

REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS

**CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT
OF THE CITY OF DUMAS, ARKANSAS**

DECEMBER 31, 2024 AND 2023

JACK CHAMI CPA PLLC
LITTLE ROCK, ARKANSAS

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR	1 - 4
FINANCIAL STATEMENTS	
Statements of Net Position	5 - 6
Statements of Revenues, Expenses and Changes in Net Position	7 - 8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 36
Schedule of Findings and Responses	37 - 40
OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS	
REPORT OF INDEPENDENT AUDITOR 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	41 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS	43 - 44
SCHEDULE OF THE DEPARTMENT'S CONTRIBUTION TO PENSION PLAN – LAST TEN YEARS	45 - 46

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REPORT OF INDEPENDENT AUDITOR

Members of the City Council
City of Dumas, Arkansas

Opinions

I have audited the accompanying financial statements (Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows) (business-type activities) of the City of Dumas Water and Sewer Department (the "Department"), an enterprise fund and a component unit of the City of Dumas, Arkansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Dumas, Arkansas, Water and Sewer Department, as of December 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audits in accordance with 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. My responsibilities under those standards are further described in the Audit's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Dumas Water and Sewer Department, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 Department's ability to continue as going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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 generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 Department'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Management has omitted *Management's discussion and analysis* that accounting principles generally accepted in the United States of America require 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Department's proportionate share of the net pension liability and the Department's contributions to pension plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with the management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Dumas, Arkansas, Water and Sewer Department are intended to present the financial position and where applicable the cash flows of only the funds related to the City of Dumas Water and Sewer Department, an enterprise fund and a component unit of the City of Dumas, for the years 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America. These financial statements do not purport to, and do not, present fairly the financial position and results of operations of the City of Dumas, Arkansas, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my independent auditor's report dated August 3, 2026 on my consideration of the Department's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Jack Chami, CPA PLLC

Jack Chami, CPA PLLC
Little Rock, Arkansas
August 3, 2026

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,308,596	\$ 1,170,437
Investments - certificates of deposit	290,520	283,256
Accounts receivable		
Customers	280,695	276,814
American Rescue Plan Act (ARPA)	-	211,565
Employees	2,652	-
Prepaid expenses	12,859	-
Inventories	57,483	62,625
Total current assets	<u>1,952,805</u>	<u>2,004,697</u>
NONCURRENT ASSETS		
Restricted cash	709,538	851,355
Investments - certificates of deposit	359,310	358,642
Due from City funds	142,953	12
Total noncurrent assets	<u>1,211,801</u>	<u>1,210,009</u>
CAPITAL ASSETS		
Land	82,572	82,572
Utility plant in service	17,471,773	14,934,213
Machinery and equipment	728,897	594,588
	<u>18,283,242</u>	<u>15,611,373</u>
Less accumulated depreciation	<u>7,361,071</u>	<u>7,091,696</u>
Net capital assets	<u>10,922,171</u>	<u>8,519,677</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension-related deferred outflows	<u>60,832</u>	<u>77,557</u>
	<u><u>\$ 14,147,609</u></u>	<u><u>\$ 11,811,940</u></u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 157,563	\$ 156,828
Accounts payable	341,833	226,132
Bond interest payable	3,806	3,446
Sales tax payable	8,914	10,416
Due to other funds	-	50,784
Total current liabilities	<u>512,116</u>	<u>447,606</u>
NONCURRENT LIABILITIES		
Customer deposits	90,321	82,392
Bonds payable	3,334,856	2,444,704
Net pension liability	131,917	116,274
Total noncurrent liabilities	<u>3,557,094</u>	<u>2,643,370</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows	<u>52,980</u>	<u>53,554</u>
FUND NET POSITION		
Invested in capital assets, net of related debt	7,429,752	5,918,145
Restricted for debt service	129,995	187,095
Restricted for maintenance	578,307	587,858
Restricted for Winchester project	2,304	2,105
Restricted for Mitchellville project	500	-
Restricted for Pickens project	6,740	-
Restricted for drainage project	158	233,416
Unrestricted	1,877,663	1,738,791
Total fund net position	<u>10,025,419</u>	<u>8,667,410</u>
	<u>\$ 14,147,609</u>	<u>\$ 11,811,940</u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Water revenues	\$ 994,687	\$ 710,243
Sewer revenues	680,912	731,186
Other revenues	<u>60,285</u>	<u>84,765</u>
Total operating revenues	<u>1,735,884</u>	<u>1,526,194</u>
OPERATING EXPENSES		
Salaries	407,629	385,405
Utilities	188,621	159,314
Insurance	15,196	15,687
Maintenance and operating supplies	228,045	203,738
Payroll taxes	31,193	29,555
Office supplies expense	26,179	16,636
Rent	60,000	60,000
Vehicle expense	46,491	31,352
Depreciation	269,375	244,811
Legal and accounting	21,772	54,321
Permits and licenses	6,781	5,557
Engineering and testing	46,595	44,955
Employee benefits	67,354	49,559
Pension expense (benefit)	31,793	27,702
Other operating expenses	<u>16,996</u>	<u>23,465</u>
Total operating expenses	<u>1,464,020</u>	<u>1,352,057</u>
NET OPERATING INCOME	<u>\$ 271,864</u>	<u>\$ 174,137</u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	24,129	21,728
Interest expense	(41,604)	(42,948)
Bond discount amortization	<u>(1,466)</u>	<u>(1,466)</u>
Total nonoperating revenues (expenses)	<u>(18,941)</u>	<u>(22,686)</u>
NET INCOME BEFORE GRANTS, CONTRIBUTIONS AND TRANSFERS	<u>252,923</u>	<u>151,451</u>
GRANTS, CONTRIBUTIONS AND TRANSFERS		
Grant income - Federal	1,091,408	262,363
Grant income - State	5,260	-
Transfers from American Rescue Plan Act (ARPA)	<u>8,418</u>	<u>211,565</u>
Total grants, contributions and transfers	<u>1,105,086</u>	<u>473,928</u>
CHANGE IN NET POSITION	1,358,009	625,379
FUND NET POSITION, BEGINNING OF YEAR	<u>8,667,410</u>	<u>8,042,031</u>
FUND NET POSITION, END OF YEAR	<u>\$ 10,025,419</u>	<u>\$ 8,667,410</u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,732,003	\$ 1,495,055
Cash paid to suppliers	(557,255)	(535,381)
Cash paid to general fund for rent	(60,000)	(60,000)
Cash paid to general fund for payroll-related expenses	(506,176)	(464,519)
Net cash provided by operating activities	<u>608,572</u>	<u>435,155</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to (from) other funds	(193,725)	26,180
Net increase (decrease) in customer deposits	7,929	(13,017)
American Rescue Plan Act (ARPA)	<u>219,983</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>34,187</u>	<u>13,163</u>
CASH FLOWS (TO) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(2,591,948)	(1,385,629)
Proceeds from issuance of revenue bond	1,046,249	681,465
Principal paid on bond obligation	(169,687)	(156,104)
Interest paid on bond obligation	(41,244)	(43,093)
Advance to employees	<u>(2,652)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,759,282)</u>	<u>(903,361)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Government grant income	1,096,668	262,363
Interest income	24,129	21,728
(Increase) in certificates of deposit	<u>(7,932)</u>	<u>(8,210)</u>
Net cash provided by investing activities	<u>1,112,865</u>	<u>275,881</u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,658)	(179,162)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,021,792</u>	<u>2,200,954</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,018,134</u>	<u>\$ 2,021,792</u>
	<u>2024</u>	<u>2023</u>
ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 271,864	\$ 174,137
Items not requiring (providing) cash:		
Depreciation and amortization	269,375	244,811
Change in:		
Accounts receivable	(3,881)	(31,139)
Inventories	5,143	(1,168)
Accounts payable	34,278	20,812
Pension payable	<u>31,793</u>	<u>27,702</u>
	<u>\$ 608,572</u>	<u>\$ 435,155</u>

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

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The City of Dumas Water and Sewer Department (the “Department”), an enterprise fund and a component unit, is an operating entity of the City of Dumas (the “City”). The Department is independent with respect to revenues, expenses, assets and liabilities, is prohibited by loan agreements from converting any revenues or assets to general use and is not responsible for the debt of any other department. These financial statements include only those funds that relate to the operations of the Department. The Department is located in South East region of the State of Arkansas and provides water and sewer services to the City of Dumas and water services only to Wells Bayou and Pendleton, both of which are rural communities located in Desha County.

