City of Dermott, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF DERMOTT, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Independent Auditor's Report
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*
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

	Exhibit
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	Schedule
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

OTHER INFORMATION

Schedule of Capital Assets (Unaudited)	3

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Dermott, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Dermott, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2024; the related Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis; the Statement of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended; and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Dermott, Arkansas as of December 31, 2024; the regulatory basis revenues, expenditures, and changes in fund balance; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Dermott, Arkansas, as of December 31, 2024, or the revenues, expenditures, and changes in fund balance and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included other funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity. Our opinions are 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 the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements 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'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 City'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis 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 regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 May 11, 2026, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
May 11, 2026
LOM102624

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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*

Independent Auditor's Report

City of Dermott, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Dermott, Arkansas (City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated May 11, 2026. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. We identified certain deficiencies in internal control, described below as item 2024-1, that we consider to be a material weakness.

2024-1 Arkansas code requires management to maintain financial records. The City's financial records contained errors that were considered material as enumerated below:

- General Fund financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures of $1,820,964, $459,561, $1,710,279, $591,393, $281,440 respectively, due to unrecorded transfers, and classification and posting errors.
- Street Fund financial records contained misstatements in assets, liabilities, fund balance, revenues, expenditures, and disclosures of $186,424, $281,253, $397,792, $63,700, $11,683, and $32,535 respectively, due to classification and posting errors.
- Other Funds In the Aggregate financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures of $638,580, $182,907, $776,541, $85,980, and $35,474, respectively, due to classification and posting errors.

The effect of these omissions/errors constitutes a control deficiency in the process of preparing financial statements. City management should implement procedures to ensure financial records are properly posted.

The Mayor concurred with the above recommendations and has approved the appropriate entries to the City's financial records.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 result of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Report on Internal Control over Financial Reporting section as item 2024-1.

We also reported to management of the City in a separate letter dated May 11, 2026.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described previously. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT
Joseph D. Archer
Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 11, 2026

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

City of Dermott, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

The findings contained in this letter relate to the following officials who held office during 2024:

Mayor: Walter Jordan
City Clerk: Renita Robinson
District Court Clerk: Megan Charlton
Police Chief: Eric Evans

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management in maintaining a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

Mayor

1. Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 - 14-59-119. The City was not in compliance with these codes and other proper accounting procedures as noted below:

   - The bank reconciliations were not approved by a municipal official or employee other than the preparer.
   - Bank reconciliations were not properly prepared for the General, Working Capital, and Dermott Rental Funds.
   - Adequate supporting documentation was not provided for 6 out of 60 tested disbursements totaling $13,383 (5%), to vendors that appear to be for legitimate business purposes and prenumbered checks were not always issued in sequential order.
   - Cash receipts and disbursements journals were not properly posted.
   - Financial statements and council packets were not always provided to the City Council members on a monthly basis.

   A lack of management oversight permitted these instances of noncompliance with the Municipal Accounting Law and proper accounting procedures. The effect of not following Municipal Accounting Law and proper accounting procedures precludes management from making appropriate, informed decisions on behalf of the City. A similar finding was noted in the previous three reports dating back to 2020.

2. The City paid a total of $1,081 for late fees in conflict with the "public purpose doctrine" discussed in Op. Att'y Gen. no. 91-410. A similar finding was noted in the previous two reports dating back to 2021.

3. Check images provided by the bank were not in compliance with Ark. Code Ann. §§ 19-2-501 - 19-2-508 for the Dermott Rental Fund. A similar finding was noted in the previous two reports.

4. The City renewed two loan agreements with Simmons Bank on January 12, 2024, in the amount of $90,400. The original loan agreements were entered into on June 27, 2020, and September 24, 2019, for $30,000 and $50,000, respectively, for the purpose of paying past due Internal Revenue Service (IRS) taxes. In addition, the City renewed a loan agreement with First Service Bank on January 10, 2024, in the amount of $146,075. The original loan agreement was entered on September 24, 2019, for the purpose of paying past due IRS taxes. The loans appear to be in conflict with Ark. Const. Amendment 78, § 2, which limits short-term financing obligations for the acquiring, constructing, installing, or renting of real property or tangible property having an expected useful life of more than one year.

