

CITY OF GREENBRIER WATERWORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2021

CITY OF GREENBRIER WATERWORKS
TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net position	3-4
Statement of Activities	5
Statement of Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Internal Control and Compliance Section:	
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 <i>Government Auditing Standards</i>	14-15
Schedule of Findings and Responses	16
Other Information	
Independent Auditor's Report on Compliance with Arkansas State Requirements	17

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Greenbrier, Arkansas

Opinion

We have audited the accompanying financial statements of City of Greenbrier Waterworks of the City of Greenbrier, Arkansas as of and for the year ended December 31, 2021, and the related notes to the 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 financial position of City of Greenbrier Waterworks of the City of Greenbrier, Arkansas as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Greenbrier, Arkansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Greenbrier Waterworks and do not purport to, and do not present fairly the financial position of the City of Greenbrier, Arkansas as of December 31, 2021, the changes in its financial position, or, where applicable, 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.

“Well done is better than well said”

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 opinion. 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 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, 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 the City of Greenbrier, 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.

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.

Searcy & Associates, LLC
Monticello, Arkansas
September 7, 2022

CITY OF GREENBRIER WATERWORKS
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Current Assets			
Cash	\$1,083,013	\$ 547,211	\$ 1,630,224
Accounts Receivable, net of allowance	203,151	54,217	257,368
Due from Other Funds	0	199,670	199,670
Inventory of Materials and Supplies	78,375	13,827	92,202
Prepaid Expenses	<u>24,091</u>	<u>718</u>	<u>24,809</u>
Total Current Assets	1,388,630	815,643	2,204,273
Noncurrent Cash and Cash Equivalents			
Cash and Cash Equivalents - Restricted for Debt Service and Replacement Reserves	492,253	112,692	604,945
Cash - Restricted for Meter Deposits	<u>389,547</u>	<u>0</u>	<u>389,547</u>
Total Noncurrent Cash and Cash Equivalents	881,800	112,692	994,492
Capital Assets			
Land	24,852	0	24,852
Buildings	212,368	0	212,368
Machinery and Equipment	7,747,888	7,045,386	14,793,274
Less: Accumulated Depreciation	<u>(3,073,077)</u>	<u>(3,028,746)</u>	<u>(6,101,823)</u>
Capital Assets, Net	4,912,031	4,016,640	8,928,671
Total Noncurrent Assets	5,793,831	4,129,332	9,923,163
Total Assets	<u>\$7,182,461</u>	<u>\$4,944,975</u>	<u>\$12,127,436</u>

See Notes to Financial Statements

CITY OF GREENBRIER WATERWORKS
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2021

LIABILITIES AND NET POSITION

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Current Liabilities			
Accounts Payable	\$ 9,480	\$ 6,935	\$ 16,415
Other Accrued Liabilities	30,119	0	30,119
Due to Other Funds	131,417	0	131,417
Accrued Interest	4,309	26,781	31,090
Accrued Wages Payable and Other Payroll Liabilities	9,287	5,165	14,452
Current Maturities of Long-Term Debt	<u>308,353</u>	<u>0</u>	<u>308,353</u>
Total Current Liabilities	492,965	38,881	531,846
Long-Term Liabilities			
Long-Term Debt, Net	1,679,068	2,835,916	4,514,984
Compensated Absences	55,131	19,711	74,842
Customer Deposits	<u>310,536</u>	<u>0</u>	<u>310,536</u>
Total Long-Term Liabilities	2,044,735	2,855,627	4,900,362
Total Liabilities	2,537,700	2,894,508	5,432,208
Net Position			
Net Investment in Capital Assets	2,924,610	1,180,724	4,105,334
Restricted for Debt Service	492,253	112,692	604,945
Unrestricted	<u>1,227,898</u>	<u>757,051</u>	<u>1,984,949</u>
Total Net Position	4,644,761	2,050,467	6,695,228
Total Liabilities and Net Position	<u>\$7,182,461</u>	<u>\$4,944,975</u>	<u>\$12,127,436</u>

