

CITY OF MCGEHEE, ARKANSAS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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# SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
McGehee, Arkansas

### Opinions

We have audited the accompanying regulatory basis financial statements of the governmental activities, and other funds in the aggregate of the City of McGehee, Arkansas, which comprise the statement of position - regulatory basis and related statement of receipts, disbursements and changes in fund balance - regulatory basis for the year then ended, and the related notes to the financial statements.

### Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of the City of McGehee, Arkansas as of December 31, 2021 and its support, revenue, and expenses for the year then ended, in accordance with the financial reporting practices prescribed or permitted by the State of Arkansas Municipal Law Ark. Code §10-4-412 as described in Note 1.

### Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of McGehee, Arkansas as of December 31, 2021, or the changes in its net assets for the year then ended.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of McGehee, Arkansas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on the U.S. generally accepted accounting principles.

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of McGehee, Arkansas in accordance with the financial reporting practices prescribed or permitted by the State of Arkansas Municipal Law Ark. Code §10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of State of Arkansas Municipal Law Ark. Code §10-4-412. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

*“Well done is better than well said”*

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by State of Arkansas Municipal Law Ark. Code §10-4-412. Management is also responsible 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted with generally accepted 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 City of McGehee, Arkansas 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of McGehee, Arkansas' ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Searcy & Associates, LLC  
December 21, 2022

CITY OF MCGEHEE  
STATEMENT OF POSITION - REGULATORY BASIS  
DECEMBER 31, 2021

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 1,001,988	\$ 27,046	\$ 811,457	\$ 1,840,491
Certificates of Deposit	728,299	0	0	728,299
Accounts Receivable	246,870	27,966	223,148	497,984
Restricted Assets - Certificate of Deposit	<u>213,577</u>	<u>0</u>	<u>0</u>	<u>213,577</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,190,734</u></b>	<b><u>\$ 55,012</u></b>	<b><u>\$1,034,605</u></b>	<b><u>\$ 3,280,351</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 25,314	\$ 5,375	\$ 4,225	\$ 34,914
Payroll Liabilities	27,019	2,207	17,066	46,292
Settlements Payable	<u>0</u>	<u>0</u>	<u>86,062</u>	<u>86,062</u>
<b>TOTAL LIABILITIES</b>	<b>52,333</b>	<b>7,582</b>	<b>107,353</b>	<b>167,268</b>
<b>FUND BALANCES</b>				
Restricted	222,272	0	739,112	961,384
Assigned	0	0	38,089	38,089
Unassigned	<u>1,916,129</u>	<u>47,430</u>	<u>150,051</u>	<u>2,113,610</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 2,138,401</u></b>	<b><u>\$ 47,430</u></b>	<b><u>\$ 927,252</u></b>	<b><u>\$ 3,113,083</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,190,734</u></b>	<b><u>\$ 55,012</u></b>	<b><u>\$1,034,605</u></b>	<b><u>\$ 3,280,351</u></b>

