

CITY OF MCGEHEE, ARKANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Arkansas Officials and City Council of
McGehee, Arkansas

Opinions

We have audited the regulatory basis financial statements of the City of McGehee, Arkansas (City), which are comprised of the Balance Sheet - Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2023, and the related Statements of Revenues, Disbursements, and Changes in Fund Balances and Budget and Actual — General and Street Funds — 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 accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of McGehee, Arkansas as of December 31, 2023; the regulatory basis revenues, disbursements, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 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 accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of McGehee, Arkansas, as of December 31, 2023, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, 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 audit opinions.

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

As described in Note 1 of the financial statements, 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, to meet the requirements permitted by the State of Arkansas. 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.

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 provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 misstatements, 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 in accordance 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 judgment made by a reasonable user based on the financial statements.

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

- 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 City of McGehee, Arkansas'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McGehee, Arkansas's 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements that collectively comprise the City of McGehee, Arkansas's basic financial statements. The accompanying combining balance sheet, combining statement of receipts, disbursements, and changes in fund balances, and the schedule of capital assets – general fund are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet, and combining statement of receipts, disbursements, and changes in fund balances are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements taken as a whole on the basis of accounting described in Note 1.

Other Information


The schedule of capital assets has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024 on our consideration of the City of McGehee, Arkansas's internal control over financial reporting and our 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 our 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 City of McGehee, Arkansas'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 City of McGehee, Arkansas's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Monticello, Arkansas
December 23, 2024

CITY OF MCGEHEE, ARKANSAS
BALANCE SHEET – REGULATORY BASIS
December 31, 2023

<u>Assets</u>	General Fund	Street Fund	Other Funds in the Aggregate	Total
Cash and cash equivalents	\$ 1,798,051	\$ 71,599	\$ 1,042,007	\$ 2,911,657
Other miscellaneous receivables	380,534	34,474	87,644	502,652
Interfund receivables	-	-	-	-
Total assets	\$ 2,178,585	\$ 106,073	\$ 1,129,651	\$ 3,414,309
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 33,747	\$ 4,076	\$ 8,486	\$ 46,309
Settlements pending	-	-	74,160	74,160
Interfund payables	-	-	-	-
Total liabilities	33,747	4,076	82,646	120,469
Fund Balance				
Restricted	-	-	782,133	782,133
Assigned	-	101,997	264,872	366,869
Unassigned	2,144,838	-	-	2,144,838
Total fund balance	2,144,838	101,997	1,047,005	3,293,840
Total liabilities and fund balance	\$ 2,178,585	\$ 106,073	\$ 1,129,651	\$ 3,414,309

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

CITY OF MCGEHEE, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS
For the Year Ended December 31, 2023

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Receipts				
State aid	\$ 51,772	\$ 323,789	\$ -	\$ 375,561
Property taxes	186,880	46,781	-	233,661
Fines and forfeitures	118,975	-	30,280	149,255
Franchise taxes	215,920	-	-	215,920
Sales taxes	2,600,234	-	895,461	3,495,695
Local permits	891	-	-	891
Interest	5,447	59	19,391	24,897
Federal aid	-	-	-	-
Grants	649,994	300	294,292	944,586
Sanitation	375,171	-	-	375,171
Service fees	226,324	-	658,337	884,661
Other	25,111	402	13,841	39,354
Total receipts	4,456,719	371,331	1,911,602	6,739,652
Disbursements				
Current:				
General government	3,412,558	-	2,200	3,414,758
Economic development	53,126	-	-	53,126
Law enforcement	209,075	-	29,531	238,606
Highways and streets	-	521,894	-	521,894
Public safety	-	-	1,450,966	1,450,966
Recreation and culture	51,233	-	-	51,233
City services	-	-	185,569	185,569
Advertising and promotion	7,208	-	-	7,208
Capital projects	123,155	-	256,359	379,514
Total current disbursements	3,856,355	521,894	1,924,625	6,302,874

The accompanying notes are an integral part of the financial statements

CITY OF MCGEHEE, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2023

	General Fund	Street Fund	Other Funds in the Aggregate	Total
Debt Services:				
Debt principal	63,750	59,629	505,254	628,633
Debt interest and other charges	12,890	9,002	218,589	240,481
Total debt services	<u>76,640</u>	<u>68,631</u>	<u>723,843</u>	<u>869,114</u>
 Total disbursements	 <u>3,932,995</u>	 <u>590,525</u>	 <u>2,648,468</u>	 <u>7,171,988</u>
 Excess (deficiency) of receipts over disbursements	 523,724	 (219,194)	 (736,866)	 (432,336)
Other Financing Sources (Uses):				
Transfers in from other funds	992,432	260,077	1,423,141	2,675,650
Transfers out to other funds	(1,649,356)	-	(1,026,294)	(2,675,650)
Total other financing sources (uses)	<u>(656,924)</u>	<u>260,077</u>	<u>396,847</u>	<u>-</u>
 Excess (deficiency) of receipts and other sources over disbursements and other uses	 (133,200)	 40,883	 (340,019)	 (432,336)
 Fund balance, December 31, 2022	 <u>2,278,038</u>	 <u>61,114</u>	 <u>1,387,024</u>	 <u>3,726,176</u>
 Fund balance, December 31, 2023	 <u><u>\$ 2,144,838</u></u>	 <u><u>\$ 101,997</u></u>	 <u><u>\$ 1,047,005</u></u>	 <u><u>\$ 3,293,840</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MCGEHEE, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – GENERAL FUND – REGULATORY BASIS
For the Year Ended December 31, 2023

	Budget	Actual	Variance
Receipts			
State aid	\$ 60,000	\$ 51,772	\$ (8,228)
Property taxes	180,000	186,880	6,880
Fines and forfeitures	100,000	118,975	18,975
Franchise taxes	200,000	215,920	15,920
Sales taxes	3,100,000	2,600,234	(499,766)
Local permits	650	891	241
Interest	900	5,447	4,547
Grants	1,147,619	649,994	(497,625)
Sanitation	380,500	375,171	(5,329)
Service fees	302,100	226,324	(75,776)
Other	21,500	25,111	3,611
Total receipts	5,493,269	4,456,719	(1,036,550)
Disbursements			
Current:			
General government	4,217,150	3,412,558	804,592
Economic development	53,100	53,126	(26)
Law enforcement	1,927,400	209,075	1,718,325
Public safety	88,800	-	88,800
Recreation and culture	49,000	51,233	(2,233)
Advertising and promotion	7,350	7,208	142
Capital projects	126,750	123,155	3,595
Total current	6,469,550	3,856,355	2,613,195

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

CITY OF MCGEHEE, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET
AND ACTUAL – GENERAL FUND - REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt Services:			
Debt principal	-	63,750	(63,750)
Debt interest and other charges	-	12,890	(12,890)
Total debt services	<u>-</u>	<u>76,640</u>	<u>(76,640)</u>
 Total disbursements	 <u>6,469,550</u>	 <u>3,932,995</u>	 <u>2,536,555</u>
 Excess (deficiency) of receipts over disbursements	 (976,281)	 523,724	 1,500,005
 Other Financing Sources (Uses):			
Transfers in from other funds	-	992,432	992,432
Transfers out to other funds	(1,772,000)	(1,649,356)	122,644
Contributions to Waterworks	<u>(88,000)</u>	<u>-</u>	<u>88,000</u>
Total other financing sources	<u>(1,860,000)</u>	<u>(656,924)</u>	<u>1,203,076</u>
 Excess (deficiency) of receipts and other sources over disbursements and other uses	 (2,836,281)	 (133,200)	 2,703,081
 Fund balance, December 31, 2022	 <u>2,278,038</u>	 <u>2,278,038</u>	 <u>-</u>
 Fund balance, December 31, 2023	 <u><u>\$ (558,243)</u></u>	 <u><u>\$ 2,144,838</u></u>	 <u><u>\$ 2,703,081</u></u>

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

CITY OF MCGEEHEE, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – BUDGET
AND ACTUAL – STREET FUND - REGULATORY BASIS
For the Year Ended December 31, 2023