See Notes to Financial Statements

CITY OF GREENBRIER WATERWORKS
STATEMENT OF ACTIVITIES
DECEMBER 31, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenue			
Charges for Services	\$2,010,879	\$ 566,310	\$2,577,189
Other Operating Revenues	<u>181,045</u>	<u>29,475</u>	<u>210,520</u>
Total Operating Revenue	2,191,924	595,785	2,787,709
Operating Expenses			
Salaries and Wages	239,302	156,162	395,464
Water Purchased	1,182,629	0	1,182,629
Materials and Supplies	100,111	10,686	110,797
Vehicle Expense	16,980	3,849	20,829
Repairs and Maintenance	171,746	82,055	253,801
Utilities	19,152	77,010	96,162
Chemical and Tests	2,736	2,736	5,472
Office Supplies and Postage	2,509	725	3,234
Legal and Audit	30,697	4,824	35,521
Insurance	29,953	22,620	52,573
Payroll Taxes	17,835	10,525	28,360
Other Operating Expenses	54,788	12,413	67,201
Depreciation Expense	<u>177,895</u>	<u>124,047</u>	<u>301,942</u>
Total Operating Expenses	2,046,333	507,652	2,553,985
Operating Income (Loss)	145,591	88,133	233,724
Non-operating Revenues (Expense)			
Interest Revenue	11,386	2,687	14,073
Interest Expenses and Fiscal Charges	<u>(123,355)</u>	<u>0</u>	<u>(123,355)</u>
Net Non-operating Revenues (Expenses)	(111,969)	2,687	(109,282)
Transfers In (Out)	0	0	0
Change in Net Position	33,622	90,820	124,442
Net Position, Beginning of Year	<u>4,611,139</u>	<u>1,959,647</u>	<u>6,570,786</u>
Net Position, End of Year	<u>\$4,644,761</u>	<u>\$2,050,467</u>	<u>\$6,695,228</u>

See Notes to Financial Statements

CITY OF GREENBRIER WATERWORKS
 CHANGES IN NET POSITION COMPONENTS
 DECEMBER 31, 2021

	<u>Net Position Beginning of Year</u>	<u>Net Change Current Year</u>	<u>Net Position Year Ended</u>
Water Fund			
Net Investment in Capital Assets	\$2,932,576	\$ (7,966)	\$2,924,610
Restricted for Debt Service	483,754	8,499	492,253
Unrestricted	<u>1,194,809</u>	<u>33,089</u>	<u>1,227,898</u>
	<u>\$4,611,139</u>	<u>\$ 33,622</u>	<u>\$4,644,761</u>
Wastewater Funds			
Net Investment in Capital Assets	\$1,304,772	\$ (124,048)	\$1,180,724
Restricted for Debt Service	112,062	630	112,692
Unrestricted	<u>542,813</u>	<u>214,238</u>	<u>757,051</u>
	<u>\$1,959,647</u>	<u>\$ 90,820</u>	<u>\$2,050,467</u>
Totals	<u>\$6,570,786</u>	<u>\$ 124,442</u>	<u>\$6,695,228</u>

See Notes to Financial Statements

CITY OF GREENBRIER WATERWORKS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Activities			
Cash Received from Customers and Users	\$2,207,359	\$636,426	\$2,843,785
Cash Paid for General and Operating Expenses	(1,641,301)	(222,274)	(1,863,575)
Cash Paid for Payroll and Related Expenses	<u>(267,374)</u>	<u>(159,883)</u>	<u>(427,257)</u>
Net Cash Provided by Operating Activities	298,684	254,269	552,953
Capital and Related Financing Activities			
Purchase of Capital Assets	(62,702)	0	(62,702)
Principal Paid on Debt	(173,417)	0	(173,417)
Proceeds from Issuance of Long-Term Debt	62,700	0	62,700
Transfers to Debt Reserves	(32,004)	0	(32,004)
Interest and Fees Paid on Debt	<u>(114,385)</u>	<u>0</u>	<u>(114,385)</u>
Net Cash Used in Capital and Related Financing Activities	(319,808)	0	(319,808)
Investing Activities			
Interest and Dividends Received	<u>11,385</u>	<u>2,687</u>	<u>14,072</u>
Net Cash Provided by Investing Activities	11,385	2,687	14,072
Net Increase (Decrease) in Cash and Cash Equivalents	(9,739)	256,956	247,217
Cash and Cash Equivalents, Beginning of Year	<u>1,092,752</u>	<u>290,255</u>	<u>1,383,007</u>
Cash and Cash Equivalents, End of Year	<u>\$1,083,013</u>	<u>\$547,211</u>	<u>\$1,630,224</u>
Reconciliation of Operating Income(Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 145,591	\$ 88,133	\$ 233,724
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	177,895	124,047	301,942
Changes in			
Receivables, Net	(31,817)	40,355	8,538
Due to/from Other Funds	4,004	0	4,004
Accounts Payable	2,800	1,085	3,885
Accrued Expenses	<u>211</u>	<u>649</u>	<u>860</u>
Net Cash Provided by Operating Activities	<u>\$ 298,684</u>	<u>\$254,269</u>	<u>\$ 552,953</u>
Cash Paid for Sales Taxes: \$184,179			

