

City of Clarksville, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF CLARKSVILLE, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



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

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Clarksville, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Clarksville, Arkansas as of December 31, 2021; 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Clarksville, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The 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 regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents 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.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The 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
March 16, 2023
LOM102021



Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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 Clarksville, 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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Clarksville, Arkansas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated March 16, 2023. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 March 16, 2023.

Purpose of This Report

The purpose of this report is solely to described 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. 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, appearing to read "Timothy R. Jones". The signature is fluid and cursive, with the first name "Timothy" being the most prominent.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
March 16, 2023

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2021:

Mayor: David Rieder
Clerk/Treasurer: Barbara Blackard
District Court Clerk: Marta Chavez (Resigned March 12, 2021)
Cindy Allison (Appointed March 11, 2021; Resigned September 10, 2021)
Dianna Sadler (Appointed September 2, 2021)
Police Chief: Jeff Ross

We would like to communicate the following item that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management in maintaining 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.

Other Issue

One unauthorized withdrawal totaling \$10,429 was made from the City's Street Improvement Fund in November 2021. The City's office personnel discovered the unauthorized withdrawal upon reconciliation of the affected bank account, and all funds were recovered from the bank.

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 black ink, reading "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
March 16, 2023

CITY OF CLARKSVILLE, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2021

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 11,623,679	\$ 661,835	\$ 11,502,176
Accounts receivable	2,158,891	1,846	254,634
Interfund receivables	10,804		60,404
	<u>13,793,374</u>	<u>663,681</u>	<u>11,817,214</u>
TOTAL ASSETS	<u>\$ 13,793,374</u>	<u>\$ 663,681</u>	<u>\$ 11,817,214</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,851,259	\$ 3,075	\$ 28,740
Interfund payables			71,208
Settlements pending			284,266
Total Liabilities	<u>1,851,259</u>	<u>3,075</u>	<u>384,214</u>
Fund Balances:			
Restricted		660,606	11,433,000
Assigned	5,630,615		
Unassigned	6,311,500		
Total Fund Balances	<u>11,942,115</u>	<u>660,606</u>	<u>11,433,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,793,374</u>	<u>\$ 663,681</u>	<u>\$ 11,817,214</u>

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

CITY OF CLARKSVILLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 149,882	\$ 760,608	\$ 48,165
Federal aid	4,276,503		1,019,463
Property taxes	281,289	193,958	
Franchise fees	1,024,357		
Sales taxes	4,152,464		2,786,467
Fines, forfeitures, and costs	179,443		46,687
Interest	89,079	5,336	15,303
Local permits and fees	66,438		
Gas and oil company reimbursements	5,685		
Advertising and promotion taxes	365,572		53,579
Park fees, rentals, and sales	322,453		
Airport hangar fees and fuel sales	127,878		
Other	114,485	42,910	502
TOTAL REVENUES	11,155,528	1,002,812	3,970,166
EXPENDITURES			
Current:			
General government	878,469		69,145
Law enforcement	1,904,482		473,339
Highways and streets	2,156,145	922,971	110,254
Public safety	425,054		103,528
Sanitation	70,992		9,251
Recreation and culture	1,046,505		469,920
Advertising and promotion			41,734
Airport	3,958,296		
Total Current	10,439,943	922,971	1,277,171
Debt Service:			
Bond principal			1,685,000
Bond interest and other charges			273,864
TOTAL EXPENDITURES	10,439,943	922,971	3,236,035

CITY OF CLARKSVILLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 715,585	\$ 79,841	\$ 734,131
OTHER FINANCING SOURCES (USES)			
Transfers in			14
Transfers out			(14)
Contribution from water department	226,093		
Proceeds from capital improvement and refunding bond issue			12,715,000
Payments to refunding bond escrow agents			(6,264,652)
Net bond issue premium			26,922
TOTAL OTHER FINANCING SOURCES (USES)	226,093		6,477,270
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	941,678	79,841	7,211,401
FUND BALANCES - JANUARY 1	11,000,437	580,765	4,221,599
FUND BALANCES - DECEMBER 31	\$ 11,942,115	\$ 660,606	\$ 11,433,000

