

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
FINANCIAL STATEMENTS
DECEMBER 31, 2024

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, Arkansas

We have performed the procedures enumerated below on the financial and billing records of the Perry Municipal Water and Sewer Department as of and for the year ended December 31, 2024. The Perry Municipal Water and Sewer Department's management is responsible for the financial and billing records.

The Perry Municipal Water and Sewer Department has agreed to and acknowledged that the procedures performed are appropriate to meet their intended purpose, which is to comply with Arkansas Code Annotated §§ 14-234-119 through 14-234-122 and *Guidelines for Conducting Agreed-Upon Procedures for Water Service providers* as prepared by Arkansas Legislative Audit. 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 purpose.

The procedures and associated findings are as follows:

Cash and Investments

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

We found no exceptions as a result of these procedures.

Receipts

2. a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- b. Agree ten customer payments on the accounts receivable subledger to deposit and billing documents.
- c. For ten deposits, agree the cash/check composition of the deposit with receipt information.

We found no exceptions as a result of these procedures.

Accounts Receivable

3. a. Agree ten customer billings to the accounts receivable subledger.
- b. Determine that five customer adjustments were properly authorized.

All adjustments were approved by the water clerk, and we found no exceptions as a result of these procedures.

Disbursements

4. a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
- b. Analyze all property, plant, and equipment disbursements.
- c. Select all disbursements paid to employees other than payroll and ten other disbursements and determine that they were adequately documented.

We found no exceptions as a result of these procedures.

Property, Plant, and Equipment

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

We found no exceptions as a result of this procedure.

Long-term Debt

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

We found no exceptions as a result of these procedures.

General

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

We found no exceptions as a result of this procedure.

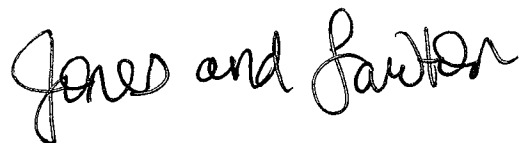
We were engaged by the Perry Municipal Water and Sewer Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial and billing 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 Perry Municipal Water and Sewer Department 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 Perry Municipal Water and Sewer Department Management, and Arkansas Office of Legislative Audit and is not intended to be and should not be used by anyone other than those specified parties.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
January 16, 2026



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Town Council and Management
Perry Municipal Water and Sewer Department
Perry, Arkansas

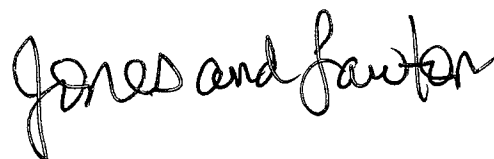
Management is responsible for the accompanying financial statements of the Perry Municipal Water and Sewer Department which comprise the statements of net position as of December 31, 2024 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United State 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, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financials for placing the financial statements in an appropriate operational, economic or historical context.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
January 16, 2026



PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS

Cash and Cash Equivalents (Note 2)	
Unrestricted	\$ 38,861
Restricted	78,672
Accounts Receivable	15,896
Inventories	8,500
Prepaid Expenses	1,044
Loan to Town of Perry	10,000
	152,973
Property and Equipment, at cost (Note 3)	
Water and Sewer System	1,766,197
Building	33,500
Equipment	140,365
Land	35,000
	1,975,062
Less: Accumulated Depreciation	968,062
	1,007,000
	\$ 1,159,973

LIABILITIES

Accounts Payable	12,302
Accrued Expenses	1,434
Accrued Interest Payable	388
Customer Deposits	29,311
Long-term Liabilities	
Due Within 1 Year	15,586
Due in More Than 1 Year	376,867
	435,888

NET POSITION

Net Invested in Capital Assets	614,547
Restricted	49,361
Unrestricted	60,177
	724,085
	\$ 1,159,973