Police Chief

The balance remaining in the Bond and Fine bank account was not identified with receipts issued, but not yet entered on the arrest report, as required by Ark. Code Ann. § 16-10-207. The unidentified balance as of December 31, 2024, was $2,798.

District Court Clerk

The balance in the District Court City bank account was not identified with receipts for cases not yet adjudicated and the payments made on all unpaid individual time accounts in the amount of $10,237 in noncompliance with Ark. Code Ann. § 16-10-209. A similar finding was noted in previous twenty reports dating back to 2003.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Joseph D. Archer

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 11, 2026

CITY OF DERMOTT, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2024

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	$ 229,374	$ 45,251	$ 180,665
Investments			302,703
Accounts receivable	83,254	1,500	1,953
Interfund receivables	13,195		307,796
TOTAL ASSETS	$ 325,823	$ 46,751	$ 793,117
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 12,882	$ 9,185	$ 11,946
Interfund payables	99,222	194,971	26,798
Settlements pending			40,133
Total Liabilities	112,104	204,156	78,877
Fund Balances:			
Restricted			714,751
Assigned			83
Unassigned	213,719	(157,405)	(594)
Total Fund Balances	213,719	(157,405)	714,240
TOTAL LIABILITIES AND FUND BALANCES	$ 325,823	$ 46,751	$ 793,117

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

CITY OF DERMOTT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	$ 24,830	$ 166,188	$ 83,254
Federal aid			7,400
Property taxes	47,353	18,723	10,881
Franchise fees	123,826		
Sales taxes	667,743		
Fines, forfeitures, and costs	55,055		3,181
Interest and dividends	2,172	1,434	19,837
Local permits and fees	4,264		
Sanitation fees	192,337		
Mosquito control	21,039		
Loan proceeds	137,641		
Net increase/(decrease) in fair value of investments			22,998
Other	160,697	4,047	2,190
TOTAL REVENUES	1,436,957	190,392	149,741
EXPENDITURES			
Current:			
General government	1,046,553		39,198
Law enforcement	16,003		59,338
Highways and streets	2,654	194,637	
Public safety	2,415		84,769
Sanitation	164,678		
Total Current	1,232,303	194,637	183,305
Debt Service:			
Bond principal	6,521		3,317
Bond interest and other charges	12,295		4,495
Financed purchase principal	22,811		
Financed purchase interest	7,960		
Note principal	24,797		
Note interest	12,137		
TOTAL EXPENDITURES	1,318,824	194,637	191,117

CITY OF DERMOTT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 118,133	$ (4,245)	$ (41,376)
OTHER FINANCING SOURCES (USES)			
Transfers in		27,170	100
Transfers out	(27,270)		
Contribution to water and sewer department	(10,000)		
Contribution from water and sewer department			7,812
TOTAL OTHER FINANCING SOURCES (USES)	(37,270)	27,170	7,912
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	80,863	22,925	(33,464)
FUND BALANCES - JANUARY 1	132,856	(180,330)	747,704
FUND BALANCES - DECEMBER 31	$ 213,719	$ (157,405)	$ 714,240