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

CITY OF MCGEHEE  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
<b>Receipts</b>				
State Aid	\$ 146,684	\$ 338,929	\$ 0	\$ 485,613
Property Taxes	187,679	46,964	0	234,643
Franchise Taxes	224,431	0	0	224,431
Sales Taxes	2,376,487	0	845,799	3,222,286
Fines, Forfeitures and Costs	175,497	0	44,250	219,747
Interest and Dividends	3,313	104	411	3,828
Local Permits and Fees	263,618	0	0	263,618
Other	30,694	0	21,952	52,646
Rent Revenue	27,192	0	12,741	39,933
Park Revenue	30,272	0	0	30,272
Sanitation	369,766	0	0	369,766
Airport	0	0	3,471	3,471
Ambulance	0	0	550,707	550,707
Total Receipts	<u>3,835,633</u>	<u>385,997</u>	<u>1,479,331</u>	<u>5,700,961</u>
<b>Disbursements</b>				
Current:				
General Government	1,207,462	0	2,200	1,209,662
Law Enforcement	1,459,965	0	43,030	1,502,995
Sanitation	175,377	0	0	175,377
Highways and Streets	0	545,098	0	545,098
Public Safety	328,791	0	836,510	1,165,301
Recreation and Culture	45,599	0	0	45,599
Health	0	0	534,890	534,890
Airport	0	0	106,292	106,292
Total Current Disbursements	<u>3,217,194</u>	<u>545,098</u>	<u>1,522,922</u>	<u>5,285,214</u>
<b>Debt Service</b>				
Bond Principal	0	0	301,339	301,339
Note Principal	130,299	29,253	360,941	520,493
Note Interest	1,896	4,947	47,760	54,603
Total Debt Service	<u>132,195</u>	<u>34,200</u>	<u>710,040</u>	<u>876,435</u>
Total Disbursements	3,349,389	579,298	2,232,962	6,161,649
Excess (Deficiency) of Receipts Over Disbursements	486,244	(193,301)	(753,631)	(460,688)
<b>Other Financing Sources</b>				
Transfers In	546,124	363	1,226,989	1,773,476
Transfers Out	(1,244,852)	0	(528,624)	(1,773,476)
Sale of assets	99,000	0	0	99,000
Capital outlay	(191,700)	(19,364)	0	(211,064)
Note Proceeds	191,700	0	0	191,700
Grant Proceeds	537,216	125,162	6,866	669,244
Total Other Sources	<u>(62,512)</u>	<u>106,161</u>	<u>705,231</u>	<u>748,880</u>
Excess (Deficit)	423,732	(87,140)	(48,400)	288,192
Fund Balance, December 31	1,714,669	134,570	975,652	2,824,891
Fund Balance, December 31	<u>\$ 2,138,401</u>	<u>\$ 47,430</u>	<u>\$ 927,252</u>	<u>\$ 3,113,083</u>

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

CITY OF MCGEHEE  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL-  
GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	GENERAL			STREET		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Receipts</b>						
State Aid	\$ 60,000	\$ 146,684	\$ 86,684	\$308,000	\$ 338,929	\$ 30,929
Property Taxes	165,000	187,679	22,679	40,000	46,964	6,964
Franchise Taxes	222,000	224,431	2,431	0	0	0
Sales Taxes	2,100,000	3,222,286	1,122,286	0	0	0
Fines, Forfeitures and Costs	135,000	175,497	40,497	0	0	0
Interest and Dividends	750	3,313	2,563	150	104	(46)
Local Permits and Fees	242,300	263,618	21,318	0	0	0
Other	140,000	30,694	(109,306)	0	0	0
Rent Revenue	21,500	27,192	5,692	0	0	0
Park Revenue	0	30,272	30,272	0	0	0
Sanitation	360,000	369,766	9,766	0	0	0
<b>Total Receipts</b>	<b>\$3,446,550</b>	<b>\$ 4,681,432</b>	<b>\$1,234,882</b>	<b>\$348,150</b>	<b>\$ 385,997</b>	<b>\$ 37,847</b>
<b>Disbursements</b>						
<b>Current</b>						
General Government	\$ 732,775	\$ 1,207,462	\$ (474,687)	\$ 0	\$ 0	\$ 0
Law Enforcement	1,583,875	1,459,965	123,910	0	0	0
Highways and Streets	0	0	0	456,375	545,098	(88,723)
Public Safety	318,400	328,791	(10,391)	0	0	0
Recreation and Culture	0	45,599	(45,599)	0	0	0
Ambulance	351,550	0	351,550	0	0	0
Capital Projects	0	175,377	(175,377)	0	0	0
<b>Total Current Disbursements</b>	<b>\$2,986,600</b>	<b>\$ 3,217,194</b>	<b>\$ (230,594)</b>	<b>\$456,375</b>	<b>\$ 545,098</b>	<b>\$(88,723)</b>
<b>Debt Service</b>						
Note Principle	\$ 37,000	\$ 132,195	\$ (95,195)	\$ 0	\$ 34,200	\$(34,200)
<b>Total Debt Service</b>	<b>37,000</b>	<b>132,195</b>	<b>(95,195)</b>	<b>0</b>	<b>34,200</b>	<b>(34,200)</b>
<b>Total Disbursements</b>	<b>3,023,600</b>	<b>3,349,389</b>	<b>(325,789)</b>	<b>456,375</b>	<b>579,298</b>	<b>(122,923)</b>
Excess (deficiency) of receipts over disbursements	422,950	1,332,043	909,093	(108,225)	(193,301)	85,076
<b>Other Financing Sources (uses)</b>						
Transfers In	485,000	546,124	61,124	0	363	363
Transfers Out	(1,082,250)	(1,244,852)	(162,602)	0	0	0
Sale of Assets	0	99,000	99,000	0	0	0
Capital Outlay	0	(191,700)	(191,700)	0	(19,364)	(19,364)
Note Proceeds	0	191,700	191,700	0	0	0
Grant Proceeds	380,000	537,216	157,216	170,000	125,162	(44,838)
<b>Total Other Sources (uses)</b>	<b>(217,250)</b>	<b>(62,512)</b>	<b>154,738</b>	<b>170,000</b>	<b>106,161</b>	<b>(63,839)</b>
Excess of Receipts and Other Sources over (under) Disbursements and Other Uses	205,700	1,269,531	1,063,831	61,775	(87,140)	(25,365)
Fund Balance, December 31	1,671,877	1,714,669	42,792	(33,471)	134,570	101,099
<b>Fund Balance, December 31</b>	<b>\$1,877,577</b>	<b>\$ 2,984,200</b>	<b>\$1,106,623</b>	<b>\$ 28,304</b>	<b>\$ 47,430</b>	<b>\$ 75,734</b>