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2024

OPERATING REVENUES	
Water and Sewer Revenues	\$ 197,538
OPERATING EXPENSES	
Water Purchases	71,201
Garbage Disposal	18,801
Contract Labor	23,310
Salaries	20,981
Payroll Taxes	1,539
Repairs and Maintenance	6,215
Utilities	5,347
Insurance	1,702
Office Expense	9,570
Professional Services	1,333
Police Protection	3,600
Memberships, Dues & Fees	4,968
Hot Checks	1,511
Vehicle Fuel & Maintenance	2,560
Depreciation	37,130
	<u>209,768</u>
LOSS FROM OPERATIONS	<u>(12,230)</u>
OTHER INCOME (EXPENSE)	
Income from settlement-damage	9,640
Interest Income	62
Interest Expense	(18,011)
	<u>(8,309)</u>
CHANGE IN NET POSITION	<u>(20,539)</u>
NET POSITION, BEGINNING OF YEAR	<u>744,624</u>
NET POSITION, END OF YEAR	<u>\$ 724,085</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Water Customers	\$ 197,447
Payments to Suppliers	(132,887)
Payments to Employees	(22,512)
Payments for Other Admin Costs	(11,603)
Net Cash Provided by Operating Activities	<u>30,445</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Increase (Decrease) in Customers' Deposits	234
Proceeds from settlement from damages to property	9,640
Net Cash Provided by Non-Capital Financing Activities	<u>9,874</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(1,173)
Interest Received	62
Net Cash Used by Investing Activities	<u>(1,111)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Interest Paid on Notes Payable	(18,025)
Repayment of Notes Payable	(14,903)
Net Cash Used by Financing Activities	<u>(32,928)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

6,280

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

111,253

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 117,533

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	<u>\$ 18,025</u>
Reconciliation of Cash to the Statement of Net Position	
Unrestricted	\$ 38,861
Restricted	78,672
	<u>\$ 117,533</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Loss from Operations	\$ (12,230)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:	
Depreciation and Amortization	37,130
(Increase) Decrease in Accounts Receivable	1,496
(Increase) Decrease in Other Receivable	6,905
(Increase) Decrease in Prepaid Expenses	(29)
Increase (Decrease) in Accounts Payable	(2,758)
Increase (Decrease) in Accrued Expenses	(69)
	<hr/>
	42,675
	<hr/>
Net Cash Provided by Operating Activities	\$ 30,445

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Perry Municipal Water and Sewer Department is engaged in providing water and sewer services to the public located in Perry, Arkansas and the surrounding rural community.

Organization

The Perry Municipal Water and Sewer Department is governed by the Town Council of the Town of Perry, Arkansas. The Town Council approves the rate changes of the Department. The Department is a proprietary fund type utilizing enterprise funds to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability, or other purposes.

These financial statements represent only the component unit of the Water and Sewer Department and do not include data of the primary government entity and are in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The Department uses the accrual basis of accounting which recognizes revenues when they are earned and expenses when they are incurred.

The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements.

Cash Equivalents

The System considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Accounts Receivable and Bad Debts

The Department considers accounts receivable to be fully collectable. If amounts become uncollectable, they will be charged to operations when the determination is made. Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Customers are required to make a deposit which is recorded on the balance sheet. When a bad debt is identified, the deposit can be offset against the receivable to mitigate the bad debt.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at cost and consist of construction and maintenance supplies related to the water and sewer systems.

Property and Equipment

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life</u>
Water Distribution System	50 years
Sewer System	50 years
Equipment	5 years

Depreciation expense for the year ended December 31, 2024 amounted to \$37,130.

Income Tax

The Perry Municipal Water and Sewer Department is municipally owned and is exempt from Federal and State income tax pursuant to Internal Revenue Code 501(c)(12) and Arkansas Act 114 of 1957, which also exempts the Department from filing Tax Form 990.

Compensated absences

The Company accrues for the costs of compensated absences to the extent that the employee’s right to receive payment related to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. Forfeiture due to turnover is not reasonably predictable except in instances when an employee gives their notice.

The Company has not accrued a liability for compensated absences in accordance with Accounting Standards Codifications 710, *Compensation* – General, as the amount of the liability could not be reasonably estimated at December 31, 2024.

