City of Conway, Arkansas

Independent Auditor’s Reports and Financial Statements

For the Year Ended December 31, 2022

City of Conway, Arkansas
For the Year Ended December 31, 2022

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FORVIS

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Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas
Conway, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Conway, Arkansas (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Conway Corporation. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Conway Corporation, is based solely on the report of the other auditors.

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, Leases. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024, 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 that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

FORVIS, LLP

Little Rock, Arkansas
January 22, 2024

City of Conway, Arkansas
Management's Discussion and Analysis
December 31, 2022

The following discussion and analysis of the City of Conway, Arkansas' (the City), financial performance provides an overview of the City's financial activities for the year ended December 31, 2022. Readers should consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at the close of 2022 by $195,388,251. Of this amount, $186,904,604 represents the City's net investment in capital assets; $77,285,308 is restricted for debt service, capital improvements and other purposes; and there is an unrestricted net deficit of $68,801,661. This deficit was primarily caused by the net pension liability of $63,702,116.

- The City's reported net position increased by $29,002,299 (17.4%) in 2022. Net position of the governmental activities increased $29,980,307 (22.6%). Net position of the City's business-type activities, consisting of sanitation and airport operations, decreased by $978,008 (2.9%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $100,755,189. The combined governmental funds balances increased $42,539,948 (73.1%) from the prior year. The primary components of this change were the issuance of long-term debt and increase in grant revenue. The majority of governmental fund balances, $77,583,486, are considered restricted to specific purposes at December 31, 2022, and $23,171,120 is reported as unassigned and can be spent at the discretion of the City Council.

- The General Fund reported fund balance of $23,196,874 at the end of the current year. The unassigned fund balance for the General Fund was $23,196,291, or 57.5%, of total General Fund expenditures. There was a $5,057,168 increase in the total fund balance for the General Fund for the year ended December 31, 2022.

- The City's total debt decreased by $30,434,284 (85.0%) during the current year. The key factor in the increase was the issuance of the Series 2022 bonds in the amount of $38,785,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to that of a private-sector business.

The statement of net position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future periods, *e.g.*, uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, police and fire, public works, and parks and recreation. The business-type activities of the City consist of sanitation operations and municipal airport.

The government-wide financial statements include not only the City itself (known as the primary government) but also its component units, Conway Corporation and the City of Conway Advertising and Promotion Commission. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Street Fund, 2018 Street Sales & Use Tax Fund, Sales Tax Capital Improvement Fund, 2022 Capital Projects Fund, Grant Fund and Debt Service Fund which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two enterprise funds, which are a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sanitation operations and airport operations.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Pension Trust Fund is used to report resources held in trust for retirees and beneficiaries covered by the Nonuniformed Employees' Defined Benefit Pension Plan. The Custodial Fund reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund, Street Fund, 2018 Street Sales and Use Tax Fund, Sales Tax Capital Improvement Fund, Grant Fund budgets and the City and Conway Corporation's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $195,388,251 at December 31, 2022.

City of Conway, Arkansas
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Current assets	$ 120,802,459	$ 75,247,460	$ 18,162,332	$ 16,133,489	$ 138,964,791	$ 91,380,949
Noncurrent assets	206,178	-	6,293,565	6,131,804	6,499,743	6,131,804
Capital assets	192,077,905	177,212,907	34,219,677	35,066,748	226,297,582	212,279,655
Total assets	313,086,542	252,460,367	58,675,574	57,332,041	371,762,116	309,792,408
Total deferred outflows of resources	11,374,824	12,438,585	1,542,026	1,608,116	12,916,850	14,046,701
Total assets and deferred outflows of resources	$ 324,461,366	$ 264,898,952	$ 60,217,600	$ 58,940,157	$ 384,678,966	$ 323,839,109
Current liabilities	$ 15,709,269	$ 14,204,812	$ 1,018,505	$ 697,899	$ 16,727,774	$ 14,902,711
Noncurrent liabilities	123,022,592	103,476,668	23,337,953	22,624,259	146,360,545	126,100,927
Total liabilities	138,731,861	117,681,480	24,356,458	23,322,158	163,088,319	141,003,638
Total deferred inflows of resources	22,879,585	14,347,859	3,322,811	2,101,660	26,202,396	16,449,519
Net position						
Net investment in capital assets	152,684,927	140,946,572	34,219,677	35,066,748	186,904,604	176,013,320
Restricted	77,285,308	39,089,543	-	-	77,285,308	39,089,543
Unrestricted (deficit)	(67,120,315)	(47,166,502)	(1,681,346)	(1,550,409)	(68,801,661)	(48,716,911)
Total net position	162,849,920	132,869,613	32,538,331	33,516,339	195,388,251	166,385,952
Total liabilities, deferred inflows of resources and net position	$ 324,461,366	$ 264,898,952	$ 60,217,600	$ 58,940,157	$ 384,678,966	$ 323,839,109