	Budget	Actual	Variance
Receipts			
State aid	\$ 335,000	\$ 323,789	\$ (11,211)
Property taxes	48,500	46,781	(1,719)
Interest	100	59	(41)
Grants	-	300	300
Other	-	402	402
Total receipts	383,600	371,331	(12,269)
Disbursements			
Current:			
Highways and streets	555,225	521,894	33,331
Capital projects	-	-	-
Total current	555,225	521,894	33,331
Debt Services:			
Debt principal	-	59,629	(59,629)
Debt interest and other charges	(34,740)	9,002	(43,742)
Total debt services	(34,740)	68,631	(103,371)
Total disbursements	520,485	590,525	(70,040)
Excess (deficiency) of receipts over disbursements	(136,885)	(219,194)	(82,309)
Other Financing Sources (Uses):			
Transfers in from other funds	235,000	260,077	25,077
Contributions to Waterworks	(29,000)	-	29,000
Total other financing sources	206,000	260,077	54,077
Excess (deficiency) of receipts and other sources over disbursements and other uses	69,115	40,883	(28,232)
Fund balance, December 31, 2022	61,114	61,114	-
Fund balance, December 31, 2023	\$ 130,229	\$ 101,997	\$ (28,232)

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

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of McGehee, Arkansas 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 fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. 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. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

C. 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.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

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 all the financial resources, except those required to be accounted for 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 expenditure 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 included in this column are as follows:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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 Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Custodial Funds

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

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 charges designed to recover the cost of providing services.

Capital Project Funds

Capital Project 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).

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

The City considers all highly liquid investments with an original maturity of one year or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

Interfund receivables/payables and transfers

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as other outstanding balances between funds are referred to as either "due to/from other funds". Interfund transfers represent subsidies and contributions provided to funds with no corresponding debt or promise to pay.

Liabilities

For the purpose of financial reporting, liabilities include interfund payables, payable to the State of Arkansas, settlements pending, customer meter deposits, and other miscellaneous payables.

Settlements Pending

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

Fund Balance Classifications

- 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, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed Fund Balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
- 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.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

- 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 and proprietary funds. 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 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 10. Property taxes reflected as receipts 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

The City prepares an annual budget on the regulatory basis for all funds. In establishing an annual budget for the City, state law stipulates the following:

- 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 disbursements and the means of financing them.
- The proposed budget is discussed at the City Council meeting prior to adoption.
- Prior to February 1, the budget is legally enacted by action of the City Council.
- Appropriations lapse at the end of each year.
- Under certain conditions, the budget may be amended subsequent to year-end.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposits are in two commercial banks that are insured by the Federal Deposit Insurance Corporation (FDIC) for an amount up to \$250,000 for interest bearing funds and an additional \$250,000 for non-interest-bearing accounts for each bank in which deposits are held.

The schedule below is designed to disclose the level of custody risk assumed by City based on how its deposits were insured or secured by pledged securities at December 31, 2023.

Category 1 - Insured by the FDIC or collateralized with securities held by the City (or public trust) or by its agent in the City's name.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uninsured and uncollateralized or collateralized with securities held by the pledging financial institution with no written or approved collateralized agreement.

The level of security for the City's bank deposits are as follows:

<u>Depository</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Bank A	\$ 250,000	\$ 2,004,265	\$ -	\$ 2,254,265
Bank B	250,000	95,755	-	345,755
Bank C	250,000	17,108	-	267,108
	<u>\$ 750,000</u>	<u>\$ 2,117,128</u>	<u>\$ -</u>	<u>\$ 2,867,128</u>

NOTE 3 – ACCOUNTS RECEIVABLE

The Accounts receivable balance at December 31, 2023, is composed of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other funds in the aggregate</u>	<u>Total</u>
Turnback	\$ -	\$ 34,474	\$ -	\$ 34,474
Sales Tax	297,139	-	-	297,139
Sanitation - due from Water Fund	29,566	-	-	29,566
Other general revenues	53,829	-	87,644	141,473
	<u>\$ 380,534</u>	<u>\$ 34,474</u>	<u>\$ 87,644</u>	<u>\$ 502,652</u>

NOTE 4 – FEDERAL AND STATE AWARDS

The City receives federal and state awards. These grant programs are subject to audit by the federal and state governments or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 5 – 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 levy (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 each.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

NOTE 6 – 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 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.

Payments presented to McGehee Bank and USDA for principal and interest payments totaled \$353,898. Amounts paid to McGehee Hospital for repairs and maintenance were \$532,000. For the year ended December 31, 2023.

NOTE 7 – DETAILS OF FUND BALANCE CLASSIFICATIONS

Fund balance classifications at December 31, 2023 are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Restricted for:			
Act 833	\$ -	\$ -	\$ 21,612
Act 1336	-	-	8,192
Debt service	-	-	448,476
Government specific	-	-	255,155
American Rescue Plan Act (ARPA)	-	-	11,544
Grant specific	-	-	37,154
Total restricted	-	-	782,133
Assigned for:			
Government specific	-	-	264,872
Capital and operating	-	101,997	-
Total assigned	-	101,997	264,872
Unassigned	2,144,838	-	-
Total fund balances	\$ 2,144,838	\$ 101,997	\$ 1,047,005

NOTE 8 – LONG TERM DEBT

The City's long-term debt consisted of the following:

Bond Payable

Series 2007 Sales and Use Tax Bonds

In 2007, the City issued \$2,995,000 in Sales and Use Tax Bonds (Series 2007) at an average interest rate of 4.00% to 4.85% for the purpose of financing capital improvements of a Criminal Justice Facility and for improvements to the early warning system. The bonds are special obligations of the City payable solely from receipts from sales and use taxes. The City pledged 1% sales and use taxes to repay the Series 2007 bonds. Principal payments are due annually on February 1. Interest payments are due semiannually on February 1 and August 1.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Changes in bonds payable for the year ended December 31, 2023 were as follows:

	Balance as of December 31, 2022	Additions	Reductions	Balance as of December 31, 2023
Series 2007 bond	\$ 685,000	\$ -	\$ (340,000)	\$ 345,000

Note Payable and Lease Purchases

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.	37,269
2021 Promissory note with McGehee Bank for the purchase of a garbage truck; monthly payments of \$3,007 at 4.15% through September 2024. Secured by equipment.	123,009
2022 Promissory note with McGehee Bank for the purchase of a garbage truck; monthly payments of \$2,895 at 4.25% through April 2026. Secured by equipment.	146,138
2022 Promissory note with McGehee Bank for the purchase of a knuckleboom; monthly payments of \$2,645 at 4.25% through March 2025. Secured by equipment.	132,449
	<u>\$ 438,865</u>

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

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the years ending December 31:

	Bonds		Notes & Lease Payable		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ -	\$ 16,388	\$ 211,355	\$ 15,225	\$ 211,355	\$ 31,613
2025	-	16,388	140,898	5,511	140,898	21,899
2026	-	16,388	86,612	966	86,612	17,354
2027	345,000	16,388	-	-	345,000	16,388
2028	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-
	<u>\$ 345,000</u>	<u>\$ 65,552</u>	<u>\$ 438,865</u>	<u>\$ 21,702</u>	<u>\$ 783,865</u>	<u>\$ 87,254</u>

NOTE 9 – 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.

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

- (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.

NOTE 10 – 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 coverage in the major categories of risk from coverage in the prior year.

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 Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.

- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for, covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

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 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 11 – PENSION PLANS

Local Police and Fire Retirement System (LOPFI)

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 public financial report that includes financial statements and required supplementary information

CITY OF MCGEHEE, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

for the LOPFI. That report may be obtained by writing to the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, AR 72203 or by calling 1-501-682-1745.

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

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

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.

City Employee Retirement Program

The 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 City Council. Funding is provided by contributions of 6% of the employee's annual compensation by the employee and 6% is matched by the City.

NOTE 12 – RELATED PARTY

The City paid \$69,644 to Milner-Owyoung Insurance Group, owned in part by Mayor Jeff Owyoung, for municipal insurance coverage. Additionally, the City maintained deposits of \$2,254,265 and loan balances of \$438,865 at December 31, 2023 with McGehee Bank, where Mayor Jeff Owyoung is on the Board of Directors. McGehee Ordinances No. 817 and 819 allow the City to conduct business with this related party.

