

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**FINANCIAL STATEMENTS**  
December 31, 2023

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	9
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Water Fund	18
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Sewer Fund	19
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Solid Waste Fund	20
Schedule of Rates	21
Schedule of Proportionate Share of the Net Pension Liability	22
Schedule of Contributions	23
<b>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</b>	24

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the City Council  
City of Monticello Enterprise Funds  
Monticello, Arkansas

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the City of Monticello Enterprise Funds, (the "Organization"), a component unit of the City of Monticello, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the statement of revenues, expenses and changes in net position, and cash flows of the Organization as of and for the year then ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Organization'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 Organization'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.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis required by accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2024, on our consideration of the Organization's internal control over financial reporting and on 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 Organization'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 Organization'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.

Searcy & Associates, LLC  
Monticello, Arkansas  
December 31, 2024

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
December 31, 2023

<u><b>Assets</b></u>	<u><b>City Water</b></u>	<u><b>City Sewer</b></u>	<u><b>Solid Waste</b></u>	<u><b>Totals</b></u>
<b><u>Current assets</u></b>				
Cash and cash equivalents (Note 2)	\$ 4,035,481	\$ 762,701	\$ 386,400	\$ 5,184,582
Accounts receivable (net)	156,176	87,845	101,456	345,477
<b>Total current assets</b>	4,191,657	850,546	487,856	5,530,059
<b><u>Restricted cash and investments</u></b>				
Cash and cash equivalents (Note 2 & 3)	299,363	-	-	299,363
<b>Total restricted assets</b>	299,363	-	-	299,363
<b><u>Fixed Assets</u></b>				
Property, plant, and equipment, net (Note 4)	3,181,374	2,394,555	554,932	6,130,861
Land	1,915,610	252,818	-	2,168,428
<b>Total fixed assets</b>	5,096,984	2,647,373	554,932	8,299,289
<b><u>Noncurrent Assets</u></b>				
Deferred outflow of resources	100,516	109,132	77,541	287,189
<b>Total noncurrent assets</b>	100,516	109,132	77,541	287,189
<b>Total assets</b>	<u>\$ 9,688,520</u>	<u>\$ 3,607,051</u>	<u>\$ 1,120,329</u>	<u>\$ 14,415,900</u>

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

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
December 31, 2023

<b><u>Liabilities and Net Position</u></b>	<b>City Water</b>	<b>City Sewer</b>	<b>Solid Waste</b>	<b>Totals</b>
<b><u>Current liabilities</u></b>				
Accounts payable	\$ 59,381	\$ 26,886	\$ 26,960	\$ 113,227
Health Dept Fees	(10,449)	-	-	(10,449)
Accrued payroll	12,431	7,281	6,386	26,098
Accrued retirement	1,664	2,050	1,340	5,054
Accrued paid time off	10,692	8,996	5,614	25,302
Customer deposits	336,458	-	-	336,458
Other accrued expenses	1,259	-	7,667	8,926
<b>Total current liabilities</b>	<b>411,436</b>	<b>45,213</b>	<b>47,967</b>	<b>504,616</b>
<b><u>Long term liabilities</u></b>				
Deferred inflow of resources	6,248	6,783	4,820	17,851
Accrued pension liabilities	330,070	358,362	254,626	943,058
<b>Total long term liabilities</b>	<b>336,318</b>	<b>365,145</b>	<b>259,446</b>	<b>960,909</b>
<b><u>Net position</u></b>				
Invested in capital assets, net of related debt	5,051,650	2,171,377	210,633	7,433,660
Temporarily restricted	299,363	-	-	299,363
Unrestricted	3,589,753	1,025,316	602,283	5,217,352
<b>Total net position</b>	<b>8,940,766</b>	<b>3,196,693</b>	<b>812,916</b>	<b>12,950,375</b>
<b>Total liabilities and net position</b>	<b>\$ 9,688,520</b>	<b>\$ 3,607,051</b>	<b>\$ 1,120,329</b>	<b>\$ 14,415,900</b>

