

**CROSSETT WATER
COMMISSION**

**A Component Unit
of
City of Crossett**

Financial Statements

Years Ended December 31, 2021 and 2020

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

CITY OF CROSSETT
CROSSETT WATER COMMISSION
December 31, 2021 and 2020

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Independent Auditors' Report

To the Commissioners
Crossett Water Commission
Crossett, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Crossett Water Commission, an aggregate discretely presented component unit of the City of Crossett, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Crossett Water Commission'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 Crossett Water Commission, an aggregate discretely presented component unit of the City of Crossett, Arkansas, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Crossett Water Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 Crossett Water Commission'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Crossett Water Commission'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 information on pages 3 through 5 and 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

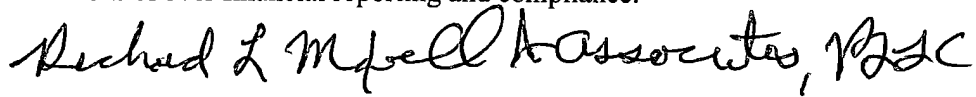
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, on our consideration of Crossett Water Commission'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 Crossett Water Commission'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 Crossett Water Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Richard L. Maxwell & Associates, PLLC". The signature is written in a cursive, flowing style.

RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
February 22, 2023

Management's Discussion and Analysis

Crossett Water Commission, a component unit of the City of Crossett, Arkansas, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2021. We encourage readers to consider this information in conjunction with Crossett Water Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Operating revenues increased by \$431,076, or 34.80%, from the year ended December 31, 2020 to the year ended December 31, 2021, due to an increase in water sales and water rates.
- Operating expenses decreased by \$329,838, or 22.22%, from the year ended December 31, 2020 to the year ended December 31, 2021, due mainly to a decrease in payroll and depreciation expenses.
- Net position increased by \$374,994 or 6.26%, from December 31, 2020 to December 31, 2021.

USING THIS ANNUAL REPORT

Crossett Water Commission (the Commission) is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements and other information, as follows:

The Statements of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on operating revenues and expenses, non-operating revenues, and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the changes in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statements of Net Position

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net position for the year ended December 31, 2021, totaled \$6,361,526. This compares to \$5,986,532 for the year ended December 31, 2020. A summary of the Commission's net position for the current year and two preceding years is presented below:

	Net Position		
	2021	2020	2019
Current assets	\$ 1,569,087	\$ 1,236,802	\$1,155,732
Non-current assets	173,201	205,682	150,000
Capital assets at cost, less accumulated depreciation	9,301,181	9,677,182	8,606,193
Total assets	<u>11,043,469</u>	<u>11,119,966</u>	<u>9,911,925</u>
Current liabilities	904,918	949,265	444,483
Long-term debt	<u>3,777,025</u>	<u>4,184,169</u>	<u>3,158,843</u>
Total liabilities	<u>4,681,943</u>	<u>5,133,434</u>	<u>3,603,326</u>
Net Position			
Net investment in capital assets	5,524,987	5,148,418	5,216,720
Unrestricted	<u>836,539</u>	<u>838,114</u>	<u>1,091,879</u>
Total net position	<u>\$ 6,361,526</u>	<u>\$ 5,986,532</u>	<u>\$6,308,599</u>

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues are received from water sales and fees. Operating expenses consist of the expenses of providing water to the residents and businesses within the City of Crossett, Arkansas. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended December 31, 2021, 2020 and 2019 are presented below:

	Changes in Net Position		
	2021	2020	2019
Operating revenues	\$1,669,681	\$1,238,605	\$1,216,947
Operating expenses	<u>1,154,565</u>	<u>1,484,402</u>	<u>1,115,956</u>
Income from operations	515,116	(245,797)	100,991
Other income (expenses)	<u>(80,542)</u>	<u>(46,690)</u>	<u>(88,737)</u>
Income before contributions and transfers	434,574	(292,487)	12,254
Contributions and transfers	<u>(59,580)</u>	<u>(29,580)</u>	<u>(59,580)</u>
Change in net position	374,994	(322,067)	(47,326)
Net position, beginning	<u>5,986,532</u>	<u>6,308,599</u>	<u>6,355,925</u>
Net position, ending	<u>\$6,361,526</u>	<u>\$5,986,532</u>	<u>\$6,308,599</u>