A proprietary fund is used to account for and report those governmental activities that are designed to be self-supporting. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises; therefore, the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Operating revenues and expenses are distinguished from non-operating items. Revenues from fuel sales, leases, rentals, and service fees are reported as operating revenues. Transactions which are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the Department are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

The Department prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Therefore, revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of when cash is received or paid. Accounting principles generally accepted in the United States of America applicable to municipal government proprietary units, such as the Department, generally include pronouncements of the Financial Accounting Standards Board (FASB) relating to for-profit businesses and, in addition, certain pronouncements of the Governmental Accounting Standards Board (GASB).

Non-exchange transactions, in which the Department receives or gives value without directly giving or receiving equal value in exchange include grants and contributions. Grants and contributions are recognized as soon as all eligibility requirements imposed by the provider have been met. Capital contributions are presented as a change in net position.

Financial Statements Presented and Segment Information

The financial statements presented are only those of the City of Dumas Water and Sewer Department, the component unit, and are intended to present the net position and results of operations of the City of Dumas Water and Sewer Department and are not intended to present the financial position and the results of operations of the City of Dumas, Arkansas.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statements Presented and Segment Information (continued)

The Department meets the criteria set forth in generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB) for inclusion as a component unit within the City's general purpose financial statements.

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 the amounts and disclosures reported in the financial statements. These estimates represent management's evaluation of information available as of the date the financial statements were prepared and are subject to varying degrees of reliability. Accordingly, actual results could differ from the estimates reflected in these financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid instruments, demand deposits, and short-term certificates of deposit with original maturities of three months or less or any other investment purchased with an original maturity of three months or less to be cash equivalents.

Cash Fund Descriptions and Restricted Cash Fund Requirements

A description of cash funds and their requirements is as follows:

Revenue Fund – The Revenue Fund receives all revenues from customers and disburses cash as required.

Operations and Maintenance Fund – The Operations and Maintenance Fund pays the necessary and ordinary maintenance and operational expenditures of the Department.

Bond and Debt Service Reserve Funds – These funds receive amounts sufficient to cover the annual principal and interest payments on outstanding debt, as well as related trustee's fees. The Bond Fund is also required to maintain a debt service reserve in an amount equal to the lesser of the maximum annual principal and interest requirements or 10% of the principal amount of the bonds. Payments on the bonds are handled in the Bond Fund.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation Fund –The Depreciation Fund is maintained in order to pay for repairs to the Department. Each month, after the required payment are made to the operations and repairs and maintenance account, 3% of the remaining revenues received are deposited into the depreciation fund. During the City Council meeting December 11, 2023, Resolution 1550 was adopted authorizing the increase of deposit percentage from 3% to 6% into the Depreciation Fund monthly.

The above listed funds have been established by ordinances passed by the City Council. The City Council members meet monthly to discuss the Department’s performance, monitor and approve all expenses and disbursements from these funds. The City Council confirms that disbursements are appropriate and in compliance with the purpose of the fund used for disbursement.

Accounts Receivable

The Department provides credit to its customers on terms that are customary for municipal utilities. The Department terminates service to delinquent customers and, in addition, holds deposits that can be offset against delinquent account balances. Department management reviews accounts receivable on a periodic basis and provides an allowance for credit losses for accounts they determine are uncollectible. In estimating uncollectable amounts, management uses significant judgment and considers factors such as geographic location, overall economic conditions and historical customer performance. While management feels the Department’s processes effectively address its exposure to credit losses, changes in economic conditions in the Department’s geographically concentrated service area may require adjustment to the allowance recorded by the Department. At December 31, 2024 and 2023, management determined that an allowance for credit losses were \$30,882 and \$30,623 for the years ended December 31, 2024 and 2023, respectively. Provisions for receivable water for the years 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Accounts receivable		
Billed	\$ 214,836	\$ 207,773
Unbilled	68,853	73,657
Other receivables	27,888	26,007
Delinquent receivables	<u>(30,882)</u>	<u>(30,623)</u>
	<u><u>\$ 280,695</u></u>	<u><u>\$ 276,814</u></u>

Inventory

Inventories consist primarily of items and supplies that can be utilized to provide the Department’s services such as water and sewer pipes, water meters, clamps and chemicals. Inventories are stated at the lower of cost using the first-in, first-out (FIFO) method or the net realizable value.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

The Department's capital assets with useful lives of more than one year and costing more than \$5,000 are stated at historical cost and reported in the Department's statement of net position. Donated assets are stated at fair value on the date donated.

The costs of normal maintenance and repairs that do not add to asset value or materially extend useful lives are not capitalized.

Water and sewer plant and machinery and equipment placed in service are stated at original cost. The Department provides for depreciation on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives of the assets by category are as follows:

Water plant	40 years
Sewer plant	40 years
Machinery and equipment	5-20 years

This Department capitalizes new purchased assets of \$5,000 or more.

Costs of Borrowing

Except for assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. \$14,358 and \$0 interest has been capitalized for the years ended December 31, 2024 and 2023, respectively.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position classifications are defined as follows:

Invested in capital assets, net of related debt: This component of net position consists of capital assets, including any restricted 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted expendable net position: This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position: This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt," as defined above.

Grants and Contributions

From time to time, the Department receives grants and contributions from federal and/or state governments. Revenues from grants are recognized when all eligibility requirements, including time requirements, have been met. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Reclassifications

Certain reclassifications were made to the amounts in the 2023 financial statements in order to conform to the 2024 financial statement presentation.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 2: CASH, CERTIFICATES OF DEPOSIT AND RESTRICTED FUNDS

The Department maintains cash and cash equivalents, certificates of deposit and restricted fund accounts shown on the statements of fund net position on deposits with two local financial institutions that provide insurance through the Federal Deposit Insurance Corporation (FDIC) on balances up to \$250,000. Funds on deposit with these two financial institutions exceeded, at certain times throughout the year, the Federal Deposit Insurance Corporation (FDIC) limit. These financial institutions have pledged securities to collateralize balances in excess of FDIC limits. The pledged collateral is held by the financial institutions in the Department's name. The cash and cash equivalents are completely collateralized for the years ended December 31, 2024 and December 31, 2023.