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

CITY OF CLARKSVILLE, 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, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 145,000	\$ 149,882	\$ 4,882	\$ 612,100	\$ 760,608	\$ 148,508
Federal aid		4,276,503	4,276,503			
Property taxes	249,000	281,289	32,289	175,000	193,958	18,958
Franchise fees	993,000	1,024,357	31,357			
Sales taxes	2,824,000	4,152,464	1,328,464			
Fines, forfeitures, and costs	172,200	179,443	7,243			
Interest	51,175	89,079	37,904	2,500	5,336	2,836
Local permits and fees	28,000	66,438	38,438			
Gas and oil company reimbursements	4,500	5,685	1,185			
Advertising and promotion taxes	299,000	365,572	66,572			
Park fees, rentals, and sales	285,000	322,453	37,453			
Airport hangar fees and fuel sales	95,000	127,878	32,878			
Other	90,700	114,485	23,785	1,000	42,910	41,910
TOTAL REVENUES	5,236,575	11,155,528	5,918,953	790,600	1,002,812	212,212
EXPENDITURES						
Current:						
General government	1,114,774	878,469	236,305			
Law enforcement	2,176,256	1,904,482	271,774			
Highways and streets	2,112,487	2,156,145	(43,658)	961,144	922,971	38,173
Public safety	479,082	425,054	54,028			
Sanitation	76,992	70,992	6,000			
Recreation and culture	987,443	1,046,505	(59,062)			
Airport	4,151,902	3,958,296	193,606			
TOTAL EXPENDITURES	11,098,936	10,439,943	658,993	961,144	922,971	38,173
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,862,361)	715,585	6,577,946	(170,544)	79,841	250,385
OTHER FINANCING SOURCES (USES)						
Transfers in	243,500		(243,500)			
Contribution from water department	244,187	226,093	(18,094)			
TOTAL OTHER FINANCING SOURCES (USES)	487,687	226,093	(261,594)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,374,674)	941,678	6,316,352	(170,544)	79,841	250,385
FUND BALANCES - JANUARY 1	3,827,295	11,000,437	7,173,142	2,328,959	580,765	(1,748,194)
FUND BALANCES - DECEMBER 31	\$ (1,547,379)	\$ 11,942,115	\$ 13,489,494	\$ 2,158,415	\$ 660,606	\$ (1,497,809)

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

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Clarksville 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 funds of the City would have been included in the reporting entity: Clarksville Connected Utilities Funds. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are 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 and property taxes that are restricted or committed for maintaining and constructing highways and streets.

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

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

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.

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

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 and certificates of deposit.

Settlements Pending

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

Fund Balance Classifications

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

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.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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.

There were no committed fund balances at year-end.

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)	\$ 1,450,000	\$ 1,450,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	13,302,067	13,557,189
Uncollateralized	9,034,308	9,034,308
Total Deposits	<u>\$ 23,786,375</u>	<u>\$ 24,041,497</u>

The above total deposits do not include cash on hand of \$1,315.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: Cash Deposits with Financial Institutions (Continued)

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 formal deposit policy addressing custodial credit risk. As of December 31, 2021, the City had \$9,034,308 of uninsured, uncollateralized bank deposits that 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.

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: Accounts Receivable

The accounts receivable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Federal aid	\$ 1,592,217		
Property taxes	874	\$ 596	
Franchise fees	105,429		
Sales taxes	359,319		\$ 241,617
Fines, forfeitures, and costs	28,018		6,204
Interest	7,273		
Local permits and fees	120		
Gas and oil company reimbursements	1,153		
Advertising and promotion taxes	46,259		6,813
Airport hangar fees and fuel sales	341		
Other	123	1,250	
Contribution from water department	17,765		
Totals	<u>\$ 2,158,891</u>	<u>\$ 1,846</u>	<u>\$ 254,634</u>

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 1,851,259	\$ 3,075	\$ 28,740

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
General Fund	\$ 10,804	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Advertising and Promotion		\$ 3,366
Aquatic Maintenance	30,202	7,438
Police Maintenance	15,101	
Fire Maintenance	15,101	
Debt Service Funds:		
2021 Sales and Use Tax Capital Improvement and Refunding Bonds		60,404
Totals	\$ 71,208	\$ 71,208

Interfund receivables and payables consist of sales taxes revenues that are transferred between funds. The sales tax was transferred in January 2022

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government			\$ 427,573
Law enforcement			564,293
Highways and streets		\$ 660,606	
Public safety			550,511
Recreation and culture			623,344
Advertising and promotion			51,969
Capital outlay			8,520,913
Debt service			694,397
Total Restricted		<u>660,606</u>	<u>11,433,000</u>
Assigned to:			
General government	\$ 1,115,947		
Law enforcement	6,032		
Highways and streets	4,296,812		
Recreation and culture	134,144		
Airport	77,680		
Total Assigned	<u>5,630,615</u>		
Unassigned	<u>6,311,500</u>		
Totals	<u><u>\$ 11,942,115</u></u>	<u><u>\$ 660,606</u></u>	<u><u>\$ 11,433,000</u></u>

NOTE 8: 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, 2021, the legal debt limit for the bonded debt was \$26,254,923. 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, 2021, the legal debt limit for short-term financing obligations was \$6,802,457. There were no short-term financing obligations.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2021:

	December 31, 2021
Long-term liabilities	\$ 13,175,139
Construction contracts	1,443,983
Total Commitments	<u>\$ 14,619,122</u>

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	December 31, 2021
<u>Bonds</u>	
Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2021, dated October 19, 2021, in the amount of \$12,715,000, due in annual installments of \$935,000 - \$1,565,000 plus interest through November 1, 2031; interest from 1% - 3%. Payments are to be made from the 2021 Sales and Use Tax Capital Improvement and Refunding Bonds Debt Service Fund.	\$ 12,715,000
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	460,139
Total Long-term liabilities	<u>\$ 13,175,139</u>

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

The City's outstanding bonds payable of \$12,715,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 51% 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.

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
10/19/21	11/1/31	1 - 3%	<u>\$ 12,715,000</u>	<u>\$ 12,715,000</u>	<u>\$ 0</u>

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: Commitments

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 7,885,000	\$ 12,715,000	\$ 7,885,000 *	\$ 12,715,000

*-includes \$6,200,000 early retirement of debt – see note 10.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2021:

Years Ending December 31,	Principal	Bonds Interest	Total
2022	\$ 1,565,000	\$ 265,317	\$ 1,830,317
2023	1,165,000	220,738	1,385,738
2024	1,205,000	185,787	1,390,787
2025	1,235,000	149,638	1,384,638
2026	1,270,000	112,587	1,382,587
2027 through 2031	6,275,000	216,300	6,491,300
Totals	\$ 12,715,000	\$ 1,150,367	\$ 13,865,367

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2021:

Project Name	Completed Date	Contract Balance December 31, 2021
Airport Runw ay Rehabilitation	January 31, 2022	\$ 185,287
Airport Runw ay Extension	November 21, 2022	118,867
Airport Apron Rehabilitation	March 25, 2022	30,443
Lake Ludw ig Bike Trails	March 15, 2023	989,386
Marvin Vinson Center HVAC Replacement	September 6, 2022	120,000
Total Construction Contracts		\$ 1,443,983

NOTE 10: Debt Refunding

On October 19, 2021, the City issued \$12,715,000 in Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2021, with interest rates from 1 to 3 percent to advance refund \$2,530,000 of outstanding bonds dated December 1, 2011, with interest rates of 1 to 4 percent and \$3,670,000 of outstanding bonds dated February 1, 2012, with interest rates from 1 to 3.625 percent. Bond proceeds of \$4,220,750, along with locally available funds of \$2,043,902, were remitted to a refunding bond escrow agent to advance refund both the 2011 and 2012 bonds. As a result, the 2011 and 2012 bonds, which were called on October 19, 2021, are considered to be defeased and the commitment for these bonds has been eliminated.

The remaining proceeds of \$8,521,172 (which include a net bond issue premium of \$26,922) were deposited into the 2021 Sales and Use Tax Capital Improvement and Refunding Bonds Project Fund to finance the acquisition, design and construction and equipping of various park and recreation facilities and improvements within the City.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11: Pledged Revenues

The City pledged future .75% temporary sales and use taxes and .25% permanent sales and use tax revenues to repay \$12,715,000 in Series 2021 bonds that were issued in 2021 to refund the City's Sales and Use Tax Capital Improvement Bonds, Series 2011 and 2012, respectively, and provide funding for various improvement projects. Collection of these taxes commenced on April 1, 2012. Total principal and interest remaining on the Series 2021 bonds are \$12,715,000 and \$1,150,367, respectively, payable through November 1, 2031. There were no principal and interest payments made on these bonds in 2021.

The Debt Service Fund received \$696,882 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for redemption of Series 2021 Bonds, payments of any arbitrage rebates, and payments to Trustee and Paying Agent fees and expenses. Permanent sales taxes collected shall be used to make debt service payments if the temporary tax collections are unable to meet debt service obligations. However, any permanent taxes not needed for debt service obligations shall be allocated and used as follows:

- 50% for operation of the Aquatic Center and other park facilities
- 25% for operation and maintenance expenses associated with Police Department Operations
- 25% for operation and maintenance expenses associated with Fire Department Operations

Permanent sales taxes collected totaled \$696,616 in 2021

NOTE 12: Related Party Transactions

During 2021, the City received franchise fees from Clarksville Connected Utilities (formerly Clarksville Light & Water) in the amount \$878,718 and contributions in the amount of \$226,093

NOTE 13: Jointly Governed Organizations

Fifth Judicial District Drug Task Force

The Prosecuting Attorney of the Fifth Judicial District, the Sheriffs' Departments of Franklin, Johnson, and Pope Counties, and the Police Departments of Clarksville, Ozark, and Russellville entered into an agreement to establish the Fifth Judicial Drug Task Force (Task Force). Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fifth Judicial District. Financial statements of the Task Force are not available. The City did not contribute any funding to the Task Force during 2021.

West River Valley Solid Waste Management District

Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Scott, and Yell Counties, and the Cities of Alma, Atkins, Booneville, Charleston, Clarksville, Dardanelle, Morrilton, Ozark, Paris, Russellville, Waldron, and Van Buren 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 to the District. Separate financial statements may be obtained at 24087 Highway 164, Clarksville, AR 72830.

NOTE 14: 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 purchased commercial insurance for coverage of property and equipment. Coverage is based on the cost of the replacement of equipment less the \$5,000 deductible.

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.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14: Risk Management (Continued)

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.

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 15: 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

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

**NOTE 15: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

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 \$123,601 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$89,331, for the year ended December 31, 2021.

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, 2021 (actuarial valuation date and measurement date) was \$1,066,439.

NOTE 16: 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 \$192,628 for the year ended June 30, 2021.

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, 2021 (actuarial valuation date and measurement date) was \$484,103.

NOTE 17: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 (24-12-124 for second class cities) establishes retirement benefits for mayors in cities of the first (second) class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 (65 for second class cities) with a minimum of ten (sixteen for second class cities) years of service or 2.) upon serving 20 years, regardless of age. The City paid surviving spouse of former Mayor Marvin Vinson \$4,937, for the year ended December 31, 2021.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 18: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer Metta Holman \$13,639, for the year ended December 31, 2021.

NOTE 19: 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). The City was awarded \$2,022,914 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$2,022,914 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

NOTE 20: Interlocal Agreement

9-1-1 Communication System

The County entered into an interlocal agreement dated March 17, 2021, with the Cities of Clarksville, Coal Hill, and Lamar. The purpose of this agreement is to establish a permanent and perpetual relationship in order to provide all persons, businesses, and residences in Johnson County, Arkansas, the services of an enhanced 9-1-1 emergency telephone system. The Johnson County Sheriff's office will act as 911 administrator under the supervision and control of the Johnson County Judge. An election was held and the people approved the measure to implement the enhanced 9-1-1 emergency telephone system and to provide the necessary service charge. The County will initially pay all expenses incurred for operation and management of the program. The County and the cities will participate in a cost sharing agreement as follows: City of Clarksville, 60%; Johnson County, 35%; and 5% split between the Cities of Coal Hill and Lamar. The cost sharing will equitably allocate the expenses for the 911 Emergency Dispatch.

NOTE 21: Subsequent Events

On January 31, 2022, the City signed an agreement for \$514,457 with ACS Playground Adventures for the purchase and installation of playground equipment on the inclusive playground project.

On November 22, 2022, the City signed a contract for \$272,733 with Hanes Brands, Inc. for the purchase of property located at 1904 West Clark Road, Clarksville, Arkansas for the baseball complex project.

NOTE 22: Interfund Transfers

Within the Other Funds in the Aggregate, the 2011 and 2012 Sales and Use Tax Debt Service Reserve Fund transferred \$14 to the 2021 Sales and Use Tax Capital Improvement and Refunding Bonds Debt Service Fund to close out the fund.

CITY OF CLARKSVILLE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2021

Schedule 1

SPECIAL REVENUE FUNDS									
	Advertising and Promotion	Criminal Justice	District Court Automation	Fire Equipment and Training (Act 833)	Jail	Aquatic Maintenance	Police Maintenance	Fire Maintenance	American Rescue Plan Act
ASSETS									
Cash and cash equivalents	\$ 48,522	\$ 82,430	\$ 120,533	\$ 49,315	\$ 17,094	\$ 600,580	\$ 351,337	\$ 486,218	\$ 427,573
Accounts receivable	6,813	682	756		4,766				
Interfund receivables						30,202	15,101	15,101	
TOTAL ASSETS	<u>\$ 55,335</u>	<u>\$ 83,112</u>	<u>\$ 121,289</u>	<u>\$ 49,315</u>	<u>\$ 21,860</u>	<u>\$ 630,782</u>	<u>\$ 366,438</u>	<u>\$ 501,319</u>	<u>\$ 427,573</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable			\$ 20,086		\$ 5,663		\$ 2,657	\$ 123	
Interfund payables	\$ 3,366					\$ 7,438			
Settlements pending									
Total Liabilities	<u>3,366</u>		<u>20,086</u>		<u>5,663</u>	<u>7,438</u>	<u>2,657</u>	<u>123</u>	
Fund Balances:									
Restricted	51,969	\$ 83,112	101,203	\$ 49,315	16,197	623,344	363,781	501,196	\$ 427,573
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,335</u>	<u>\$ 83,112</u>	<u>\$ 121,289</u>	<u>\$ 49,315</u>	<u>\$ 21,860</u>	<u>\$ 630,782</u>	<u>\$ 366,438</u>	<u>\$ 501,319</u>	<u>\$ 427,573</u>

CITY OF CLARKSVILLE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2021

Schedule 1

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	CUSTODIAL FUNDS			
	2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Capital Projects	2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Debt Service	District Court	Administration of Justice	Tax and Loan	Totals
ASSETS						
Cash and cash equivalents	\$ 8,521,124	\$ 513,184	\$ 282,640	\$ 1,513	\$ 113	\$ 11,502,176
Accounts receivable		241,617				254,634
Interfund receivables						60,404
TOTAL ASSETS	<u>\$ 8,521,124</u>	<u>\$ 754,801</u>	<u>\$ 282,640</u>	<u>\$ 1,513</u>	<u>\$ 113</u>	<u>\$ 11,817,214</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 211					\$ 28,740
Interfund payables		\$ 60,404				71,208
Settlements pending			\$ 282,640	\$ 1,513	\$ 113	284,266
Total Liabilities	<u>211</u>	<u>60,404</u>	<u>282,640</u>	<u>1,513</u>	<u>113</u>	<u>384,214</u>
Fund Balances:						
Restricted	<u>8,520,913</u>	<u>694,397</u>				<u>11,433,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,521,124</u>	<u>\$ 754,801</u>	<u>\$ 282,640</u>	<u>\$ 1,513</u>	<u>\$ 113</u>	<u>\$ 11,817,214</u>

CITY OF CLARKSVILLE, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	SPECIAL REVENUE FUNDS								
	Advertising and Promotion	Criminal Justice	District Court Automation	Fire Equipment and Training (Act 833)	Jail	Aquatic Maintenance	Police Maintenance	Fire Maintenance	American Rescue Plan Act
REVENUES									
State aid				\$ 48,165					
Federal aid							\$ 8,000		\$ 1,011,463
Sales taxes						\$ 348,308	174,155	\$ 174,155	
Fines, forfeitures, and costs		\$ 4,435	\$ 16,963		\$ 25,289				
Interest	\$ 399	724	754	427	172	5,092	3,185	3,733	600
Advertising and promotion taxes	53,579								
Other							502		
TOTAL REVENUES	53,978	5,159	17,717	48,592	25,461	353,400	185,842	177,888	1,012,063
EXPENDITURES									
Current:									
General government									69,145
Law enforcement			65,636		27,403		152,587		227,713
Highways and streets									110,254
Public safety				41,328				50,741	11,459
Sanitation									9,251
Recreation and culture						312,936			156,668
Advertising and promotion	41,734								
Total Current	41,734		65,636	41,328	27,403	312,936	152,587	50,741	584,490
Debt Service:									
Bond principal									
Bond interest and other charges									
TOTAL EXPENDITURES	41,734		65,636	41,328	27,403	312,936	152,587	50,741	584,490
EXCESS OF REVENUES OVER (UNDER)									
EXPENDITURES	12,244	5,159	(47,919)	7,264	(1,942)	40,464	33,255	127,147	427,573
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out									
Proceeds from capital improvement and refunding bond issue									
Payments to refunding bond escrow agents									
Net bond issue premium									
TOTAL OTHER FINANCING SOURCES (USES)									
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)									
EXPENDITURES AND OTHER USES	12,244	5,159	(47,919)	7,264	(1,942)	40,464	33,255	127,147	427,573
FUND BALANCES - JANUARY 1	39,725	77,953	149,122	42,051	18,139	582,880	330,526	374,049	
FUND BALANCES - DECEMBER 31	\$ 51,969	\$ 83,112	\$ 101,203	\$ 49,315	\$ 16,197	\$ 623,344	\$ 363,781	\$ 501,196	\$ 427,573