See Notes to Financial Statements

CITY OF GREENBRIER WATERWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

City of Greenbrier Waterworks (the Utility) renders services on a user-charge basis to the general public for the sale of potable water and handling of domestic sewage and commercial/industrial waste. The Utility extends unsecured credit for services provided to its customers for limited periods of time. The Utility is managed by the City of Greenbrier, Arkansas consisting of five members appointed by the Mayor and the City Council of the City of Greenbrier, Arkansas. The City Council has the authority to approve the rates charged and the debt issued by the Utility. Under accounting principles generally accepted in the United States of America, the Utility is a discretely presented component unit of the City of Greenbrier, Arkansas, for financial reporting purposes.

Basis of Accounting and Presentation

The financial statements of the Utility have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Utility prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 the reported amounts of assets and liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Utility considers all unrestricted liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, cash equivalents consisted entirely of money market mutual funds carried at fair value, held by the trust department of a financial institution.

Accounts Receivable

Accounts receivable consist of water wastewater fees and surcharges billed to residential and commercial/industrial customers based on consumption. Accounts receivable are recorded net of estimated uncollectible amounts.

CITY OF GREENBRIER WATERWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Risk Management

The Utility is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits.

The City has various insurance policies to cover its potential liability risk areas, e.g., automobile, personal property, contents and outside structures and workers' compensation. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. The AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by the AML based on such factors as claims experience, employee class multipliers and population. For risks covered by the AML, the City pays no deductible; however, the City pays a \$2,000 fee to the AML for each legal matter it handles. There have been no significant reductions in coverage from 2020 to 2021; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

Inventories

Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

Capital Assets

Capital assets over \$5,000 are recorded at cost at the date of acquisition, or acquisition value at the date if donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Utility:

Sewer plant in service	5-50 years
Buildings	20-50 years
Machinery and equipment	5-10 years

Capital Asset Impairment

The Utility evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the year ended December 31, 2021.

Compensated Absences

The Utility policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expenses and the related liability are recognized as earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date.

CITY OF GREENBRIER WATERWORKS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net Position

Net position of the Utility is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Utility, including amounts deposited with trustees as required by bond indentures. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investments in capital assets or restricted expendable.

Income Taxes

As an essential government function of the City, the Utility is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Note 2 - Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Utility's deposits are in three commercial banks that are insured by the Federal Deposit Insurance Corporation (FDIC) for an amount up to \$250,000 for interest bearing funds and an additional \$250,000 for non-interest bearing accounts for each bank in which deposits are held.

The schedule below is designed to disclose the level of custody risk assumed by Utility based on how its deposits were insured or secured by pledged securities at December 31, 2021.

Category 1 - Insured by the FDIC or collateralized with securities held by the Utility (or public trust) or by its agent in the Utility's name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Utility's name.

Category 3 - Uninsured and uncollateralized or collateralized with securities held by the pledging financial institution with no written or approved collateralized agreement.

The level of security for the Utility's bank deposits are as follows:

<u>Depository</u>	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>
Bank A	\$250,000	\$ 152,769	None
Bank B	250,000	204,089	None
Bank C	250,000	1,512,121	None

Arkansas State Law requires that deposits of State funds or the deposits of State subdivision and local governments be insured or that securities be pledged to secure the deposits. The secured amounts are shown in Category 2 in the schedule above.