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

CITY OF DERMOTT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	$ 196,247	$ 24,830	$ (171,417)	$ 148,404	$ 166,188	$ 17,784
Property taxes		47,353	47,353		18,723	18,723
Franchise fees	67,018	123,826	56,808			
Sales taxes	488,948	667,743	178,795			
Fines, forfeitures, and costs	3,771	55,055	51,284			
Interest and dividends	53	2,172	2,119	8	1,434	1,426
Local permits and fees	2,223	4,264	2,041			
Sanitation fees	226,936	192,337	(34,599)			
Mosquito control		21,039	21,039			
Loan proceeds		137,641	137,641			
Other	35,746	160,697	124,951	300	4,047	3,747
TOTAL REVENUES	1,020,942	1,436,957	416,015	148,712	190,392	41,680
EXPENDITURES						
Current:						
General government	1,734,803	1,046,553	688,250			
Law enforcement	334,297	16,003	318,294			
Highways and streets		2,654	(2,654)	214,013	194,637	19,376
Public safety	58,546	2,415	56,131			
Sanitation	253,838	164,678	89,160			
Total Current	2,381,484	1,232,303	1,149,181	214,013	194,637	19,376
Debt Service:						
Bond principal		6,521	(6,521)			
Bond interest and other charges		12,295	(12,295)			
Financed purchase principal		22,811	(22,811)			
Financed purchase interest		7,960	(7,960)			
Note principal	3,340	24,797	(21,457)			
Note interest		12,137	(12,137)			
TOTAL EXPENDITURES	2,384,824	1,318,824	1,066,000	214,013	194,637	19,376

CITY OF DERMOTT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (1,363,882)	$ 118,133	$ 1,482,015	$ (65,301)	$ (4,245)	$ 61,056
OTHER FINANCING SOURCES (USES)						
Transfers in					27,170	27,170
Transfers out	(96,684)	(27,270)	69,414			
Contribution to water and sewer department		(10,000)	(10,000)			
TOTAL OTHER FINANCING SOURCES (USES)	(96,684)	(37,270)	59,414		27,170	27,170
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,460,566)	80,863	1,541,429	(65,301)	22,925	88,226
FUND BALANCES - JANUARY 1		132,856	132,856		(180,330)	(180,330)
FUND BALANCES - DECEMBER 31	$ (1,460,566)	$ 213,719	$ 1,674,285	$ (65,301)	$ (157,405)	$ (92,104)

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Dermott was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer System and Nursing Home. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are not included in this report.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for the Debt Service Fund as reported with other funds in the aggregate.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund as reported with other funds in the aggregate.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for the Custodial Funds as reported with other funds in the aggregate.

C. Basis of Accounting – Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand, savings, and money market accounts and certificates of deposit.

Investments

Investments are reported at fair value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

2. Assigned fund balance - amounts that are constrained by the City Council’s intent to be used for specific purposes but are neither restricted nor committed.

3. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

b. The proposed budget is discussed at a City Council meeting prior to adoption.

c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.

d. Appropriations lapse at the end of each year.

e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds except for the Fire Equipment and Training (Act 833), Yellow Bend, McDermott Cemetery, Local Law Enforcement Grant, American Rescue Plan Act (ARPA) Recovery, Arkansas Community Economic Development, Fire Equipment, and Firemen's Pension Trust.

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed fund balances at year end.

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 389,407	$ 412,564
Collateralized:		
Collateral held by the pledging financial institution's trust department or agent in the City's name	63,903	84,224
Total Deposits	$ 453,310	$ 496,788

Bank account balances included in Insured (FDIC) are swept daily to a number of banks in which all cash deposits in the bank are insured.

The above total deposits do not include cash on hand of $1,980.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed $100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2024 Fair Value
Pension Trust	$ 302,703

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III –** significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

NOTE 4: Public Fund Investments (Continued)

The City's investments are composed of the following:

December 31, 2024 Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	$ 302,703

The fair value of mutual funds is measured on a recurring basis and is based on quoted market prices obtained from independent pricing sources, and as a result, these were classified as Level I inputs.