CITY OF CLARKSVILLE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
	2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Capital Projects	2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Debt Service	2011 and 2012 Sales and Use Tax Debt Service Reserve	Totals
REVENUES				
State aid				\$ 48,165
Federal aid				1,019,463
Sales taxes		\$ 696,882	\$ 1,392,967	2,786,467
Fines, forfeitures, and costs				46,687
Interest	\$ 57	1	159	15,303
Advertising and promotion taxes				53,579
Other				502
TOTAL REVENUES	57	696,883	1,393,126	3,970,166
EXPENDITURES				
Current:				
General government				69,145
Law enforcement				473,339
Highways and streets				110,254
Public safety				103,528
Sanitation				9,251
Recreation and culture	316			469,920
Advertising and promotion				41,734
Total Current	316			1,277,171
Debt Service:				
Bond principal			1,685,000	1,685,000
Bond interest and other charges		2,500	271,364	273,864
TOTAL EXPENDITURES	316	2,500	1,956,364	3,236,035
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(259)	694,383	(563,238)	734,131
OTHER FINANCING SOURCES (USES)				
Transfers in		14		14
Transfers out			(14)	(14)
Proceeds from capital improvement and refunding bond issue	8,521,172		4,193,828	12,715,000
Payments to refunding bond escrow agents			(6,264,652)	(6,264,652)
Net bond issue premium			26,922	26,922
TOTAL OTHER FINANCING SOURCES (USES)	8,521,172	14	(2,043,916)	6,477,270
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	8,520,913	694,397	(2,607,154)	7,211,401
FUND BALANCES - JANUARY 1			2,607,154	4,221,599
FUND BALANCES - DECEMBER 31	\$ 8,520,913	\$ 694,397	\$ 0	\$ 11,433,000

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

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. Clarksville Ordinance no. 15-736 (January 12, 2015) established fund to accumulate an additional 1% tax upon the gross receipts of hotels and motels in the city.
Criminal Justice	Ark. Code Ann. § 16-10-308 established fund to receive court costs to be used for housing prisoners.
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.
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.
Jail	Ark. Code Ann. § 16-17-129 established fund to receive \$20 additional fee from each defendant who pleads guilty, nolo contendere, is found guilty of or forfeits bonds for any misdemeanor or traffic violation to be used for expenses of incarcerating city prisoners.
Aquatic Maintenance	Created by bond indenture to account for monies used to pay maintenance and operation expenses of the Aquatic Center.
Police Maintenance	Created by bond indenture to account for monies used to pay maintenance and operation expenses of the Police Department.
Fire Maintenance	Created by bond indenture to account for monies used to pay maintenance and operation expenses of the Fire Department.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Capital Projects	Created by the bond indenture to account for proceeds from Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2021, issued October 19, 2021. Bond proceeds will be used to finance all or a portion of the costs of various park and recreation facilities and improvements within the City.

CITY OF CLARKSVILLE, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
2021 Sales and Use Tax Capital Improvement and Refunding Bonds - Debt Service	Created by the bond indenture to account for monies used to pay principal and interest payments on Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2021, issued October 19, 2021 and to redeem outstanding Sales and Use Tax Capital Improvement Bonds, Series 2011 and Series 2012.
2011 and 2012 Sales and Use Tax Debt Service Reserve	Created by the bond indenture to account for monies used to pay principal and interest payments on Sales and Use Tax Construction Bonds, Series 2011 and Series 2012, issued December 1, 2011 and February 1, 2012, respectively.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
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.
Tax and Loan	Established to remit payroll taxes to the U.S. Treasury.

