

**CITY OF MONTICELLO
ENTERPRISE FUNDS**

Financial Statements

Year Ended December 31, 2021

Richard L. Maxwell & Associates, PLLC
Certified Public Accountants
Crossett, Arkansas

CITY OF MONTICELLO ENTERPRISE FUNDS
December 31, 2021

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6
 REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Water Fund.....	11
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Sewer Fund.....	12
Statement of Revenues, Expenses and Changes in Fund balance – Budget and Actual – Solid Waste Fund	13
Schedule of Water and Sewer Rates	14
Summary of Insurance Coverage	15
Report on Compliance with Arkansas State Laws.....	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of City of Monticello Enterprise Funds of the City of Monticello, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the 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 financial position of the City of Monticello Enterprise Funds of the City of Monticello, Arkansas, as of December 31, 2021 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 City of Monticello, Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Monticello Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Monticello, Arkansas, as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Monticello Enterprise Fund'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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

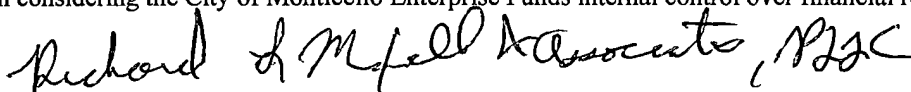
Required Supplementary Information

Management has omitted the management's discussion and analysis that are 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 12 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 September 7, 2023, on our consideration of the City of Monticello Enterprise Funds internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Monticello Enterprise Funds internal control over financial reporting and compliance.



RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
September 7, 2023

CITY OF MONTICELLO ENTERPRISE FUNDS
Statement of Net Position
December 31, 2021

ASSETS	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents (Note 2)	\$2,923,733	\$ 745,258	\$450,149	\$ 4,119,140
Accounts receivable, net	137,123	408,191	79,287	624,600
Total current assets	<u>3,060,856</u>	<u>1,153,449</u>	<u>529,435</u>	<u>4,743,740</u>
Restricted Assets				
Cash and cash equivalents (Notes 2 & 3)	272,694	0	0	272,694
Total restricted assets	<u>272,694</u>	<u>0</u>	<u>0</u>	<u>272,694</u>
Fixed Assets				
Property, plant, and equipment, net (Note 4)	3,919,720	1,214,747	229,733	5,364,200
Land	1,915,610	252,818	0	2,168,428
Total fixed assets	<u>5,835,330</u>	<u>1,467,565</u>	<u>229,733</u>	<u>7,532,628</u>
Noncurrent Assets				
Deferred outflow of resources	9,952	10,512	9,306	29,770
Total noncurrent assets	<u>9,952</u>	<u>10,512</u>	<u>9,306</u>	<u>29,770</u>
Total assets	<u>\$9,178,832</u>	<u>\$2,631,526</u>	<u>\$768,474</u>	<u>\$12,578,832</u>

LIABILITIES and NET ASSETS

Current Liabilities				
Accounts payable	\$ 731,777	\$ (320,915)	\$ 19,912	\$ 430,774
Health Dept Fees	(4,025)	0	0	(4,025)
Accrued payroll	4,882	4,632	3,298	12,812
Accrued retirement	1,664	2,050	1,340	5,054
Accrued paid time off	3,558	4,323	5,613	13,494
Customer deposits	310,466	0	0	310,466
Total current liabilities	<u>1,048,322</u>	<u>(309,910)</u>	<u>30,163</u>	<u>768,575</u>
Long-term Liabilities				
Deferred inflow of resources	162,415	171,552	151,876	485,843
Accrued pension liabilities	87,843	92,785	82,144	262,772
Long-term liabilities	<u>250,258</u>	<u>264,337</u>	<u>234,020</u>	<u>748,615</u>
Net Position				
Net investment in capital assets	5,835,330	1,467,565	229,733	7,532,628
Temporarily restricted	272,694	0	0	272,694
Unrestricted	1,772,228	1,209,534	274,558	3,256,320
Total net position	<u>7,880,252</u>	<u>2,677,099</u>	<u>504,291</u>	<u>11,061,642</u>
Total liabilities and net position	<u>\$9,178,832</u>	<u>\$2,631,526</u>	<u>\$768,474</u>	<u>\$12,578,832</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2021