Cash, cash equivalents, and restricted funds consisted of the following at December 31:

	2024	2023
Unrestricted		
Revenue Fund	\$ 1,223,748	\$ 933,111
Operations and Maintenance Fund	84,848	237,326
	<u>1,308,596</u>	<u>1,170,437</u>
Restricted		
Depreciation Fund	578,307	477,400
Water customer deposits	81,356	87,614
Restricted for 2020 debt service	2,012	6,890
Restricted for 2020 bond service reserve	36,409	36,409
Restricted for 2021 debt service	1,253	7,521
Restricted for Winchester Project	2,304	2,105
Restricted for Drainage Project	157	233,416
Restricted for Mitchellville Project	500	-
Restricted for Pickens Project	6,740	-
Restricted for Water Meter Project	500	-
	<u>709,538</u>	<u>851,355</u>
	<u>\$ 2,018,134</u>	<u>\$ 2,021,792</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 2: CASH, CERTIFICATES OF DEPOSIT AND RESTRICTED FUNDS (CONTINUED)

Investments consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Unrestricted		
Certificates of Deposit - current	\$ 290,520	\$ 283,256
Certificates of Deposit - noncurrent	<u>359,310</u>	<u>358,642</u>
	<u>\$ 649,830</u>	<u>\$ 641,898</u>

Certificates of deposit are purchased with maturities of six to thirty-six months and earn interest ranging from 1.50% to 3.50%. See note 1 for restrictions.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the Department for the year ended December 31, 2024, is as follows:

	<u>2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>2024</u>
Land	\$ 82,572	\$ -	\$ -	\$ 82,572
Utility plant in service	10,544,363	41,508	-	10,585,871
Office machinery and equipment	21,346	-	-	21,346
Vehicles and equipment	573,242	134,309	-	707,551
Winchester Project	3,753,884	531,234	-	4,285,118
Mitchellville Wastewater Project	300,330	1,330,677	-	1,631,007
Pickens Waterline Project	52,500	629,693	-	682,193
New warehouse	<u>283,136</u>	<u>4,448</u>	<u>-</u>	<u>287,584</u>
	15,611,373	<u>2,671,869</u>	<u>-</u>	18,283,242
Less accumulated depreciation	<u>7,091,696</u>	<u>269,375</u>	<u>-</u>	<u>7,361,071</u>
	<u><u>\$ 8,519,677</u></u>			<u><u>\$ 10,922,171</u></u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Department for the year ended December 31, 2023, is as follows

	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u>
Land	\$ 82,572	\$ -	\$ -	\$ 82,572
Utility plant in service	10,307,999	236,364	-	10,544,363
Office machinery and equipment	21,346	-	-	21,346
Vehicles and equipment	573,242	-	-	573,242
Winchester Project	2,794,449	959,435	-	3,753,884
Mitchellville Wastewater Project	5,000	295,330	-	300,330
Pickens Waterline Project	-	52,500	-	52,500
New warehouse	283,136	-	-	283,136
	14,067,744	1,543,629	-	15,611,373
Less accumulated depreciation	6,846,885	244,811	-	7,091,696
	<u><u>\$ 7,220,859</u></u>			<u><u>\$ 8,519,677</u></u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 4: LONG-TERM DEBT AND BONDS PAYABLE

On September 30, 2021, the City of Dumas Water and Sewer Department issued Series 2021B bonds with a principal balance of \$975,000. Series 2021B bonds' first payment is due April 15, 2023 with final payment October 15, 2042, repayment length is 20 years at annual lending interest rate of 1.75%. Semi-Annual payments are \$28,994 each and are payable on April and October annually. In addition, to principal and interest, the City of Dumas Water and Sewer Department will pay 1.00% services fee. The fee is included in the semi-annual payments shown earlier in this paragraph.

On the same date, September 30, 2021, the City of Dumas Water and Sewer Department issued Series 2021C bonds with a principal balance of \$3,000,000. Series 2021C bonds' first payment is due April 15, 2023 with final payment October 15, 2042, repayment length is 20 years at annual lending interest rate of 1.75%. Semi-Annual payments are \$89,213 each and are payable on April and October annually. In addition, to principal and interest, the City of Dumas Water and Sewer Department will pay 1.00% services fee. The fee is included in the semi-annual payments shown earlier in this paragraph.

Additionally, on September 30, 2021, the City of Dumas Water and Sewer Department entered into an agreement with Arkansas Natural Resources Commission (ANRC) to purchase Series 2021B and Series 2021C bond issues. Payment of principal, interest and the 1.00% services fee will be paid to ANRC at the dates shown in the previous two paragraphs. The cutoff date for the agreement is October 15, 2022. Among other terms, the purchase agreement requires that funds from both Bond Series 2021B and 2021C Series, funds have been used in this order:

	Total
Local loan expense	20,000.00
Planning and design	535,000.00
Construction and Contingency	<u>3,420,000.00</u>
 Aggregate principal amount of bonds	 <u><u>3,975,000.00</u></u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 4: LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

According to the agreement, Bond Series 2021B is identified as ANRC Loan # 01141-CWRLF-L and Bond Series 2021C is identified as ANRC Loan No. 01142-CWRLF-L. According to the ANRC loan agreements, funds from Bond Series 2021B (ANRC Loan No. 01141-CWRLF-L) have been used to fund the Winchester Project (see footnote number 8). Bond Series 2021C (ANRC Loan No. 01142-CWRLF-L) is subject to forgiveness as stated in the agreement. The forgiveness is determined by ANRC upon review and approval of the disbursements. Accordingly, as of December 31, 2023 and 2022, ANRC forgave \$262,363 and \$2,737,637, respectively.

Monday, November 13, 2023, the City Council adopted ordinance 983 approving the issuance of the water and sewer bonds of up to \$531,879 in principal amount of a bond at a price of par for a bond bearing interest at the rate of 0.75% per annum in addition to 1.00% fee to be paid to ANRC for partially or totally financing of the water and sewer revenue bonds. Proceeds from this bond issue will be used to finance Pickens water project. The bond closing date was January 4, 2024. This bond is forgivable by ANRC.

Monday, November 13, 2023, the City Council adopted ordinance 984 approving the issuance and sale of the water and sewer bonds of up to \$4,066,953 in principal amount, consisting of a \$2,440,172 Series 2024B Bond and a \$1,626,781 Series 2024C Bond at a price of par and bearing interest at the rate of 0.75% per annum in addition to 1.00% fee to be paid to ANRC for partially or totally financing of the water and sewer revenue bonds. The bonds were issued January 11, 2024 aiming at funding construction costs required to complete Dumas-Mitchellville sewer line project. Of the bond balance, \$1,626,781 will be forgiven and \$2,440,172 will have to be paid back to ANRC according to the terms.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 4: LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

Bonds payable consisted of the following as of December 31:

	<u>2023</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>2024</u>
Series 2020 water and sewer revenue bonds payable in semi-annual payments of principal and interest with interest rates ranging from 1.00% in 2020 to 2.50% in 2042. Matures December 2042	\$ 1,055,000	\$ -	\$ 50,000	\$ 1,005,000
Series 2021 water and sewer revenue bonds payable in semi-annual payments of principal and interest. Interest rate 2.00%. Matures December 2035	925,000	-	65,000	860,000
Series 2021B water and sewer revenue bonds payable in semi-annual payments of principal, service fee and interest. Interest rate 0.75% interest and service fee rate 1.00%. Matures October 2042	650,361	44,589	41,828	653,122
Series 2024 water and sewer revenue bonds payable in semi-annual payments of principal, service fee and interest. Interest rate 0.75% interest and service fee rate 1.00%. Matures October 2044	-	531,879	-	531,879
Series 2024B water and sewer revenue bonds payable in semi-annual payments of principal, service fee and interest. Interest rate 0.75% interest and service fee rate 1.00%. Matures October 2046	-	469,781	-	469,781
	<u>2,630,361</u>	<u>1,046,249</u>	<u>156,828</u>	<u>3,519,782</u>
Less current maturities	<u>156,828</u>			<u>157,563</u>
	<u>\$ 2,473,533</u>			<u>\$ 3,362,219</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 4: LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