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

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of McGehee was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas' regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

**B. Basis of Presentation - Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation, as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Street Fund** - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

**Other Funds in the Aggregate** - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation - Regulatory (Continued)**

**Other Funds in the Aggregate (Continued)**

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Supplementary information for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets (other than those financed by Enterprise Funds). See the Supplementary information for Capital Projects Funds as reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See the Supplementary information for the Debt Service Fund as reported with other funds in the aggregate.

Enterprise Funds - Enterprise Funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees charges designed to recover the cost of providing services. See the Supplementary information for the Enterprise Fund as reported with other funds in the aggregate.

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See the Supplementary information for Agency Funds as reported with other funds in the aggregate.

**C. Basis of Accounting - Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgement, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Fund Balances**

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**E. Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

**F. Budget Law**

State law required that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**F. Budget Law (Continued)**

- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

The City prepared an annual budget on the regulatory basis for the General Fund, except for the Parks account; Street Fund; and the other operating funds except for the Criminal Justice (Act 1336), Fire Equipment and Training (Act 833), District Court Automation, Airport Commission, District Court Cost, Drug Prevention, Criminal Justice, Administration of Justice, Intoxication Detection, Hospital Sales and Use Tax, Police Pension, and Community Facility Police Car Grant.

**G. Fund Balance Classification Policies and Procedures**

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the restricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed fund balances at year-end.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 2: Cash Deposits with Financial Institutions**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021 none of the City's bank balances were exposed to custodial credit risk.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**NOTE 4: Accounts Receivable**

The accounts receivable balance at December 31, 2021, is composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
State Aid	\$ 7,553	\$ 27,966	\$ 0
Sales Taxes	170,451	0	0
Ambulance Fees	0	0	223,148
Sanitation	68,866	0	0
Jail fees/Fines	0	0	0
Totals	<u>\$ 246,870</u>	<u>\$ 27,966</u>	<u>\$ 223,148</u>

**NOTE 5: Commitments**

Total commitments consist of the following at December 31, 2021:

Long-term Liabilities	<u>\$1,465,753</u>
Total Commitments	<u>\$1,465,753</u>

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 5: Commitments (Continued)**

Long-term Liabilities

Long-term liabilities at December 31, 2021 are comprised of the following:

Bonds Payable

Sales and Use Tax Bonds, Series 2007; annual installments beginning August 1, 2008 with final installment due August 1, 2035, interest at 4-4.85%. Payments are to be made from the 2007 Sales and Use Tax Debt Service Fund. \$1,135,000

Note Payable

2018 promissory note with McGehee Bank for the purchase of an ambulance; monthly payments of \$2,235 at 4.5% through July 2022. Secured by certificate of deposit. 21,887

2018 promissory note with McGehee Bank for the purchase of a street sweeper; monthly payments of \$2,850 at 4.25% through October 2023. Secured by certificate of deposit. 99,199

2021 promissory note for a garbage truck; monthly payments of \$3,007 at an interest rate of 4.15% through September 21, 2024. Secured by equipment. 184,962

2019 promissory note with McGehee Bank for the purchase of an ambulance, quarterly payments of \$6,995 at 4.25% through December 2022. Secured by Certificate of Deposit. 24,705

Total Long-term Liabilities \$1,465,753

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 5: Commitments (Continued)**

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2021:

<u>Year Ending</u> <u>December 31, 2021</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
2022	\$ 136,677	\$ 126,719	\$ 263,396
2023	134,569	67,762	202,331
2024	136,956	66,823	203,779
2025	139,225	92,449	231,674
2026	141,375	0	141,375
2027 through 2031	<u>593,806</u>	<u>0</u>	<u>593,806</u>
Total Obligations	1,282,608	353,753	1,636,361
Less Interest	<u>147,608</u>	<u>23,000</u>	<u>170,608</u>
Total Principal	<u>\$1,135,000</u>	<u>\$ 330,753</u>	<u>\$ 1,465,753</u>

**NOTE 6: Pledged Revenues**

Sales and Use Taxes

The City pledged future 1% sales and use taxes to repay \$2,995,000 in bonds that were issued in 2007 to provide funding for construction of a Criminal Justice Facility and for improvements to the early warning system.

The Debt Service Fund received \$845,799 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is transferred to the general fund by the bank trustee. The principle and interest payments recorded by the trustee for the year ended December 31, 2021 was \$301,339

The City also pledged future 1% sales and use taxes toward repayment of bonds issued for the McGehee hospital. See note 13.

**NOTE 7: Related Party Transactions**

The City paid \$61,971 to Milner-Owyoung Insurance Group, owned in part by Mayor Jeff Owyoung, for municipal insurance coverage. Additionally, the City maintained deposits of \$2,696,305 and loan balances of \$330,752 at December 31, 2021, with McGehee Bank, where Mayor Jeff Owyoung is on the Board of Directors. The City paid contractual accounting fees during 2021 to a company owned by a City councilman totaling \$2,095. McGehee Ordinances No. 817 and 819 (September 20, 2016) allow the City to Conduct business with this related party.

**NOTE 8: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverages in the major categories of risk from coverage in the prior year.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 8: Risk Management (Continued)**

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City participates in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage in the following areas:

Building and Contents Program - This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. Even though the APERMA property program limits are blanket, the City's property limits are tied back to the insurance statement of values. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city property.

Vehicle Program

- A. Liability - This program may pay all sums the City legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered city vehicle and for which the City is liable. The limit of payment for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (100,000 respectively for out-of-state claims). The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city vehicles owned or leased by the City.
- B. Physical Damage - This program covers vehicles and mobile equipment which are the property of the participating city. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Police Department vehicles and \$500 for all other covered vehicles and mobile equipment. The City agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 8: Risk Management (Continued)**

General Liability Program - The program shall provide legal defense in civil rights suits against the City government of a participating city and pay judgments imposed on City officials and employees and the City government and City-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

**NOTE 9: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas

General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

On December 4, 2015, and October 1, 2007, administration of the City of McGehee Firemen's Pension and Relief Fund and the City of McGehee Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

CITY OF MCGEHEE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 9: Local Police and Fire Retirement System (LOPFI) (Continued)  
(A Defined Benefit Plan)**

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$195,488 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$83,631 for the year ended December 31, 2021.