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating activities, capital and related financing activities, non-capital, and related financing activities, and investing activities. Cash provided by the operating activities includes revenues from water sales and fees reduced by payments to employees and to suppliers. Cash used by financing activities includes principal payments on the purchase of capital assets, interest payments on bond principle, and transfers of cash to the City of Crossett, Arkansas, reduced by cash received from federal capital grants, capital contributions received, and cash received for customer service deposits. Cash provided by investing activities includes interest income as well as cash withdrawn from certificates of deposit for the purchase of capital assets reduced by cash reinvested in certificates of deposit.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

At December 31, 2021 the Commission had \$9,301,181 invested in capital assets, net of accumulated depreciation of \$7,647,093. Depreciation charges totaled \$399,185, for the year ended December 31, 2021. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

Debt

The Commission issued capital improvement bonds to finance extensions, improvements, and betterments to existing water facilities. These additions were completed during the year ended December 31, 2010. The outstanding principal balance on the bonds at December 31, 2021 is \$4,184,168.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Crossett Water Commission, P. O. Box 616, Crossett, AR 71635.

CITY OF CROSSETT
CROSSETT WATER COMMISSION
 Statements of Net Position
 December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Revenue fund:		
Cash (Note 2)	\$ 139,142	\$ 120,825
Accounts receivable	185,514	131,404
Accounts receivable, WACWA	38,062	11,259
Undeposited funds	15	0
Operations and maintenance fund:		
Cash (Note 2)	246,481	146,301
Certificates of deposit (Note 2)	504,844	502,830
Inventory of materials and supplies	100,365	88,038
Prepaid expenses	7,532	7,282
Accrued interest receivable	70	105
Depreciation fund:		
Cash (Note 2)	120,733	86,661
Certificates of deposit (Note 2)	83,266	83,017
Accrued interest receivable	8	6
Bond fund:		
Cash (Note 2)	133,051	59,074
Certificates of deposit (Note 2)	10,004	0
Total current assets	<u>1,569,087</u>	<u>1,236,802</u>
Non-current Assets		
Note receivable, Crossett Port Authority (Note 4)	150,000	150,000
Deferred outflows of resources (Note 10)	23,201	55,682
Total non-current	<u>173,201</u>	<u>205,682</u>
Capital Assets (Note 3)		
Construction in progress	0	300
Supply and distribution system	16,355,070	16,347,887
Transportation equipment	215,340	215,605
Furniture and fixtures	142,799	156,189
Machinery and equipment	102,444	91,407
Utility plant acquisition adjustment	39,072	39,072
	16,854,725	16,850,460
Less accumulated depreciation	(7,647,093)	(7,266,527)
	9,207,632	9,583,933
Land	93,549	93,549
Total capital assets	<u>9,301,181</u>	<u>9,677,482</u>
Total assets	<u>\$11,043,469</u>	<u>\$11,119,966</u>

See accompanying notes to financial statements.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Statements of Net Position
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable, trade	\$ 40,327	\$ 73,912
Customer service deposits	125,971	140,582
Accrued pension liability	317,650	401,695
Accrued bond interest	10,482	11,381
Accrued lime	3,345	0
Current portion of bond payable	<u>407,143</u>	<u>321,695</u>
Total current liabilities	904,918	949,265
 Long-term Debt (Note 5)		
Bond payable, net of current portion	<u>3,777,025</u>	<u>4,184,169</u>
 Total liabilities	<u>4,681,943</u>	<u>5,133,434</u>
 Net Position		
Net investment in capital assets	5,524,987	5,148,418
Unrestricted	<u>836,539</u>	<u>838,114</u>
Total net position	<u>6,361,526</u>	<u>5,986,532</u>
 Total liabilities and net position	<u>\$11,043,469</u>	<u>\$11,119,966</u>

See accompanying notes to financial statements.