		<u>Additions</u>	<u>Reductions</u>	
Original issue discount				
2020 Original issue discount	33,716	-	-	33,716
Amortization of original issue discount				
2020 Original issue discount	(4,887)	(1,466)	-	(6,353)
	<u>28,829</u>	<u>(1,466)</u>	-	<u>27,363</u>
	<u>\$ 2,444,704</u>			<u>\$ 3,334,856</u>

The Department's revenues are pledged to secure payment of the bonds. The bond agreements require, among other things, maintenance of insurance coverage, charging user fees adequate to retire the bonds, and maintenance and financing of certain reserve accounts (Note 1). The Department was in compliance with the provisions of the bond covenants during the years ended December 31, 2024 and 2023.

Future maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Service Fees</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 157,563	7,620	\$ 44,971	\$ 210,154
2026	169,472	11,046	45,523	226,041
2027	294,566	37,249	63,156	394,971
2028	297,548	35,545	59,378	392,471
2029	305,580	33,812	55,578	394,970
2030 to 2034	1,600,289	141,981	217,382	1,959,652
2035 to 2039	694,764	4,930	-	699,694
	<u></u>	<u></u>	<u></u>	<u></u>
Total maturities of bond	<u>\$ 3,519,782</u>	<u>\$ 272,183</u>	<u>\$ 485,988</u>	<u>\$ 4,277,953</u>

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Department's financial instruments consist of cash, certificates of deposit, accounts receivable, supplies inventory, accounts payable, other current liabilities and long-term debt. The recorded values of cash, certificates of deposit, accounts receivable, supplies inventory, accounts payable and other current liabilities approximate their fair values based on their short-term nature. The recorded value of long-term debt approximates its fair value, as interest approximates market rates.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN

Plan Description – The Department participates in the City of Dumas Pension Plan and Trust (the "Plan") which is a single-employer sponsored plan administered by the City of Dumas, Arkansas (the "City"). The Plan provides retirement, death and disability benefits to plan members and beneficiaries. Employee groups covered by the Plan are employees of the City of Dumas, excluding firefighters and any active participant in the Arkansas Public Employees Retirement System, the Arkansas Judicial Retirement System or another retirement system sponsored by the state of Arkansas.

The City of Dumas, Arkansas, is the sponsor and administrator of the Plan and as such has the authority to establish or amend Plan benefit provisions and all other requirements. In addition to the plan sponsor/administrator, the Plan has a board of trustees consisting of five members. The board of trustees consist of the Mayor and City Clerk of the City and three retired members of the Plan. The Plan does not issue stand-alone financial statements, nor is it included in another public employee retirement system plan's financial statements.

The Plan was amended and restated effective August 15, 2019 to change the Plan fiscal year from August 15, 2020 to December 31, 2020, resulting in a short plan year from August 15, 2020 to December 31, 2020.

Benefits Provided – The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Retirement benefits are based on 1% of past service average compensation times years of past service plus 1% of each year's compensation earned after date of participation. Employees that become disabled and terminate employment may receive a disability benefit equal to the present value of vested accrued benefits upon the employee's disability retirement date. If retirement benefits have not begun at the time of a participant's death, the Plan's death benefit will be the actuarial equivalent of the employee's vested accrued benefit. The death benefit is payable in the form of a single life annuity.

Cost of Living Adjustment – The Plan does not provide for automatic cost of living adjustments ("COLA") to the benefits. Therefore, no COLA is included in the determination of the total pension liability.

Eligibility – Employees are eligible for retirement benefits after attaining 65 years of age with five years of accredited service and are eligible for early retirement after attaining 55 years of age.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

Vesting – Employees become vested in the Plan in accordance with the following schedule:

<u>Years of Vesting Service</u>	<u>Percentage</u>
Less than 5	0%
5 but less than 6	25%
6 but less than 7	30%
7 but less than 8	35%
8 but less than 9	40%
9 but less than 10	45%
10 but less than 11	50%
11 but less than 12	60%
12 but less than 13	70%
13 but less than 14	80%
14 but less than 15	90%
15 or more	100%

Notwithstanding the foregoing schedule, employees become fully (100%) vested upon attainment of normal retirement age while an employee, death while an employee, suffering a disability while an employee or attainment of early retirement age while an employee.

As of the measurement date, January 1, 2024, the Plan had 60 active employees, 13 inactive employees entitled to, but not yet receiving benefits and 9 inactive employees or beneficiaries currently receiving benefits. As of the prior measurement date, January 1, 2023, the Plan had 60 active employees, 112 inactive employees entitled to, but not yet receiving benefits and 9 inactive employees or beneficiaries currently receiving benefits.

Contributions – Participants are not required or permitted to contribute to the Plan. The City is required to contribute to the Plan at an actuarially determined rate. Actuarially determined contributions are determined based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions are based on the employees' annual covered salary. The City's contribution rate and actuarially determined contribution for the years ended December 31, 2024 and 2023, were 8.90% and 6.17% of covered payroll and amounted to \$195,388 and \$130,568, respectively. The City did not make contributions during the years ended December 31, 2024 and 2023. The City allocates 20% of the actuarially determined contribution to the Department based on the Department's estimated portion of covered payroll. Accordingly, the Department's portion of the actuarially determined contribution for the years ended December 31, 2024 and 2023 was \$39,078 and \$26,114, respectively.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

Net Pension Liability – The Plan’s net pension liability for plan years ended December 31, 2023 and 2022 was measured as of January 1, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, as of January 1, 2024 and 2023:

The assumptions used were as follows:

Cost Method:	The entry age normal cost method has been used in determining total retirement cost.
Asset Valuation Method:	Market value.
Pre-Retirement Mortality:	None assumed
Post-Retirement Mortality:	RP 2000 table.
Voluntary Terminations:	None assumed
Investment Rate of Return:	5.5% annually
Expected Retirement Pattern:	Retirement was assumed to occur at age 65.
Salary Growth:	None assumed

Target Allocation and Long-term Expected Rate of Return – The long-term expected rate of return on Plan investments was 5.50% for the plan years ended December 31, 2023 and 2022. The target allocation and best estimates of arithmetic real rates of return for each major asset class at December 31, 2023 and 2022 are summarized in the following table:

Asset Class	Plan Year Ended December 31, 2023		Plan Year Ended December 31, 2022	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	40%	1.75%	40%	1.75%
Domestic Equity	60%	4.50%	60%	4.50%
	100%		100%	

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

Single Discount Rate – A single discount rate of 5.5% was used to measure the Total Pension Liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.5%. The single discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Department Allocation – The City allocates pension liabilities, pension expense and related deferred inflows and outflows to the Department based on the percentage of the Department's covered payroll to total covered payroll of the Plan, estimated at 20%.