Net Pension Liability

The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$1,080,152.

**NOTE 10: City Employee Retirement Program (A Defined Contribution Pension Plan)**

The McGehee City Council has contracted with Southern Farm Bureau Life Insurance Company to provide a money-purchase defined contribution plan for the benefit of its non-uniformed full-time employees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements may be amended by the McGehee City Council. Funding is provided by contributions of 6% by the employee and 6% by the City of the employee's total annual compensation. The City's contribution to the plan was \$20,966 for the year ended December 31, 2021.

**NOTE 11: Hospital Lease Agreement**

On June 3, 2013, the City entered into a lease agreement with McGehee Hospital Incorporated (MHI), a nonprofit Arkansas Corporation. The lease agreement stipulated that MHI leases the hospital real estate for \$25 per year for 22 years. Additionally, the excess proceeds from a 1% sales and use tax (after debt service requirements) will be used to assist in the maintenance of the hospital and its equipment; MHI will have all other financial responsibility for costs of operating and maintaining the hospital. The agreement may be renewed for 2 successive terms of 25 years each.

**NOTE 12: Debt Payments Made on Behalf of Hospital**

The City issued a \$1,000,000 bond in 2015 from McGehee Bank and a \$7,000,000 bond in 2016 from United States Department of Agriculture Rural Development (USDA) for hospital improvement construction. The City received note proceeds of \$5,028,095 in 2015 and \$1,955,483 in 2016 to be used as interim financing for this project. This interim financing was retired in 2016 when proceeds from the \$7,000,000 bond were received as permanent financing. The bonds do not constitute an indebtedness of the City per the bond agreements; however the City has pledged 1% sales and use taxes to repay the bonds and reimburse the hospital for repairs and maintenance costs.

Amounts received for the year ended December 31, 2021 from sales and use tax for McGehee Hospital were \$797,489. Payments presented to McGehee Bank and USDA for principal and interest payments totaled \$353,898. Amounts requested by McGehee Hospital for repairs and maintenance were \$534,890 for the year ended December 31, 2021.

CITY OF MCGEHEE, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2021

**NOTE 13: Capital Assets**

	December 31, 2021
Land	\$ 2,505
Improvements	1,192,252
Buildings	3,568,307
Equipment and Vehicles	3,245,146
	<b>\$ 8,008,210</b>

Due to the City's regulatory basis of accounting, these assets are not recorded in the financial statements.

**NOTE 14: Act 15 - Arkansas Statute 19-4416.1**

During the 1985 legislative session, the Legislature passed Act 15 (Codified as Arkansas Statutes 19-4416.1). This act requires an independent accountant to include at a minimum a review and comment on compliance with each of the Arkansas Statutes outlined in the above Act.

1. Arkansas Municipal Accounting Law of 1973, Code 14-59-101 et seq. We have reviewed the City's compliance with the municipal accounting law. It is our opinion that the City has complied, in all material respects, with the law.
2. Arkansas District Courts and City Courts Accounting Law, Code 16-10-201 et seq. We have reviewed the City's compliance with the laws for the District Court. It is our opinion that the City has complied, in all material respects, with the law.
3. Improvement Contracts, Code 22-9-202 - 22-9-204. We have reviewed the City's compliance with the laws for improvement contracts. It is our opinion that the City has complied, in all material respects, with the law.
4. Budgets, Purchases, and Payments of Claims, etc., Code 14-58-201 et seq. and 14-58-301 et seq. We have reviewed the City's compliance with the law for budgets, purchases, and payments for claims, etc. It is our opinion that the City has complied, in all material respects, with the law.
5. Investment of Public Funds, Code 19-1-501 et seq. We have reviewed the City's compliance with the law for investments of public funds. It is our opinion that the City has complied, in all material respects, with the law.
6. Deposit of Public Funds, Code 19-8-101 - 19-8-107. We have reviewed the City's compliance with the law for deposit of federal funds. It is our opinion that the City has complied, in all material respects, with the law.
7. Purchase, lease, sale, and disposal authorized, Code 14-54-302. We have reviewed the City's compliance with the law for purchase, lease, sale and disposal authorized. It is our opinion that the City has complied, in all material respects, with the law.
8. Speed Trap Law, Code 12-8-402 through 12-8-405. We have reviewed the City's compliance with the law for speed trap. It is our opinion that the City has complied, in all material respects, with the law.

