

City of Monticello, Arkansas

Financial and Compliance Report

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MONTICELLO, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2022

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Monticello, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

A priority of Arkansas Legislative Audit is to assist local government officials by promoting sound financial management and accountability of government resources. The Legislative Auditor reports on the fiscal affairs of local governments, as well as compliance with relevant state laws and observance of good business practices to provide accountability for tax dollars expended to support government operations.

We have performed certain limited procedures with respect to cash basis financial information and compliance with certain state laws and accepted accounting practices for the City of Monticello, Arkansas, as of and for the year ended December 31, 2022, and have issued our report thereon dated December 1, 2023. These procedures were not performed for the Water, Sewer, and Solid Waste Funds. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The findings contained in this section relate to the following officials who held office during 2022:

Mayor: Paige Chase
Finance Director: Vickie Norris
Clerk/Treasurer: Taryn Wigley
Human Resource Director: Beth Davis
District Court Clerk: Julie Watkins
Police Chief: Jason Akers

We evaluated the City's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Noncompliance with state law and accepted accounting practices was noted in the office of **Human Resource Director**.

Human Resource Director

The City incurred Internal Revenue Service (IRS) penalties and interest in the amount of \$5,170 for failure to properly file, report, and remit payroll taxes.

Other Issues

Two unauthorized withdrawals of \$1,768 and \$5,200 were made from the City's bank account on June 14, 2022, and June 27, 2022, respectively. Entity personnel discovered the unauthorized withdrawals upon review of the affected bank account and funds were recovered from the bank.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
December 1, 2023
LOM106422

CITY OF MONTICELLO, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2022
(UNAUDITED)

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 5,119,989	\$ 2,272,584	\$ 3,592,458
Investments	3,745		280
Accounts receivable	610,549	500,711	41,927
TOTAL ASSETS	<u>\$ 5,734,283</u>	<u>\$ 2,773,295</u>	<u>\$ 3,634,665</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,755	\$ 13,021	\$ 31,722
Settlements pending			161,373
Total Liabilities	<u>27,755</u>	<u>13,021</u>	<u>193,095</u>
Fund Balances:			
Restricted		2,105,738	3,258,940
Assigned	4,301,468	654,536	182,630
Unassigned	1,405,060		
Total Fund Balances	<u>5,706,528</u>	<u>2,760,274</u>	<u>3,441,570</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,734,283</u>	<u>\$ 2,773,295</u>	<u>\$ 3,634,665</u>

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

CITY OF MONTICELLO, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 290,074	\$ 728,854	\$ 249,901
Federal aid	71,750	500,000	1,071,543
Property taxes	198,117	60,427	43,916
Franchise fees	643,046		
Sales taxes	4,743,926		3,248
Fines, forfeitures, and costs	420,837		57,120
Interest	9,044	8,637	10,105
Local permits and fees	60,842		
Advertising and promotion taxes			131,221
Airport fees			93,477
Airport fuel sales			368,917
Alcohol beverage revenue	26,254		
Reimbursement for senior citizen center meals			113,417
Employee contributions			40,377
Employer contributions			30,000
Net increase/(decrease) in fair value of investments			(123)
Other	233,285	10,960	79,071
TOTAL REVENUES	6,697,175	1,308,878	2,292,190
EXPENDITURES			
Current:			
General government	816,926		52,328
Law enforcement	2,168,330		149,061
Highways and streets		1,115,289	
Public safety	988,567		131,435
Recreation and culture	854,774		17,323
Social services			341,424
Advertising and promotion			57,527
Economic development	284,800		
Airport			694,169
Cemetery			71,881
Total Current	5,113,397	1,115,289	1,515,148
Debt Service:			
Financed purchase principal	128,050		
Finance purchase interest	3,803		
TOTAL EXPENDITURES	5,245,250	1,115,289	1,515,148

CITY OF MONTICELLO, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,451,925</u>	<u>\$ 193,589</u>	<u>\$ 777,042</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		100,000	128,533
Transfers out	(183,533)		(45,000)
Contribution to water department	<u>(743,045)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(926,578)</u>	<u>100,000</u>	<u>83,533</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	525,347	293,589	860,575
FUND BALANCES - JANUARY 1	<u>5,181,181</u>	<u>2,466,685</u>	<u>2,580,995</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 5,706,528</u></u>	<u><u>\$ 2,760,274</u></u>	<u><u>\$ 3,441,570</u></u>