Changes in Net Pension Liability – Changes in the Plan's net pension liability for the plan year ended December 31, 2023, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2022	\$ 1,849,113	\$ 1,267,744	\$ 581,369
Changes for the Year			
Service cost	112,094	-	112,094
Interest	101,001	-	101,001
Difference between expected and actual experience	(21,016)	-	-
Contributions - Employer	-	-	-
Net investment income	-	113,862	(113,862)
Benefit payments	(137,569)	(137,569)	-
Other Changes	-	-	-
Net changes	<u>54,510</u>	<u>(23,707)</u>	<u>78,217</u>
Balance at December 31, 2023	<u>\$ 1,903,623</u>	<u>\$ 1,244,037</u>	<u>\$ 659,586</u>
Department's Allocated Portion (20%)	<u>\$ 380,725</u>	<u>\$ 248,807</u>	<u>\$ 131,917</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

Changes in the Plan's net pension liability for the plan year ended December 31, 2022, were as follows:

	<u>Total Pension Liability</u>	<u>Total Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2021	\$ 1,866,608	\$ 1,671,799	\$ 194,809
Changes for the Year			
Service cost	99,263	-	99,263
Interest	101,085	-	101,085
Difference between expected and actual experience	(61,175)	-	-
Contributions - Employer	-	-	-
Net investment income	-	(247,387)	247,387
Benefit payments	(156,668)	(156,668)	-
Other Changes	-	-	-
Net changes	<u>(17,495)</u>	<u>(404,055)</u>	<u>386,560</u>
Balance at December 31, 2022	<u>\$ 1,849,113</u>	<u>\$ 1,267,744</u>	<u>\$ 581,369</u>
Department's Allocated Portion (20%)	<u>\$ 369,823</u>	<u>\$ 253,549</u>	<u>\$ 116,274</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Department's proportionate share of the net pension liability for the years ended December 31, 2024 and 2023, calculated using the discount rate of 5.50%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate of one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	<u>1% Decrease (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Department's proportionate share (20%) of the net pension liability at December 31, 2024	<u>\$ 180,072</u>	<u>\$ 131,917</u>	<u>\$ 90,736</u>
Department's proportionate share (20%) of the net pension liability at December 31, 2023	<u>\$ 163,063</u>	<u>\$ 116,274</u>	<u>\$ 76,837</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the years ended December 31, 2024 and 2023, the Department recognized pension expense of \$27,702 and \$52,534 respectively. At December 31, 2024 and 2023, the Department's deferred outflows and inflows of resources were as follows:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,629	\$ 40,013
Net difference between projected and actual investment earnings on pension plan investments	40,203	12,967
Contributions subsequent to the measurement date	-	-
Plan Total	<u>\$ 60,832</u>	<u>\$ 52,980</u>
 2023		
Differences between expected and actual experience	\$ 23,953	\$ 42,340
Net difference between projected and actual investment earnings on pension plan investments	53,604	11,214
Contributions subsequent to the measurement date	-	-
Plan Total	<u>\$ 77,557</u>	<u>\$ 53,554</u>

At December 31, 2024 and 2023, the Department reported \$0, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. The deferred outflows resulting from contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following plan year.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 6: PENSION PLAN (CONTINUED)

The Department's portion of other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions is projected to be recognized in pension expense as follows:

Projected to be recognized in the years ending December 31,

2025	\$ 3,018
2026	8,239
2027	7,446
2028	(6,148)
2029	(3,213)
Thereafter	<u>(1,490)</u>
	<u><u>\$ 7,852</u></u>

Components of Net Pension Liability – The components of the net pension liability for years ended December 31, 2024 and 2023 were as follows:

	<u>Plan Year Ended December 31, 2024</u>	
	<u>Plan</u>	<u>Department Portion (20%)</u>
Total pension liability	\$ 1,903,623	\$ 380,725
Plan's fiduciary net position	<u>1,244,037</u>	<u>248,808</u>
Net pension liability	<u><u>\$ 659,586</u></u>	<u><u>\$ 131,917</u></u>
Plan fiduciary net position as a % of total pension liability	<u>65.35%</u>	<u>65.35%</u>
	<u>Plan Year Ended December 31, 2023</u>	
	<u>Plan</u>	<u>Department Portion (20%)</u>
Total pension liability	\$ 1,849,113	\$ 369,823
Plan's fiduciary net position	<u>1,267,744</u>	<u>253,549</u>
Net pension liability	<u><u>\$ 581,369</u></u>	<u><u>\$ 116,274</u></u>
Plan fiduciary net position as a % of total pension liability	<u>68.56%</u>	<u>68.56%</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 7: INSURANCE

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered through participation with other Arkansas municipal entities in a public entity risk pool known as Arkansas Public Entity Risk Management Association (APERMA). APERMA insures several municipalities in the State of Arkansas. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past two fiscal years. APERMA ceased operations as of January 30, 2020 as a result of major challenges in the business environment. The Department, after obtaining the City Council members' approval, was able to obtain coverage with Arkansas Municipal League.

Management of the Department does not believe that any additional assessments related to periods prior to December 31, 2024 and 2023 will be material.

NOTE 8: COMMITMENTS

WINCHESTER

On August 13, 2019, the City Council approved proceeding with the City of Winchester Wastewater Improvement Project. According to the project Memorandum of Agreement (MOA) the City of Winchester, Drew County, Arkansas agrees to pay \$2,029 per month for the purpose of transmitting Winchester's sewage to the existing Dumas system. The agreed upon amount is due on or before the 15th of each month in which the invoice is submitted. The City of Dumas Water and Sewer Department will have access to the books and records of the Departments that pertain to Winchester's sewer service in order for Winchester to quantify the fairness of the service price. The Department will be responsible for the construction, installation, owning and operating the infrastructure necessary to collect sewage conveyed and discharged from Winchester. The Department shall own all of the sewer system and possess all rights and privileges to the project. The Department agrees to accept, collect and treat all sewage conveyed and discharged from Winchester to Dumas. On May 20, 2020, the Department signed a Wholesale Sewer Service Agreement with the City of Winchester. Under this agreement the Department will receive a forgivable loan of \$3,000,000 for 20 years at 2.50% annual interest. 100% of the proceeds from this loan must be used to construct and install infrastructure necessary to collect sewage conveyed and discharged from the Winchester corporate limits. The \$3,000,000 loan is exclusive from the \$975,000 loan. The \$975,000 will be paid back by the Department at the rate of \$28,994 semi-annually. Funding for the project will require that the City of Dumas Water and Sewer Department to issue two sets of bonds. Series 2021B for \$975,000 will be used for improvements to the existing sewer system of the City of Dumas, including but limited to, replacement of 1,500 of sewer lines and upgrading the pump station. Series 2021C for \$3,000,000 proceeds to be used to construct and install the infrastructure necessary to collect sewage conveyed and discharged from within Winchester limits and to bring the sewer discharges from Winchester to be treated in the facilities in Dumas. Among other terms, Series 2021B will have to be repaid to ANRC according to the amortization schedule included in the bond purchase agreement; however, Series 2021C will be forgiven when funds are being released from ANRC to the Department for completed construction as work progresses.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 8: COMMITMENTS (CONTINUED)

WINCHESTER (continued)

The Department entered into an agreement with McClelland Consulting Engineers, Inc. (the “Engineers”) April 9, 2020 to provide services related to Winchester Wastewater Improvement Project. The services include, but not limited to, planning, design and construction of the project. Work progress of this agreement is listed under submittal schedule section of the agreement. On January 24, 2020, the Department signed an agreement with ARNC to borrow \$172,525 to fund the cost of this agreement, of which a \$70,625 was advanced in 2020. The Department entered into a loan agreement with ANRC November 1, 2020 to provide temporary financing of a portion of the costs of planning and designing the improvements (the design loan). On April 21, 2021, the City Council adopted Ordinance No. 965 authorizing the issuance and the sale of Series 2021B and Series 2021C Bond. The loan of \$172,525 was paid back to ANRC using proceeds from the issuance of Bond Series 2021C. Please refer to note 4 for more information.