SUPPLEMENTARY INFORMATION

CITY OF MCGEHEE, ARKANSAS  
 COMBINING STATEMENT OF POSITION - REGULATORY BASIS  
 DECEMBER 31, 2021

SPECIAL REVENUE FUNDS

	Police Pension	Airport Commission	Hospital Sales and Use Tax	Criminal Justice (Act 1336)	Fire Equipment and Training (Act 833)	Municipal Court Cost	Criminal Justice	Administrative Justice	District Court Automation
<b>ASSETS</b>									
Cash	\$ 150,051	\$ 8,548	\$ 29,541	\$ 409	\$ 6,874	\$ 47,787	\$ 18,384	\$822	\$53,346
Accounts Receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 150,051</u></b>	<b><u>\$ 8,548</u></b>	<b><u>\$ 29,541</u></b>	<b><u>\$ 409</u></b>	<b><u>\$ 6,874</u></b>	<b><u>\$ 47,787</u></b>	<b><u>\$ 18,384</u></b>	<b><u>\$822</u></b>	<b><u>\$53,346</u></b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Payroll Liabilities	0	0	0	0	0	0	0	0	0
Settlements Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Fund Balances</b>									
Restricted	\$ 0	\$ 0	\$ 0	\$ 409	\$ 6,874	\$ 47,787	\$ 18,384	\$822	\$53,346
Assigned	0	8,548	29,541	0	0	0	0	0	0
Unassigned	150,051	0	0	0	0	0	0	0	0
<b>Total Fund Balances</b>	<b><u>150,051</u></b>	<b><u>8,548</u></b>	<b><u>29,541</u></b>	<b><u>409</u></b>	<b><u>6,874</u></b>	<b><u>47,787</u></b>	<b><u>18,384</u></b>	<b><u>822</u></b>	<b><u>53,346</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 150,051</u></b>	<b><u>\$ 8,548</u></b>	<b><u>\$ 29,541</u></b>	<b><u>\$ 409</u></b>	<b><u>\$ 6,874</u></b>	<b><u>\$ 47,787</u></b>	<b><u>\$ 18,384</u></b>	<b><u>\$822</u></b>	<b><u>\$53,346</u></b>

CITY OF MCGEHEE, ARKANSAS  
 COMBINING STATEMENT OF POSITION - REGULATORY BASIS (CONTINUED)  
 DECEMBER 31, 2021

<u>SPECIAL REVENUE FUNDS</u>		CAPITAL PROJECT FUNDS	ENTERPRISE FUND	DEBT SERVICE FUND	<u>AGENCY FUNDS</u>			
<u>Intoxication Detection</u>	<u>Drug Prevention</u>	Community Facility Grant- Police Car	<u>Ambulance</u>	2007 Sales and Use Tax Bonds	Police Department	District Court	Small Claims	<u>Totals</u>
\$ 13,443	\$ 22,360	\$ 1,539	\$ 5,350	\$ 366,941	\$10,668	\$ 63,463	\$11,931	\$ 811,457
<u>0</u>	<u>0</u>	<u>0</u>	<u>223,148</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>223,148</u>
<u>\$ 13,443</u>	<u>\$ 22,360</u>	<u>\$ 1,539</u>	<u>\$ 228,498</u>	<u>\$ 366,941</u>	<u>\$10,668</u>	<u>\$ 63,463</u>	<u>\$11,931</u>	<u>\$ 1,034,605</u>
\$ 0	\$ 0	\$ 0	\$ 4,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,225
<u>0</u>	<u>0</u>	<u>0</u>	<u>17,066</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,066</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,668</u>	<u>63,463</u>	<u>11,931</u>	<u>86,062</u>
\$ 0	\$ 0	\$ 0	\$ 21,291	\$ 0	\$10,668	\$ 63,463	\$11,931	\$ 107,353
\$ 13,443	\$ 22,360	\$ 1,539	\$ 207,207	\$ 366,941	\$ 0	\$ 0	\$ 0	\$ 739,112
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,089</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,051</u>
<u>13,443</u>	<u>22,360</u>	<u>1,539</u>	<u>207,207</u>	<u>366,941</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>927,252</u>
<u>\$ 13,443</u>	<u>\$ 22,360</u>	<u>\$ 1,539</u>	<u>\$ 228,498</u>	<u>\$ 366,941</u>	<u>\$10,668</u>	<u>\$ 63,463</u>	<u>\$11,931</u>	<u>\$ 1,034,605</u>