Other required disclosures for investments:

- Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments can be highly sensitive to changes in interest rate risks due to their terms or characteristics. The City has not adopted a formal investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates. The following summary details the investments subject to interest rate risk as of December 31, 2024, by maturity dates in years:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Bond Mutual Funds	$ 191,238	$ 0	$ 140,683	$ 21,089	$ 29,466

- Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality rating of investments in debt securities as described by nationally recognized statistical rating organizations. Obligations of or guaranteed by the U.S. Government are not considered to be exposed to credit risk and are not included in this disclosure. The City's exposure to credit risk as of December 31, 2024, is as follows:

	Fair Value
Bond mutual funds	
B+	$ 21,089
BBB-	60,497
Not rated	109,653
	$ 191,238

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2024, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Franchise fees	$ 5,522		
Sales taxes	47,556		
Fines, forfeitures, and costs	2,139		$ 1,953
Other	28,037	$ 1,500	
Totals	$ 83,254	$ 1,500	$ 1,953

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2024, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	$ 12,882	$ 9,185	$ 11,946

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2024	
	Interfund Receivables	Interfund Payables
General Fund	$ 13,195	$ 99,222
Street Fund		194,971
Other Funds in the Aggregate:		
Special Revenue Funds:		
Fire Equipment and Training (Act 833)	1,319	
McDermott Cemetery	1,643	
Nursing Home Capital Improvement	97,365	
District Court Automation	919	12,684
Special Sales Tax - Street and Water	194,971	
Arkansas Community Economic Developmen		1,830
Capital Projects Fund:		
Fire Equipment		919
Trust Fund:		
Firemen's Pension Trust	11,579	11,365
Totals	$ 320,991	$ 320,991

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid when funds become available.

NOTE 8: Federal Funds Program Compliance

The grant of the American Rescue Plan Act- City of Dermott Water Project was not audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

NOTE 9: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2024, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			$ 18,914
Highways and streets			201,471
Public safety			9,784
Social services			146,756
Police and fire retirment cost			3,118
Pension benefits			332,227
Capital outlay			1,696
Debt service			785
Total Restricted			714,751
Assigned to:			
General government			83
Unassigned	$ 213,719	$ (157,405)	(594)
Totals	$ 213,719	$ (157,405)	$ 714,240

NOTE 10: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2024:

	December 31, 2024
Street Fund	$ (157,405)
Other Funds in the Aggregate:	
Capital Projects Fund:	
Fire Equipment	(594)
Total	$ (157,999)

NOTE 11: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2024, the legal debt limit for the bonded debt was $2,168,398. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2024, the legal debt limit for short-term financing obligations was $668,705. The amount of short-term financing obligations was $317,892 leaving a legal debt margin of $350,813.

NOTE 12: Commitments

Total commitments consist of the following at December 31, 2024:

	December 31, 2024
Long-term liabilities	$ 793,882

Long-term liabilities

Long-term liabilities at December 31, 2024, are comprised of the following:

	December 31, 2024
Bonds	
Bonds Payable dated August 21, 2003, with United States Department of Agriculture in the amount of $138,400, with interest rate of 4.75% for constructing and equipping a city hall. Monthly installments of $651 for 40 years. Payments are to be made from the Capital Improvement Revenue Bond Fund.	$ 92,809
Bonds Payable dated December 24, 2014, with United States Department of Agriculture in the amount of $400,000, with interest rate of 3.5% for constructing and equipping a fire station. Monthly installments of $1,568 for 40 years. Payments are to be made from the Franchise Fee Revenue Account (General Fund).	347,751
Total Bonds	440,560
Direct Borrowings	
Financed purchase dated March 13, 2023, with Santander Bank in the amount of $48,597, with an interest rate of 6.1% for the purpose of acquiring a 2023 Dodge Durango pursuit vehicle. Annual installments of $9,344. Payments are to be made from General Fund.	32,304
Financed purchase dated July 28, 2023, with Santander Bank in the amount of $111,200, with an interest rate of 6.2% for the purpose of acquiring two 2023 Dodge Durango pursuit vehicles. Annual installments of $21,428. Payments are to made from General Fund.	73,910
Note payable dated January 10, 2024, with First Service Bank in the amount of $146,075, with an interest rate of 4.5% for the purpose of paying past due IRS taxes Monthly installments of $1,518 for 12 months with one final balloon payment of $135,286 at maturity. Payments are to be made from General Fund.	135,286
Note payable dated January 12, 2024, with Simmons Bank in the amount of $90,400, with an interest rate of 8% for the purpose of paying past due IRS taxes. Monthly installments of $1,839 for 60 months. Payments are to be made from General Fund.	76,392
Total Direct Borrowings	317,892
Arkansas District Judge's Retirement unfunded pension liability.	35,430
Total Long-term liabilities	$ 793,882

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

NOTE 12: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding bonds payable of $440,560 contain a provision that in an event of default, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) require the City to incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the default, and/or (c) take possession of the facility, repair, maintain and operate and rent it.