CITY OF CROSSETT
CROSSETT WATER COMMISSION
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water sales	\$1,544,624	\$1,151,724
Fire protection	7,925	9,700
Penalties and reconnect fees	80,269	67,169
Tapping fees	17,170	4,600
Miscellaneous fees	<u>19,693</u>	<u>5,412</u>
Total operating revenues	<u>1,669,681</u>	<u>1,238,605</u>
Operating Expenses		
Pumping	29,209	23,814
Treatment	123,122	117,405
Distribution	94,291	88,826
Administration	508,758	813,620
Depreciation	<u>399,185</u>	<u>440,737</u>
Total operating expenses	<u>1,154,565</u>	<u>1,484,402</u>
Income from operations	<u>515,116</u>	<u>(245,797)</u>
Other Income (Expenses)		
Interest income	2,695	8,217
PWS safe water fee receipts	14,391	14,278
Sale of assets	500	19,000
Interest expense	(92,436)	(83,435)
Charitable contributions	(4,750)	(4,750)
Consulting fees	0	0
Disposition of Assets	<u>(942)</u>	<u>0</u>
Total other income (expenses)	<u>(80,542)</u>	<u>(46,690)</u>
Income before contributions and transfers	434,574	(292,487)
Transfers to City of Crossett (Note 6)	(30,000)	0
Allocation of cost to City departments (Note 7)	(22,080)	(22,080)
Allowance for fire hydrant rental to City of Crossett (Note 8)	<u>(7,500)</u>	<u>(7,500)</u>
Change in net position	374,994	(322,067)
Net position, beginning	<u>5,986,532</u>	<u>6,308,599</u>
Net position, ending	<u><u>\$6,361,526</u></u>	<u><u>\$5,986,532</u></u>

See accompanying notes to financial statements.

CITY OF CROSSETT
CROSSETT WATER COMMISSION
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from service revenues	\$ 1,669,681	\$ 1,238,605
Cash paid to suppliers for goods and services	(646,708)	82,621
Cash paid to employees for services	<u>(317,197)</u>	<u>(718,694)</u>
Net cash provided by operating activities	<u>705,776</u>	<u>602,532</u>
Cash Flows from Capital and Related Financing Activities:		
Cash paid for acquisition of fixed assets	(4,264)	(1,451,510)
Cash paid for principal on long-term debt	(407,975)	(6,387)
Cash paid for interest on long-term debt	(22,047)	(91,073)
Cash received from loan disbursement	0	1,122,777
Cash received from transfers	<u>(30,000)</u>	<u>(55,652)</u>
Net cash provided (used) by capital and related financing activities	<u>(464,286)</u>	<u>(481,874)</u>
Cash Flows from Investing Activities:		
Interest received	(2,663)	8,217
Cash invested in certificates of deposit	<u>(12,267)</u>	<u>(3,170)</u>
Net cash provided (used) by investing activities	<u>(14,930)</u>	<u>5,047</u>
Net increase (decrease) in cash and cash equivalents	226,560	125,701
Cash and cash equivalents, beginning	<u>412,862</u>	<u>287,161</u>
Cash and cash equivalents, ending (Note 2)	<u><u>\$ 639,422</u></u>	<u><u>\$ 412,862</u></u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 515,116	\$ (246,068)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	380,566	440,737
Revenues and expenses not classified as operating		
(Increase) Decrease in:		
Accounts receivable	(80,912)	(1,144)
Inventory	(12,327)	(8,563)
Prepaid expenses	(250)	(3,005)
Deferred outflow	32,481	0
Increase (Decrease) in:		
Accounts payable	(33,585)	18,952
Accrued pension	(263,323)	0
Accrued Expenses	(2)	398,350
Deferred inflow	182,623	0
Customer Deposits	<u>(14,611)</u>	<u>4,055</u>
Net cash provided by operating activities	<u><u>\$ 705,776</u></u>	<u><u>\$ 602,532</u></u>

See accompanying notes to financial statements.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Crossett Water Commission (the Commission) is a component unit of the City of Crossett, Arkansas. The Commission serves property located within the corporate limits of the City of Crossett and certain properties outside the city limits.

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

Accounts Receivable

Accounts receivables represent claims to cash or other assets from customers that arise from the sale of goods or services. Accounts receivable are reported net of an allowance for uncollectible amounts. An allowance is established when it is more likely than not the receivables will not be totally collected. The allowance method used is a percentage of total receivables based on historical collection. As of December 31, 2020, and 2019, there is no allowance for bad debts because all accounts receivable is considered collectable.

Inventory

Inventory is valued using the average cost method.

Capital Assets

Capital assets, which include property, plant, and equipment, 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 over the estimated useful lives using the straight-line method, with one-half year's depreciation in the year of acquisition.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

Estimated useful lives are as follows:

Distribution system	40-50 Years
Treatment plant	5-40 Years
Wells	10-21.5 Years
Transportation equipment	3- 5 Years
Furniture and fixtures	3-10 Years
Machinery and equipment	3-10 Years
Utility plant	50 Years

Note 2 - Cash and Certificates of Deposit

At December 31, 2021 and 2020, the balances of Crossett Water Commission's deposits with Century Next Bank were \$1,103,041 and \$875,812, respectively. The bank balances were covered up to \$500,000 by federal depository insurance. As of December 31, 2021 and 2020 Century Next Bank had a letter of credit of \$ 750,000 and \$750,000 respectively pledged, as collateral for any unsecured deposits. There were no uninsured balances at December 31, 2021 or 2020.