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues				
Sales	\$1,751,764	\$ 781,618	\$ 870,183	\$ 3,403,565
Charges of services	33,429	0	0	33,429
Other	<u>65,137</u>	<u>3,907</u>	<u>35,181</u>	<u>104,225</u>
Total operating revenue	<u>1,850,330</u>	<u>785,525</u>	<u>905,364</u>	<u>3,541,219</u>
Operating Expenses				
Salaries and employee benefits	612,901	687,783	558,690	1,859,374
Materials and supplies	288,883	50,293	75,906	415,082
Contractual	199,219	103,637	374,644	677,500
Equipment maintenance	46,840	30,827	89,362	167,029
Structural maintenance	49,711	38,380	2,312	90,403
Depreciation and amortization	478,644	118,341	25,781	622,766
Employee benefits	1,949	2,491	1,841	6,281
Other	<u>(4,132)</u>	<u>22,064</u>	<u>2,624</u>	<u>20,556</u>
Total operating expenses	<u>1,674,015</u>	<u>1,053,816</u>	<u>1,131,160</u>	<u>3,858,991</u>
Operating income (loss)	<u>176,315</u>	<u>(268,291)</u>	<u>(225,796)</u>	<u>(317,772)</u>
Non-operating Revenue (Expense)				
Investment income	6,552	1,876	1,647	10,075
Other income	<u>0</u>	<u>3,869</u>	<u>0</u>	<u>3,869</u>
Total non-operating revenue (expense)	<u>6,552</u>	<u>5,745</u>	<u>1,647</u>	<u>13,944</u>
Change in fund net position	182,867	(262,546)	(224,149)	(303,828)
Transfer to other funds	(141,522)	(399)	0	(141,921)
Total fund net position, beginning	<u>7,838,907</u>	<u>2,940,044</u>	<u>728,440</u>	<u>11,507,391</u>
Total fund net position, ending	<u>\$7,880,252</u>	<u>\$2,677,099</u>	<u>\$ 504,291</u>	<u>\$11,061,642</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS

Statement of Cash Flows

Year Ended December 31, 2021

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Cash received from customers	\$1,886,741	\$ 788,439	\$ 906,379	\$ 3,581,559
Payments to suppliers	(280,267)	(356,708)	(570,363)	(1,207,338)
Payments to employees	<u>(619,458)</u>	<u>(435,200)</u>	<u>(336,581)</u>	<u>(1,391,239)</u>
Net cash provided (used) by operating activities:	<u>987,016</u>	<u>(3,469)</u>	<u>(565)</u>	<u>982,982</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on long-term debt	0	0	0	0
Interest paid on long-term debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities				
Investment income	<u>6,552</u>	<u>5,745</u>	<u>1,648</u>	<u>13,945</u>
Net cash provided (used) by investing activities	<u>6,552</u>	<u>5,745</u>	<u>1,648</u>	<u>13,945</u>
Non Cash Financing Activities				
Transfers to other funds	<u>(141,522)</u>	<u>(399)</u>	<u>0</u>	<u>(141,921)</u>
Net increase (decrease) in cash and cash equivalent	852,046	1,877	1,083	855,006
Cash and cash equivalents, January 1, 2020	<u>2,344,381</u>	<u>743,382</u>	<u>449,066</u>	<u>3,536,829</u>
Cash and cash equivalents, December 31, 2021	<u>\$3,196,427</u>	<u>\$ 745,258</u>	<u>\$ 450,149</u>	<u>\$ 4,391,835</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 176,315	\$ (268,291)	\$ (225,796)	\$ (317,772)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	478,644	118,341	25,781	622,766
(Increase) decrease:				
Accounts receivable	6,711	2,914	1,015	10,640
Increase (decrease) in:				
Accounts payable	76,748	(109,016)	(23,673)	(55,941)
Accrued expenses	233,748	252,583	222,108	708,439
Customer deposits	<u>14,850</u>	<u>0</u>	<u>0</u>	<u>14,850</u>
Net cash provided (used) by operating activities	<u>\$ 987,016</u>	<u>\$ (3,469)</u>	<u>\$ (565)</u>	<u>\$ 982,982</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS

Notes to Financial Statements

December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Monticello Enterprise Funds (the System) serves property located within the corporate limits of the City of Monticello (the City) and certain properties outside the city limits.