The City's outstanding direct borrowings of $317,892 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2024	Maturities to December 31, 2024
Bonds					
8/21/03	7/21/42	4.75%	$ 138,400	$ 92,809	$ 45,591
12/24/14	11/24/54	3.50%	400,000	347,751	52,249
Total Bonds			538,400	440,560	97,840
Direct Borrowings					
3/13/23	3/13/28	6.10%	48,597	32,304	16,293
7/28/23	7/28/28	6.20%	111,200	73,910	37,290
1/10/24	1/10/25	4.50%	146,075	135,286	10,789
1/12/24	1/15/29	8.00%	90,400	76,392	14,008
Total Direct Borrowings			396,272	317,892	78,380
Total Long-Term Debt			$ 934,672	$ 758,452	$ 176,220

Changes in Long-Term Debt

	Balance January 01, 2024	Issued	Retired		Balance December 31, 2024
Bonds payable	$ 450,398	$ 0	$ 9,838		$ 440,560
Direct Borrowings					
Financed purchases	129,025		22,811		106,214
Notes payable	98,316	236,475	123,113	*	211,678
Total Direct Borrowings	227,341	236,475	145,924		317,892
Total Long-Term Debt	$ 677,739	$ 236,475	$ 155,762		$ 758,452

*Includes $98,316 notes payable that was refinanced.

NOTE 12: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2024:

Years Ending	Bonds			Direct Borrowings		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2025	$ 10,231	$ 16,397	$ 26,628	$ 176,066	$ 12,061	$ 188,127
2026	10,640	15,988	26,628	43,649	9,193	52,842
2027	11,066	15,562	26,628	46,724	6,118	52,842
2028	11,509	15,119	26,628	50,020	2,821	52,841
2029	11,970	14,658	26,628	1,433		1,433
2030 through 2034	67,465	65,675	133,140			
2035 through 2039	82,206	50,934	133,140			
2040 through 2044	79,792	34,020	113,812			
2045 through 2049	72,925	21,155	94,080			
2050 through 2054	82,756	7,241	89,997			
Totals	$ 440,560	$ 256,749	$ 697,309	$ 317,892	$ 30,193	$ 348,085

NOTE 13: Interfund Transfers

The City transferred $27,170 and $100 from the General Fund to the Street Fund to supplement operations and to Other Funds in the Aggregate to open the Arkansas Community Economic Development account, respectively.

NOTE 14: Pledged Revenues

City's Water and Sewer System

The City pledged future surplus revenue derived from the City's Water and Sewer System to repay $138,400 United States Pledged Revenue bonds that were issued in 2003 to provide funding for the constructing and equipping a city hall. Total principal and interest remaining on the bonds are $92,809 and $44,103, respectively, payable through July 21, 2042. For 2024, principal and interest and other charges paid were $3,317 and $4,495, respectively.

The Debt Service Fund received $7,812 in contributions from the Water and Sewer Department in 2024.

Franchise Fees

The City pledged future franchise fees to repay $400,000 in bonds that were issued in 2014 to provide funding for the constructing and equipping a fire station. Total principal and interest remaining on the bonds are $347,751 and $212,646, respectively, payable through November 24, 2054. For 2024 principal and interest and other charges paid were $6,521 and $12,295, respectively.

The Franchise Fee Fund (reported with General Fund) received $123,826 from franchise fees in 2024.

NOTE 15: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

NOTE 15: Risk Management (Continued)

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: $25,000 because of bodily injury to or death of one person in any one accident; $50,000 because of bodily injury to or death of two or more persons in any one accident; and $25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.