At December 31, 2021 and 2020, the balances of Crossett Water Commission's deposits with Commercial Capital Bank, Crossett, Arkansas, were \$134,280 and \$122,696, respectively. The bank balances were covered up to \$500,000 by federal depository insurance. At December 31, 2021 and 2020, there were no uninsured cash balance.

A summary of cash by fund and total cash for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Revenue fund	\$ 139,142	\$120,825
Operations and maintenance fund	751,325	649,131
Depreciation fund	203,999	169,678
Bond fund	<u>143,055</u>	<u>59,074</u>
Total cash and cash equivalents	<u>\$1,237,521</u>	<u>\$998,708</u>

Note 3 - Capital Assets

A summary of changes in capital assets for the years ended December 31, 2021 and 2020, are as follows:

	Const. in <u>Progress</u>	Sup. & Distrib. <u>System</u>	Trans. <u>Equip.</u>	Furn. & Fixt. <u>& Equip.</u>	Mach. <u>& Equip.</u>	Util. Plt. Acq. <u>Adj.</u>	<u>Total</u>
Balance – Dec. 31, 2019	\$ 0	\$14,880,913	\$211,105	\$115,937	\$91,407	\$39,072	\$15,338,434
Additions	0	1,466,974	4,500	40,252	0	0	1,511,726
Deletions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance – Dec. 31, 2020,	<u>0</u>	<u>16,347,887</u>	<u>215,605</u>	<u>156,189</u>	<u>91,407</u>	<u>39,072</u>	<u>16,850,160</u>

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

	Const. in Progress	Sup. & Distrib. System	Trans. Equip.	Furn. & Fixt.	Mach. & Equip.	Util. Plt. Acq. Adj.	Total
Additions	\$ 0	\$ 7,183	\$ 0	\$ 5,187	\$ 11,755	\$ 0	\$ 22,126
Deletions	<u>0</u>	<u>0</u>	<u>265</u>	<u>18,577</u>	<u>719</u>	<u>0</u>	<u>19,561</u>
Balance – Dec. 31, 2021	<u>\$ 0</u>	<u>\$16,355,070</u>	<u>\$215,340</u>	<u>\$142,799</u>	<u>\$102,443</u>	<u>\$39,072</u>	<u>\$16,854,725</u>

Note 4 - Note Receivable from Crossett Port Authority

An agreement was signed on February 25, 1988, that provided for the loan of \$150,000 to Crossett Port Authority. The loan is to be repaid, without interest, from profits generated by the operation of the Crossett Port. There is no specified term for this loan or schedule of repayments.

Note 5 - Long-term Debt

Long-term debt at December 31, 2021 and 2020, consisted of the following:

Bond Payable

The City of Crossett entered into a \$5,000,000 bond issue to the Arkansas Development Finance Authority, as purchaser, at a price of par for a bond bearing interest at the rate of 1.75% per annum and a servicing fee of 1.00% per annum pursuant to a Bond Purchase Agreement among the City of Crossett and the Arkansas Natural Resources Commission, authorized by Ordinance 2008-1, to provide construction assistance for extensions, improvements and betterments to existing water facilities. The balance advanced and due as of December 31, 2021 and 2020, totaled \$2,839,290 and \$3,082,870, respectively. Interest on the unpaid balance of the total principal amount is payable on April 15, 2010, and on each April 15 and October 15 thereafter. Principal shall be payable in installments beginning April 15, 2012, and on each April 15 and October 15 thereafter, maturing October 15, 2031. The bond is a general obligation of the City of Crossett.

