>5,874</u>
 NET POSITION		
Invested in capital assets, net of related debt	1,905,458	1,948,400
Unrestricted	<u>460,272</u>	<u>416,150</u>
Net Position	<u>2,365,730</u>	<u>2,364,550</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 2,664,212</u></u>	 <u><u>\$ 2,668,571</u></u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE		
Water Revenue	\$ 269,910	\$ 261,904
Sewer Revenue	82,849	80,998
Other Revenue	1,788	1,463
Total Operating Revenue	<u>354,547</u>	<u>344,365</u>
OPERATING EXPENSES		
Contract services	55,219	71,827
Depreciation	69,929	84,130
Insurance	12,287	12,915
Miscellaneous	4,582	4,109
Postage	4,299	4,029
Salaries and benefits	110,125	72,073
Payroll taxes	7,664	8,462
Repairs	49,351	34,220
Supplies	1,419	802
Training	40	40
Utilities	33,445	30,153
Total Operating Expenses	<u>348,360</u>	<u>322,760</u>
OPERATING INCOME	<u>6,187</u>	<u>21,605</u>
OTHER INCOME (EXPENSES)		
DRA Grant for Tank Repaint	107,983	25,157
Tank Repainting	(107,983)	
Interest expense	(5,007)	(6,131)
Total Other Income (Expense)	<u>(5,007)</u>	<u>19,026</u>
Change in Net Position, Increase (Decrease)	1,180	40,631
Net Position, Beginning	2,364,550	2,323,919
Net Position, Ending	<u>\$ 2,365,730</u>	<u>\$ 2,364,550</u>

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

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 350,106	\$ 351,586
Cash payments to suppliers	(166,298)	(172,478)
Cash payments to employees	(110,125)	(72,073)
	<u>73,683</u>	<u>107,035</u>
CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES		
Transfers from (to) City of Crawfordsville	6,748	7,112
Transfers from (to) restricted funds	(1,536)	16,404
	<u>5,212</u>	<u>23,516</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(12,889)	(27,859)
Proceeds from Construction Grants	107,983	25,157
Tank Repainting	(107,983)	
Principal payments on loans	(14,101)	(29,460)
Interest paid	(5,296)	(6,278)
	<u>(32,286)</u>	<u>(38,440)</u>
Net Increase (decrease) in cash and cash equivalents	46,609	92,111
Cash and equivalents, beginning of year	217,830	125,719
	<u>\$ 264,439</u>	<u>\$ 217,830</u>
Adjustments to reconcile operating income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 6,187	\$ 21,605
Depreciation	69,929	84,130
(Increase) decrease in accounts receivable	(4,536)	1,515
Increase (decrease) in accounts payable	1,718	988
Increase (decrease) in accrued liabilities	290	(6,909)
Increase (decrease) in customer meter deposits	95	5,706
	<u>\$ 73,683</u>	<u>\$ 107,035</u>

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

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

NOTE B - RESTRICTED ASSETS:

Customer meter deposits held by the Crawfordsville Water and Sewer Department at December 31, 2021 totaled \$ 101,030. The restricted cash account contains \$ 311 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 2021 and 2020, the City had depreciation reserves of \$ 72,970 and \$ 72,970.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021 AND 2020

NOTE C – LONG-TERM DEBT:

	<u>2021</u>	<u>2020</u>
5% Note Payable to Arkansas Soil and Water Conservation Commission, due in annual installments of \$ 4,132 through June 2024.	11,268	14,667
3.0% Note Payable to Arkansas Natural Resource Commission due in annual installments of \$ 3,462.	24,274	26,274
4.6% Revenue Bond, due in semi-annual installments of \$ 6,631 through June 2029. Secured by pledges of future revenues.	<u>76,492</u>	<u>85,194</u>
Total	112,034	126,135
Less: Current Portion	<u>(13,961)</u>	<u>(13,514)</u>
Long-Term Debt, net of Current Portion	<u>\$ 98,073</u>	<u>\$ 112,621</u>

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

Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
<u>\$ 126,135</u>	<u>\$ -</u>	<u>\$ 14,101</u>	<u>\$ 112,034</u>



CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021 AND 2020

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				
	2022 \$	14,130	\$ 5,341	\$ 19,471
	2023	14,776	4,724	19,500
	2024	15,470	4,079	19,549
	2025	12,028	3,403	15,431
	2026	12,554	2,695	15,249
Five year periods:				
	2031	35,476	5,627	41,103
	2036	7,600	924	8,524
		<u>\$ 112,034</u>	<u>\$ 26,793</u>	<u>\$ 138,827</u>