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Regulatory Environment

The quality of water emitted from the sewer treatment plants is regulated by the Environmental Protection Agency and the Arkansas Department of Health. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, trade receivables, and trade payables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2024, the Department had cash and cash equivalents as follows:

Unrestricted		
Water and Sewer Operating Fund		\$ 38,861
Restricted		
Debt Service Fund		34,938
Meter Deposit Fund		29,311
Depreciation Fund		14,423
		<u>78,672</u>
		<u>\$ 117,533</u>

The Debt Service Reserve Fund has been properly funded in accordance with USDA/RD requirements for the year ended December 31, 2024.

The Department has adequate liquidity to meet the working capital requirements for the next operating cycle.

NOTE 3: PROPERTY AND EQUIPMENT (at Cost)

At December 31, 2024, the Department had property and equipment as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Water & Sewer System	\$ 1,766,197			\$ 1,766,197
Building	33,500			33,500
Equipment	139,192	\$ 1,173		140,365
Land	35,000			35,000
	<u>\$ 1,973,889</u>	<u>\$ 1,173</u>		<u>\$ 1,975,062</u>

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4: LONG-TERM DEBT

Long-term debt at December 31, 2024:

	<u>12-31-2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-2024</u>
4.5% note payable to Rural Development, payable in monthly installments of \$1,988 including interest, secured by the water system.	\$ 306,428		\$ 10,278	\$ 296,150
4.5% note payable to Rural Development, payable in monthly installments of \$756 including interest, secured by the water system.	<u>100,928</u>		<u>4,625</u>	<u>96,303</u>
	<u>\$ 407,356</u>		<u>\$ 14,903</u>	<u>392,453</u>
Less Current Maturities Payable				<u>15,586</u>
				<u>\$ 376,867</u>

The aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,586	\$ 17,342	\$ 32,928
2026	16,303	16,625	32,928
2027	17,051	15,877	32,928
2028	17,835	15,093	32,928
2029	18,654	14,274	32,928
2030-34	106,939	57,701	164,640
2035-39	128,922	30,823	159,745
2040-43	<u>71,163</u>	<u>5,397</u>	<u>76,560</u>
	<u>\$ 392,453</u>	<u>\$ 173,132</u>	<u>\$ 565,585</u>

NOTE 5: SCHEDULE OF RATES

The water and sewer rates during the year 2024 were as follows:

Monthly Water Rates:

- Inside City Limits
 - a. Minimum charge on first 1,000 gallons, \$16.25.
 - b. Charge of \$5.80 per 1,000 gallons thereafter.
- Outside City Limits
 - a. Minimum charge on first 1,000 gallons, \$20.75.
 - b. Charge of \$5.80 per 1,000 gallons thereafter.

Monthly Sewer Rates:

- a. Minimum charge on first 1,000 gallons, \$6.50.
- b. Charge of \$2.00 per 1,000 gallons for the next 4,000 gallons.
- c. Charge of \$1.50 per 1,000 gallons for over 5,000 gallons.

Note that in May, 2023, the water supplier began charging a surcharge of \$5.00 to Perry Municipal Water and Sewer Department for each of its customers. Accordingly, each customer's bill from Perry Municipal Water and Sewer Department was increased by a similar surcharge charged by the water supplier. When the water supplier began to charge this surcharge, an error was made and each account was charged \$7.75, rather than \$5.00. The water supplier issued a refund in 2024 for the overpayment for both 2024 and 2023.

PERRY MUNICIPAL WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6: INSURANCE COVERAGE

For the years ended December 31, 2024, the Department was covered by commercial property insurance in the amount of \$348,693. Insurance coverage was provided by Arkansas Municipal League Municipal Property and Vehicle Program. The Department was also covered by a Blanket Fidelity Bond of \$300,000 per occurrence, administered by the Arkansas Governmental Bonding Board.

NOTE 7: CONCENTRATION OF CREDIT RISK

The Department provides water services and sewer services (if applicable) to residents of Perry, Arkansas, and the surrounding rural community. The Department grants unsecured credit to its customers. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered. And there is no cash credit risk because the Departments balances are below the FDIC insurance limits.

NOTE 8: SUBSEQUENT EVENTS

The Department considers there to be no significant events to be reported through January 16, 2026, which is the date the financial statements were available to be issued.