CITY OF CLARKSVILLE, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2021
(Unaudited)

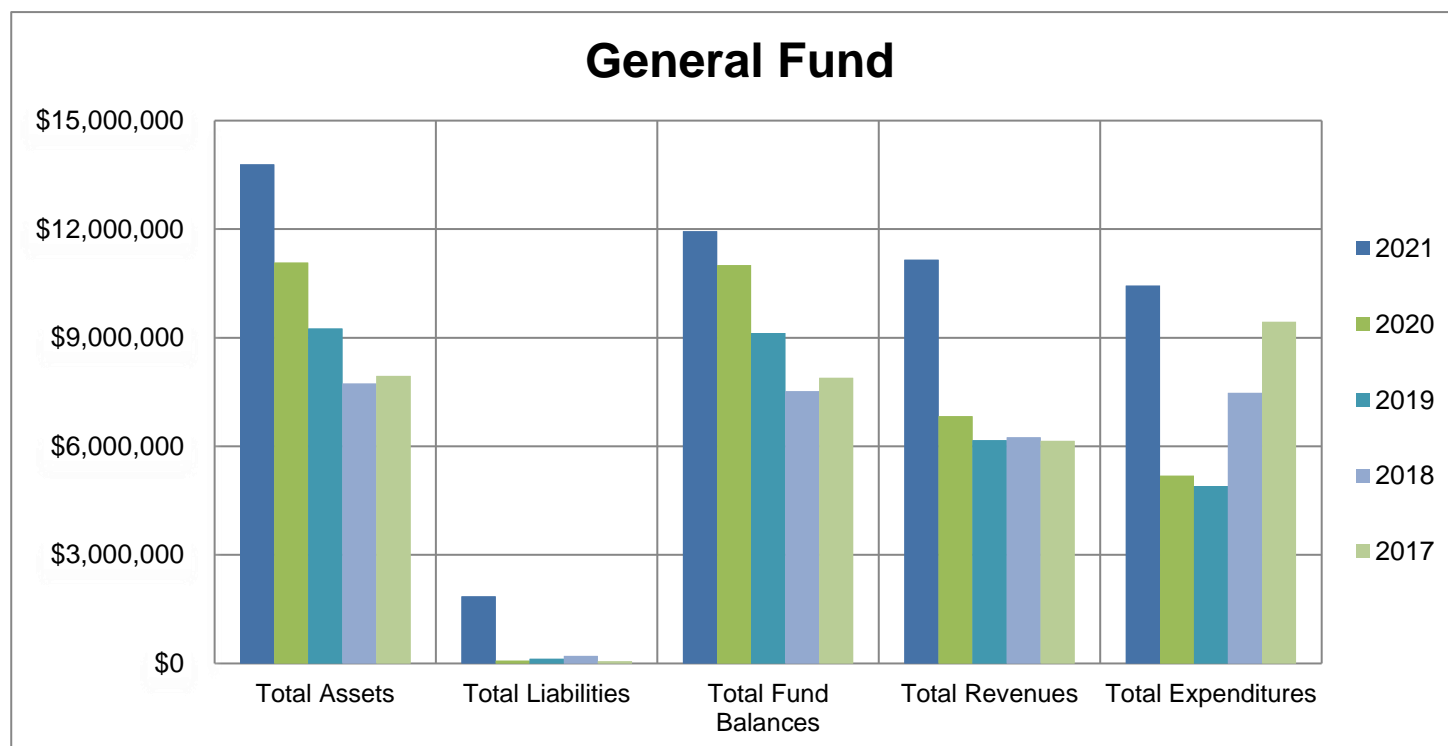
Schedule 3

	December 31, 2021
	<hr/>
Land	\$ 2,962,218
Buildings	19,549,304
Improvements	3,610,555
Equipment	7,448,101
Construction in progress	<hr/> 2,335,895
	<hr/>
Total	<u><u>\$ 35,906,073</u></u>

