

**TOWN OF MCDUGAL WATER AND SEWER
DEPARTMENT
McDougal, Arkansas**

December 31, 2025

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
AND COMPILATION REPORT**

**S. DON RAY
CERTIFIED PUBLIC ACCOUNTANT**

**TOWN OF MCDOUGAL, ARKANSAS
WATER AND SEWER DEPARTMENT
MCDOUGAL, ARKANSAS
DECEMBER 31, 2025**

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S. DON RAY
CERTIFIED PUBLIC ACCOUNTANT

**To the Mayor, Town Council and Management
of the Town of McDougal Water and Sewer Department
McDougal, Arkansas**

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

I have performed the procedures enumerated below, which were agreed to by the Mayor, Town Council and management on the procedures specified by the Arkansas Legislative Joint Auditing Committee, in accordance with Ark. Code Ann. 14-234-119 for the Town of McDougal, Arkansas, Water and Sewer Department (the Department), for the year ended December 31, 2025. The Department's management is responsible for the Department's accounting records. The sufficiency of these procedures is solely the responsibility of the Arkansas Legislative Joint Auditing Committee. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Cash and Investments

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

Findings: I found no exceptions as a result of the above procedures.

2. Receipts

- A. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
- B. Agree ten customer payments on the accounts receivable subsidiary ledger to deposit and billing documents.
- C. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: I found no exceptions as a result of the above procedures.

3. Accounts Receivable

- A. Agree ten customer billings to the accounts receivable sub ledger.
- B. Determine that five customer adjustments were properly authorized.

Findings: I found no exceptions as a result of the above procedures.

4. Disbursements

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

Findings: I found no exceptions as a result of the above procedures.

5. Property, Plant & Equipment

- A. Determine that additions and disposals were properly accounted for in the records.

Findings: I found no exceptions as a result of the above procedures.

6. Long-Term Debt

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

Findings: I found no exceptions as a result of the above procedures.

7. General

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

Findings: I found no exceptions as a result of the above procedures.

This engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to, and did not, conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the procedures specified by the Arkansas Code Ann. 14-234-119. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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



S. Don Ray, CPA
Jonesboro, Arkansas
August 24, 2026

S. DON RAY
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

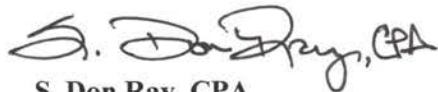
**To the Mayor, Town Council and Management
of the Town of McDougal Water and Sewer Department
McDougal, Arkansas**

Management is responsible for the accompanying financial statements of the Town of McDougal Water and Sewer Department (the Department) business-type activities, which comprise the statement of assets, liabilities, and net position – modified cash basis as of December 31, 2025 and the related statement of cash receipts and cash disbursements for the year then ended, and for determining the modified-cash basis of accounting is an acceptable financial reporting framework. I 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. I did not audit or review the financial statements, nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the modified cash financial statements. I did not audit or review the supplementary information nor was I required to perform any procedures to verify the accuracy or completeness of the supplementary information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on this supplementary information.



**S. Don Ray, CPA
Jonesboro, Arkansas
August 24, 2026**

TOWN OF MCDOUGAL WATER AND SEWER DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2025

ASSETS

CURRENT ASSETS

Cash - Water Revenue Fund	\$ 200
Cash - Operation and Maintenance Fund	15,275
TOTAL CURRENT ASSETS	<u>\$ 15,475</u>

RESTRICTED ASSETS

Cash - Waterworks Meter Fund	\$ 9,632
Cash - Debt Reserve	26,402
Cash - Sewer Debt Reserve	11,784
TOTAL RESTRICTED ASSETS	<u>\$ 47,818</u>

CAPITAL ASSETS

Land	\$ 24,630
Water and Sewer System	1,247,128
Equipment and Tools	14,972
Less: Accumulated Depreciation	(1,171,386)
TOTAL CAPITAL ASSETS	<u>\$ 115,344</u>

TOTAL ASSETS	<u>\$ 178,637</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Customer deposits	\$ 7,575
Current maturities of long-term debt	14,338
TOTAL CURRENT LIABILITIES	<u>\$ 21,913</u>

LONG-TERM LIABILITIES

Long-term debt, net of current maturities	\$ 218,964
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TOTAL LIABILITIES	<u>\$ 240,877</u>
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NET POSITION