SUPPLEMENTARY INFORMATION

CITY OF MCGEHEE, ARKANSAS
COMBINING BALANCE SHEET – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS
December 31, 2023

<u>Assets</u>	Special Revenue									
	Police Pension	Airport Commission	Hospital Sales and Use Tax	Criminal Justice (Act 1336)	Fire (Act 833)	Municipal Court Cost	Criminal Justice	Administrative Justice	District Court Automation	Drug Prevention
Cash and cash equivalents	\$ 166,757	\$ 73,617	\$ 125,820	\$ 8,192	\$ 21,612	\$ 54,385	\$ 24,004	\$ 494	\$ 57,870	\$ 16,035
Other miscellaneous receivables	-	-	-	-	-	-	-	-	-	-
Interfund receivables	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 166,757</u>	<u>\$ 73,617</u>	<u>\$ 125,820</u>	<u>\$ 8,192</u>	<u>\$ 21,612</u>	<u>\$ 54,385</u>	<u>\$ 24,004</u>	<u>\$ 494</u>	<u>\$ 57,870</u>	<u>\$ 16,035</u>
<u>Liabilities and Fund Balance</u>										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Settlements pending	-	-	-	-	-	-	-	-	-	-
Interfund payables	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-
Fund Balance										
Restricted	-	-	125,820	8,192	21,612	54,385	-	-	57,870	16,035
Assigned	166,757	73,617	-	-	-	-	24,004	494	-	-
Total fund balance	<u>166,757</u>	<u>73,617</u>	<u>125,820</u>	<u>8,192</u>	<u>21,612</u>	<u>54,385</u>	<u>24,004</u>	<u>494</u>	<u>57,870</u>	<u>16,035</u>
Total liabilities and fund balance	<u>\$ 166,757</u>	<u>\$ 73,617</u>	<u>\$ 125,820</u>	<u>\$ 8,192</u>	<u>\$ 21,612</u>	<u>\$ 54,385</u>	<u>\$ 24,004</u>	<u>\$ 494</u>	<u>\$ 57,870</u>	<u>\$ 16,035</u>

See independent auditor's report.

CITY OF MCGEHEE, ARKANSAS
COMBINING BALANCE SHEET – OTHER FUNDS IN THE AGGREGATE – REGULATORY BASIS (CONTINUED)
December 31, 2023

<u>Assets</u>	Special Revenue			Debt Service	Capital Project	Enterprise	Custodial Funds			Total
	ARPA	Rural Health Care Grant	Intoxication Detection	2007 Sales and Use Tax	Community Facility Grant - Police	Ambulance	Small Claims	District Court	Police	
Cash and cash equivalents	\$ 11,544	\$ 5,000	\$ 14,580	\$ 322,656	\$ 1,539	\$ 63,742	\$ 12,192	\$ 52,314	\$ 9,654	\$ 1,042,007
Other miscellaneous receivables	-	-	-	-	-	87,644	-	-	-	87,644
Interfund receivables	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 11,544	\$ 5,000	\$ 14,580	\$ 322,656	\$ 1,539	\$ 151,386	\$ 12,192	\$ 52,314	\$ 9,654	\$ 1,129,651
<u>Liabilities and Fund Balance</u>										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,486	\$ -	\$ -	\$ -	\$ 8,486
Settlements pending	-	-	-	-	-	-	12,192	52,314	9,654	74,160
Interfund payables	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	8,486	12,192	52,314	9,654	82,646
Fund Balance										
Restricted	11,544	5,000	14,580	322,656	1,539	142,900	-	-	-	782,133
Assigned	-	-	-	-	-	-	-	-	-	264,872
Total fund balance	11,544	5,000	14,580	322,656	1,539	142,900	-	-	-	1,047,005
Total liabilities and fund balance	\$ 11,544	\$ 5,000	\$ 14,580	\$ 322,656	\$ 1,539	\$ 151,386	\$ 12,192	\$ 52,314	\$ 9,654	\$ 1,129,651

See independent auditor's report.

