

City of Alma, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF ALMA, ARKANSAS
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Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Alma, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Alma, Arkansas, as of December 31, 2020, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Alma, Arkansas, as of December 31, 2020, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, 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 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's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
April 28, 2022
LOM100120

Arkansas

Sen. Ronald Caldwell
Senate Chair

Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair

Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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*

INDEPENDENT AUDITOR'S REPORT

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

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 accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Alma, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2022. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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*.

We also reported to management of the City in a separate letter dated April 28, 2022.

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 result 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. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Marti Steel". The signature is written in a cursive, flowing style.

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 28, 2022

Arkansas

Sen. Ronald Caldwell
Senate Chair

Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack

House Chair

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2020:

Mayor: Jerry Martin
Clerk/Treasurer: Wayne Beck (retired September 30, 2020)
Shawwna Reynolds (appointed October 1, 2020)
District Court Clerk: Chelsea Shepard (resigned September 4, 2020)
Melissa Gregory (appointed September 7, 2020)
Police Chief: Jeff Pointer

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

Clerk/Treasurer

A fixed asset listing was provided; however, the listing did not include all additions and deletions, in noncompliance with Ark. Code Ann. § 14-59-107. A similar finding was issued in the prior report.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Marti Steel".

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 28, 2022

CITY OF ALMA, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2020

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 886,551	\$ 1,450,913	\$ 2,778,079
Investments			789,380
Accounts receivable	158,051	197,750	201,122
Interfund receivables		126,868	
TOTAL ASSETS	<u>\$ 1,044,602</u>	<u>\$ 1,775,531</u>	<u>\$ 3,768,581</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 46,777	\$ 412,357	\$ 9,217
Interfund payables	126,868		
Settlements pending			34,356
Total Liabilities	<u>173,645</u>	<u>412,357</u>	<u>43,573</u>
Fund Balances:			
Restricted		1,363,174	3,725,008
Committed	110,833		
Assigned	84,713		
Unassigned	675,411		
Total Fund Balances	<u>870,957</u>	<u>1,363,174</u>	<u>3,725,008</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,044,602</u>	<u>\$ 1,775,531</u>	<u>\$ 3,768,581</u>

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

CITY OF ALMA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 194,571	\$ 840,610	\$ 30,892
Federal aid	214,689		
Property taxes	216,106	104,567	27,885
Franchise fees	233,202		
Sales taxes	1,489,812	279,177	2,002,216
Fines, forfeitures, and costs	147,283		3,916
Interest	10,400	24,613	72,926
Local permits and fees	38,795		
Sanitation fees	289,605		
Advertising and promotion taxes			240,995
Park fees	2,150		
School resource officer program	191,697		
Net increase/(decrease) in fair value of investments			101,502
Other	18,448	312	
TOTAL REVENUES	3,046,758	1,249,279	2,480,332
EXPENDITURES			
Current:			
General government	472,937		
Law enforcement	1,627,585		5,930
Highways and streets		981,850	2,399,946
Public safety	177,160		87,023
Sanitation	195,318		
Recreation and culture	287,605		195,256
Social services	10,083		
Advertising and promotion			57,938
Total Current	2,770,688	981,850	2,746,093
Debt Service:			
Bond principal			1,525,000
Bond interest and other charges			394,228
TOTAL EXPENDITURES	2,770,688	981,850	4,665,321

CITY OF ALMA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 276,070</u>	<u>\$ 267,429</u>	<u>\$ (2,184,989)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			86
Transfers out			<u>(86)</u>
TOTAL OTHER FINANCING SOURCES (USES)			<u>0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	276,070	267,429	(2,184,989)
FUND BALANCES - JANUARY 1	<u>594,887</u>	<u>1,095,745</u>	<u>5,909,997</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 870,957</u></u>	<u><u>\$ 1,363,174</u></u>	<u><u>\$ 3,725,008</u></u>

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

CITY OF ALMA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 137,000	\$ 194,571	\$ 57,571	\$ 379,766	\$ 840,610	\$ 460,844
Federal aid		214,689	214,689			
Property taxes	201,000	216,106	15,106	95,252	104,567	9,315
Franchise fees	264,000	233,202	(30,798)			
Sales taxes	1,340,898	1,489,812	148,914	188,712	279,177	90,465
Fines, forfeitures, and costs	291,000	147,283	(143,717)			
Interest	8,800	10,400	1,600	16,001	24,613	8,612
Local permits and fees	713,000	38,795	(674,205)			
Sanitation fees		289,605	289,605			
Park fees	272,000	2,150	(269,850)			
School resource officer program		191,697	191,697			
Other	15,600	18,448	2,848		312	312
TOTAL REVENUES	3,243,298	3,046,758	(196,540)	679,731	1,249,279	569,548
EXPENDITURES						
Current:						
General government	706,050	472,937	233,113			
Law enforcement	1,767,265	1,627,585	139,680			
Highways and streets				1,034,876	981,850	53,026
Public safety	127,145	177,160	(50,015)			
Sanitation		195,318	(195,318)			
Recreation and culture	816,625	287,605	529,020			
Social services	12,000	10,083	1,917			
TOTAL EXPENDITURES	3,429,085	2,770,688	658,397	1,034,876	981,850	53,026
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(185,787)	276,070	461,857	(355,145)	267,429	622,574
FUND BALANCES - JANUARY 1	(245,103)	594,887	839,990	972,832	1,095,745	122,913
FUND BALANCES - DECEMBER 31	\$ (430,890)	\$ 870,957	\$ 1,301,847	\$ 617,687	\$ 1,363,174	\$ 745,487

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

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund reported with other funds in the aggregate.