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

CITY OF MONTICELLO, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 292,638	\$ 290,074	\$ (2,564)	\$ 728,853	\$ 728,854	\$ 1
Federal aid	1,041,113	71,750	(969,363)	60,415	500,000	439,585
Property taxes	198,079	198,117	38		60,427	60,427
Franchise fees	522,877	643,046	120,169			
Sales taxes	4,727,207	4,743,926	16,719			
Fines, forfeitures, and costs	420,914	420,837	(77)			
Interest	11,913	9,044	(2,869)	15,988	8,637	(7,351)
Local permits and fees	60,265	60,842	577			
Alcohol beverage revenue	24,356	26,254	1,898			
Other	376,116	233,285	(142,831)	10,259	10,960	701
TOTAL REVENUES	7,675,478	6,697,175	(978,303)	815,515	1,308,878	493,363
EXPENDITURES						
Current:						
General government	579,736	816,926	(237,190)			
Law enforcement	2,325,833	2,168,330	157,503			
Highways and streets				1,104,770	1,115,289	(10,519)
Public safety	1,090,020	988,567	101,453			
Recreation and culture	1,023,021	854,774	168,247			
Economic development	298,562	284,800	13,762			
Total Current	5,317,172	5,113,397	203,775	1,104,770	1,115,289	(10,519)
Debt Service:						
Financed purchase principal		128,050	(128,050)			
Finance purchase interest		3,803	(3,803)			
TOTAL EXPENDITURES	5,317,172	5,245,250	71,922	1,104,770	1,115,289	(10,519)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,358,306	1,451,925	(906,381)	(289,255)	193,589	482,844
OTHER FINANCING SOURCES (USES)						
Transfers in	37,276		(37,276)	100,000	100,000	0
Transfers out	(320,810)	(183,533)	137,277			
Contribution to water department	(743,046)	(743,045)	1			
TOTAL OTHER FINANCING SOURCES (USES)	(1,026,580)	(926,578)	100,002	100,000	100,000	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,331,726	525,347	(806,379)	(189,255)	293,589	482,844
FUND BALANCES - JANUARY 1		5,181,181	5,181,181		2,466,685	2,466,685
FUND BALANCES - DECEMBER 31	\$ 1,331,726	\$ 5,706,528	\$ 4,374,802	\$ (189,255)	\$ 2,760,274	\$ 2,949,529

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

CITY OF MONTICELLO, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS								
	Local Police and Fire Retirement (LOPFI)	Advertising and Promotion	Fire Equipment and Training (Act 833)	District Court Automation	Drug Control	Cemetery	Senior Citizens Center	Water Reservoir	Warrant Service
ASSETS									
Cash and cash equivalents	\$ 28,126	\$ 1,153,479	\$ 41,929	\$ 249,749	\$ 24,018	\$ 38,352	\$ 158,671	\$ 8,535	\$ 1,868
Investments						280			
Accounts receivable	3,393	8,911		2,110		2,810	14,153		
TOTAL ASSETS	\$ 31,519	\$ 1,162,390	\$ 41,929	\$ 251,859	\$ 24,018	\$ 41,442	\$ 172,824	\$ 8,535	\$ 1,868
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 2,085		\$ 1,084				\$ 8,725		
Settlements pending									
Total Liabilities	2,085		1,084				8,725		
Fund Balances:									
Restricted	29,434	\$ 1,162,390	40,845	\$ 251,859	\$ 24,018		24,789	\$ 8,535	
Assigned						\$ 41,442	139,310		\$ 1,868
Total Fund Balances	29,434	1,162,390	40,845	251,859	24,018	41,442	164,099	8,535	1,868
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,519	\$ 1,162,390	\$ 41,929	\$ 251,859	\$ 24,018	\$ 41,442	\$ 172,824	\$ 8,535	\$ 1,868