Net investment in capital assets	\$ (117,958)
Restricted	38,486
Unrestricted	17,232
TOTAL NET POSITION	<u>\$ (62,240)</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 178,637</u>
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SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

TOWN OF MCDUGAL WATER AND SEWER DEPARTMENT
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For the Year Ended December 31, 2025

CASH IN BANK, JANUARY 1

Waterworks Revenue Account	\$ 200
Operations and Maintenance Account	6,919
Waterworks Meter Account	9,152
Waterworks Debt Reserve Account	25,841
Sewer Debt Reserve Account	10,761
TOTAL CASH IN BANK, JANUARY 1	<u>\$ 52,873</u>

ADD: CASH RECEIPTS

Service Fees	\$ 87,422
Interest	84
Proceeds from Insurance Settlement	14,355
Other	536
Meter Deposits	620
TOTAL CASH RECEIPTS	<u>\$ 103,017</u>

LESS: CASH DISBURSEMENTS

Billing Service	\$ 3,870
Salaries	3,879
Health Insurance	5,712
FICA Tax	643
Unemployment Tax	8
Property Insurance	2,298
Employee Reimbursement	34
Sales Tax	4,122
Postal Expense	84
Utilities	9,582
Repairs and Maintenance	17,613
Membership Dues	710
Testing Fees	1,420
Sanitation	18,537
USDA Debt Service - Principle	2,139
USDA Debt Service - Interest	2,673
USDA Debt Service - Principle	6,410
USDA Debt Service - Interest	958
USDA Debt Service - Principle	1,642
USDA Debt Service - Interest	458
USDA Debt Service - Principle	699
USDA Debt Service - Interest	861
USDA Debt Service - Principle	2,843
USDA Debt Service - Interest	3,553
Other	1,709
Deposit Refunds	140
TOTAL CASH DISBURSEMENTS	<u>\$ 92,597</u>

CASH IN BANK, DECEMBER 31

Waterworks Revenue Account	\$ 200
Operations and Maintenance Account	15,275
Waterworks Meter Account	9,632
Waterworks Debt Reserve Account	26,402
Sewer Debt Reserve Account	11,784
TOTAL CASH IN BANK, DECEMBER 31	<u>\$ 63,293</u>

SUPPLEMENTARY
INFORMATION

TOWN OF MCDOUGAL WATER AND SEWER DEPARTMENT
SCHEDULE OF WATER AND SEWER RATES
SUPPLEMENTARY INFORMATION
December 31, 2025

As of December 31, 2025, The McDougal Water and Sewer Department had 199 service connections, comprised of 91 sewer connections and 108 water connections.

WATER RATES		
	Minimum Charge	Additional Charges
Water - Flat Rate	\$ 18.06	First 1,000 gallons
Water Additional Charge		\$6.76 per every additional 1,000 gallons

SEWER RATES		
	Minimum Charge	Additional Charges
Sewer - Flat Rate	\$ 15.00	First 1,000 gallons
Sewer Additional Charge		\$4.00 per every additional 1,000 gallons

TOWN OF MCDOUGAL WATER AND SEWER DEPARTMENT
SCHEDULE OF COMMITMENTS
SUPPLEMENTARY INFORMATION
December 31, 2025

ISSUER	ANNUAL PAYMENT	RATE OF INTEREST	AMOUNT AUTHORIZED AND ISSUED	CURRENT PORTION OF DEBT OUTSTANDING	LONG-TERM PORTION OF DEBT OUTSTANDING	TOTAL DEBT OUTSTANDING
USDA 91-08	\$ 4,812	3.250%	\$ 106,000	\$ 2,209	\$ 78,879	\$ 81,088
USDA 92-02	\$ 7,368	5.000%	\$ 125,000	\$ 6,738	\$ 8,924	\$ 15,662
USDA 92-04	\$ 2,100	5.000%	\$ 35,800	\$ 1,726	\$ 6,549	\$ 8,275
USDA 92-06	\$ 1,560	4.125%	\$ 30,000	\$ 729	\$ 19,758	\$ 20,487
USDA 92-10	\$ 6,396	3.250%	\$ 141,000	\$ 2,936	\$ 104,854	\$ 107,790
TOTAL COMMITMENTS	\$ 22,236		\$ 437,800	\$ 14,338	\$ 218,964	\$ 233,302

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT