CITY OF MONTROSE 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 Montrose Water & Sewer Department

We have performed the procedures enumerated below for the City of Montrose 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.

Findings: *No findings identified.*

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.

Findings: *No findings identified.*

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.)

Findings: *No findings identified.*

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. 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
November 7, 2025

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

Management is responsible for the accompanying financial statements of the City of Montrose Water & Sewer Department, ("the Organization"), a component unit of the City of Montrose, 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.

Monticello, Arkansas
November 7, 2025

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

	2024
Assets	
Current assets	
Cash and cash equivalents	$ 6,430
Accounts receivable	20,417
Total current assets	26,847
Restricted cash and investments	
Meter deposits	10,511
Debt reserve funds	16,319
Total restricted cash and investments	26,830
Fixed assets, net of accumulated depreciation	1,562,121
Total assets	$ 1,615,798
Liabilities and Net Position	
Current liabilities	
Accounts payable	$ 3,971
Due to city general fund	24,077
Current portion of bonds payable	11,941
Total current liabilities	39,989
Long term liabilities	
Bonds payable, net of current amount	531,040
Customer deposits	10,511
Total long term liabilities	541,551
Net position	
Invested in capital assets, net of related debt	1,019,140
Restricted	65,088
Unrestricted	(49,970)
Total net position	1,034,258
Total liabilities and net position	$ 1,615,798

See Independent Accountant's Compilation Report.

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

		2024
Operating revenues		
Water sales	$	95,719
Sewer sales		35,252
Total operating revenue		130,971
Operating expenses		
Salaries, wages, and benefits		37,456
Depreciation		44,638
Repairs and maintenance		37,298
Utilities		2,845
Water purchases		1,245
Insurance		1,696
Travel and fuel expenses		4,694
License, permits, fees		2,634
Operating supplies		9,588
Office supplies		5,204
Professional fees		4,834
Training		24
Other expenses		6,096
Total operating expenses		158,252
Income / (loss) from operations		(27,281)
Other revenue / (expenses)		
Interest income		15
Grant revenue		-
Other Income		950
Interest expense		(12,360)
Total other revenue / (expenses)		(11,395)
Excess (deficit) of revenues over expenses		(38,676)
Other financing sources (uses)		
Transfers in / (out)		-
Change in net position	$	(38,676)
Net position, beginning of year		1,072,934
Change in net invested in capital assets		(16,363)
Change in unrestricted assets		(22,313)
Change in net position		(38,676)
Net position, end of year	$	1,034,258

See Independent Accountant's Compilation Report.

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

	2024
Cash flows from operating activities	
Cash received from customers	$ 131,921
Payments for salaries and benefits	(37,456)
Payments for operating and administrative expenses	(76,158)
Net cash provided by (used for) operating activities	18,307
Cash flows from investing activities	
Purchase of property, plant and equipment	(16,600)
Transfers in (out)	24,077
Interest income	15
Net cash provided by (used for) investing activities	7,492
Cash flows from financing activities	
Proceeds from grant revenue	-
Principal payments on debt	(11,675)
Interest payments	(12,360)
Change in customer deposits	42
Net cash provided by (used for) financing activities	(23,993)
Change in cash and cash equivalents	1,806
Cash and cash equivalents, beginning of year	31,454
Cash and cash equivalents, end of year	$ 33,260

	2024
Reconciliation of operating income to net cash from operating activities:	
Operating income (loss)	$ (26,331)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	44,638
Changes in assets and liabilities:	
Accounts receivable	-
Total adjustments	44,638
Net cash provided by (used for) operating activities	$ 18,307

See Independent Accountant's Compilation Report.