CITY OF MONTICELLO, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	ENTERPRISE FUND	CUSTODIAL FUNDS			
	United States Department of Agriculture (USDA) Grant	District Court Probation	American Rescue Plan Act	District Court Costs	Airport Improvement	Airport Commission	Police Bond and Fine	District Court	Payroll	Totals
ASSETS										
Cash and cash equivalents	\$ 10	\$ 3,771	\$ 1,587,096	\$ 3,092	\$ 33,136	\$ 99,253	\$ 40	\$ 124,227	\$ 37,106	\$ 3,592,458
Investments										280
Accounts receivable						10,550				41,927
TOTAL ASSETS	<u>\$ 10</u>	<u>\$ 3,771</u>	<u>\$ 1,587,096</u>	<u>\$ 3,092</u>	<u>\$ 33,136</u>	<u>\$ 109,803</u>	<u>\$ 40</u>	<u>\$ 124,227</u>	<u>\$ 37,106</u>	<u>\$ 3,634,665</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable						\$ 19,828				\$ 31,722
Settlements pending							\$ 40	\$ 124,227	\$ 37,106	161,373
Total Liabilities						<u>19,828</u>	<u>40</u>	<u>124,227</u>	<u>37,106</u>	<u>193,095</u>
Fund Balances:										
Restricted		\$ 3,771	\$ 1,587,096	\$ 3,092	\$ 33,136	89,975				3,258,940
Assigned	\$ 10									182,630
Total Fund Balances	<u>10</u>	<u>3,771</u>	<u>1,587,096</u>	<u>3,092</u>	<u>33,136</u>	<u>89,975</u>				<u>3,441,570</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10</u>	<u>\$ 3,771</u>	<u>\$ 1,587,096</u>	<u>\$ 3,092</u>	<u>\$ 33,136</u>	<u>\$ 109,803</u>	<u>\$ 40</u>	<u>\$ 124,227</u>	<u>\$ 37,106</u>	<u>\$ 3,634,665</u>

CITY OF MONTICELLO , ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS							
	Local Police and Fire Retirement (LOPFI)	Advertising and Promotion	Fire Equipment and Training (Act 833)	District Court Automation	Drug Control	Cemetery	Senior Citizens Center	Water Reservoir
REVENUES								
State aid			\$ 28,509				\$ 221,392	
Federal aid								
Property taxes	\$ 43,916							
Sales taxes								
Fines, forfeitures, and costs				\$ 33,622	\$ 7,638			
Interest	18	\$ 8,277	65	357		\$ 53		\$ 20
Advertising and promotion taxes		131,221						
Airport fees								
Airport fuel sales								
Reimbursement for senior citizen center meals							113,417	
Employee contributions	40,377							
Employer contributions	30,000							
Net increase/(decrease) in fair value of investments						(123)		
Other		850			698	31,720	15,303	
TOTAL REVENUES	114,311	140,348	28,574	33,979	8,336	31,650	350,112	20
EXPENDITURES								
Current:								
General government								
Law enforcement				11,593	7,061			
Public safety	111,329		20,106					
Recreation and culture								17,323
Social services							341,424	
Advertising and promotion		57,527						
Airport								
Cemetery						71,881		
TOTAL EXPENDITURES	111,329	57,527	20,106	11,593	7,061	71,881	341,424	17,323
EXCESS OF REVENUES OVER (UNDER)								
EXPENDITURES	2,982	82,821	8,468	22,386	1,275	(40,231)	8,688	(17,303)
OTHER FINANCING SOURCES (USES)								
Transfers in						58,560		24,250
Transfers out								
TOTAL OTHER FINANCING SOURCES (USES)						58,560		24,250
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)								
EXPENDITURES AND OTHER USES	2,982	82,821	8,468	22,386	1,275	18,329	8,688	6,947
FUND BALANCES - JANUARY 1,	26,452	1,079,569	32,377	229,473	22,743	23,113	155,411	1,588
FUND BALANCES - DECEMBER 31	\$ 29,434	\$ 1,162,390	\$ 40,845	\$ 251,859	\$ 24,018	\$ 41,442	\$ 164,099	\$ 8,535