CITY OF CLARKSVILLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-1

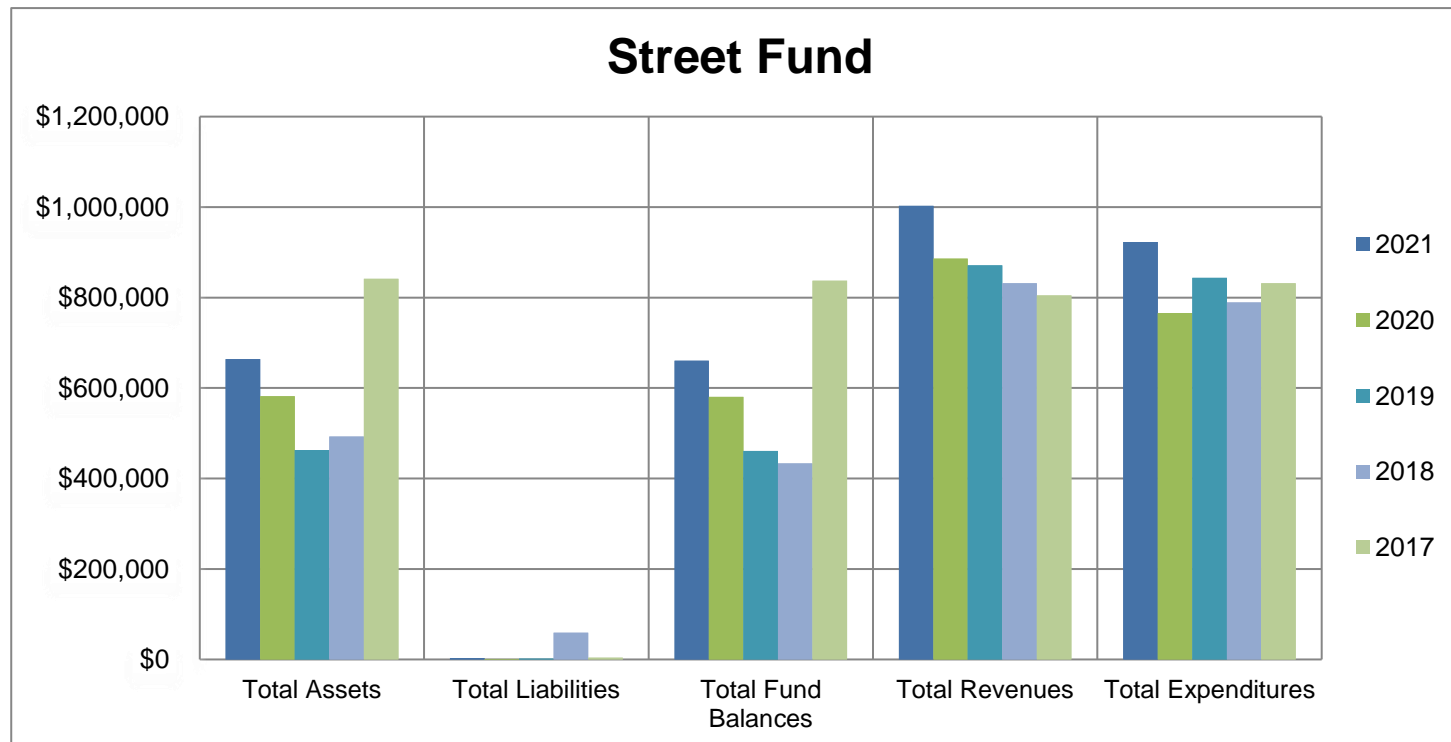
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 13,793,374	\$ 11,076,049	\$ 9,252,688	\$ 7,734,315	\$ 7,946,359
Total Liabilities	1,851,259	75,612	125,271	210,182	55,889
Total Fund Balances	11,942,115	11,000,437	9,127,417	7,524,133	7,890,470
Total Revenues	11,155,528	6,835,407	6,164,454	6,250,795	6,147,642
Total Expenditures	10,439,943	5,189,672	4,904,736	7,472,747	9,436,699
Total Other Financing Sources/Uses	226,093	227,285	243,321	855,615	854,658



CITY OF CLARKSVILLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 663,681	\$ 581,952	\$ 462,765	\$ 492,639	\$ 841,641
Total Liabilities	3,075	1,187	1,841	59,036	4,264
Total Fund Balances	660,606	580,765	460,924	433,603	837,377
Total Revenues	1,002,812	885,686	871,008	831,668	804,667
Total Expenditures	922,971	765,845	843,687	789,283	831,895
Total Other Financing Sources/Uses				(446,159)	



CITY OF CLARKSVILLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2021	2020	2019	2018	2017
Total Assets	\$ 11,817,214	\$ 4,441,277	\$ 4,180,557	\$ 3,932,816	\$ 3,795,058
Total Liabilities	384,214	219,678	276,972	294,362	188,108
Total Fund Balances	11,433,000	4,221,599	3,903,585	3,638,454	3,606,950
Total Revenues	3,970,166	2,607,959	2,522,316	2,428,021	2,385,636
Total Expenditures	3,236,035	2,289,945	2,257,185	2,264,401	2,991,996
Total Other Financing Sources/Uses	6,477,270			(132,116)	(1,153,680)