During 2021, no construction took place. The engineering firm worked on the design and obtaining the licenses and easements needed in order to start working on the project. The Department received funds from Bond Series 2021B and Series 2021C. Please see footnote no. 4 for more information. The remaining funds will be kept under the custody of ANRC. When an invoice is submitted to the Department for payment, the Mayor of Dumas reviews the invoice and if approved by Mayor, the invoice is submitted to ANRC. Once ANRC approves the invoice, ARNC sends the funds to the Department. The Department will make payment on the invoices. Additionally, Resolution 1369 was adopted to authorize the Mayor to sign documents related directly to the Winchester project on behalf of the City of Dumas.

KJ Parker Construction Company was retained by the Department after the approval by the Natural Resource Division (NRD) and City Council approval of the contract and bidding process. KJ Parker Construction Company was the contractor and McClelland Consulting Engineering, Inc. was the engineering firm which provided engineering and supervision services of the construction according to the terms approved by NRD and the City Council. Construction commenced in 2022 and progress continued throughout 2023 and 2024.

By August 12, 2024, half of the homes in Winchester had been connected. The Department is expecting to provide sewer processing service to Winchester and generating income for City of Dumas Water and Sewer Department in 2025.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 8: COMMITMENTS (continued)

PICKENS

At November 30, 2020, Dumas City Council gave the Mayor permission to sign a contract with Arkansas Natural Resources Commission. The funding application total estimated cost was \$376,995 that was increased to \$531,879. Under this contract, the Department will run the main water line from Dumas to connect with Pickens (an unincorporated community), Desha County, Arkansas main water line. Pickens will purchase wholesale water for all locations south of Walnut Lake. The Department will take over water provisions for Walnut Lake Country Club and all residents north of the Lake. This project will provide Pickens with a more reliable source of fresh water. The Pickens Wholesale Water Contract is connected with the Winchester Easement Project.

New regulations relevant to this project were adopted in 2021 requiring a water rate study to be performed before making any progress on this project. In compliance with the new regulations, the Department halted activities on the project until the new requirements were met.

During 2022, the Department was going through the process of funding this project. Johnathan Patrick, with Communities Unlimited, provided assistance to the City with the water and sewer rate study in order to provide the funds needed to finance the project. The Department succeeded to obtain a permit to perform drilling as a first step in the project.

During the City Council meeting December 11, 2023, Resolution 1543 was adopted requiring the opening of a bank account for the construction of Dumas-Pickens waterline extension project.

MITCHELLVILLE

At December 11, 2020, The Department signed a Memorandum of Agreement (MOA) with Arkansas Natural Resources Commission. The purpose of the MOA is to obtain funding assistance from the Clean Water Revolving Loan Fund Program (CWRLF) administered by the Arkansas Natural Resources Commission (ANRC). Project funding, along with planning and design requirements of the program, must be fulfilled and the RLF application must be certified complete in accordance with the program requirements of the ANRC. The purpose of this MOA is to establish project funding and define the conditions and terms under which planning, design and application documents will be submitted by the borrower and reviewed by the ANRC.

Funds have been approved through the ANRC RLF program. Funding shall consist of a loan in the amount of \$2,440,172 with a maximum twenty (20) year repayment and a loan with principal forgiveness in an amount not to exceed \$1,626,781. The total amount of both loans will be \$4,066,953. The interest rate will be determined at the time the bond term sheet is provided. At loan closing, ANRC will forgive the principal forgiveness amount. If, for any reason, the borrower does not utilize the entire Funding Amount, then in such event the Principal Forgiveness Amount will be reduced proportionally to equal the amount of actual funds disbursed. The loan proceeds to be used to construct and install the infrastructure necessary to collect sewage conveyed and discharged from within the City of Mitchellville, Desha County, Arkansas limits. Construction commenced in 2022 and progress continued throughout 2023 and 2024.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 8: COMMITMENTS (continued)

MITCHELLVILLE (continued)

On October 26, 2021, a Memorandum of Agreement (MOA) was signed between the City of Dumas (Dumas) and the City of Mitchellville (Mitchellville). The purpose of the MOA is to establish that an agreement has been reached for the cities of Dumas and Mitchellville to enter into a joint contract to complete the Mitchellville Sewer Project. A legal and binding contract that will clearly identify the roles and responsibilities of each party as they relate to providing the consolidated description of the services that serve both Dumas and Mitchellville. According to the terms of the MOA, Dumas will receive from Mitchellville sewer fees based on monthly water usage for the service of collecting conveyed and discharge sewage from Mitchellville. Dumas will maintain the right to check water meters and meter readings if the fees submitted by Mitchellville becomes questionable. A Resolution of intent regarding the sewer project was adopted by the City Council of the city of Dumas. Under the Resolution, the city of Dumas proposes to acquire, construct and equip improvements to the sewer facilities of its water and sewer system. In addition, the City proposes to obtain funds to accomplish the project from the proceeds of water and sewer revenue bonds to be issued by the City in the maximum amount of \$4,100,000 and purchased by the Arkansas Development Finance Authority as a part of the Clean Water State Revolving Loan Fund Program administered by the ANRC. No construction was made on this project as of December 31, 2021.

Extension of the Dumas sewer line to Mitchellville, the loans to fund the project and the bonds for financing the loans were adopted to approve the selling of the water and sewer bonds for partially or totally financing of the sewer line extension to Mitchellville. The Mayor thereupon declared the Ordinance adopted and signed the Ordinance, which was attested by the City Clerk and sealed with the seal of the City. The City Council is in the process to redefining funds in order to make the function of each fund more relevant to current conditions. "AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF THE EXTENSIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWER FACILITIES OF THE CITY OF DUMAS, AR; AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS FOR THE PURPOSE OF FINANCING ALL OR PORTION OF THE COST OF CONSTRUCTION; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND PRESCRIBING OTHER MATTERS RELATING THERETO" Mitchellville Project- The easements are being studied and engineers are trying to fit the project into the easements we already have. The contract with Mitchellville has been completed by Attorney Brooks Gill. He mostly mirrored this contract to the one for Winchester. The contract was sent to McClelland Consulting Engineers, Inc. for review and approval.

During the City Council meeting December 11, 2023, Resolution 1544 was adopted requiring the opening of a bank account for the construction of Dumas-Mitchellville sewer project.

The Mitchellville Project started June 10, 2024, and work progressed throughout the rest of the year.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 9: RELATED PARTY TRANSACTIONS

Rent expense of \$60,000 was paid for each of the years ended December 31, 2024 and 2023, and represents the amount paid to the City for office space used by the Department. The Department has no written lease for this space. The amount of rent paid to the City is approved annually by the City Council ordinance adopting the Department's operating budget for the year.

Additionally, the Department reimbursed the City \$503,760 and \$464,519 for the years ended December 31, 2024, and 2023, respectively, for payroll and health insurance costs.