NOTE D - CASH AND CERTIFICATES OF DEPOSIT:

At December 31, cash consists of the following

	<u>2021</u>	<u>2020</u>
Water and Sewer Operations	\$ 264,439	\$ 217,830
Customer Meter Deposits	101,541	99,953
Cash - Construction	-	52
Reserve for Depreciation	<u>72,970</u>	<u>72,970</u>
	<u>\$ 438,950</u>	<u>\$ 390,805</u>

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021 AND 2020

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, 2021. 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, 2021, cash deposits categorized by level of risk are:

carrying amount	category		
	1	2	3
<u>\$ 438,950</u>	<u>\$ 250,000</u>	<u>\$ 188,950</u>	<u>\$ -</u>

As of December 31, 2020, cash deposits categorized by level of risk are:

carrying amount	category		
	1	2	3
<u>\$ 390,805</u>	<u>\$ 250,000</u>	<u>\$ 140,805</u>	<u>\$ -</u>

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, 2021 AND 2020

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, 2021, and 2020, the Entity’s contributions were \$ 13,460 and \$ 9,048 respectively.

CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

NOTE I – UTILITY, PLANT & EQUIPMENT:

At December 31, 2021, Utility, Plant & Equipment consists of the following:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
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	2,570,627	12,889	-	2,583,516
Machinery and equipment	243,377	-	-	243,377
Total Depreciable Assets	<u>4,058,466</u>	<u>12,889</u>	<u>-</u>	<u>4,071,355</u>
Utility, Plant and Equipment	<u>4,080,898</u>	<u>12,889</u>	<u>-</u>	<u>4,093,787</u>
Less Accumulated Depreciation	(2,006,366)	(69,929)		(2,076,295)
Net Property and Equipment	<u>\$ 2,074,532</u>	<u>\$ (57,040)</u>	<u>\$ -</u>	<u>\$ 2,017,492</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, 2021

	ACTUAL	BUDGETED	OVER (UNDER)
OPERATING REVENUE			
Water Revenue	\$ 269,910	\$ 400,000	\$ (130,090)
Sewer Revenue	82,849	-	82,849
Other Revenue	1,788	12,000	(10,212)
Total Operating Revenue	<u>354,547</u>	<u>412,000</u>	<u>(57,453)</u>
OPERATING EXPENSES			
Contract Services	55,219	50,000	5,219
Depreciation	69,929	-	69,929
Dues and fees		3,800	(3,800)
Garbage	-	40,000	(40,000)
Gas and Fuel		3,000	(3,000)
Insurance	12,287	11,000	1,287
Miscellaneous	4,582	4,600	(18)
Postage	4,299	3,500	799
Payroll	110,125	50,000	60,125
Payroll taxes	7,664	29,000	(21,336)
Repairs	49,351	30,000	19,351
Sewer- Jeanette	-	15,000	(15,000)
Supplies	1,419	1,700	(281)
Training	40	500	(460)
Utilities	33,445	34,200	(755)
Total Operating Expenses	<u>348,360</u>	<u>276,300</u>	<u>72,060</u>
OPERATING INCOME	<u>6,187</u>	<u>135,700</u>	<u>(129,513)</u>
OTHER INCOME (EXPENSES)			
DRA Grant for Tank	107,983		107,983
Tank Repainting	(107,983)		(107,983)
Interest expense	(5,007)		(5,007)
Total Other Income (Expense)	<u>(5,007)</u>	<u>-</u>	<u>(5,007)</u>
Change in Net Position, Increase (Decrease)	<u>\$ 1,180</u>	<u>\$ 135,700</u>	<u>\$ (134,520)</u>

Meyer & Ward, P.A.  
Certified Public Accountants  
P.O. Box 1045  
Wynne, Arkansas 72396

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, 2021, 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 January 27, 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. (#21-001).

## **Compliance and Other Matters**

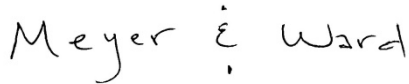
As part of obtaining reasonable assurance about whether the Crawfordsville Water and Sewer Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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.

A handwritten signature in black ink that reads "Meyer & Ward". The signature is written in a cursive, flowing style.

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

January 27, 2023



CRAWFORDSVILLE WATER AND SEWER DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2021

Internal Control:

# 21-001 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.