**2021 balances have not been restated for the adoption of GASB 87, Leases.*

The largest portion of the City's net position, $186,904,604, reflects its investment in capital assets, *e.g.*, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be utilized to liquidate these liabilities. An additional portion of the City's net position, $77,285,308, represents resources that are subject to restrictions as to how they may be used, and remaining is an unrestricted net deficit of $68,801,661. This deficit is primarily caused by the net pension liability of $63,702,116.

As a result of 2022 operations, the City's net position increased $29,002,299 from the prior year. The reasons for the overall increase are discussed in the following sections for the governmental activities and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Revenues						
Program revenues						
Charges for services	$ 5,130,879	$ 4,594,268	$ 13,055,708	$ 12,055,406	$ 18,186,587	$ 16,649,674
Operating grants and contributions	645,900	1,307,146	24,858	57,142	670,758	1,364,288
Capital grants and contributions	6,303,950	6,598,545	309,299	416,254	6,613,249	7,014,799
General revenues						
Property, sales and use tax	61,413,871	51,420,719	-	-	61,413,871	51,420,719
Franchise fees	4,781,977	4,210,250	-	-	4,781,977	4,210,250
Grants and contributions not restricted to specific programs	793,001	-	-	-	793,001	-
General state revenue turnback	956,684	984,419	-	-	956,684	984,419
Investment income	1,718,536	563,141	538,188	222,717	2,256,724	785,858
Other	1,891,602	1,291,970	-	5,169	1,891,602	1,297,139
Total Revenues	83,636,400	70,970,458	13,928,053	12,756,688	97,564,453	83,727,146
Expenses						
General government	9,853,808	10,202,727	-	-	9,853,808	10,202,727
Police	15,269,104	14,829,129	-	-	15,269,104	14,829,129
Fire	10,789,965	12,043,589	-	-	10,789,965	12,043,589
Public works	9,931,730	10,178,142	-	-	9,931,730	10,178,142
Parks and recreation	5,483,751	4,940,835	-	-	5,483,751	4,940,835
Interest expense on long-term debt	2,847,735	1,213,422	-	-	2,847,735	1,213,422
Sanitation	-	-	11,042,326	9,013,837	11,042,326	9,013,837
Airport	-	-	3,343,735	2,542,073	3,343,735	2,542,073
Total Expenses	54,176,093	53,407,844	14,386,061	11,555,910	68,562,154	64,963,754
Increase in net position before transfers	29,460,307	17,562,614	(458,008)	1,200,778	29,002,299	18,763,392
Transfers, net	520,000	520,000	(520,000)	(520,000)	-	-
Change in Net Position	29,980,307	18,082,614	(978,008)	680,778	29,002,299	18,763,392
Net Position – Beginning of Year	132,869,613	114,786,999	33,516,339	32,835,561	166,385,952	147,622,560
Net Position – End of Year	$ 162,849,920	$ 132,869,613	$ 32,538,331	$ 33,516,339	$ 195,388,251	$ 166,385,952

**2021 balances have not been restated for the adoption of GASB 87, Leases.*

<u>Governmental Activities.</u> Governmental activities increased the City's net position by $29,980,307 from the prior year for an ending balance of $132,869,613. The increase was the result of revenues exceeding expenses by $29,460,307 in 2022 and net transfers of $520,000. This is primarily due to an increase in property, sales and use taxes attributed to economic development activities and revenues from Coronavirus State and Local Fiscal Recovery Funds in the amount of $4,260,195.

<u>Business-Type Activities.</u> Business-type activities decreased the City's net position by $978,008 to an ending net position of $32,538,331. The decrease is primarily due to the operating loss on Airport attributed to depreciation expense.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2022, the City's governmental funds reported combined ending fund balances of $100,755,189, an increase of $42,539,948 during the year. $77,583,486 is reported as *restricted fund balance* for capital projects and debt service; and $23,171,120 constitutes *unassigned fund balance* and is available for spending at the government's discretion.