CITY OF MCGEHEE, ARKANSAS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – OTHER FUNDS IN THE
AGGREGATE – REGULATORY BASIS
For the Year Ended December 31, 2023

	Special Revenue									
	Police Pension	Airport Commission	Hospital Sales and Use Tax	Criminal Justice (Act 1336)	Fire (Act 833)	Municipal Court Cost	Criminal Justice	Administrative Justice	District Court Automation	Drug Prevention
Receipts										
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 12,675	\$ -	\$ 3,299	\$ 2,760	\$ 3,195	\$ 4,789	\$ 2,993
Sales taxes	-	-	-	-	-	-	-	-	-	-
Interest	586	-	-	-	-	-	82	2	-	-
Grants	-	-	-	2,887	28,046	-	-	-	-	2,000
Service fees	-	43,874	-	8,760	-	-	-	-	-	-
Other	-	13,041	-	-	-	-	-	-	-	800
Total receipts	586	56,915	-	24,322	28,046	3,299	2,842	3,197	4,789	5,793
Disbursements										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	16,159	-	-	-	3,054	3,108	7,210
Public safety	-	-	-	-	29,846	-	-	-	-	-
City services	-	185,569	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Total current	-	185,569	-	16,159	29,846	-	-	3,054	3,108	7,210
Debt Services:										
Debt principal	-	-	165,254	-	-	-	-	-	-	-
Debt interest and other charges	-	-	188,644	-	-	-	-	-	-	-
Total debt services	-	-	353,898	-	-	-	-	-	-	-
Total disbursements	-	185,569	353,898	16,159	29,846	-	-	3,054	3,108	7,210
Excess (deficiency) of receipts over disbursements	586	(128,654)	(353,898)	8,163	(1,800)	3,299	2,842	143	1,681	(1,417)
Other financing sources (uses):										
Transfers in from other funds	9,243	156,147	895,462	-	-	-	-	-	-	-
Transfers out to other funds	-	-	(532,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	9,243	156,147	363,462	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other sources over disbursements and other uses	9,829	27,493	9,564	8,163	(1,800)	3,299	2,842	143	1,681	(1,417)
Fund balance, December 31, 2022	156,928	46,124	116,256	29	23,412	51,086	21,162	351	56,189	17,452
Fund balance, December 31, 2023	\$ 166,757	\$ 73,617	\$ 125,820	\$ 8,192	\$ 21,612	\$ 54,385	\$ 24,004	\$ 494	\$ 57,870	\$ 16,035

See independent auditor's report.

CITY OF MCGEHEE, ARKANSAS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – OTHER FUNDS IN THE
AGGREGATE – REGULATORY BASIS (CONTINUED)
For the Year Ended December 31, 2023

	Special Revenue			Debt Service	Capital Project	Enterprise	Custodial Funds			
	ARPA	Rural Health Care Grant	Intoxication Detection	2007 Sales and Use Tax	Community Facility Grant - Police	Ambulance	Small Claims	District Court	Police	Total
Receipts										
Fines and forfeitures	\$ -	\$ -	\$ 569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,280
Sales taxes	-	-	-	895,461	-	-	-	-	-	895,461
Interest	5,472	-	-	13,249	-	-	-	-	-	19,391
Grants	-	261,359	-	-	-	-	-	-	-	294,292
Service fees	-	-	-	-	-	605,703	-	-	-	658,337
Other	-	-	-	-	-	-	-	-	-	13,841
Total receipts	5,472	261,359	569	908,710	-	605,703	-	-	-	1,911,602
Disbursements										
Current:										
General government	-	-	-	2,200	-	-	-	-	-	2,200
Law enforcement	-	-	-	-	-	-	-	-	-	29,531
Public safety	-	-	-	532,000	-	889,120	-	-	-	1,450,966
City services	-	-	-	-	-	-	-	-	-	185,569
Capital projects	-	256,359	-	-	-	-	-	-	-	256,359
Total current	-	256,359	-	534,200	-	889,120	-	-	-	1,924,625
Debt Services:										
Debt principal	-	-	-	340,000	-	-	-	-	-	505,254
Debt interest and other charges	-	-	-	29,945	-	-	-	-	-	218,589
Total debt services	-	-	-	369,945	-	-	-	-	-	723,843
Total disbursements	-	256,359	-	904,145	-	889,120	-	-	-	2,648,468
Excess (deficiency) of receipts over disbursements	5,472	5,000	569	4,565	-	(283,417)	-	-	-	(736,866)
Other financing sources (uses):										
Transfers in from other funds	34,042	-	-	-	-	328,247	-	-	-	1,423,141
Transfers out to other funds	(466,630)	-	-	(27,664)	-	-	-	-	-	(1,026,294)
Total other financing sources (uses)	(432,588)	-	-	(27,664)	-	328,247	-	-	-	396,847
Excess (deficiency) of receipts and other sources over disbursements and other uses	(427,116)	5,000	569	(23,099)	-	44,830	-	-	-	(340,019)
Fund balance, December 31, 2022	438,660	-	14,011	345,755	1,539	98,070	-	-	-	1,387,024
Fund balance, December 31, 2023	\$ 11,544	\$ 5,000	\$ 14,580	\$ 322,656	\$ 1,539	\$ 142,900	\$ -	\$ -	\$ -	\$ 1,047,005