NOTE 10: REVENUE RECOGNITION

City of Dumas Water and Sewer Department earns revenue from selling water and sewer to the public in the area in which the Department operates. Revenues from water and sewer sales are recognized at the time of service delivery based on actual or estimated water meter readings. Customers are both individuals and businesses that reside and operate in the geographic area the Department operates in. Water sales are based on the actual quantity of water used, based on water meter reading, by customer times rates approved by the City Council. At times when meter readings are inaccurate or unavailable, an exception is made to base the consumption on an estimate based on the customers' history temporarily until a new water meter is installed. However, sewer sales is based on water consumption. Water is pumped and delivered to the customers through the water network owned by the Department known as the water plant. Similarly, sewer is carried away or pumped away using resources available to the Department (sewer plant). Generally, the Department supplies customers with water before it bills for it and due to the timing of reading meters, consumption of water and calculating the sewer consumption is billed on the following month. After calculating the amount due on water and sewer, sales taxes are applied and added to the invoices. Unbilled receivables have been estimated and accrued.

The City Council adopted Resolution number 1508, approving an increase to water rates during the City Council meeting held March 27, 2023. Resolution 1540 dated November 13, 2023, amended Resolution 1508 authorizing the water rate increase to become effective with the first billing cycle of 2024.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 11: RESTATEMENTS OF CERTAIN ACCOUNTS AND BALANCES

The Department assessed that certain additions are necessary and have to be made in the 12/31/2023 financial statements to better reflect the results of operations. The changes were to add a line item to accounts receivable for American Rescue Plan Act on the 2023 and add that balance to Statement of Net Position. Accounts receivable from American Rescue Plan Act balance is \$211,565 and the balance in total fund net position becomes \$8,667,410. Due to the change in adding a line item for American Rescue Plan Act, the balance in the Statement of Net Position total became \$11,811,940 and total grants, contributions and transfers on the statement of Revenues, Expenses and Changes in Net Positions have increased from \$262,363 to \$473,928.

12/31/2023 Accounts receivable restatement

Accounts receivable	
American Rescue Plan Act (ARPA)	<u>\$ 211,565</u>

12/31/2023 Fund net position restatement

Fund net position balance	\$ 8,455,845
Increase in fund net position balance	<u>211,565</u>
Total fund net position - restated	<u>\$ 8,667,410</u>

12/31/2023 Total assets, liabilities and fund net position - restatement

Total assets, liabilities and fund net position	\$ 11,600,375
Increase in assets, liabilities and fund net position	<u>211,565</u>
Total assets, liabilities and fund net position - restated	<u>\$ 11,811,940</u>

12/31/2023 Grants, contributions and transfers – restatement

Grants, contributions and transfers	\$ 262,363
Increase in grants, contributions and transfers	<u>211,565</u>
Total grants, contributions and transfers - restated	<u>\$ 473,928</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

The Department has evaluated subsequent events through August 3, 2026, the date on which the financial statements were available to be issued.

During the City Council meeting December 11, 2023, Resolution 1546 was adopted giving permission for the Department to research quotes from water meter companies to purchase new electronic water meters and to begin the process aimed at replacing the manual meters used currently with the more modern electronic ones. The replacement of the meters will allow for faster, better and more accurate readings of the meters. In addition, electronic readings will be timely. The Department continued the process in 2024 and 2025.

During the City Council meeting January 8, 2024, Resolution 1563 was adopted giving permission to increase the City of Dumas water customer application deposit fees for residential and commercial customers for discussion effective January 2024.

During the City Council meeting January 13, 2025, Resolution 1614 was adopted awarding the contract to install the new electronic water meters to Vanguard Utility Service, Inc.

On March 24, 2025, citizens of Dumas requested that the water bills due date be changed.

According to Resolution 1622 dated April 14, 2025, the Department will obtain financing from Government Capital Corporation for the new electronic water meters.

On March 10, 2025, the City Council adopted Resolution 1619 for Consolidated Pipe and Supply Company, Inc. to provide materials, data hosting and a meter reading system for the City of Dumas water meter replacement.

April 14, 2025, the City Council adopted Resolution 1622 authorizing the City to enter into a formal agreement with Government Capital Corporation to finance the purchase of 3,600 meters at an estimated cost of \$1,550,000 with a 10-year term at 4.98% fixed interest rate. The loan is payable in 10 annual payments of \$201,540. First payment is due April 15, 2026.

The Department's management has determined that there were no other significant subsequent events that should be disclosed in the financial statements or in the notes to the financial statements.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

Repeat Finding # 2024-1

Condition

Due to the limited number of City office personnel, I noted that some personnel are responsible for incompatible duties of sending monthly bills to customers, collecting cash from customers, updating customers' records in the system, giving credit to customers on their invoices, and depositing cash at the bank. This is a repeat finding.

Criteria

Management is responsible for establishing and maintaining proper segregation of duties that ensures effective internal control over the accounting cycle.

Effect

Because of the lack of segregation of duties, there is an increased risk that fraud or error could occur and not be prevented or detected in a timely manner.

Cause

Limited financial resources available to the Department as well as the hardship of finding qualified personnel to handle such jobs.

Recommendation

Management should implement and monitor internal controls to decrease the risk of fraud or error by segregating the duties of accounting personnel to the greatest possible degree. This is a repeat finding.

Response

Department management responded and indicated that the office will segregate the duties of accounting personnel to the extent possible with the current staffing levels.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

Repeat Finding # 2024-2

Condition

No adjustments were made to accounts receivable, capital assets, or accounts payable to adjust balances to actual at year-end. In addition, records of compensated absences were not maintained in accordance with the City's policy manual.

Criteria

Management is responsible for updating account balances.

Effect

Because of the absence of such adjusting journal entries, there is an increased risk that management may make decisions based on inaccurate account balances.

Cause

Personnel are capable of doing such jobs, but they may lack the needed training to perform the duty of updating the accounts

Recommendation

Management needs to provide the training and monitor the progress on maintaining up-to-date account balances.

Response

Department management responded and indicated that they will request that the accounting personnel update the accounts with timely information.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

Repeat Finding # 2024-3

Condition

Information needed to complete the audit of the financial statements were not available until June of 2026.

Criteria

Management is responsible for providing the information to the auditor in a timely manner to have the audit report ready in a timely fashion.

Effect

Because of the lack of information provided to the auditor, the Department was not in compliance with the window to file the audit report with the governmental agencies requiring the audit.

Cause

The actuarial services failed to provide the information needed to complete the footnote related to the Department's retirement plan.

Recommendation

Management needs to take prompt action when there is a delay by any party(ies) providing services to the Department.

Response

Department management responded and indicated that they have changed actuarial services. The management plans to stay in compliance from this point on.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

Finding # 2024-4

Condition

The department made 3 advances (loans) to three different employees of the City for an amount totaling \$2,652.

Criteria

Section 5 of Article 12 of the constitution of the State of Arkansas that mandates "No county, city, town or other municipal corporation, shall become a stockholder in any company, association, or corporation; or obtain or appropriate money for, or loan its credit to, any corporation, association, institution or individual." In addition, the AICPA AU-C Section 250, SAS No. 122; SAS No. 145, consideration of laws and regulations in an audit of financial statement, general principles and responsibilities, It is the responsibility of management, with the oversight of those charged with governance, the City Council, to ensure that the department's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements effect.

Effect

Illegal and/or unauthorized use of public resources may subject the department to legal and regulatory consequences.

Cause

Office Administrator provided loans to three of the Department's employees.