CITY OF GREENBRIER WATERWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 - Capital Assets

Capital assets for the year ended December 31, 2021 was as follows:

Water Fund	Balance, December 31, 2020	Additions and Transfers, net	Retirements and Transfers, net	Balances December 31, 2021
Land	24,852	-	-	24,852
Buildings	212,368	-	-	212,368
Machinery and equipment	7,685,185	62,702	-	7,747,887
Total capital assets	<u>7,922,405</u>	<u>62,702</u>	<u>-</u>	<u>7,985,107</u>
Less: accumulated depreciation				
Buildings	58,581	6,688	-	65,269
Machinery and equipment	2,836,601	171,207	-	3,007,808
Total accumulated depreciation	<u>2,895,182</u>	<u>177,895</u>	<u>-</u>	<u>3,073,077</u>
Capital assets, net	<u><u>5,027,223</u></u>	<u><u>(115,193)</u></u>	<u><u>-</u></u>	<u><u>4,912,030</u></u>
 Wastewater Fund				
Land	-	-	-	-
Buildings	-	-	-	-
Machinery and equipment	7,045,386	-	-	7,045,386
Total capital assets	<u>7,045,386</u>	<u>-</u>	<u>-</u>	<u>7,045,386</u>
Less: accumulated depreciation				
Buildings	-	-	-	-
Machinery and equipment	2,784,464	124,047	-	2,908,511
Total accumulated depreciation	<u>2,784,464</u>	<u>124,047</u>	<u>-</u>	<u>2,908,511</u>
Capital assets, net	<u><u>4,260,922</u></u>	<u><u>(124,047)</u></u>	<u><u>-</u></u>	<u><u>4,136,875</u></u>

CITY OF GREENBRIER WATERWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 - Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2021:

	Balance December 31, 2020	Increases	Decreases	Balance December 31, 2021	Amounts Due in One Year
Water Fund					
2011 Bonds payable	\$ 664,305	-	\$ 48,215	\$ 616,090	\$ 50,533
ANRC Note Payable	184,358		54,486	129,872	129,872
Arkansas Drinking Water State Revolving Loan	1,245,985	\$62,700	67,229	1,241,456	127,944
Wastewater Fund					
Bonds payable	<u>2,835,919</u>	<u>-</u>	<u>-</u>	<u>2,835,919</u>	<u>-</u>
Total long-term debt	<u>\$ 4,930,567</u>	<u>\$62,700</u>	<u>\$ 169,930</u>	<u>\$ 4,823,337</u>	<u>\$ 308,349</u>

Bonds Payable

2011 Water and Sewer Revenue Bond - A bond in the amount of \$1,250,000 was issued with an interest rate of 4.75% for the purpose of financing improvements to the water facilities. Principal and interest are payable semiannually beginning on December 1, 2011, in the amount of \$39,602 with the maturity date being June 1, 2041. Bonds are collateralized by revenues of the system.

Water and Sewer Refunding Revenue Bonds, Series 2019 - Bonds in the amount of \$2,825,000 were issued with varying interest rates from 2.25% to 3.125% for the purpose of refunding the City's Water and Sewer Revenue Bonds, Series 2013. Principal is payable annually, beginning on December 1, 2023, and interest is payable semiannually through maturity on December 1, 2043.

Notes Payable

Notes payable at December 31, 2021, were as follows:

Arkansas Natural Resources Commission (ANCR)

An \$865,979 promissory note was issued by the City in April 1998 to finance improvements to the water facility. Principal and interest are payable annually through June 1, 2024.

Arkansas Drinking Water State Revolving Loan Fund

A loan in an amount up to \$1,377,000 to finance water meter replacements issued by the Arkansas Natural Resources Commission through funding with the Environmental Protection Agency (EPA) of the federal government. In September 2021, unused funding was de-obligated in the amount of \$68,315. The resulting amount financed is \$1,308,685. Principal and interest are payable semi-annually beginning in 2021 in the amount of \$67,229 through April 2031. The loan is collateralized by revenues of the system.

CITY OF GREENBRIER WATERWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 - Long-Term Obligations (Continued)

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and notes payable outstanding at December 31, 2021:

Fiscal Year	Principal	Interest	Total
2022	\$ 308,349	\$ 121,408	\$ 429,757
2023	186,547	115,923	302,470
2024	279,737	110,123	389,860
2025	298,052	103,922	401,974
2026	306,499	0	306,499
2027 - 2031	1,559,153	417,794	1,976,947
2032 - 2036	710,000	265,474	975,474
2037 - 2041	815,000	156,044	971,044
2042 - 2043	360,000	33,750	393,750
	4,823,337	1,324,438	6,147,775

Note 5 - Profit Sharing Plan

The City implemented a retirement plan, known as the City of Greenbrier Profit Sharing Plan, on January 1, 1996. The plan trustee is Regions Trust Company and the City is the plan administrator.