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

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

Settlements Pending

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

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications

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

E. Property Taxes

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

F. Budget Law

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

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

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

Basis of Accounting

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

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures

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

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

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 942,315	\$ 943,684
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	3,711,198	3,799,061
Uncollateralized	461,319	461,319
Total Deposits	<u>\$ 5,114,832</u>	<u>\$ 5,204,064</u>

The above total deposits do not include cash on hand of \$711.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$461,319 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3: Legal or Contractual Provisions for Deposits and Investments (Continued)

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2020 Fair Value
Trust- Firemen's Pension	\$ 789,380

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

<u>December 31, 2020</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	\$ 789,380

The fair value of mutual funds is measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2020, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid		\$ 171,565	
Franchise fees	\$ 20,896		
Sales taxes	127,611	26,185	\$ 173,039
Fines, forfeitures, and costs	9,544		171
Advertising and promotion taxes			27,912
Totals	<u>\$ 158,051</u>	<u>\$ 197,750</u>	<u>\$ 201,122</u>

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2020, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 46,777</u>	<u>\$ 412,357</u>	<u>\$ 9,217</u>

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivables	Interfund Payables
General Fund		\$ 126,868
Street Fund	\$ 126,868	
Totals	<u>\$ 126,868</u>	<u>\$ 126,868</u>

Interfund receivables and payables consist of errors in depositing restricted revenues. These balances were repaid in 2021.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2020, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 11,927
Highways and streets		\$ 1,363,174	
Public safety			152,913
Advertising and promotion			638,507
Pension benefits			832,203
Capital outlay			220,495
Debt service			1,868,963
Total Restricted		<u>1,363,174</u>	<u>3,725,008</u>
Committed for:			
Public safety	<u>\$ 110,833</u>		
Assigned to:			
Recreation and culture	<u>84,713</u>		
Unassigned	<u>675,411</u>		
Totals	<u>\$ 870,957</u>	<u>\$ 1,363,174</u>	<u>\$ 3,725,008</u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$14,201,047. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$3,692,323. There were no short-term financing obligations.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments

Total commitments consist of the following at December 31, 2020:

	December 31, 2020
Long-term liabilities	\$ 11,476,435
Construction contracts	459,774
Total Commitments	<u>\$ 11,936,209</u>

Long-term liabilities

Long-term liabilities at December 31, 2020, are comprised of the following:

	December 31, 2020
<u>Bonds</u>	
Hotel and Restaurant Gross Receipts Tax Refunding Bond for Swimming pool and park improvements, dated November 1, 2004, principal amount of \$900,000, due in 18 annual installments of \$35,000-\$75,000 beginning December 1, 2007 through December 1, 2024. Interest at 4.30%, which is due semi-annually beginning June 1, 2005. Payments to be made from the Hotel and Restaurant Gross Receipts Tax Refunding Bond Debt Service Fund.	\$ 260,000
Sales and Use Tax Refunding Bond - Series 2010 for refunding the Sales and Use Tax Bond - 2005 for street improvements, dated November 1, 2010, principal amount of \$3,010,000, due in 15 annual payments of \$20,000 - \$265,000 from August 1, 2011 through August 1, 2025. Interest from 2.00% - 3.95%, which is due semi-annually. Payments to be made from the Sales and Use Tax Bond Series 2010 Debt Service Fund.	1,215,000
Sales and Use Tax Refunding and Improvement Bond - Series 2014 for refunding the 2012 3.75% Capital Improvement Refunding and Improvement Revenue Bond, dated November 1, 2014, principal amount of \$5,550,000, due in semi-annual installments of \$105,000 - \$355,000 plus interest through November 1, 2028. Interest from 1.00% - 3.125%. Payments to be made from the Sales and Use Tax Refunding and Improvements Bond Series 2014 Debt Service Fund.	1,940,000
Sales and Use Tax Bond - Series 2015 for the purpose of capital improvements, dated January 1, 2015, principal amount of \$1,455,000, due in semi-annual installments of \$35,000 - \$75,000 plus interest through November 1, 2027. Interest from 2.875% - 3.050%. Payments to be made from the Sales and Use Tax Capital Improvements Bond Series 2015 Debt Service Fund.	465,000
Sales and Use Tax Bond - Series 2016 for financing the cost of capital improvements, dated November 1, 2016, principal amount of \$4,940,000, due in annual installments of \$200,000 - \$295,000 plus interest due semi-annually through November 1, 2032. Interest from 2.0% - 2.5%. Payments to be made from the Sales and Use Tax Capital Improvements Bond Series 2016 Debt Service Fund.	2,580,000
Sales and Use Tax Bond - Series 2017 for financing the cost of capital improvements, dated September 26, 2017, principal amount of \$5,100,000, due in 20 annual installments of \$55,000 - \$465,000 plus interest through August 1, 2037. Interest from 1.75% - 3.5%. Payments to be made from the Sales and Use Tax Capital Improvement Bond Series 2017 Debt Service Fund.	4,945,000
Total Bonds	<u>11,405,000</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	71,435
Total Long-term liabilities	<u>\$ 11,476,435</u>

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

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding bonds payable of \$11,405,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% and 25% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

Compensated Absences

Compensated absences do vest or accumulate.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Bonds</u>					
11/1/04	12/1/24	4.30%	\$ 900,000	\$ 260,000	\$ 640,000
11/1/10	8/1/25	2-3.95%	3,010,000	1,215,000	1,795,000
11/1/14	11/1/28	1-3.125%	5,550,000	1,940,000	3,610,000
1/1/15	11/1/27	2.875-3.05%	1,455,000	465,000	990,000
11/1/16	11/1/32	2-2.5%	4,940,000	2,580,000	2,360,000
9/26/17	8/1/37	1.75-3.5%	5,100,000	4,945,000	155,000
Total Long-Term Debt			<u>\$ 20,955,000</u>	<u>\$ 11,405,000</u>	<u>\$ 9,550,000</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
Bonds payable	<u>\$ 12,930,000</u>	<u>\$ 0</u>	<u>\$ 1,525,000</u>	<u>\$ 11,405,000</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2020:

Years Ending December 31,	Bonds		
	Principal	Interest	Total
2021	\$ 1,875,000	\$ 337,892	\$ 2,212,892
2022	885,000	292,720	1,177,720
2023	915,000	267,674	1,182,674
2024	940,000	241,419	1,181,419
2025	900,000	213,329	1,113,329
2026 through 2030	2,940,000	733,635	3,673,635
2031 through 2035	2,035,000	375,600	2,410,600
2036 through 2037	915,000	48,300	963,300
Totals	<u>\$ 11,405,000</u>	<u>\$ 2,510,569</u>	<u>\$ 13,915,569</u>

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2020:

<u>Project Name</u>	<u>Completed Date</u>	<u>Contract Balance December 31, 2020</u>
2020 Alma Sidewalk Improvements	June 2, 2021	\$ 459,774

NOTE 11: Advertising and Promotion Pledge

On April 7, 2015, the Alma Advertising and Promotion Commission pledged to pay \$10,000 per year for the next ten years to the Alma Education and Arts Foundation for the installation of artificial turf at the Alma High School football stadium. The payments are to be made from the Advertising and Promotion Fund.

NOTE 12: Interfund Transfers

Within Other Funds in the Aggregate, the City transferred \$86 from the 2016 Sales and Use Tax – Street Improvement, Firefighting Project, and Streetscape Capital Projects Fund to the Sales and Use Tax Bond- Series 2016 Debt Service Fund for debt service requirements.

NOTE 13: Pledged Revenues

Sales Tax

The City pledged future one half cent sales and use taxes to repay \$3,010,000 in bonds that were issued in 2010 to refund bonds issued in 2005 to provide funding for improvements to the City's streets. Total principal and interest remaining on the bonds are \$1,215,000 and \$142,980, respectively, payable through August 1, 2025. For 2020, principal payments paid were \$220,000 and interest and service fee payments paid were \$56,287. The Debt Service Fund received \$268,331 in sales taxes in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose.

The City pledged future 1% sales and use taxes to repay \$5,550,000 in bonds that were issued in 2014 to refund bonds issued in 2012 to provide funding for improvements to the Police Department, Fire Department, Parks and Recreation Department, and Street Department. Total principal and interest remaining on the bonds are \$1,940,000 and \$172,756, respectively, payable through November 1, 2028. For 2020, principal payments paid were \$465,000 and interest and service fee payments paid were \$68,370. The Debt Service Fund received \$593,162 in sales taxes in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used to redeem bonds prior to maturity.

The City pledged future 1% sales and use taxes to repay \$1,455,000 in bonds that were issued in 2015 for the purpose of financing all or a portion of the cost of capital improvements related to Street Projects. The pledge of revenues is on parity with the pledge of pledged revenues in favor of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2014. Total principal and interest remaining on the bonds are \$465,000 and \$42,619, respectively, payable through November 1, 2027. For 2020, principal payments paid were \$130,000 and interest and service fees paid were \$20,175. The Debt Service Fund received \$152,093 in sales taxes in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used to redeem bonds prior to maturity.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13: Pledged Revenues (Continued)

The City pledged future 1% sales and use taxes to repay \$4,940,000 in bonds that were issued in 2016 for the purpose of financing all or a portion of the cost related to the Fire Department, Street Department, and Streetscape Project. The pledge of revenues is on parity with the pledge of pledged revenues in favor of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2014 and 2015. Total principal and interest remaining on the bonds are \$2,580,000 and \$243,350, respectively, payable through November 1, 2032. For 2020, principal payments paid were \$605,000 and interest and service fee payments paid were \$72,801. The Debt Service Fund received \$775,674 in sales taxes in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used to redeem bonds prior to maturity.

The City pledged future 1% sales and use taxes to repay \$5,100,000 in bonds that were issued in 2017 for the purpose of financing all or a portion of the cost of capital improvements related to Street and Drainage Projects. The pledge of revenues is on parity with the pledge of pledged revenues in favor of the City's Sales and Use Tax Refunding Bonds, Series 2010. Total principal and interest remaining on the bonds are \$4,945,000 and \$1,880,269, respectively, payable through August 1, 2037. For 2020, principal payments paid were \$50,000 and interest and service fee payments paid were \$162,956. The Debt Service Fund received \$212,956 in sales taxes in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose.

Hotel and Restaurant Gross Receipts Tax

The City pledged future 1% Hotel and Restaurant Gross Receipts taxes to repay \$900,000 in bonds that were issued in 2004 to refund bonds that were issued in 1999 to provide funding for improvements to the City's swimming pool and related park facilities. Total principal and interest remaining on the bonds are \$260,000 and \$28,595, respectively, payable through December 1, 2024. For 2020, principal payments paid were \$55,000 and interest and service fees payments paid were \$13,545. Revenues received from the pledged tax for 2020 were \$240,995. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose approved by the City Advertising and Promotion Commission.

NOTE 14: Jointly Governed Organizations

West River Valley Solid Waste Management District

Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Scott, and Yell Counties, and the Cities of Van Buren, Ozark, Atkins, Booneville, Alma, Clarksville, Russellville, Paris, Charleston, Morrilton, Waldron, and Dardanelle entered into an agreement in 1991 to form the West River Valley Solid Waste Management District in accordance with Ark. Code Ann. § 8-6-708. The City did not provide any funding for the District. Separate financial statements may be obtained at: 24087 Highway 164, Clarksville, AR 72830.

Twelfth Judicial District Drug Task Force

The Prosecuting Attorneys of the Twelfth Judicial District and the Twenty-First Judicial District, the Sebastian and Crawford County Sheriffs' Departments, and the Police Departments of Fort Smith, Alma, Greenwood, and Barling entered into an agreement to establish the Twelfth Judicial District Drug Task Force. Funding is provided by grants and Prosecuting Attorney's Offices, local sheriffs' departments, and local police departments. The City has not provided any funding to the Twelfth Judicial District Drug Task Force. Separate financial statements for the Twelfth Judicial District Drug Task Force are available at: 901 South B Street, Fort Smith, AR 72901.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15: Interlocal Agreement – Regional Crisis Stabilization Unit

The City entered into an interlocal agreement dated August 16, 2018, with the counties and cities in the Sebastian County mental health catchment area, including Sebastian, Crawford, Franklin, Logan, Scott, and Polk Counties and all incorporated cities in these counties, concerning the operations of the Sebastian County Regional Crisis Stabilization Unit. This program will be utilized by the counties and cities to divert people who are experiencing a mental health crisis from jail to get the treatment they need, as determined by the medical service provider who is trained to recognize and treat behavioral-health issues. The program shall be maintained by the Sebastian County Judge. State funding of \$1.6 million annually has been allocated for Sebastian County to operate the crisis stabilization unit based upon daily billable services to each individual treated and subject to Medicaid reimbursements and other patient insurance. Sebastian County will initially pay all expenses incurred for operations and management of the program. The counties and cities will participate in a cost sharing agreement based on the cost per day for services for each patient, which will be determined by actual operations expenses. The cost sharing will equitably allocate the unreimbursed cost to each governmental entity participating in the program, after consideration of grant funding and allowable insurance reimbursements. The cost sharing agreement will be based upon the collection of actual operations data in the first year of service, and each year thereafter, as appropriate for annual adjustment. In addition, to defray maintenance and operation costs the counties and cities agree to pay a daily rate of \$5 for services provided each day of care, for the length of stay. Sebastian County had planned to send a monthly itemized bill to each county and city, beginning August 1, 2018, to receive reimbursement for each county's and city's equitable share of expenses. However, Sebastian County has not billed the counties or cities for costs as of April 28, 2022.

NOTE 16: Risk Management

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

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

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

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 16: Risk Management (Continued)

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$7,500, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

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

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

NOTE 17: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$30,184 for the year ended December 31, 2020. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2020 actuarial valuation, the plan has a net pension asset of \$28,186.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

**NOTE 18: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$2,033 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$17,842 for the year ended December 31, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$130,908.

NOTE 19: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$199,829 for the year ended June 30, 2020.

CITY OF ALMA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 19: Arkansas Public Employees Retirement System (Continued)

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$1,914,317.

NOTE 20: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). On December 14, 2020, the City Received \$214,689 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. On July 22, 2021, the City received \$605,869 in federal aid from the American Rescue Plan Act of 2021. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

CITY OF ALMA, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2020

Schedule 1

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS		
	Advertising and Promotion	Asset Forfeiture (Police ESA)	Fire Equipment and Training (Act 833)	District Court Automation	2014 Sales and Use Tax - Park and Recreation, Police, Firefighting, and Parking Improvements	2017 Sales and Use Tax - Street and Drainage Improvements	Hotel and Restaurant Gross Receipts Tax Refunding Bond
ASSETS							
Cash and cash equivalents	\$ 610,595	\$ 5,492	\$ 152,913	\$ 6,289	\$ 215,482	\$ 14,205	\$ 30,707
Investments							
Accounts receivable	27,912			171			
TOTAL ASSETS	\$ 638,507	\$ 5,492	\$ 152,913	\$ 6,460	\$ 215,482	\$ 14,205	\$ 30,707
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable				\$ 25		\$ 9,192	
Settlements pending							
Total Liabilities				25		9,192	
Fund Balances:							
Restricted	\$ 638,507	\$ 5,492	\$ 152,913	6,435	\$ 215,482	5,013	\$ 30,707
TOTAL LIABILITIES AND FUND BALANCES	\$ 638,507	\$ 5,492	\$ 152,913	\$ 6,460	\$ 215,482	\$ 14,205	\$ 30,707

CITY OF ALMA, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2020

Schedule 1

	DEBT SERVICE FUNDS				TRUST FUND	CUSTODIAL FUNDS		
	Sales and Use Tax Bond - Series 2010 Street Improvements	Sales and Use Tax Refunding and Improvement Bond - Series 2014	Sales and Use Tax Bond Street Project Improvements - Series 2015	Sales and Use Tax Bond - Series 2016	Firemen's Pension and Relief	Administration of Justice	Police Bond and Fine	Totals
ASSETS								
Cash and cash equivalents	\$ 447,114	\$ 522,420	\$ 136,313	\$ 559,370	\$ 42,823	\$ 2,575	\$ 31,781	\$ 2,778,079
Investments					789,380			789,380
Accounts receivable	40,224	51,798	13,281	67,736				201,122
TOTAL ASSETS	\$ 487,338	\$ 574,218	\$ 149,594	\$ 627,106	\$ 832,203	\$ 2,575	\$ 31,781	\$ 3,768,581
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								\$ 9,217
Settlements pending						\$ 2,575	\$ 31,781	34,356
Total Liabilities						2,575	31,781	43,573
Fund Balances:								
Restricted	\$ 487,338	\$ 574,218	\$ 149,594	\$ 627,106	\$ 832,203			3,725,008
TOTAL LIABILITIES AND FUND BALANCES	\$ 487,338	\$ 574,218	\$ 149,594	\$ 627,106	\$ 832,203	\$ 2,575	\$ 31,781	\$ 3,768,581

CITY OF ALMA, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS		
	Advertising and Promotion	Asset Forfeiture (Police ESA)	Fire Equipment and Training (Act 833)	District Court Automation	2014 Sales and Use Tax - Park and Recreation, Police, Firefighting, and Parking Improvements	2016 Sales and Use Tax - Street Improvement, Firefighting Project, and Streetscape Project	2017 Sales and Use Tax - Street and Drainage Improvements
REVENUES							
State aid			\$ 26,895				
Property taxes							
Sales taxes							
Fines, forfeitures, and costs				\$ 3,916			
Interest	\$ 11,231	\$ 109	2,649	140	\$ 2,968	\$ 5,545	\$ 5,774
Advertising and promotion taxes	240,995						
Net increase/(decrease) in fair value of investments							
TOTAL REVENUES	252,226	109	29,544	4,056	2,968	5,545	5,774
EXPENDITURES							
Current:							
Law enforcement				5,930			
Highways and streets					143,683	1,137,929	1,118,334
Public safety							
Recreation and culture					195,256		
Advertising and promotion	57,938						
Total Current	57,938			5,930	338,939	1,137,929	1,118,334
Debt Service:							
Bond principal	55,000						
Bond interest and other charges	13,545						
TOTAL EXPENDITURES	126,483			5,930	338,939	1,137,929	1,118,334
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,743	109	29,544	(1,874)	(335,971)	(1,132,384)	(1,112,560)
OTHER FINANCING SOURCES (USES)							
Transfers in							
Transfers out						(86)	
TOTAL OTHER FINANCING SOURCES (USES)						(86)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	125,743	109	29,544	(1,874)	(335,971)	(1,132,470)	(1,112,560)
FUND BALANCES - JANUARY 1	512,764	5,383	123,369	8,309	551,453	1,132,470	1,117,573
FUND BALANCES - DECEMBER 31	\$ 638,507	\$ 5,492	\$ 152,913	\$ 6,435	\$ 215,482	\$ 0	\$ 5,013