CITY OF MONTICELLO , ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	ENTERPRISE FUND	
	Warrant Service	United States Department of Agriculture (USDA) Grant	District Court Probation	American Rescue Plan Act	District Court Costs	Airport Improvement	Airport Commission	Totals
REVENUES								
State aid								\$ 249,901
Federal aid		\$ 36,774		\$ 970,844		\$ 63,925		1,071,543
Property taxes								43,916
Sales taxes							\$ 3,248	3,248
Fines, forfeitures, and costs	\$ 1,450		\$ 11,086		\$ 3,324			57,120
Interest	1			1,032		137	145	10,105
Advertising and promotion taxes								131,221
Airport fees							93,477	93,477
Airport fuel sales							368,917	368,917
Reimbursement for senior citizen center meals								113,417
Employee contributions								40,377
Employer contributions								30,000
Net increase/(decrease) in fair value of investments								(123)
Other		904		6,316			23,280	79,071
TOTAL REVENUES	1,451	37,678	11,086	978,192	3,324	64,062	489,067	2,292,190
EXPENDITURES								
Current:								
General government				52,328				52,328
Law enforcement	39	114,271	15,865		232			149,061
Public safety								131,435
Recreation and culture								17,323
Social services								341,424
Advertising and promotion								57,527
Airport						109,185	584,984	694,169
Cemetery								71,881
TOTAL EXPENDITURES	39	114,271	15,865	52,328	232	109,185	584,984	1,515,148
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,412	(76,593)	(4,779)	925,864	3,092	(45,123)	(95,917)	777,042
OTHER FINANCING SOURCES (USES)								
Transfers in		723					45,000	128,533
Transfers out						(45,000)		(45,000)
TOTAL OTHER FINANCING SOURCES (USES)		723				(45,000)	45,000	83,533
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,412	(75,870)	(4,779)	925,864	3,092	(90,123)	(50,917)	860,575
FUND BALANCES - JANUARY 1,	456	75,880	8,550	661,232		123,259	140,892	2,580,995
FUND BALANCES - DECEMBER 31	\$ 1,868	\$ 10	\$ 3,771	\$ 1,587,096	\$ 3,092	\$ 33,136	\$ 89,975	\$ 3,441,570

CITY OF MONTICELLO, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2022

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Cemetery	Established to account for perpetual care fees, interest earned, and maintenance of cemetery.
Senior Citizens Center	Established to account for state and federal aid, meal sales, fund raisers, and social services provided to senior citizens.
Water Reservoir	Established to account for maintenance of Lake Monticello.
Warrant Service	Established to account for fees collected for service of city arrest warrants.
United States Department of Agriculture (USDA) Grant	Established to account for grants received from the United States Department of Agriculture for the purchase of police equipment and supplies.
District Court Probation	Ark. Code Ann. § 5-4-322 authorizes district court fees for probation and public service work supervision.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.

CITY OF MONTICELLO, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2022

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
District Court Costs	Ark. Code Ann. § 16-17-126 authorizes district court filing fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Airport Improvement	Established to account for grants received from the Federal Aviation Administration and Arkansas Department of Aeronautics for airport improvement projects.
Airport Commission	Ark. Code Ann. §§ 14-359-101 - 121 established the Municipal Airport Commission to operate and manage the airport. All revenue derived from the operation of the airport or flying field, after paying the operating expenses and maintenance, shall be set aside and used for additional improvements on the airport or for the retirement of bonds and interest thereon issued or advancement made for the purchase and improvement of the airport or flying field.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Maintained to process payroll for the city's employees.

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1. **A. 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.

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 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 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 are included in this column as follows:

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. The Special Revenue Funds presented on Schedules 1 and 2 are 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). The Capital Projects Fund presented on Schedules 1 and 2 is 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; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. The Enterprise Fund presented on Schedules 1 and 2 is 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). The Custodial Funds presented on Schedule 1 are reported with other funds in the aggregate.

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1: (Continued)

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.

In 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. The significant/material effect on the Regulatory Basis of Accounting in the current period is that certain items included in debt service in the previous period are included in the expenditure/function code of the applicable opinion unit.

C. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Investments

Investments are reported at fair market value.

Settlements Pending

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

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1: (Continued)

C. Assets, Liabilities, and Fund Balances (Continued)

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.

D. 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.

E. Budget Law

State law requires 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.
- 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.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds, except for the District Court Costs Fund.

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1: (Continued)

F. 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 unrestricted 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.