Recommendation

Management needs to monitor the transactions taking place in the department and seek immediate suitable legal counselling through the available resources when there is a question about certain transactions before transactions have been executed.

Response

Department management indicated that this was an isolated incident. Management has instructed the Office Administrator that loans to employees are prohibited and has implemented procedures to ensure similar transactions do not occur in the future.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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REPORT OF INDEPENDENT AUDITOR 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

Members of the City Council
Dumas, Arkansas

I 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 financial statements of the business-type activities of the Water and Sewer Department, a component unit of the City of Dumas, Arkansas (the "Department") which collectively comprise the Statement of Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position as of December 31, 2024 and 2023, and the related statements of Revenues, Expenses and Changes in Net Position and cash flows for the years then ended, and the related notes to the financial statements and Other Information, and have issued my report thereon dated August 3, 2026.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Department'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Department'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.

My 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. I identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-2 that I consider to be material weakness. In addition, deficiencies in internal control, described in the accompanying schedule of findings as items No.2024-1, 2024-3 and 2024-4 that I consider to be significant deficiencies

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2024-2 and 2024-3.

City of Dumas Water and Sewer Department Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in my audit and describe in the accompanying Schedule of Findings. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Jack Chami, CPA PLLC

Jack Chami, CPA PLLC
Little Rock, Arkansas
August 3, 2026

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios
For the Plan Years Ended August 14, 2017 through December 31, 2023

	December 31, 2023	December 31, 2022	December 31, 2021	(Short-year) December 31, 2020
Total Pension Liability				
Service cost	\$ 112,094	\$ 99,263	\$ 97,866	\$ 32,954
Interest	101,001	101,085	94,007	97,911
Differences between expected and actual experience	(21,016)	(61,175)	126,400	(6,375)
Other charges	-	-	-	(23,420)
Benefit payments	<u>(137,569)</u>	<u>(156,668)</u>	<u>(223,901)</u>	<u>(150,165)</u>
Net change in total pension liability	54,510	(17,495)	94,372	(49,095)
Total pension liability - beginning	<u>1,849,113</u>	<u>1,866,608</u>	<u>1,772,236</u>	<u>1,821,331</u>
Total Pension Liability - Ending	<u>\$ 1,903,623</u>	<u>\$ 1,849,113</u>	<u>\$ 1,866,608</u>	<u>\$ 1,772,236</u>
Plan Fiduciary Net Position				
Contributions - employer	-	-	-	32,433
Net investment income	113,862	(247,387)	93,908	165,512
Benefit payments	<u>(137,569)</u>	<u>(156,668)</u>	<u>(223,900)</u>	<u>(150,165)</u>
Net change in plan net position	(23,707)	(404,055)	(129,992)	47,780
Plan fiduciary net position - beginning	<u>1,267,744</u>	<u>1,671,799</u>	<u>1,801,791</u>	<u>1,754,011</u>
Plan Fiduciary Net Position - Ending	<u>1,244,037</u>	<u>1,267,744</u>	<u>1,671,799</u>	<u>1,801,791</u>
Net pension liability	<u>\$ 659,586</u>	<u>\$ 581,369</u>	<u>\$ 194,809</u>	<u>\$ (29,555)</u>
Plan fiduciary net position as a percentage of total pension liability	65.35%	68.56%	89.56%	101.67%
Covered employee payroll	\$ 2,195,914	\$ 2,117,715	\$ 1,916,883	\$ 1,656,528
Net pension liability as a percentage of covered employee payroll	30.04%	27.45%	10.16%	-1.78%
Annual Money-weighted Rate of Return	9.50%	-15.53%	5.56%	9.76%

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios
For the Plan Years Ended August 14, 2017 through December 31, 2023

	August 14, 2020	August 14, 2019	August 14, 2018	August 14, 2017
Total Pension Liability				
Service cost	\$ 74,736	\$ 75,086	\$ 72,426	\$ 66,965
Interest	105,291	103,756	96,205	89,133
Benefit changes	-	-	-	-
Differences between expected and actual experience	(167,991)	(47,754)	9,052	39,007
Other charges	-	-	-	-
Benefit payments	(63,418)	(137,666)	(95,155)	(37,868)
Net change in total pension liability	(51,382)	(6,578)	82,528	157,237
Total pension liability - beginning	1,872,713	1,879,291	1,796,763	1,639,526
Total Pension Liability - Ending	\$ 1,821,331	\$ 1,872,713	\$ 1,879,291	\$ 1,796,763
Plan Fiduciary Net Position				
Contributions - employer	100,818	97,823	92,461	82,392
Net investment income	105,965	72,461	49,558	75,142
Benefit payments	(63,418)	(137,666)	(95,155)	(37,868)
Net change in plan net position	143,365	32,618	46,864	119,666
Plan fiduciary net position - beginning	1,610,646	1,578,028	1,531,164	1,411,498
Plan Fiduciary Net Position - Ending	1,754,011	1,610,646	1,578,028	1,531,164
Net pension liability	<u>\$ 67,320</u>	<u>\$ 262,067</u>	<u>\$ 301,263</u>	<u>\$ 265,599</u>
Plan fiduciary net position as a percentage of total pension liability	96.30%	86.01%	83.97%	85.22%
Covered employee payroll	\$ 1,634,818	\$ 1,561,194	\$ 1,554,665	\$ 1,554,665
Net pension liability as a percentage of covered employee payroll	4.12%	16.79%	19.38%	17.08%
Annual Money-weighted Rate of Return	6.50%	4.65%	3.24%	5.24%

Information in this schedule represents the Plan as a whole. The Department's portion of these amounts is 20% as allocated by the City to the Department. The Plan's actuarial valuation is determined as of the day following the end of each plan year (January 1st for plan years ending December 31st; and August 15th for plan years ending August 14th).

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled under the provisions of GASB 68, the Department will only present available information.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
AN ENTERPRISE FUND AND A COMPONENT UNIT OF THE CITY OF DUMAS, ARKANSAS
Schedule of the Department's Contributions to Pension Plan – Last Ten Years*
For the Plan Years Ended August 14, 2018 through December 31, 2023

	Plan Years Ending					
						(Short-year)
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>8/14/2020</u>	<u>8/14/2019</u>
Department's required contributions	\$ 39,078	\$ 26,114	\$ 16,006	\$ 6,487	\$ 20,164	\$ 19,565
Department contributions in relation to the required contribution	-	-	-	-	20,164	19,565
Contribution deficiency (excess)	<u>\$ (39,078)</u>	<u>\$ (26,114)</u>	<u>\$ (16,006)</u>	<u>\$ (6,487)</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	\$ 366,488	\$ 325,499	\$ 302,499	\$ 334,147	\$ 319,239	\$ 287,786
Contributions as a percentage of covered-employee payroll	10.66%	8.02%	5.29%	1.94%	6.32%	6.80%
	Plan Years Ending					
	<u>8/14/2018</u>					
Department's required contributions	\$ 18,492					
Department contributions in relation to the required contribution	18,492					
Contribution deficiency (excess)	<u>\$ -</u>					
Department's covered-employee payroll	\$ 268,780					
Contributions as a percentage of covered-employee payroll	6.88%					

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Key assumptions for actuarially determined contributions are as follows:

Cost method:	Entry age normal
Amortization Method	Level dollar
Remaining Amortization	Ten years
Asset valuation:	Market value
Investment rate of return:	5.5% annually
Mortality:	RP 2000 mortality table

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