CITY OF ALMA, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

	DEBT SERVICE FUNDS						TRUST FUND	
	Hotel and Restaurant Gross Receipts Tax Refunding Bond	Sales and Use Tax Bond - Series 2010 Street Improvements	Sales and Use Tax Refunding and Improvement Bond - Series 2014	Sales and Use Tax Bond Street Project Improvements - Series 2015	Sales and Use Tax Bond - Series 2016	Sales and Use Tax Bond - Series 2017	Firemen's Pension and Relief	Totals
REVENUES								
State aid							\$ 3,997	\$ 30,892
Property taxes							27,885	27,885
Sales taxes		\$ 268,331	\$ 593,162	\$ 152,093	\$ 775,674	\$ 212,956		2,002,216
Fines, forfeitures, and costs								3,916
Interest	\$ 55	1,556	2,758	772	2,775		36,594	72,926
Advertising and promotion taxes								240,995
Net increase/(decrease) in fair value of investments							101,502	101,502
TOTAL REVENUES	55	269,887	595,920	152,865	778,449	212,956	169,978	2,480,332
EXPENDITURES								
Current:								
Law enforcement								5,930
Highways and streets								2,399,946
Public safety							87,023	87,023
Recreation and culture								195,256
Advertising and promotion								57,938
Total Current							87,023	2,746,093
Debt Service:								
Bond principal		220,000	465,000	130,000	605,000	50,000		1,525,000
Bond interest and other charges	94	56,287	68,370	20,175	72,801	162,956		394,228
TOTAL EXPENDITURES	94	276,287	533,370	150,175	677,801	212,956	87,023	4,665,321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39)	(6,400)	62,550	2,690	100,648		82,955	(2,184,989)
OTHER FINANCING SOURCES (USES)								
Transfers in					86			86
Transfers out								(86)
TOTAL OTHER FINANCING SOURCES (USES)					86			0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(39)	(6,400)	62,550	2,690	100,734		82,955	(2,184,989)
FUND BALANCES - JANUARY 1	30,746	493,738	511,668	146,904	526,372		749,248	5,909,997
FUND BALANCES - DECEMBER 31	\$ 30,707	\$ 487,338	\$ 574,218	\$ 149,594	\$ 627,106	\$ 0	\$ 832,203	\$ 3,725,008

CITY OF ALMA, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2020

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

<u>Fund Name</u>	<u>Fund Description</u>
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Asset Forfeiture (Police ESA)	Ark. Code. Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
2014 Sales and Use Tax - Park and Recreation, Police, Firefighting, and Parking Improvements	Alma Ordinance no. 2014-13 (October 16, 2014) authorized the issuance of sales and use tax refunding and improvement bonds, Series 2014 for the purpose of financing and refinancing the cost of capital improvements; pledging collections of a one percent sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
2016 Sales and Use Tax - Street Improvement, Firefighting Project, and Streetscape Project	Alma Ordinance no. 2016-8 (September 15, 2016) authorized the issuance of sales and use tax bond, Series 2016 for the purpose of financing the costs of capital improvements; pledging collections of a one percent sales and use tax to pay the principal and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
2017 Sales and Use Tax - Street and Drainage Improvements	Alma Ordinance no. 2017-19 (August 17, 2017) authorized the issuance of sales and use tax bond, Series 2017 for the purpose of financing the costs of capital improvements; pledging collections of a one percent sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Hotel and Restaurant Gross Receipts Tax Refunding Bond	Alma Ordinance no. 2004-09 (September 16, 2004) authorized this fund for the payment of principal of and interest on the bonds as they become due at maturity or at redemption prior to maturity.

CITY OF ALMA, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2020

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

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Bond - Series 2010 Street Improvements	Alma Ordinance no. 2010-11 (October 7, 2010) authorized the issuance of sales and use tax refunding bonds, Series 2010 for the purpose of refunding sales and use tax bond, Series 2005, and for the payment of principal of and interest on bonds as they become due at maturity or at redemption prior to maturity and other matters relating thereto.
Sales and Use Tax Refunding and Improvement Bond - Series 2014	Alma Ordinance no. 2014-13 (October 16, 2014) authorized the issuance of sales and use tax refunding and improvement bonds, Series 2014 for the purpose of financing and refinancing the cost of capital improvements; pledging collections of a one percent sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Sales and Use Tax Bond Street Project Improvements - Series 2015	Alma Ordinance no. 2014-17 (November 20, 2014) authorized the issuance of sales and use tax refunding and improvement bonds, Series 2015 for the purpose of financing and refinancing the cost of capital improvements; pledging collections of a one percent sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Sales and Use Tax Bond - Series 2016	Alma Ordinance no. 2016-8 (September 15, 2016) authorized the issuance of sales and use tax bond, Series 2016 for the purpose of financing the costs of capital improvements; pledging collections of a one percent sales and use tax to pay the principal and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Sales and Use Tax Bond - Series 2017	Alma Ordinance no. 2017-19 (August 17, 2017) authorized the issuance of sales and use tax bond, Series 2017 for the purpose of financing the costs of capital improvements; pledging collections of a one percent sales and use tax to pay the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency.
Firemen's Pension and Relief	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department