Principal and interest payments on long-term debt through maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 250,323	\$ 76,371
2023	257,254	69,440
2024	264,377	62,317
2025	271,697	54,997
2026	279,220	47,474
2027 – 2031	1,516,420	117,025

The City of Crossett entered into a \$1,600,000 bond issue to the Arkansas Development Finance Authority, as purchaser, at a price of par for a bond bearing interest at the rate of 0% per annum and a servicing fee of .50% per annum pursuant to a Bond Purchase Agreement among the City of Crossett and the Arkansas Natural Resources Commission, authorized by Ordinance 2020-4, to provide water meter improvements. The balance advanced and due as of December 31, 2021 and 2020, totaled \$1,344,878 and \$1,422,995, respectively. Principal shall be payable in installments beginning October 15, 2021, and on each April 15 and October 15 thereafter, maturing April 15, 2031. The bond is a revenue bond on the Crossett Water utility.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

Principal payments on long-term debt through maturity are as follows:

	<u>Principal</u>
2022	\$156,820
2023	157,605
2024	158,394
2025	159,187
2026	159,984
2027-2030	552,888

Note 6 - Transfers to Other City Departments

In accordance with the Crossett Water Commissions meeting on September 22, 1983, during the years ended December 31, 2021 and 2020, funds have been transferred to the City of Crossett, General Fund, in the amount of \$30,000 and \$0, respectively.

Note 7 - Administrative Services Provided to Other City Departments

Administrative Services, including computer operations, are provided to the City of Crossett Sewer and Garbage Committees for billing purposes. The cost of these services is recorded by a direct charge to net assets in the amount of \$22,080 in each of the years ended December 31, 2021 and 2020.

Note 8 - Rental Allowance to Other City Departments

Crossett Water Commission allows the City of Crossett use of fire hydrants free of charge. Revenue is recognized at \$50 per hydrant per year. Fire hydrant rental was \$7,500 for each of the years ended December 31, 2021 and 2020. The allowance for the rental is recorded by a direct charge to net assets.

Note 9 - Economic Dependency

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

Note 10 - 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 Arkansas Code Annotated, Title 24 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
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

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.

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. 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, 2020. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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>.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

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

The collective Net Pension Liability of \$768,832,303 was measured as of June 30, 2021, 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	\$2,467	\$(6,912)
Changes in Proportion and differences between employer contributions and proportionate share of contribution	\$20,734	\$(13,033)
Changes of assumptions		\$(755)
Net difference between projected and actual earnings on pension plan investments		\$(189,177)
Total	\$23,201	\$(209,877)

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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
\$(47,698)	\$(40,813)	\$(40,756)	\$(57,409)	\$ 0	\$ 0

Actuarial Assumptions

The total pension liability in the June 30, 2020 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)
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)

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CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

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-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.0486

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 weighting 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, 2020 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	18%	0.57%
Total	100%	
Total Real Rate of Return		4.93%
Plus: Price Inflation- Actuary Assumption		2.50%
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

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2021 and 2020

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 6.15%	Discount Rate 7.15%	1% Higher 8.15%
-----	-----	-----
\$322,390	\$107,773	\$(69,471)

Note 11 - Water Rates and Consumption

Charges for water service are based on water consumption and meter size with a minimum monthly consumption for each meter size. Following are the current water rates:

<u>Meter Size</u>	<u>Minimum Monthly Consumption</u>	<u>Additional Consumption</u>	<u>Rate</u>
5/8" by 3/4" meter	2,000 gallons		\$13.83
		next 8,000 gallons	\$5.02/M gal.
		over 10,000 gallons	\$4.44/M gal.
		over 100,000 gallons	\$4.44/M gal.
1" meter	5,000 gallons		\$28.89
		next 5,000 gallons	\$5.02/M gal.
		next 90,000 gallons	\$4.44/M gal.
		over 100,000 gallons	\$4.44/M gal.
1 1/2" meter	12,000 gallons		\$62.87
		next 88,000 gallons	\$4.44/M gal.
		over 100,000 gallons	\$4.44/M gal.
2" meter	17,000 gallons		\$85.07
		next 83,000 gallons	\$4.44/M gal.
		over 100,000 gallons	\$4.44/M gal.
3" meter	40,000 gallons		\$187.19
		next 60,000 gallons	\$4.44/M gal.
		over 100,000 gallons	\$4.44/M gal.

CITY OF CROSSETT
CROSSETT WATER COMMISSION

Notes to Financial Statements
December 31, 2020 and 2019

The Commission provides water service to four classes of users. Following are the estimated number of users and the estimated consumption per class for the year ended December 31, 2020:

<u>Class</u>	<u>Number of Users</u>	<u>Consumption</u>
Domestic Use	3,041	150.1 million gal.
Commercial Use	246	49.8 million gal.
Industrial Use	15	37.2 million gal.
Irrigation Use	74	4.9 million gal.
	<u>3,376</u>	<u>242 million gal.</u>

Note 12 - Insurance Coverage

The Commission carries three different types of insurance coverage on its capital assets. Coverage in effect during the year ended December 31, 2021, and 2020, consisted of commercial property insurance, inland marine insurance, and automobile insurance.