The financial statements of the System have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The System applies all relevant GASB pronouncements. The System also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the System's accounting policies are described below.

Basis of Accounting

The System is comprised of enterprise funds, which are proprietary fund types. They are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges, issuance of bonds, and long-term debt.

Proprietary fund types are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Cash Equivalents

For the purposes of the statement of cash flows, the System considers all highly liquid assets (including restricted assets, if any) with a maturity of three months or less when purchased to be cash equivalents. Financial position statements are presented according to nearness of conversion to cash and liability according to the maturity and resulting use of cash.

Property, Plant, and Equipment

Additions to the System are recorded at cost or, if contributed property, at estimated fair value at time of contribution. Repairs and maintenance are charged to expense as incurred. Major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the results of operations. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition, over the estimated useful life of the asset. Estimated useful lives are seven to forty years for water and sewer lines and improvements, and five to ten years for equipment and fixtures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allowance for Possible Losses

Accounts receivable are stated at the estimated amount of cash that will be realized, based on the allowance method. Under this method, an estimate is made of the accounts receivable that will eventually prove to be un-collectible. The current year provision to adjust the allowance is charged to bad debt write-off. When specific amounts are written off, they are charged against the allowance for possible losses. It is the city's policy to terminate water service 15 days after the due date. Since billing is one month in arrears the largest exposure to the utility for non-payment is two months service. A \$50 deposit is required to establish service.

CITY OF MONTICELLO ENTERPRISE FUNDS

Notes to Financial Statements

December 31, 2021

Note 2 - Cash and Certificates of Deposit

At December 31, 2021, the balances of the City of Monticello Enterprise Funds' deposits with Union Bank, Monticello, Arkansas, were \$2,554,942. The bank balances were covered up to \$500,000 by federal depository insurance. Cash deposits in excess of federally insured limits were \$2,054,942. Pledged collateral in the amount of \$5,885,768 was held by Union Bank to offset the balances uninsured by FDIC limits. There were no uninsured balances.

At December 31, 2021, the balances of the City of Monticello Enterprise Funds' deposits with Commercial Bank, Monticello, Arkansas, were \$1,785,863. The bank balances were covered up to \$250,276 by federal depository insurance. Cash deposits in excess of federally insured limits were \$1,535,587. Cash deposits in excess of federally insured limits were \$1,535,587. Pledged collateral in the amount of \$11,075,000 was held by the Bank to offset the balances uninsured by FDIC limits. There were no uninsured balances.

At December 31, 2021, the balances of the City of Monticello Enterprise Funds' deposits with Citizens Bank, Monticello, Arkansas, were \$65,000. The bank balances were covered up to \$250,000 by federal depository insurance. There were no uninsured balances at December 31, 2021.

Note 3 - Restricted Assets

At December 31, 2021 restricted assets consisted of amounts held in CD's to compensate for customer water deposits outstanding.

Note 4 - Property, Plant, and Equipment

A summary of changes in property, plant, and equipment for the year ended December 31, 2021 follows:

	<u>City Water</u>	<u>City Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance, Dec. 31, 2020	\$11,817,706	\$ 7,470,428	\$ 1,746,310	\$ 21,034,444
Additions	0	0	0	0
Deletions	0	0	0	0
	<u>11,817,706</u>	<u>7,470,428</u>	<u>1,746,310</u>	<u>21,034,444</u>
Accumulated depreciation	<u>(7,897,986)</u>	<u>(6,255,681)</u>	<u>(1,516,577)</u>	<u>(15,670,244)</u>
	3,919,720	1,214,747	229,733	5,364,200
Land	<u>1,915,610</u>	<u>252,818</u>	0	<u>2,168,428</u>
Balance, Dec. 31, 2021	<u>\$ 5,835,330</u>	<u>\$ 1,467,565</u>	<u>\$ 229,733</u>	<u>\$ 7,532,628</u>

Note 5 - Pension Plan

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 nine 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, and 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.