CITY OF ALMA, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2020
(Unaudited)

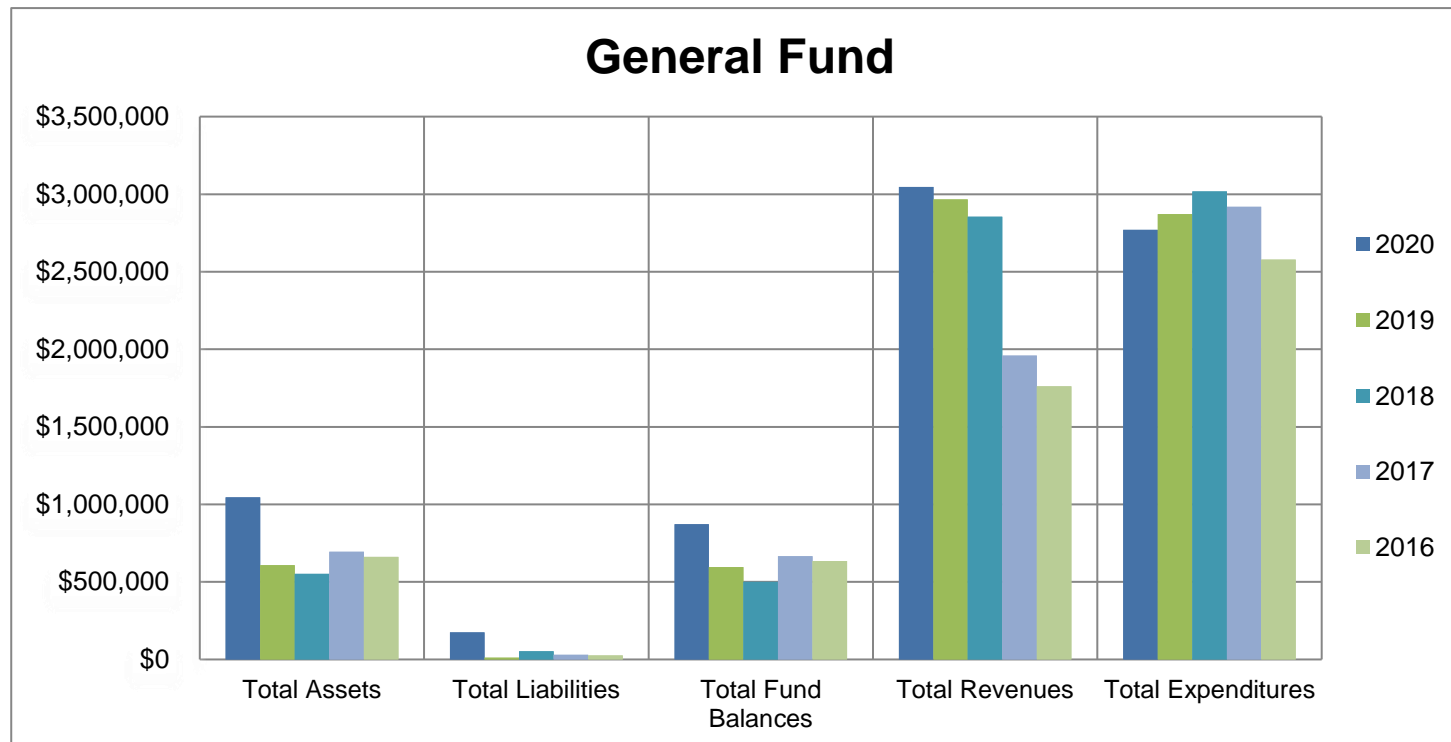
Schedule 3

	December 31, 2020
	<hr/>
Land	\$ 1,438,581
Buildings	5,555,590
Improvements	968,030
Equipment	<hr/> 6,756,287
	<hr/>
Total	<hr/> \$ 14,718,488 <hr/>

CITY OF ALMA, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2020
(Unaudited)