CITY OF MCGEHEE, ARKANSAS  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -  
 REGULATORY BASIS  
 DECEMBER 31, 2021

SPECIAL REVENUE FUNDS								
	Police Pension	Airport Commission	Hospital Sales and Use Tax	Criminal Justice (Act 1336)	Fire Equipment and Training ( Act 833 )	Municipal Court Cost	Criminal Justice	Administrative Justice
<b>REVENUE</b>								
Sales Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fines, Forfeitures, and Costs	0	0	0	19,741	3,505	3,299	2,759	3,195
Interest and Dividends	145	0	0	0	0	0	17	1
Airport	0	3,471	0	0	0	0	0	0
Ambulance	0	0	0	0	0	0	0	0
Rent Revenue	0	12,741	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>TOTAL REVENUE</b>	<u>145</u>	<u>16,212</u>	<u>0</u>	<u>19,741</u>	<u>3,505</u>	<u>3,299</u>	<u>2,776</u>	<u>3,196</u>
<b>DISBURSEMENTS</b>								
<i>Current</i>								
General Government	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	9,335	0	0	0
Law Enforcement	0	0	0	21,183	0	0	0	3,055
Health	0	0	534,890	0	0	0	0	0
Airport	0	106,292	0	0	0	0	0	0
<b>Total Current Disbursements</b>	<u>0</u>	<u>106,292</u>	<u>534,890</u>	<u>21,183</u>	<u>9,335</u>	<u>0</u>	<u>0</u>	<u>3,055</u>
<i>Debt Service</i>								
Bond Principal	0	0	0	0	0	0	0	0
Note Payments	0	0	308,861	0	0	0	0	0
Interest Expense	0	0	45,037	0	0	0	0	0
<b>Total Debt Service</b>	<u>0</u>	<u>0</u>	<u>353,898</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL DISBURSEMENTS</b>	<u>0</u>	<u>106,292</u>	<u>888,788</u>	<u>21,183</u>	<u>9,335</u>	<u>0</u>	<u>0</u>	<u>3,055</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>145</u>	<u>(90,080)</u>	<u>(888,788)</u>	<u>(1,442)</u>	<u>(5,830)</u>	<u>3,299</u>	<u>2,776</u>	<u>141</u>
<b>OTHER FINANCING SOURCES/(USES)</b>								
Grant Revenue	0	0	0	0	0	0	0	0
Transfers In	12,323	73,318	845,798	0	550	0	0	0
Transfers Out	0	0	0	0	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<u>12,323</u>	<u>73,318</u>	<u>845,798</u>	<u>0</u>	<u>550</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER/(UNDER) DISBURSEMENTS AND OTHER USES</b>	<u>12,468</u>	<u>(16,762)</u>	<u>(42,990)</u>	<u>(1,442)</u>	<u>(5,280)</u>	<u>3,299</u>	<u>2,776</u>	<u>141</u>
<b>FUND BALANCES, DECEMBER 31, 2020</b>	<u>137,583</u>	<u>25,310</u>	<u>72,531</u>	<u>1,851</u>	<u>12,154</u>	<u>44,488</u>	<u>15,608</u>	<u>681</u>
<b>FUND BALANCES, DECEMBER 31, 2021</b>	<u>\$ 150,051</u>	<u>\$ 8,548</u>	<u>\$ 29,541</u>	<u>\$ 409</u>	<u>\$ 6,874</u>	<u>\$ 47,787</u>	<u>\$ 18,384</u>	<u>\$ 822</u>