CITY OF MONTICELLO ENTERPRISE FUNDS

Notes to Financial Statements

December 31, 2021

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 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.

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)0. 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. 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, 2021. 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 \$768,832,303 was measured as of June 30, 2021, 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.

CITY OF MONTICELLO ENTERPRISE FUNDS

Notes to Financial Statements

December 31, 2021

Deferred outflows of resources and deferred inflows of resources related to pensions for The City of Monticello in aggregate are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$24,576	\$ (68,868)
Changes in Proportion and differences between employer contributions and proportionate share of contribution	\$97,078	\$ (24,094)
Changes of assumptions		\$ (7,522)
Net difference between projected and actual earnings on pension plan investments		\$(1,884,904)
Total	<u>\$121,654</u>	<u>\$(1,985,388)</u>

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

<u>2021</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
\$(449,048)	\$(379,795)	\$(462,878)	\$(572,011)	\$0	\$0

Actuarial Assumptions

The total pension liability in the June 30, 2021 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	26 years (7.6 years for District Judges New Plan/Paid off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-ear smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
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 Combined Healthy mortality table,
Average Service Life of All Members	3.9676

CITY OF MONTICELLO ENTERPRISE FUNDS

Notes to Financial Statements

December 31, 2021

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. 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, 2020 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	<u>18%</u>	0.57%
	100%	
Total Real Rate of Return		4.93%
Plus: Price Inflation – Actuary Assumption		<u>2.50%</u>
Net Expected Return		7.43%

Discount Rate

A single discount rate of 7.15% 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 7.15%. 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 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
\$3,212,190	\$1,073,811	\$(692,183)

Note 6 - Subsequent Events

Subsequent events were evaluated through September 7 2023, which is the date the financial statements were available to be issued.

CITY OF MONTICELLO ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Net Fund Position
Budget and Actual – Water Fund
Year Ended December 31, 2021

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis (1)</u>	<u>Budget to GAAP Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
Revenues				
Water fees	\$1,510,000	\$1,758,475	\$ (6,711)	\$1,751,764
Charges for services	30,000	33,429	0	33,429
Interest	15,600	10,779	(4,227)	6,552
Miscellaneous	<u>33,500</u>	<u>65,137</u>	<u>0</u>	<u>65,137</u>
Total revenue	<u>1,589,100</u>	<u>1,867,820</u>	<u>(10,938)</u>	<u>1,856,882</u>
Expenses				
Salaries, wages and benefits	478,350	378,473	236,377	614,850
Materials and supplies	274,500	306,618	(17,735)	288,883
Sundries	0	978	(5,110)	(4,132)
Contractual	255,000	198,496	723	199,219
Equipment maintenance	63,000	47,813	(973)	46,840
Structure maintenance	189,500	48,679	1,032	49,711
Depreciation	<u>0</u>	<u>0</u>	<u>478,644</u>	<u>478,644</u>
Total expenses	<u>1,260,350</u>	<u>981,057</u>	<u>692,958</u>	<u>1,674,015</u>
Revenues in Excess (Deficit) of Expenditures	328,750	886,763	(703,896)	182,867
Non-operating Income (Expense)				
Transfers	(140,000)	(141,522)	0	(141,522)
Interest (expense)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total non-operating income (expense)	<u>(140,000)</u>	<u>(141,522)</u>	<u>0</u>	<u>(141,522)</u>
Change in fund net position	<u>\$ 188,750</u>	<u>\$ 745,241</u>	<u>\$(703,896)</u>	<u>\$ 41,345</u>

(1) The City of Monticello prepares the budget on the cash basis of accounting, including amounts for the purchase of capital assets.