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

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
December 31, 2023

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
<b><u>Operating revenues</u></b>				
Sales	\$ 1,758,486	\$ 1,043,303	\$ 1,035,400	\$ 3,837,189
Charges of services	37,784	-	-	37,784
Other operating revenue	127,780	-	93,078	220,858
<b>Total operating revenue</b>	<u>1,924,050</u>	<u>1,043,303</u>	<u>1,128,478</u>	<u>4,095,831</u>
<b><u>Operating expenses</u></b>				
Salaries and employee benefits	522,890	413,269	341,194	1,277,353
Material and supplies	418,174	71,550	68,551	558,275
Contractual	263,335	96,168	561,416	920,919
Equipment maintenance	5,976	35,033	75,090	116,099
Structural maintenance	83,814	78,431	3,638	165,883
Depreciation and amortization	477,119	130,325	68,815	676,259
Employee benefits	3,084	1,881	2,031	6,996
Other	5,245	16,381	1,905	23,531
<b>Total operating expenses</b>	<u>1,779,637</u>	<u>843,038</u>	<u>1,122,640</u>	<u>3,745,315</u>
<b>Operating income (loss)</b>	144,413	200,265	5,838	350,516
<b><u>Non-operating Revenue (Expense)</u></b>				
Investment income	22,358	16,069	3,924	42,351
Pension revenue/(expense)	(23,659)	(25,686)	(18,252)	(67,597)
Gain on sale	-	-	37,000	37,000
Other income	-	333	-	333
<b>Total non-operating revenue (expense)</b>	<u>(1,301)</u>	<u>(9,284)</u>	<u>22,672</u>	<u>12,087</u>
Change in fund net position	143,112	190,981	28,510	362,603
<b><u>Other financing sources (uses)</u></b>				
Transfers in / (out)	136,590	245,880	347,435	729,905
<b>Total fund net position, beginning</b>	<u>8,661,064</u>	<u>2,759,832</u>	<u>436,971</u>	<u>11,857,867</u>
<b>Total fund net position, ending</b>	<u>\$ 8,940,766</u>	<u>\$ 3,196,693</u>	<u>\$ 812,916</u>	<u>\$ 12,950,375</u>

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



**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**  
December 31, 2023

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
<b><u>Cash flows from operating activities</u></b>				
Cash received from customers	\$ 1,927,877	\$ 1,020,368	\$ 1,106,309	\$ 4,054,554
Payments for operating and administrative expenses	(780,240)	(279,686)	(784,216)	(1,844,142)
Payments for salaries and benefits	(515,827)	(407,828)	(340,137)	(1,263,792)
<b>Net cash provided by (used for) operating activities</b>	<u>631,810</u>	<u>332,854</u>	<u>(18,044)</u>	<u>946,620</u>
<b><u>Cash flows from investing activities</u></b>				
Purchase of property, plant and equipment	(201,836)	(579,067)	(402,277)	(1,183,180)
Proceeds from disposal of property, plant and equipment	-	-	37,000	37,000
Investment income	22,358	16,402	3,924	42,684
<b>Net cash provided by (used for) investing activities</b>	<u>(179,478)</u>	<u>(562,665)</u>	<u>(361,353)</u>	<u>(1,103,496)</u>
<b><u>Cash flows from financing activities</u></b>				
Change in customer deposits	14,292	-	-	14,292
<b>Net cash provided by (used for) financing activities</b>	<u>14,292</u>	<u>-</u>	<u>-</u>	<u>14,292</u>
<b><u>Non Cash Financing Activities</u></b>				
Transfers to other funds	136,590	245,880	347,435	729,905
<b><u>Net increase (decrease) in cash and cash equivalent</u></b>	603,214	16,069	(31,962)	587,321
<b><u>Cash and cash equivalents, beginning of year</u></b>	3,731,630	746,632	418,362	4,896,624
<b><u>Cash and cash equivalents, end of year</u></b>	<u>\$ 4,334,844</u>	<u>\$ 762,701</u>	<u>\$ 386,400</u>	<u>\$ 5,483,945</u>

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

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Year Ended December 31, 2023

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
<b><u>Reconciliation of operating income to net cash from operating activities:</u></b>				
Operating income (loss)	\$ 144,413	\$ 200,265	\$ 5,838	\$ 350,516
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	477,119	130,325	68,815	676,259
Pension expense	(23,659)	(25,686)	(18,252)	(67,597)
(Increase) decrease in:				
Accounts receivable	3,827	(22,935)	(22,169)	(41,277)
Increase (decrease) in:				
Accounts payable	5,617	17,877	(73,615)	(50,121)
Accrued expenses	33,806	33,008	21,339	88,153
Other accrued expenses	(9,313)	-	-	(9,313)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 631,810</u>	<u>\$ 332,854</u>	<u>\$ (18,044)</u>	<u>\$ 946,620</u>

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

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Water and Sewer System (the “Organization”) is a component unit of the City of Monticello, Arkansas. The Organization is governed by the City Council. The Organization provides water and sewer services to the City of Monticello and certain surrounding areas. The City Council approves the rate changes of the Organization’s services. The debt of the Organization is maintained in the name of the City of Monticello.

**B. Fund Type**

The Organization is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Basis of Accounting**

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Organization. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Organization.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Organization applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

**D. Use of Estimate**

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

---

**NOTE 1 (continued)**

**E. Assets, Liabilities, and Net Position**

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months 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.

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit, and deposits can be offset against the receivable.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water System	20-40 years
Sewer System	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$5,000.

Compensated Absences

The Organization's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Vacation and sick leave benefits are recognized as an expense when incurred. Any portion of the incurred benefit not paid at the end of the accounting period is recorded as a liability in the financial statements. Accrued compensated absences as of December 31, 2023, were \$25,300.

Deferred Outflow / Inflow of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources(expense) until then. The Organization has qualifying items for reporting in this category. Deferred outflows of resources include those related to pension changes for the Organization.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

---

**NOTE 1 (continued)**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is recognized as an inflow of resources (revenue) until that time. The Organization has qualifying items for reporting in this category. Deferred inflows of resources include those related to pension changes for the Organization.

Pension

The Organization maintains one cost-sharing, multiple employer, defined benefit retirement plan. The plan is sponsored by the Arkansas Public Employee Retirement System.

For purposes of measuring the net pension asset or liability, deferred outflow of resources and deferred inflow of resources related to pension, and pension expense have been determined on the same basis as they are reported by the actuary. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the Organization and are not reimbursed by the plan.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

**F. Date of Management’s Review**

The Organization evaluated its December 31, 2023, financial statements for subsequent events through December 31, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS**

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

**NOTE 2 (continued)**

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2023.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust Organization in the Organization's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust Organization or agent in the Organization's name or collateralized with no written or approved collateralized agreement.

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

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 3,900,617	\$ 500,000	\$ 3,400,617	\$ -
Bank B	1,563,984	500,000	1,063,984	-
Bank C	65,326	250,000	-	-
Total	<u>\$ 5,529,927</u>	<u>\$ 1,250,000</u>	<u>\$ 4,464,601</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Organization's general ledger balances.

**NOTE 3 – INTERFUND TRANSFERS**

The Organization received \$729,905 for the sewer project and other fixed asset items from the General Fund for the year ended December 31, 2023.

**NOTE 4 – CHANGES IN FIXED ASSETS**

	City Water	City Sewer	Solid Waste	Total
Balance, Dec. 31, 2022	\$ 11,830,059	\$ 7,498,425	\$ 1,764,611	\$ 21,093,095
Additions	201,836	143,922	402,277	748,035
Deletions	-	-	(250,580)	(250,580)
	12,031,895	7,642,347	1,916,308	21,590,550
Accumulated Depreciation	(8,850,521)	(6,504,568)	(1,361,376)	(16,716,465)
	3,181,374	1,137,779	554,932	4,874,085
Contruction in progress	-	1,256,776	-	1,256,776
Land	1,915,610	252,818	-	2,168,428
Balance, Dec., 2023	<u>\$ 5,096,984</u>	<u>\$ 2,647,373</u>	<u>\$ 554,932</u>	<u>\$ 8,299,289</u>

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

---

**NOTE 5 – PENSION**

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information. APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration, and four additional board positions that were added in Act 686 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year. Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

**NOTE 5 (continued)**

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$2,914,186,564 was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for your employer are as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 231,451	\$ (22,525)
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,400	(55,087)
Changes of assumptions	192,763	-
Contributions subsequent to measurement date	260,700	-
Net difference between projected and actual earnings on pension plan investments	510,335	-
Total for City	\$ 1,248,649	\$ (77,612)
Department pro-rata allocation	23%	23%
Total for Department	\$ 287,189	\$ (17,851)



**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023

**NOTE 5 (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in your financial statements as follows:

	2024	2025	2026	2027	2028	Thereafter
Total for City	\$ 229,686	\$108,234	\$606,859	\$ (34,442)	\$ -	\$ -
Department pro-rata allocation	23%	23%	23%	23%	23%	23%
Total for Department	<u>\$ 52,828</u>	<u>\$ 24,894</u>	<u>\$139,578</u>	<u>\$ (7,922)</u>	<u>\$ -</u>	<u>\$ -</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.00%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7241