B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of $1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of $5,000, or in the case of flood or earthquake, $100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed, or the judgment becomes final, or $1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first $3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of $300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a $2,500 deductible per occurrence.

NOTE 16: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

NOTE 16: Firemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of $12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was $10,881 for the year ended December 31, 2024. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. There was no reported net pension liability at year end.

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least 20 years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed 5 years, except in certain circumstances as allowed by law.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

A. Paid service not covered by Social Security: 8.5% of gross pay

B. Paid service also covered by Social Security: 2.5% of gross pay

C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was $53,696 and the amount of insurance tax paid by the state to the plan for the benefit of the City was $24,738 for the year ended December 31, 2024.

NOTE 17: Local Police and Fire Retirement System (LOPFI) (Continued)
(A Defined Benefit Pension Plan)

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2024, (actuarial valuation date and measurement date) was $388,624.

NOTE 18: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers the District Court Clerk whose municipality has elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.75% as of July 1, 2024. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan for the year ended June 30, 2024, (date of APERS Employer Allocation Report) was $2,591.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2024, (actuarial valuation date and measurement date) was $18,521.

Schedule 1

CITY OF DERMOTT, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2024

	SPECIAL REVENUE FUNDS							
	Municipal Judge and Clerk Retirement	Local Police and Fire Retirement (LOPFI)	Fire Equipment and Training (Act 833)	Home Repair	Drug Control	Yellow Bend	McDermott Cemetery	Safe Routes to Schools
ASSETS								
Cash and cash equivalents	$ 1,005	$ 3,118	$ 14,959	$ 4,359	$ 5,184	$ 4,714	$ 13,389	$ 339
Investments								
Accounts receivable					1,913			
Interfund receivables			1,319				1,643	
TOTAL ASSETS	$ 1,005	$ 3,118	$ 16,278	$ 4,359	$ 7,097	$ 4,714	$ 15,032	$ 339
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable			$ 11,811					
Interfund payables								
Settlements pending								
Total Liabilities			11,811					
Fund Balances:								
Restricted	$ 1,005	$ 3,118	4,467	$ 4,359	$ 7,097	$ 4,714	$ 15,032	$ 339
Assigned								
Unassigned								
Total Fund Balances	1,005	3,118	4,467	4,359	7,097	4,714	15,032	339
TOTAL LIABILITIES AND FUND BALANCES	$ 1,005	$ 3,118	$ 16,278	$ 4,359	$ 7,097	$ 4,714	$ 15,032	$ 339

Schedule 1

CITY OF DERMOTT, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2024

	SPECIAL REVENUE FUNDS						
	Local Law Enforcement Grant	Nursing Home Capital Improvement	COPS Fast	Delta Regional Authority	District Court Automation	Special Sales Tax - Street and Water	Arkansas Community Economic Development
ASSETS							
Cash and cash equivalents	$ 265	$ 30,000	$ 1,566	$ 264	$ 20,841	$ 6,500	$ 1,913
Investments							
Accounts receivable					40		
Interfund receivables		97,365			919	194,971	
TOTAL ASSETS	$ 265	$ 127,365	$ 1,566	$ 264	$ 21,800	$ 201,471	$ 1,913
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable					$ 135		
Interfund payables					12,684		$ 1,830
Settlements pending							
Total Liabilities					12,819		1,830
Fund Balances:							
Restricted	$ 265	$ 127,365	$ 1,566	$ 264	8,981	$ 201,471	
Assigned							83
Unassigned							
Total Fund Balances	265	127,365	1,566	264	8,981	201,471	83
TOTAL LIABILITIES AND FUND BALANCES	$ 265	$ 127,365	$ 1,566	$ 264	$ 21,800	$ 201,471	$ 1,913