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual – Sewer Fund
Year Ended December 31, 2021

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis (1)</u>	<u>Budget to GAAP Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
Revenues				
Sewer fees	\$733,000	\$784,532	\$ (2,914)	\$ 781,618
Interest	10,400	3,745	(1,869)	1,876
Other	<u>1,500</u>	<u>7,776</u>	<u>0</u>	<u>7,776</u>
Total revenue	<u>744,900</u>	<u>796,053</u>	<u>(4,783)</u>	<u>791,270</u>
Expenses				
Salaries, wages and benefits	435,675	437,763	252,511	690,274
Materials and supplies	68,000	51,406	(1,113)	50,293
Sundries	0	22,147	(83)	22,064
Contractual	142,500	104,012	(375)	103,637
Equipment maintenance	30,000	35,404	(4,577)	30,827
Structure maintenance	101,000	39,770	(1,390)	38,380
Depreciation	<u>0</u>	<u>0</u>	<u>118,341</u>	<u>118,341</u>
Total expenses	<u>777,175</u>	<u>690,502</u>	<u>363,314</u>	<u>1,053,816</u>
Revenues in Excess (Deficit) of Expenditures	<u>(32,275)</u>	<u>105,551</u>	<u>368,097</u>	<u>(262,546)</u>
Non-operating Income (Expense)				
Transfers	0	(399)	0	(399)
Change in fund net position	<u>\$ (32,275)</u>	<u>\$105,152</u>	<u>\$368,097</u>	<u>\$ (262,945)</u>

(1) The City of Monticello prepares the budget on the cash basis of accounting, including amounts for the purchase of capital assets.

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual – Solid Waste Fund
Year Ended December 31, 2021

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis (1)</u>	<u>Budget to GAAP Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
Revenues				
Solid Waste fees	\$840,000	\$871,199	\$ (1,016)	\$ 870,183
Interest	9,850	1,647	0	1,647
Miscellaneous	<u>35,450</u>	<u>35,181</u>	<u>0</u>	<u>35,181</u>
Total revenue	<u>885,300</u>	<u>908,027</u>	<u>(1,016)</u>	<u>907,011</u>
Expenses				
Salaries, wages and benefits	365,900	338,422	222,109	560,531
Materials and supplies	365,915	76,799	(893)	75,906
Sundries	0	10,182	(7,558)	2,624
Contractual	42,735	390,449	(15,805)	374,644
Equipment maintenance	96,500	84,268	5,094	89,362
Structure maintenance	13,000	3,969	(1,657)	2,312
Depreciation	<u>0</u>	<u>0</u>	<u>25,781</u>	<u>25,781</u>
Total expenses	<u>884,050</u>	<u>904,089</u>	<u>227,071</u>	<u>1,131,160</u>
Revenues in Excess (Deficit) of Expenditures	<u>1,250</u>	<u>3,938</u>	<u>(228,087)</u>	<u>(224,149)</u>
Change in fund net position	<u>\$ 1,250</u>	<u>\$ 3,938</u>	<u>\$(228,087)</u>	<u>\$ (224,149)</u>

(1) The City of Monticello prepares the budget on the cash basis of accounting, including amounts for the purchase of capital assets.

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS
Schedule of Water and Sewer Rates
Year Ended December 31, 2021

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Residential Water Rates		
First 2,000 gallons	\$12.00	\$15.75
Next 3,000 gallons	1.80	2.65
Next 15,000 gallons	1.80	2.65
Next 80,000 gallons	1.80	2.65
Next 200,000 gallons	1.80	2.65
Greater than 300,000 gallons	1.80	2.65
Water Association Rates - Per 1,000 Gallons		
First 650,000 gallons		1.67
Next 200,000 gallons		1.67
Next 150,000 gallons		1.67
Greater than 1,000,000 gallons		1.67
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Residential Sewer Rates - Per 1,000 Gallons		
First 2,000 gallons	\$7.25	\$9.88
Next 18,000 gallons	1.76	2.64
Next 280,000 gallons	1.76	2.64
Greater than 300,000 gallons	1.76	2.64

See accompanying notes to financial statements and independent auditors' report.

CITY OF MONTICELLO ENTERPRISE FUNDS

Summary of Insurance Coverage

Proprietary Funds

December 31, 2021

Insurance Coverage

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

The City participates in the Arkansas Municipal League's public entity risk pool for coverage in the following areas:

Municipal Property Program – The intent of the Municipal Property Program (the “Property Program”) is to cover insurable property and equipment, exclusive of motor vehicles and water vessels, which belongs to or is in the care, custody, or control of a participating municipality and for which coverage has been applied and accepted by the Property Program.