2. **Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2022, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government			\$ 1,587,096
Law enforcement			282,740
Highways and streets		\$ 2,105,738	
Public safety			70,279
Recreation and culture			8,535
Social services			24,789
Advertising and promotion			1,162,390
Airport			89,975
Capital outlay			33,136
Total Restricted		<u>2,105,738</u>	<u>3,258,940</u>
Assigned to:			
General government	\$ 4,162,365		
Law enforcement	39,263		1,878
Highways and streets		654,536	
Recreation and culture	99,840		
Social services			139,310
Cemetery			41,442
Total Assigned	<u>4,301,468</u>	<u>654,536</u>	<u>182,630</u>
Unassigned	<u>1,405,060</u>		
Totals	<u>\$ 5,706,528</u>	<u>\$ 2,760,274</u>	<u>\$ 3,441,570</u>

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

3. Commitments

Total commitments consist of the following at December 31, 2022:

	December 31, 2022
Long-term liabilities	\$ 4,685
Construction contracts	605,294
Total Commitments	<u>\$ 609,979</u>

Long-term liabilities

Long-term liabilities at December 31, 2022, are comprised of the following:

	December 31, 2022
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	<u>\$ 4,685</u>

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

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
<u>Direct Borrowings</u>				
Financed purchases	<u>\$ 128,050</u>	<u>\$</u>	<u>\$ 128,050</u>	<u>\$ 0</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2022:

Project Name	Estimated Completion Date	Contract Balance December 31, 2022
Sidewalk Project - 425/278	December 2023	\$ 207,000
Airport Drainage	December 2023	31,340
Sidewalk Project - Library/Jordan	December 2023	2,790
Lake Monticello Trail	December 2023	110,940
Airport Hangar Extension	December 2023	12,400
East Plant Baffle System	January 2023	<u>240,824</u>
Total Construction Contracts		<u>\$ 605,294</u>

4. Interfund Transfers

The General Fund transferred \$83,533 to Other Fund in the Aggregate (\$58,560 to Cemetery, \$24,250 to Monticello Water Reservoir, and \$723 to United States Department of Agriculture (USDA) Grant) and \$100,000 to the Street Fund for operations. Within Other Funds in the Aggregate, Airport Commission transferred \$45,000 to Airport Improvement for operations.

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

5. Subsequent Events

On May 23, 2023, the City entered into a contract with ETI Services, Inc. for \$499,587 for improvements to its wastewater sewer facility. On September 26, 2023, the City entered into a contract with KJ Parker for \$582,109 for relocation of water and sewer lines.

6. Jointly Governed Organization: Southeast Arkansas Regional Intermodal Facilities Authority

Drew and Bradley Counties and the Cities of Monticello and Warren entered into an agreement of May 14, 1998, to establish the Southeast Arkansas Regional Intermodal Facilities Authority pursuant to Ark. Code Ann. §§ 14-143-101 – 14-143-129. The Southeast Arkansas Regional Intermodal Facilities Authority shall be governed by a board of directors consisting of 12 members appointed by the participants' Mayors and County Judges. Each participating City and County will appoint three board members. Separate financial statements may be obtained at 101 Myrtle, Warren, Arkansas 71671.

**7. Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension 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. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

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

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 \$117,440 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$46,487 for the year ended December 31, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022, (actuarial valuation date and measurement date) was \$1,290,907.

CITY OF MONTICELLO, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

8. Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.25% as of July 1, 2022. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$462,074 for the year ended June 30, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$3,890,714.

9. Capital Assets

The Municipality's capital assets records are summarized below :

	December 31, 2022
Land / Buildings	\$ 20,142,363
Equipment	<u>4,149,238</u>
Total	<u><u>\$ 24,291,601</u></u>