Substantially all full-time employees participate in the plan. Employees must complete one full year of service and be at least 18 years of age to participate. The employee must work a minimum of 1,000 hours during the plan year to be credited with a full year of service. The City is required to make a discretionary contribution each year. A participant in the plan must have received credit for at least 501 hours of service during the plan year to receive an allocation of the employer contributions or forfeitures for the plan year.

For the year ended December 31, 2021, the employer contributed 3% of the eligible participants' compensation. Employees can contribute a voluntary after-tax contribution by payroll deduction in an amount not to exceed 15% of their compensation. Participants in the plan are 100% vested at all times prior to the participant's normal retirement age, death, or disability. Optional forms of benefit payments are available as determined by the participant.

Note 6 - Water Purchase Contract

The City has a contract with Community Water System, Inc. to purchase substantially all of the water utilized by the City. Under the contract, the City pays Community Water System, Inc. a rate based on water usage. The rates charged are subject to minimum annual contract payments. Water expense for the year ended December 31, 2021 was \$1,182,629.

Note 7 - Related Party

During the year the Utility paid approximately \$17,200 for road bores to a business owned by a member of governance.

Note 8 - Subsequent Events

Subsequent events were evaluated through September 7, 2022, which is the date the financial statements were available to be issued.

SEARCY & ASSOCIATES, LLC
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Greenbrier, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Greenbrier Waterworks, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Greenbrier Waterworks' basic financial statements and have issued our report thereon dated

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Greenbrier Waterworks' 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 City of Greenbrier Waterworks' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Greenbrier Waterworks' 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

“Well done is better than well said”

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Greenbrier Waterworks' 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*.

City of Greenbrier Waterworks' Response to Findings

City of Greenbrier Waterworks' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. *Government Auditing Standards* require the auditor to perform limited procedures in the City of Greenbrier Waterworks' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Greenbrier Waterworks' 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.

Searcy & Associates, LLC
Monticello, Arkansas
September 7, 2022

CITY OF GREENBRIER WATERWORKS
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020

Reference No.	Finding
2021-001	<p>Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the City's assets.</p> <p>Condition: Individuals have incompatible duties in the cash receipts, cash disbursements and payroll account transaction cycles. Certain individuals are responsible for accessing, recording and monitoring financial transactions, as well as other incompatible duties. Within the cash receipts cycle, certain employees have the ability to receive and maintain custodianship of cash receipts and have recording and monitoring functions. In the cash disbursements cycle, certain employees have access to signed checks and have recording and/or monitoring functions. These employees also perform conflicting duties within the payroll cycle.</p> <p>Effect: Potentially significant misstatements in the financial statements or significant misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause: Duties within the cash receipts, cash disbursements and payroll cycles are not adequately segregated, and monitoring or other compensating controls are not sufficient to reduce the possibility of errors or fraud going undetected in the normal course of business.</p> <p>Recommendation: Management should periodically evaluate the costs versus the benefits of further segregation of duties and addition of monitoring or other compensating controls and implement those changes it deems to be cost beneficial.</p> <p>Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and recommendation. Management will continue to evaluate the costs versus benefits of further segregation of duties and make any changes deemed appropriate that are cost beneficial.</p>

SUPPLEMENTAL INFORMATION

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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The City Council
City of Greenbrier Waterworks
Greenbrier, Arkansas

We have examined management's assertion that the City of Greenbrier Waterworks, complied with the requirements of Arkansas Act 15 of 1985 (the Act) and the following Arkansas statutes during the year ended December 31, 2021.

1. Arkansas Municipal Accounting Law of 1973, §14-59-101 et seq.;
2. Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
3. Improvement Contracts §§ 22-9-202 - 22-9-204;
4. Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. And 14-58-301 et seq.;
5. Investment of public funds, § 19-1-501 et seq.; and
6. Deposit of public funds, §§ 19-8-101 - 19-8-107.

City management is responsible for its compliance with the above Act and statutes. Our responsibility is to express an opinion on the City's compliance with the aforementioned Act and statutes based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the Act and statutes, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Greenbrier Waterworks, complied with the aforementioned Act and statutes during the year ended December 31, 2021, is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

Searcy & Associates, LLC
Monticello, Arkansas
September 7, 2022

"Well done is better than well said"