CITY OF DERMOTT, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2024

Schedule 1

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	TRUST FUND	CUSTODIAL FUNDS				
	Parks and Recreation	Fire Equipment	Capital Improvement Revenue Bond	Firemen's Pension Trust	Police Bond and Fine	District Court - City	Civil and Small Claims	Payroll	Totals
ASSETS									
Cash and cash equivalents	$ 1,696	$ 325	$ 785	$ 29,310	$ 7,650	$ 21,023	$ 153	$ 11,307	$ 180,665
Investments				302,703					302,703
Accounts receivable									1,953
Interfund receivables				11,579					307,796
TOTAL ASSETS	$ 1,696	$ 325	$ 785	$ 343,592	$ 7,650	$ 21,023	$ 153	$ 11,307	$ 793,117
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable									$ 11,946
Interfund payables		$ 919		$ 11,365					26,798
Settlements pending					$ 7,650	$ 21,023	$ 153	$ 11,307	40,133
Total Liabilities		919		11,365	7,650	21,023	153	11,307	78,877
Fund Balances:									
Restricted	$ 1,696		$ 785	332,227					714,751
Assigned									83
Unassigned		(594)							(594)
Total Fund Balances	1,696	(594)	785	332,227					714,240
TOTAL LIABILITIES AND FUND BALANCES	$ 1,696	$ 325	$ 785	$ 343,592	$ 7,650	$ 21,023	$ 153	$ 11,307	$ 793,117

CITY OF DERMOTT, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2

	SPECIAL REVENUE FUNDS							
	Municipal Judge and Clerk Retirement	Local Police and Fire Retirement (LOPFI)	Fire Equipment and Training (Act 833)	Home Repair	Drug Control	Yellow Bend	McDermott Cemetery	Safe Routes to Schools
REVENUES								
State aid			$ 37,666					
Federal aid								
Property taxes								
Fines, forfeitures, and costs					$ 1,913			
Interest and dividends					3	$ 3	$ 17	
Net increase/(decrease) in fair value of investments								
Other			2,150					
TOTAL REVENUES			39,816		1,916	3	17	
EXPENDITURES								
Current:								
General government								
Law enforcement								
Public safety			37,398			125		
Total Current			37,398			125		
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES			37,398			125		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			2,418		1,916	(122)	17	
OTHER FINANCING SOURCES (USES)								
Transfers in								
Contribution from water and sewer department								
TOTAL OTHER FINANCING SOURCES (USES)								
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			2,418		1,916	(122)	17	
FUND BALANCES - JANUARY 1	$ 1,005	$ 3,118	2,049	$ 4,359	5,181	4,836	15,015	$ 339
FUND BALANCES - DECEMBER 31	$ 1,005	$ 3,118	$ 4,467	$ 4,359	$ 7,097	$ 4,714	$ 15,032	$ 339

CITY OF DERMOTT, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2

	SPECIAL REVENUE FUNDS							
	Local Law Enforcement Grant	Nursing Home Capital Improvement	COPS Fast	Delta Regional Authority	District Court Automation	Special Sales Tax - Street and Water	American Rescue Plan Act (ARPA) Recovery	Arkansas Community Economic Development
REVENUES								
State aid	$ 41,854							
Federal aid	7,400							
Property taxes								
Fines, forfeitures, and costs					$ 1,268			
Interest and dividends	8						$ 2	
Net increase/(decrease) in fair value of investments								
Other							40	
TOTAL REVENUES	49,262				1,268		42	
EXPENDITURES								
Current:								
General government							39,151	$ 17
Law enforcement	55,534				3,804			
Public safety								
Total Current	55,534				3,804		39,151	17
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES	55,534				3,804		39,151	17
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,272)				(2,536)		(39,109)	(17)
OTHER FINANCING SOURCES (USES)								
Transfers in								100
Contribution from water and sewer department								
TOTAL OTHER FINANCING SOURCES (USES)								100
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,272)				(2,536)		(39,109)	83
FUND BALANCES - JANUARY 1	6,537	$ 127,365	$ 1,566	$ 264	11,517	$ 201,471	39,109	
FUND BALANCES - DECEMBER 31	$ 265	$ 127,365	$ 1,566	$ 264	$ 8,981	$ 201,471	$ 0	$ 83

