

CITY OF DERMOTT WATER & SEWER DEPARTMENT
FINANCIAL STATEMENTS
December 31, 2023

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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, 2023. 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 5 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.



Monticello, Arkansas
August 29, 2025

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
TINA MARTIN, C.P.A.

POST OFFICE BOX 418
MONTICELLO, ARKANSAS 71657
(870) 367-3580 or (870) 367-3467
FAX (870) 367-2154
searcyco@searcy-cpa.com

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, 2023, 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
August 29, 2025

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

December 31, 2023

	<u>2023</u>
<u>Assets</u>	
<u>Current assets</u>	
Cash and cash equivalents	\$ 42,785
Accounts receivable (net)	405,190
Prepaid expenses	<u>9,526</u>
Total current assets	457,501
<u>Restricted cash and investments</u>	
Meter deposits	114,679
Debt reserve funds	<u>55,031</u>
Total restricted cash and investments	169,710
Fixed assets, net of accumulated depreciation	3,559,386
<u>Other assets</u>	
Due from other funds	<u>256,415</u>
 Total assets	 <u><u>\$ 4,443,012</u></u>
<u>Liabilities and Net Position</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 30,478
Accrued interest	14,034
Accrued payroll	9,533
Current portion of bonds payable	<u>475,875</u>
Total current liabilities	529,920
<u>Long term liabilities</u>	
Bonds payable, net of current amount	1,782,489
Customer deposits	<u>114,679</u>
Total long term liabilities	1,897,168
<u>Net position</u>	
Unrestricted	<u>2,015,924</u>
Total net position	<u>2,015,924</u>
 Total liabilities and net position	 <u><u>\$ 4,443,012</u></u>

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, 2023

	<u>2023</u>
<u>Operating revenues</u>	
Water services	\$ 948,262
Other operating revenue	<u>66,963</u>
Total operating revenue	1,015,225
 <u>Operating expenses</u>	
Plant operations and distribution	572,237
General and administrative	224,718
Depreciation	<u>235,597</u>
Total operating expenses	<u>1,032,552</u>
 Income / (loss) from operations	(17,327)
 <u>Other revenue / (expenses)</u>	
Interest income	27
Interest expense	<u>(27,283)</u>
Total other revenue / (expenses)	<u>(27,256)</u>
 <u>Excess (deficit) of revenues over expenses</u>	(44,583)
 <u>Other financing sources (uses)</u>	
Transfers in / (out)	<u>(32,174)</u>
 <u>Change in net position</u>	<u>\$ (76,757)</u>
 <u>Net position, beginning of year</u>	2,092,681
 Change in unrestricted assets	<u>(76,757)</u>
 <u>Net position, end of year</u>	<u>\$ 2,015,924</u>

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, 2023

	<u>2023</u>
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 1,015,150
Payments for salaries and benefits	(328,214)
Payments for operating and administrative expenses	(436,740)
Net cash provided by (used for) operating activities	<u>250,196</u>
<u>Cash flows from investing activities</u>	
Purchase of property, plant and equipment	(16,400)
Transfers in (out)	(32,174)
Interest income	27
Net cash provided by (used for) investing activities	<u>(48,547)</u>
<u>Cash flows from financing activities</u>	
Principal payments on debt	(18,160)
Interest payments	(27,283)
Change in deferred outflows / inflows	(109,074)
Change in customer deposits	2,568
Net cash provided by (used for) financing activities	<u>(151,949)</u>
<u>Change in cash and cash equivalents</u>	49,700
<u>Cash and cash equivalents, beginning of year</u>	<u>162,795</u>
<u>Cash and cash equivalents, end of year</u>	<u>212,495</u>
<u>Cash and cash equivalents</u>	42,785
<u>Restricted cash and cash equivalents</u>	169,710
	<u>\$ 212,495</u>

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, 2023

	<u>2023</u>
<u>Reconciliation of operating income to</u>	
<u>net cash from operating activities:</u>	
Operating income (loss)	<u>\$ (17,327)</u>
Adjustments to reconcile operating income to	
net cash from operating activities:	
Depreciation	235,597
Changes in assets and liabilities:	
Accounts receivable	(75)
Accounts payable	21,773
Accrued interest	10,228
Accrued payroll	-
Total adjustments	<u>267,523</u>
Net cash provided by (used for) operating activities	<u>\$ 250,196</u>

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, 2023

	<u>2023</u>
<u>Plant operations and distributions</u>	
Salaries, wages, and benefits	\$ 243,912
Repairs and maintenance	79,316
Utilities	15,634
Payroll taxes	18,659
Operating supplies and other	<u>214,716</u>
Total plant operations and distributions	572,237
 <u>General and administrative</u>	
Salaries, wages, and benefits	60,978
Office supplies	26,866
Insurance	5,895
Professional fees	49,167
Payroll taxes	4,665
Taxes	-
Other expenses	<u>77,147</u>
Total general and administrative	224,718
 <u>Depreciation</u>	 <u>235,597</u>
 Total operating expenses	 <u><u>\$ 1,032,552</u></u>

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