Schedule 4-1

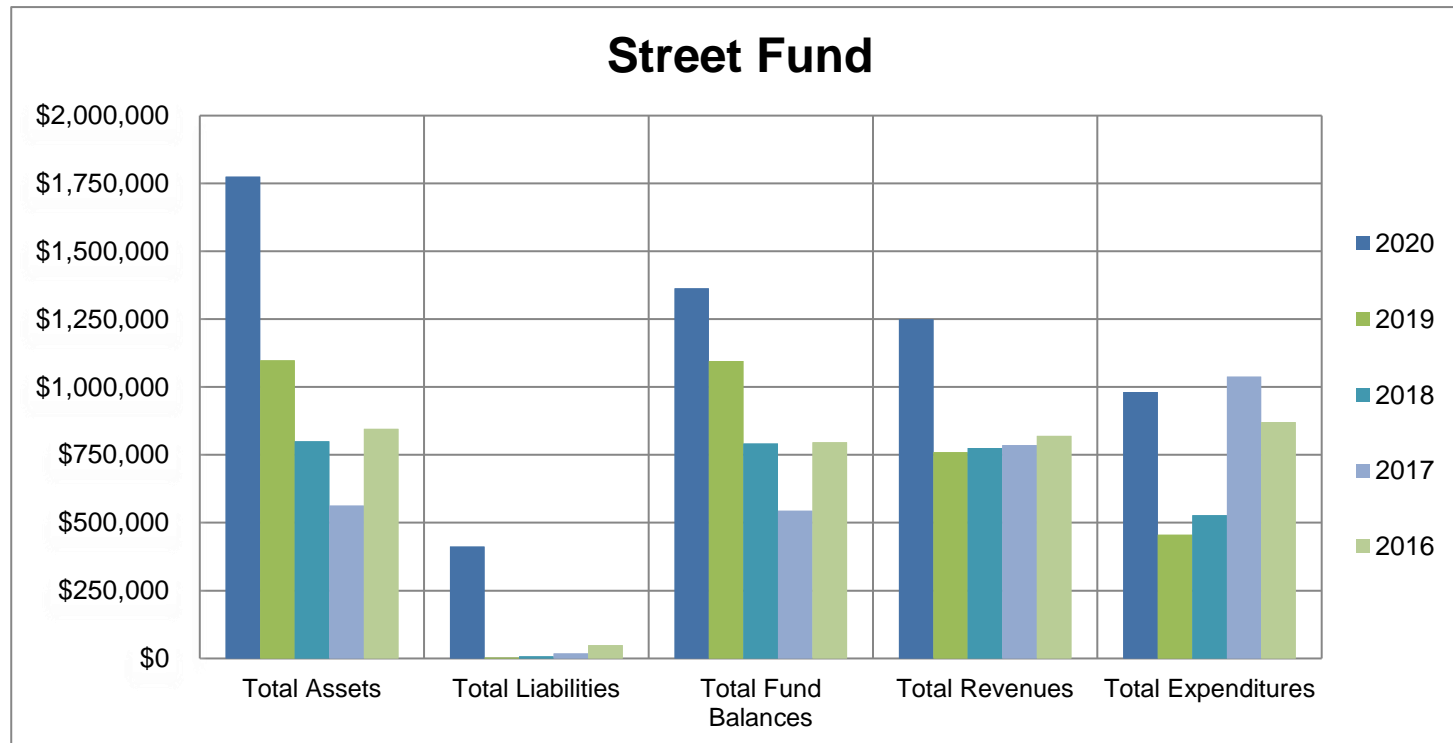
<u>General</u>	2020	2019	2018	2017	2016
Total Assets	\$ 1,044,602	\$ 607,327	\$ 552,532	\$ 694,624	\$ 661,393
Total Liabilities	173,645	12,440	51,936	29,775	26,631
Total Fund Balances	870,957	594,887	500,596	664,849	634,762
Total Revenues	3,046,758	2,965,619	2,854,004	1,958,892	1,760,349
Total Expenditures	2,770,688	2,871,328	3,018,257	2,917,589	2,577,471
Total Other Financing Sources/Uses				988,784	977,435



CITY OF ALMA, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2020
(Unaudited)

Schedule 4-2

Street	2020	2019	2018	2017	2016
Total Assets	\$ 1,775,531	\$ 1,098,704	\$ 800,518	\$ 562,644	\$ 845,906
Total Liabilities	412,357	2,959	8,280	17,947	49,090
Total Fund Balances	1,363,174	1,095,745	792,238	544,697	796,816
Total Revenues	1,249,279	759,488	775,184	786,327	819,474
Total Expenditures	981,850	455,981	527,643	1,038,446	870,301
Total Other Financing Sources/Uses					



CITY OF ALMA, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2020
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2020	2019	2018	2017	2016
Total Assets	\$ 3,768,581	\$ 6,747,881	\$ 11,273,417	\$ 14,907,150	\$ 11,585,570
Total Liabilities	43,573	837,884	662,575	164,408	99,685
Total Fund Balances	3,725,008	5,909,997	10,610,542	14,742,742	11,485,885
Total Revenues	2,480,332	2,457,115	2,279,649	3,125,730	2,810,379
Total Expenditures	4,665,321	7,157,960	6,179,413	2,553,660	1,969,708
Total Other Financing Sources/Uses			(232,136)	2,684,787	3,848,503