See independent auditor's report.

CITY OF MCGEHEE, ARKANSAS
SCHEDULE OF CAPITAL ASSETS – GENERAL FUND – UNAUDITED
December 31, 2023

	Balance as of December 31, 2022	Transfers	Additions	Disposals	Balance as of December 31, 2023
General Fund	\$ 5,860,169	\$ -	\$ 762,958	\$ -	\$ 6,623,127
Street department	574,028	-	186,358	-	760,386
Parks and recreation	20,153	-	10,775	-	30,928
Fire brush	13,685	-	-	-	13,685
Depot	692,514	-	-	-	692,514
Ambulance	265,029	-	28,000	-	293,029
Airport	1,481,613	-	244,946	-	1,726,559
Act 833	11,743	-	-	-	11,743
Administrative	9,151	-	-	-	9,151
	<u>8,928,085</u>	<u>-</u>	<u>1,233,037</u>	<u>-</u>	<u>10,161,122</u>
Accumulated depreciation	<u>(4,110,569)</u>	<u>-</u>	<u>(453,966)</u>	<u>-</u>	<u>(4,564,535)</u>
	<u>\$ 4,817,516</u>	<u>\$ -</u>	<u>\$ 779,071</u>	<u>\$ -</u>	<u>\$ 5,596,587</u>

SEARCY & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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 Arkansas Officials and City Council of
McGehee, Arkansas

We have audited, 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, the accompanying regulatory basis financial statements of the general fund, street fund, the statements of budgetary comparison for the general fund and street fund, and other funds in the aggregate of the City of McGehee, Arkansas, (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2024. We have issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code Section 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects of the financial statement 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Searcy & Associates LLC". The signature is written in a cursive, flowing style.

Monticello, Arkansas
December 23, 2024

CITY OF MCGEHEE, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2023

No Findings Identified

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON CITY'S COMPLIANCE WITH STATE LAWS

To the Arkansas Officials and City Council of
McGehee, Arkansas

We have examined management's assertions that the City of McGehee, Arkansas (the City) complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2023.

- Municipal Accounting Law, §14-59-101 et seq.
- District Courts and City Courts, §§16-10-201 et seq.
- Improvement Contracts, §§22-9-202- 22-9-204;
- Budgets, Purchases, Payments of Claims, Etc., §§14-58-201 — 14—58-203, 14-58-301 — 14-58-309;
- Investment of Public Funds, §§19-1-501 — 19-1-504
- Deposit of Public Funds, §§19-8-101 — 19-8-107
- Review of Audit Report by Governing Body, §§10-4-418
- Procurement law, §§19-11-201 - 19-11-259

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of McGehee, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2023.

These conditions were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated December 23, 2024 on those financial statements.

This report is intended solely for the information and use of management, the City Council, the Mayor, Arkansas Division of Legislative Audit, and applicable bonding agencies and funding sources and is not intended to be and should not be used by anyone other than these specified parties.



Monticello, Arkansas
December 23, 2024

Member of the Arkansas Society of Certified Public Accountants
Member American Institute of Certified Public Accountants
Private Companies Practice Section