CITY OF DERMOTT WATER & SEWER DEPARTMENT

FINANCIAL STATEMENTS

December 31, 2024

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the City Council of the
City of Dermott Water & Sewer Department

We have performed the procedures enumerated below for the City of Dermott Water & Sewer Department, ("the Organization"), the year ended December 31, 2024. The Organization's management is responsible for accounting records.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or $500, whichever is greater.

   Finding: *The Organization has not properly maintained and completed bank reconciliations for all months for 6 out of 12 cash accounts. Completed reconciliations were not properly dated and signed by the preparer or reviewer, making it difficult to verify that the reconciliations were completed and reviewed in a timely manner.*

   Cause: *The Organization has not been aware of the required timely completion and proper approval of each reconciliation for each month.*

   Effect: *The Organization could allow for long-outstanding reconciling items to not be investigated and resolved in a timely manner.*

   Recommendation: *We recommend the Organization start completing reconciliations for all bank accounts for all months. Additionally, we recommend signing and dating the reconciliations for the preparer and reviewer to verify procedures being completed in a timely manner.*

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or $500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: *No findings identified.*

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Finding: *We selected a sample of five customer adjustments to test proper authorization was maintained and found that all five adjustments did not have proper management authorization documentation.*

Cause: *The Organization was not aware to properly maintain proper authorization of adjustments made on customer accounts.*

Effect: *The Organization is not compliant with reporting regulations and could lead to misrepresentation of the financial position of the Organization.*

Recommendation: *We recommend the Organization review all adjustments made every month and sign off on the report to indicate proper authorization.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or $ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or $500, whichever is greater.)

Finding: *The Organization has not properly maintained an updated listing of all capital fixed asset activities as it pertains to the operation of the water and sewer system for multiple years.*

Cause: *The Organization has not been aware of the required recording of capital asset activity year over year.*

Effect: *The Organization is not compliant with reporting regulations and could lead to misrepresentation of the financial position of the Organization.*

Recommendation: *We recommend the Organization review company activity and maintain an updated listing to properly reflect the financial position of the Organization.*

Long-Term Debt

1. Schedule long-term debt and verify changes in all balances for the year.
2. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
3. Determine that the appropriate debt service accounts have been established and maintained.

   Finding: *The Organization has not properly maintained the debt service accounts required by the United States Department of Agriculture and Arkansas Department of Agriculture. The debt service and short lived asset reserve account are underfunded compared to what is contractually required.*

   Cause: *The Organization has not been aware of the required reserve and the continuity of monthly funding required until the minimum amount is reached for debt service requirements. The depreciation or short lived asset reserve has been funded and subsequently spent on other major repairs other than what is specifically allowed.*

   Effect: *The Organization is not compliant with the debt restrictions and could face repercussions with oversight organizations.*

   Recommendation: *We recommend the Organization start allocating cash monthly over and above required monthly deposits until the Organization is in compliance with reserve amounts.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

   Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization and the Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

Searcy & Associates LLC

Monticello, Arkansas
September 16, 2025

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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To the City Council of the
City of Dermott Water & Sewer Department

Management is responsible for the accompanying financial statements of the Water & Sewer Department of the City of Dermott ("the Organization"), a component unit of the City of Dermott, Arkansas, which comprised the statement of net position as of December 31, 2024, and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the year then ended, which collectively comprise the Organization's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, no provide any assurance on these financial statements.

Management has elected to omit the Management's Discussion and Analysis and Budget to Actual Comparison required by accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management, the supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Searcy & Associates LLC

Monticello, Arkansas
September 16, 2025

WATER & SEWER DEPARTMENT OF THE CITY OF DERMOTT, ARKANSAS
STATEMENT OF NET POSITION
December 31, 2024

		2024
Assets		
Current assets		
Cash and cash equivalents	$	96,548
Accounts receivable (net)		405,190
Prepaid expenses		9,526
Total current assets		511,264
Restricted cash and investments		
Meter deposits		115,259
Debt reserve funds		72,556
Total restricted cash and investments		187,815
Fixed assets, net of accumulated depreciation		3,322,969
Other assets		
Due from other funds		256,415
Total assets	$	4,278,463
Liabilities and Net Position		
Current liabilities		
Accounts payable	$	29,169
Accrued interest		19,738
Accrued payroll		9,533
Current portion of bonds payable		199,116
Total current liabilities		257,556
Long term liabilities		
Bonds payable, net of current amount		2,040,266
Customer deposits		115,259
Total long term liabilities		2,155,525
Net position		
Unrestricted		1,865,382
Total net position		1,865,382
Total liabilities and net position	$	4,278,463

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

WATER & SEWER DEPARTMENT OF THE CITY OF DERMOTT, ARKANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2024

		2024
Operating revenues		
Water services	$	753,189
Other operating revenue		26,415
Total operating revenue		779,604
Operating expenses		
Plant operations and distribution		441,029
General and administrative		257,706
Depreciation		236,417
Total operating expenses		935,152
Income / (loss) from operations		(155,548)
Other revenue / (expenses)		
Interest income		26
Interest expense		(32,166)
Total other revenue / (expenses)		(32,140)
Excess (deficit) of revenues over expenses		(187,688)
Other financing sources (uses)		
Transfers in / (out)		37,146
Change in net position	$	(150,542)
Net position, beginning of year		2,015,924
Change in unrestricted assets		(150,542)
Net position, end of year	$	1,865,382

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

WATER & SEWER DEPARTMENT OF THE CITY OF DERMOTT, ARKANSAS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

	2024
Cash flows from operating activities	
Cash received from customers	$ 779,604
Payments for salaries and benefits	(271,578)
Payments for operating and administrative expenses	(422,762)
Net cash provided by (used for) operating activities	85,264
Cash flows from investing activities	
Purchase of property, plant and equipment	-
Transfers in (out)	37,146
Interest income	26
Net cash provided by (used for) investing activities	37,172
Cash flows from financing activities	
Principal payments on debt	(18,982)
Interest payments	(32,166)
Change in deferred outflows / inflows	-
Change in customer deposits	580
Net cash provided by (used for) financing activities	(50,568)
Change in cash and cash equivalents	71,868
Cash and cash equivalents, beginning of year	212,495
Cash and cash equivalents, end of year	284,363
Cash and cash equivalents	96,548
Restricted cash and cash equivalents	187,815
	$ 284,363

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

WATER & SEWER DEPARTMENT OF THE CITY OF DERMOTT, ARKANSAS
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2024

		2024
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	$	(155,548)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation		236,417
Changes in assets and liabilities:		
Accounts receivable		-
Accounts payable		(1,309)
Accrued interest		5,704
Total adjustments		240,812
Net cash provided by (used for) operating activities	$	85,264

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

SUPPLEMENTARY INFORMATION

WATER & SEWER DEPARTMENT OF THE CITY OF DERMOTT, ARKANSAS
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2024

		2024
Plant operations and distributions		
Salaries, wages, and benefits	$	201,822
Repairs and maintenance		52,875
Utilities		7,214
Payroll taxes		15,440
Operating supplies and other		163,678
Total plant operations and distributions		441,029
General and adminitrative		
Salaries, wages, and benefits		50,456
Office supplies		47,201
Insurance		7,207
Professional fees		36,063
Payroll taxes		3,860
Contract Labor		5,000
Other expenses		107,919
Total general and administrative		257,706
Depreciation		236,417
Total operating expenses	$	935,152

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