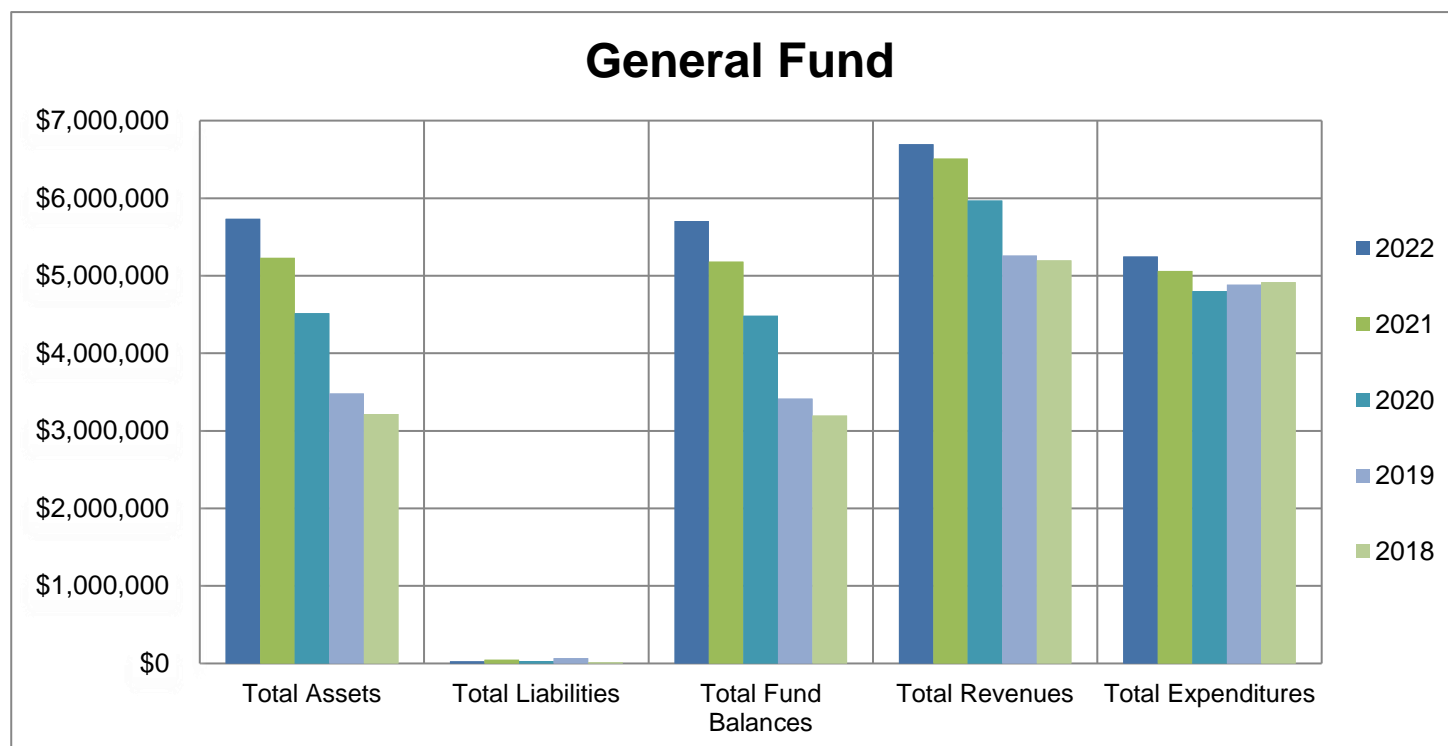
10. Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$1,941,699 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$1,941,699 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