CITY OF MCGEHEE, ARKANSAS  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -  
 REGULATORY BASIS (CONTINUED)  
 DECEMBER 31, 2021

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	ENTERPRISE FUND	DEBT SERVICE FUND	
District Court Automation	Intoxication Detection	Drug Prevention	Community Facilities Grant Police Car	Ambulance	2007 Sales and Use Tax Bonds	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 845,799	\$ 845,799
8,115	569	3,067	0	0	0	44,250
0	0	0	0	0	248	411
0	0	0	0	0	0	3,471
0	0	0	0	550,707	0	550,707
0	0	0	0	0	0	12,741
0	0	0	0	21,952	0	21,952
<u>8,115</u>	<u>569</u>	<u>3,067</u>	<u>0</u>	<u>572,659</u>	<u>846,047</u>	<u>1,479,331</u>
0	0	0	0	0	2,200	2,200
0	0	0	0	827,175	0	836,510
4,670	0	14,122	0	0	0	43,030
0	0	0	0	0	0	534,890
0	0	0	0	0	0	106,292
<u>4,670</u>	<u>0</u>	<u>14,122</u>	<u>0</u>	<u>827,175</u>	<u>2,200</u>	<u>1,522,922</u>
0	0	0	0	0	301,339	301,339
0	0	0	0	52,080	0	360,941
0	0	0	0	2,723	0	47,760
0	0	0	0	54,803	301,339	710,040
<u>4,670</u>	<u>0</u>	<u>14,122</u>	<u>0</u>	<u>881,978</u>	<u>303,539</u>	<u>2,232,962</u>
3,445	569	(11,055)	0	(309,319)	542,508	(753,631)
0	0	0	0	6,866	0	6,866
0	0	0	0	295,000	0	1,226,989
0	0	0	0	0	(528,624)	(528,624)
0	0	0	0	301,866	(528,624)	705,231
<u>3,445</u>	<u>569</u>	<u>(11,055)</u>	<u>0</u>	<u>(7,453)</u>	<u>13,884</u>	<u>(48,400)</u>
49,901	12,874	33,415	1,539	214,660	353,057	975,652
<u>\$ 53,346</u>	<u>\$ 13,443</u>	<u>\$ 22,360</u>	<u>\$ 1,539</u>	<u>\$ 207,207</u>	<u>\$ 366,941</u>	<u>\$ 927,252</u>

# SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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## **INDEPENDENT AUDITORS' REPORT 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**

To the City Council  
McGehee, Arkansas

We were engaged to audit, 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 regulatory basis financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of McGehee, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of McGehee, Arkansas' basic financial statements and have issued our report thereon dated December 21, 2021. Our report disclaims an opinion on such financial statements because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street funds in the aggregate were unmodified.

### **Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of the City of McGehee, Arkansas, we considered the City of McGehee, Arkansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of McGehee, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McGehee, Arkansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*“Well done is better than well said”*

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.

Our 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, a material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a material weakness.

The City of McGehee did not segregate financial accounting duties relating to the initiating, receipting, disbursing, and rewarding financial transactions sufficiently to reduce the risk of fraud or error. Management's response to this finding will be to segregate duties to the extent possible with current staffing levels.

### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the City of McGehee, Arkansas, we 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of McGehee Arkansas' Response to Findings**

City of McGehee, Arkansas' response to the findings identified in our engagement is described previously. City of McGehee, Arkansas' response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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 engagement to perform an audit 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.

Searcy & Associates, LLC  
December 21, 2022