For the purpose of this coverage, property will be valued at the full cost to repair or replace the property, after deduction for depreciation, or as agreed to by the participating municipality and the Property Program. The limit of the Property Program's liability for loss shall not exceed either: (1) the actual cash value of the property, or if the loss is of a part thereof, the actual cash value of such part at the time of loss, or (2) what it would then cost to repair or replace the property or such part thereof with other of like kind and quality with deduction for depreciation, or (3) the applicable limit of liability stated on the enumeration schedule, or (4) twenty-five percent (25%) of the Property Program's available funds at the time of settlement, except where the Property Program has made additional coverage available.

In the event indemnity for loss is payable to the participating municipality, the amount paid will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000.

Municipal Vehicle Program – The intent of the Municipal Vehicle Program Part II (the “Vehicle Program”) is to cover motor vehicles and permanently attached equipment which are the property of the participating municipality or agency and any other equipment for which coverage has been applied for and accepted by the Vehicle Program.

For the purpose of this coverage, property will be valued at the full cost to repair or replace the property after deduction for depreciation. The limit of the Vehicle Program's liability for loss of property shall not exceed either: (1) the actual cash value of the property, or if the loss is of a part thereof, the actual cash value of such part at the time of loss, or (2) what it would then cost to repair or replace the property of such part thereof with other of like kind and quality with deduction for depreciation, or (3) the applicable limit of liability stated on the enumeration schedule.

The limit of payment by the Vehicle Program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident and subject to said limit for one person, \$50,000 because of bodily injury to or death of two or more persons in any one accident, and \$25,000 because of injury to or destruction of property of others in any one accident.

In the event indemnity for loss is payable to the participating municipality, the amount paid will be reduced by deductible amount. The deductible amount is \$1,000 per occurrence.

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Report on Compliance with Arkansas State Laws

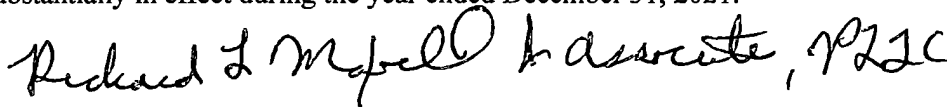
Members of the City Council
City of Monticello Enterprise Funds
Monticello, Arkansas

We have audited the accompanying financial statements of the business-type activities of the City of Monticello Enterprise Funds of Monticello, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated December 15, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The management of the City of Monticello Enterprise Funds of Monticello, Arkansas, is responsible for the City's compliance with Arkansas state laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the City's compliance with state laws and regulations including statutes amended by Act 15 of 1985, noncompliance with which could have a material effect on the financial statements of the City of Monticello, Arkansas. Arkansas statutes considered in our tests included, but were not limited to, the following:

A.C.A.	22-9-202 - 22-9-204	Improvement contracts over \$10,000
A.C.A.	14-58-201 - 14-58-203	Budget, purchases over \$20,000; payment of
	14-58-301 - 14-58-303	Claims, etc.
A.C.A.	19-1-501 - 19-1-504	Investments of Public Funds
A.C.A.	19-8-101 - 19-8-107	Deposit of Public Funds

Our review indicated that the controls and procedures required by the above listed statutes were substantially in effect during the year ended December 31, 2021.



RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
September 7, 2023

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**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***

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

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 the City of Monticello Enterprise Funds as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Monticello Enterprise Funds basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monticello Enterprise Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monticello Enterprise Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monticello Enterprise Funds' 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.

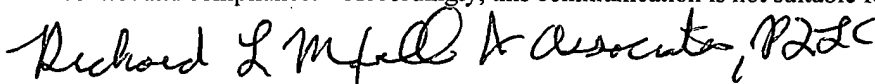
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monticello Enterprise Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



RICHARD L. MAXWELL & ASSOCIATES, PLLC
Certified Public Accountants

Crossett, Arkansas
September 7, 2023