CITY OF MONTICELLO, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 3-1

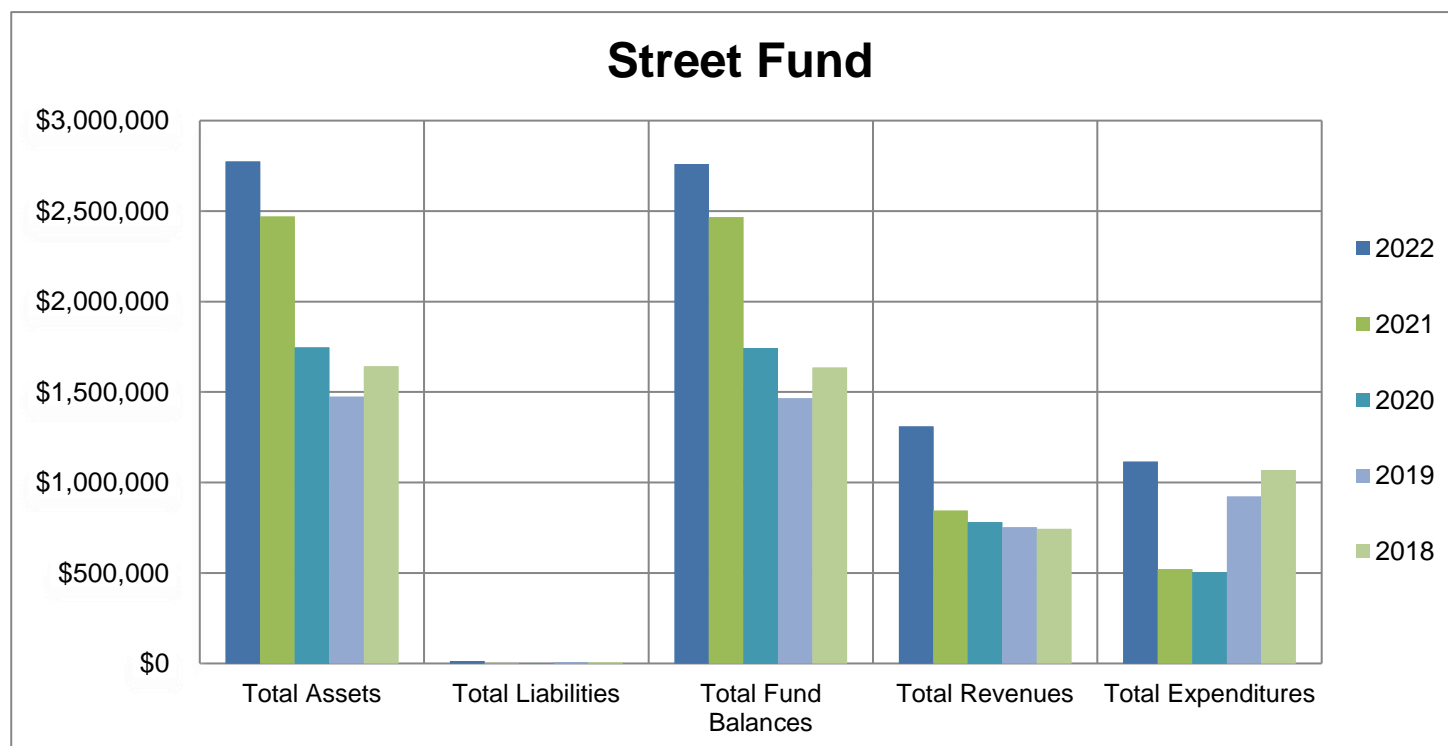
<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 5,734,283	\$ 5,230,853	\$ 4,514,799	\$ 3,479,609	\$ 3,215,271
Total Liabilities	27,755	49,672	29,836	66,284	18,466
Total Fund Balances	5,706,528	5,181,181	4,484,963	3,413,325	3,196,805
Total Revenues	6,697,175	6,511,330	5,969,192	5,261,014	5,195,698
Total Expenditures	5,245,250	5,061,247	4,802,433	4,881,799	4,917,852
Total Other Financing Sources/Uses	(926,578)	(753,865)	(95,121)	(162,695)	(493,400)



CITY OF MONTICELLO, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 3-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 2,773,295	\$ 2,469,178	\$ 1,746,944	\$ 1,474,309	\$ 1,641,644
Total Liabilities	13,021	2,493	3,236	8,329	6,752
Total Fund Balances	2,760,274	2,466,685	1,743,708	1,465,980	1,634,892
Total Revenues	1,308,878	843,984	781,701	752,846	743,709
Total Expenditures	1,115,289	521,007	503,973	921,758	1,069,257
Total Other Financing Sources/Uses	100,000	400,000			350,000



CITY OF MONTICELLO, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 3-3

Other Funds in the Aggregate	2022	2021	2020	2019	2018
Total Assets	\$ 3,634,665	\$ 2,803,231	\$ 1,889,994	\$ 2,047,764	\$ 1,580,428
Total Liabilities	193,095	222,236	189,472	182,490	116,962
Total Fund Balances	3,441,570	2,580,995	1,700,522	1,865,274	1,463,466
Total Revenues	2,292,190	2,480,067	1,871,159	1,376,850	1,261,531
Total Expenditures	1,515,148	1,916,584	2,224,008	1,137,737	1,287,959
Total Other Financing Sources/Uses	83,533	316,990	185,777	162,695	(906,091)