Note 13 - Subsequent Events

Subsequent events were evaluated through February 22, 2023, which is the date the financial statements were available to be issued.

CITY OF CROSSETT
CROSSETT WATER COMMISSION
Schedule of Revenues, and Expenses
Budget vs. Actual
Year Ended December 31, 2021

	Unaudited Budgeted Amount	Actual Amount	Over (Under) Budget
Operating Revenues			
Water sales	<u>\$1,450,000</u>	<u>\$1,669,681</u>	<u>\$219,681</u>
Total operating revenues	<u>1,450,000</u>	<u>1,669,681</u>	<u>219,681</u>
Operating Expenses			
Pumping	30,000	29,209	(791)
Treatment	125,000	123,122	(1,878)
Distribution	110,000	94,291	(15,709)
Administration	545,000	508,758	(36,242)
Depreciation	<u>444,000</u>	<u>399,185</u>	<u>(44,815)</u>
Total operating expenses	<u>1,254,000</u>	<u>1,154,565</u>	<u>(99,435)</u>
Income from operations	<u>196,000</u>	<u>515,116</u>	<u>319,116</u>
Other Income (Expenses)			
Non-operating Revenues	0	17,586	17,586
Interest expense	(105,000)	(92,436)	12,564
Charitable contributions	(5,000)	(4,750)	250
Disposition of Assets	(500)	(942)	(442)
Consulting services	<u>(5,000)</u>	<u>0</u>	<u>5,000</u>
Total other income (expenses)	<u>(115,500)</u>	<u>(80,542)</u>	<u>34,958</u>
Income before contributions and transfers	<u>\$ 80,500</u>	<u>\$ 434,574</u>	<u>\$354,074</u>

CITY OF CROSSETT
CROSSETT WATER COMMISSION
Schedules of Operating Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Pumping		
Utilities	\$ 21,805	\$ 22,325
Maintenance	<u>7,404</u>	<u>1,488</u>
	<u>29,209</u>	<u>23,814</u>
Treatment		
Chemicals	48,370	58,718
Utilities	49,912	46,464
Maintenance	<u>24,840</u>	<u>12,223</u>
	<u>123,122</u>	<u>117,405</u>
Distribution		
Freight	110	150
Supplies	11,928	7,891
Utilities	4,130	3,497
Maintenance	57,781	61,704
Vehicle expense	<u>20,342</u>	<u>15,584</u>
	<u>94,291</u>	<u>88,826</u>
Administration		
Salaries and related costs	399,803	718,693
Data Processing	25,178	17,714
Secretarial services	3,927	0
Accounting	11,500	9,000
Professional Fees	14,372	13,167
Insurance	33,588	32,136
Postage	14,049	14,583
Commissioners' Fee	17,507	17,220
Telephone	8,001	6,160
Office Expense	5,823	8,851
Travel	3,661	446
Licenses and fees	2,308	1,738
Bank Fees	120	137
Uniforms	3,625	3,810
Employee safety	532	0
Billing reimbursements	(14,728)	(15,116)
Billing expenses charged to garbage committee	(10,580)	(11,040)
Billing expenses charged to sewer committee	(10,580)	(11,040)
Miscellaneous	<u>653</u>	<u>7,162</u>
	<u>508,759</u>	<u>813,621</u>
Depreciation	<u>399,185</u>	<u>440,737</u>
Total operating expenses	<u>\$1,154,566</u>	<u>\$1,484,403</u>

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CERTIFIED PUBLIC ACCOUNTANTS

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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 Commissioners
Crossett Water Commission
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 Crossett Water Commission (the Commission), an aggregate discretely presented component unit of the City of Crossett, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 22, 2023.

Report on Internal Control over Financial Reporting

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

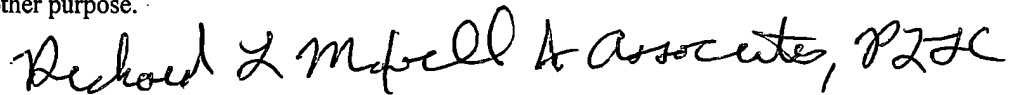
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 "Richard L. Maxwell & Associates, PLLC". The signature is written in a cursive, flowing style.

RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
February 22, 2023