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

December 31, 2023

**NOTE 5 (continued)**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	
Total Real Rate of Return		4.94%
Plus: Price Inflation- Actuary Assumption		2.50%
Net Expected Return		7.44%

Discount Rate

A single discount rate of 7% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	Sensitivity of Discount Rate		
	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Total for City	\$6,535,437	\$ 4,100,254	\$2,093,895
Department pro-rata allocation	23%	23%	23%
Total for Department	<u>\$1,503,151</u>	<u>\$ 943,058</u>	<u>\$ 481,596</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL – WATER FUND**  
For the Year Ended December 31, 2023

	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis (1)</b>	<b>Budget to GAAP Over (Under)</b>	<b>Actual Amounts GAAP Basis</b>
<b>Revenues</b>				
Water fees	\$ 1,835,000	\$ 1,788,630	\$ (30,144)	\$ 1,758,486
Charges for services	45,000	37,784	-	37,784
Miscellaneous	63,500	94,492	33,288	127,780
<b>Total revenue</b>	<u>1,943,500</u>	<u>1,920,906</u>	<u>3,144</u>	<u>1,924,050</u>
<b>Expenses</b>				
Salaries, wages and benefits	546,200	334,812	191,162	525,974
Materials and supplies	290,000	412,557	5,617	418,174
Sundries	2,600	5,245	-	5,245
Contractual	227,500	263,335	-	263,335
Equipment maintenance	52,500	5,976	-	5,976
Structure maintenance	197,000	233,342	(149,528)	83,814
Depreciation	-	-	477,119	477,119
<b>Total expenses</b>	<u>1,315,800</u>	<u>1,255,267</u>	<u>524,370</u>	<u>1,779,637</u>
Revenues in Excess (Deficit) of Expenditures	627,700	665,639	(521,226)	144,413
<b>Non-operating Income (Expense)</b>				
Transfers	(604,500)	(159,000)	295,590	136,590
Pension Expense	-	-	(23,659)	(23,659)
Interest	-	22,378	(20)	22,358
<b>Total non-operating income (expense)</b>	<u>(604,500)</u>	<u>(136,622)</u>	<u>271,911</u>	<u>135,289</u>
<b>Change in fund net position</b>	<u>\$ 23,200</u>	<u>\$ 529,017</u>	<u>\$ (249,315)</u>	<u>\$ 279,702</u>

See independent auditor's report.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL – SEWER FUND**  
For the Year Ended December 31, 2023

	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis (1)</b>	<b>Budget to GAAP Over (Under)</b>	<b>Actual Amounts GAAP Basis</b>
<b>Revenues</b>				
Sewer fees	\$ 1,050,000	\$ 1,020,368	\$ 22,935	\$ 1,043,303
<b>Total revenue</b>	<u>1,050,000</u>	<u>1,020,368</u>	<u>22,935</u>	<u>1,043,303</u>
<b>Expenses</b>				
Salaries, wages and benefits	532,100	262,196	152,954	415,150
Materials and supplies	53,000	66,085	5,465	71,550
Sundries	18,000	16,382	(1)	16,381
Contractual	132,500	172,214	(76,046)	96,168
Equipment maintenance	36,000	35,033	-	35,033
Structure maintenance	97,000	78,431	-	78,431
Depreciation	-	-	130,325	130,325
<b>Total expenses</b>	<u>868,600</u>	<u>630,341</u>	<u>212,697</u>	<u>843,038</u>
Revenues in Excess (Deficit) of Expenditures	181,400	390,027	(189,762)	200,265
<b>Non-operating Income (Expense)</b>				
Transfers	(174,520)	-	245,880	245,880
Other	1,000	333	-	333
Interest	-	16,199	(130)	16,069
Pension Expense	-	-	(25,686)	(25,686)
<b>Total non-operating income (expense)</b>	<u>(173,520)</u>	<u>16,532</u>	<u>220,064</u>	<u>236,596</u>
<b>Change in fund net position</b>	<u>\$ 7,880</u>	<u>\$ 406,559</u>	<u>\$ 30,302</u>	<u>\$ 436,861</u>

See independent auditor's report.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL – SOLID WASTE FUND**  
For the Year Ended December 31, 2023