CITY OF DERMOTT, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	TRUST FUND	
	Parks and Recreation	Fire Equipment	Capital Improvement Revenue Bond	Firemen's Pension Trust	Totals
REVENUES					
State aid				$ 3,734	$ 83,254
Federal aid					7,400
Property taxes				10,881	10,881
Fines, forfeitures, and costs					3,181
Interest and dividends				19,804	19,837
Net increase/(decrease) in fair value of investments				22,998	22,998
Other					2,190
TOTAL REVENUES				57,417	149,741
EXPENDITURES					
Current:					
General government		$ 30			39,198
Law enforcement					59,338
Public safety		600		46,646	84,769
Total Current		630		46,646	183,305
Debt Service:					
Bond principal			$ 3,317		3,317
Bond interest and other charges			4,495		4,495
TOTAL EXPENDITURES		630	7,812	46,646	191,117
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(630)	(7,812)	10,771	(41,376)
OTHER FINANCING SOURCES (USES)					
Transfers in					100
Contribution from water and sewer department			7,812		7,812
TOTAL OTHER FINANCING SOURCES (USES)			7,812		7,912
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		(630)		10,771	(33,464)
FUND BALANCES - JANUARY 1	$ 1,696	36	785	321,456	747,704
FUND BALANCES - DECEMBER 31	$ 1,696	$ (594)	$ 785	$ 332,227	$ 714,240

The following funds and descriptions represent all funds reported as other funds in the aggregate.

Fund Name	Fund Description
Municipal Judge and Clerk Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Home Repair	Established to process grants for low-income housing construction and rehabilitation.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Yellow Bend	Established to account for funds received from the Chicot-Desha River Agricultural and Industrial Development Corporation for operation and maintenance of water system at the port.
McDermott Cemetery	Established to account for interest earned and maintenance expenditures for the McDermott Cemetery.
Safe Routes to Schools	Established to receive and disburse funds for the Safe Routes to School grant for sidewalks.
Local Law Enforcement Grant	Established to receive and disburse funds for the Justice Assistance grant for law enforcement equipment and related expenditures.
Nursing Home Capital Improvement	Dermott Ordinance no. 2005-5 (December 12, 2005) established fund to receive a city-wide 1/4% cent sales and use tax for capital improvements for the Dermott City Nursing Home.
COPS Fast	Established to accept a COPS grant for the police department.
Delta Regional Authority	Established to accept a Delta Regional Authority grant for a new fire station.

CITY OF DERMOTT, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2024

The following funds and descriptions represent all funds reported as other funds in the aggregate.

Fund Name	Fund Description
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of $5 per month on each person to be used for court-related technology.
Special Sales Tax - Street and Water	Dermott Ordinance no. 2005-5 (December 12, 2005) established fund to receive a city-wide 1/2% cent sales and use tax for capital improvements for the Dermott Streets and Water Systems.
American Rescue Plan Act (ARPA) Recovery	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Arkansas Community Economic Development	Established to receive and disburse funds for the Arkansas Community Economic Development grant.
Parks and Recreation	Dermott Ordinance no. 2005-5 (December 12, 2005) established fund to receive a city-wide 1/2% cent sales and use tax for capital improvements for the Dermott parks.
Fire Equipment	Established to accept a USDA Rural Development and state grants for a new fire department equipment.
Capital Improvement Revenue Bond	Dermott Ordinance no. 2002-4 (April 17, 2002) authorized the issuance of a bond payable with the United States Department of Agriculture. This fund was established to process the payments.
Firemen's Pension Trust	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court - City	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Civil and Small Claims	Ark. Code Ann. § 16-17-707 established account to receive fees relating to small claims and civil case filings.
Payroll	Established to process payroll for all employees.

CITY OF DERMOTT, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2024
(Unaudited)

Schedule 3

	December 31, 2024
Land	$ 147,352
Buildings	2,663,000
Equipment	1,015,240
Total	$ 3,825,592