	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis (1)</b>	<b>Budget to GAAP Over (Under)</b>	<b>Actual Amounts GAAP Basis</b>
<b>Revenues</b>				
Solid Waste fees	\$ 923,000	\$ 1,013,231	\$ 22,169	\$ 1,035,400
Miscellaneous	105,000	93,078	-	93,078
<b>Total revenue</b>	<u>1,028,000</u>	<u>1,106,309</u>	<u>22,169</u>	<u>1,128,478</u>
<b>Expenses</b>				
Salaries, wages and benefits	359,500	216,127	127,098	343,225
Materials and supplies	430,000	87,840	(19,289)	68,551
Sundries	1,900	1,905	-	1,905
Contractual	168,935	635,031	(73,615)	561,416
Equipment maintenance	74,500	75,090	-	75,090
Structure maintenance	10,500	3,638	-	3,638
Depreciation	-	-	68,815	68,815
<b>Total expenses</b>	<u>1,045,335</u>	<u>1,019,631</u>	<u>103,009</u>	<u>1,122,640</u>
Revenues in Excess (Deficit) of Expenditures	(17,335)	86,678	(80,840)	5,838
<b>Non-operating Income (Expense)</b>				
Transfers	(75,000)	(37,000)	384,435	347,435
Pension Expense	-	-	(18,252)	(18,252)
Other income	92,335	37,000	-	37,000
Interest	-	3,794	130	3,924
<b>Total non-operating income (expense)</b>	<u>17,335</u>	<u>3,794</u>	<u>366,313</u>	<u>370,107</u>
<b>Change in fund net position</b>	<u>\$ -</u>	<u>\$ 90,472</u>	<u>\$ 285,473</u>	<u>\$ 375,945</u>

See independent auditor's report.

**CITY OF MONTICELLO ENTERPRISE FUNDS  
SCHEDULE OF RATES**

For the Year Ended December 31, 2023

---

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
<b>Residential Water Rates</b>		
First 2,000 gallons	\$ 12.00	\$ 15.75
Each 1,000 gallons after	1.80	2.65
<b>Water Association Rates - 1,000 Gallons</b>		
Each 1,000 gallons	\$ 1.67	
<b>Residential Sewer Rates - Per 1,000 Gallons</b>		
First 2,000 gallons	\$ 9.72	\$ 14.58
Each 1,000 gallons after	2.36	3.54
<b>Residential Trash Rates</b>		
Cart - pickup once per week	\$ 18.00	\$ 18.00
<b>Commercial Trash Rates</b>		
4 yard dumpster - 2x per week	\$ 70.00	\$ 70.00
6 yard dumpster - 1x per week	70.00	70.00
8 yard dumpster - 1x per week	70.00	70.00
* any additional pickup	\$ 25.00	\$ 25.00

See independent auditor's report.

**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
For the Years Ended December 31, 2023 through 2016

	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.032%	0.033%	0.032%	0.032%	0.030%	0.031%	0.032%	0.030%
Proportionate share of the net pension liability	\$ 943,058	\$ 894,864	\$ 246,977	\$ 915,429	\$ 731,637	\$ 687,878	\$ 826,598	\$ 711,371
Covered - employee payroll	\$ 831,232	\$ 826,255	\$ 766,934	\$ 770,571	\$ 665,864	\$ 609,341	\$ 669,135	\$ 614,852
Proportionate share of the net pension liability as percentage of covered - employee payroll	113.45%	108.30%	32.20%	118.80%	109.88%	112.89%	123.53%	115.70%
Plan's fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

See independent auditor's report.



**CITY OF MONTICELLO ENTERPRISE FUNDS**  
**SCHEDULE OF CONTRIBUTIONS**  
For the Years Ended December 31, 2023 through 2016

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 109,883	\$ 106,277	\$ 98,273	\$ 95,559	\$ 88,909	\$ 86,153	\$ 83,594	\$ 78,152
Contributions in relation to the contractually required contribution	\$ (109,883)	\$ (106,277)	\$ (98,273)	\$ (95,559)	\$ (88,909)	\$ (86,153)	\$ (83,594)	\$ (78,152)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered - employee payroll	\$ 831,232	\$ 826,255	\$ 766,934	\$ 770,571	\$ 665,864	\$ 609,341	\$ 669,135	\$ 614,852
Contributions as a percentage of covered - employee payroll	13.22%	12.86%	12.81%	12.40%	13.35%	14.14%	12.49%	12.71%

See independent auditor's report.

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**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 Members of the City Council  
City of Monticello Enterprise Funds

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Monticello Enterprise Funds, (the "Organization"), which comprise the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 31, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 were not identified.

**CITY OF MONTICELLO ENTERPRISE FUNDS  
SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended December 31, 2023

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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*.

**The Organization's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Searcy & Associates, LLC  
Monticello, Arkansas  
December 31, 2024