The *General Fund* is the chief operating fund of the City. At the end of the year, unassigned fund balance of the general fund was $23,196,291, an increase of $5,057,168 from prior year. Unassigned fund balance represents 57.5% of total general fund expenditures.

The *Street Fund*, a major fund, had an increase of -$3,482,113 to an overall Street Fund balance of $4,166,619 at the end of the year, which is restricted for street maintenance and construction.

The *2018 Street Sales & Use Tax Fund*, a major fund, had an increase of $7,115,443 to an overall 2018 Street Sales & Use Tax Fund balance of $20,799,561 at the end of the year, which is restricted for street improvements. The City intends to use these funds for certain projects to be completed with the Arkansas Department of Transportation.

The *Sales Tax Capital Improvement Fund*, a major fund, had an increase of $2,361,482 to an overall fund balance of $9,946,057 at the end of the year, which is restricted for street improvements and police and fire vehicles.

The 2022 *Capital Projects Fund*, a major fund, had an increase of $28,554,932 to an overall fund balance of $28,554,932 at the end of the year, which is restricted for city projects.

The *Grant Fund*, a major fund, had an increase of $127,608 to an overall Grant Fund balance of $364,844 at the end of the year. The Grant Fund includes revenue of approximately $4,260,000 from the *American Rescue Plan Act*. Revenue included in this fund is recorded as earned revenue as applicable costs are incurred. Any funds received in advance are recorded as unearned revenue.

Proprietary Funds. The City's proprietary funds provide the same information found in the government-wide financial statements but with more detail.

Net position at the end of the year amounted to $3,045,580 for sanitation operations, an increase of $61,202 from the prior year. Net position at the end of the year amounted to $29,492,751 for airport operations, a decrease of $1,039,210.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. The final amended General Fund budget had total appropriations of $6,482,304 (16.8%) more than the original budget of $38,521,600. The primary purposes of the amendments were for bonuses and salaries for police officers and for the construction of a new fire station. The final amended General Fund budget had total revenues of $1,330,457 (3.52%) more than the original budget of $37,823,600.

Final Budget Compared to Actual Results. Actual General Fund expenditures for the year were $4,639,756 (10.3%) less than final budgeted expenditures. In addition, actual General Fund revenues were more than final budgeted revenues by $5,467,655 (14.0%) primarily due to the sales and use taxes being more than the final budget.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2022 amounts to $226,297,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total increase in the City's investment in capital assets for 2022 was 6.6%.

City of Conway, Arkansas
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 19,700,876	$ 19,362,625	$ 2,268,805	$ 2,268,805	$ 21,969,681	$ 21,631,430
Buildings and improvements	53,715,867	48,588,723	6,522,041	4,859,276	60,237,908	53,447,999
Equipment	4,770,853	4,696,193	2,745,585	2,805,367	7,516,438	7,501,560
Infrastructure	88,847,141	90,598,076	22,683,246	23,680,677	111,530,387	114,278,753
Construction in progress	25,043,168	13,967,290	-	1,452,623	25,043,168	15,419,913
Total	$ 192,077,905	$ 177,212,907	$ 34,219,677	$ 35,066,748	$ 226,297,582	$ 212,279,655

Major capital asset events during 2022 included the following:

- Construction projects for Parks and Recreation totaled approximately $6,500,000.
- Purchase of property from Conway Corporation for approximately $5,200,000.
- Sanitation equipment was purchased during the year for a total of approximately $1,310,000.
- Depreciation expense totaled $9,441,584 for governmental activities and $2,738,932 for business-type activities.

Long-Term Debt. At December 31, 2022, the City's primary government had $66,227,676 of long-term debt outstanding, including bonds payable of $66,168,246, secured solely by specified revenue sources, *i.e.*, revenue bonds.

	Governmental Activities	
	2022	2021
Bonds payable	$ 66,168,246	$ 35,049,800
Notes payable	59,430	743,592
Total	$ 66,227,676	$ 35,793,392

Total long-term debt at December 31, 2022 increased $30,434,284, or 85%. The net increase is primarily the result of the issuance of the Series 2022 bonds.

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. The City had no outstanding general obligation bonds at December 31, 2022. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings at December 31, 2022 of approximately $60,000 are well below the statutory limit of approximately $64,000,000. Voter approval is not required for short-term financing.

Economic Factors and Next Year's Budgets and Rates

City sales tax revenue in 2022 grew 8.5% when compared to revenue in 2021. Management has taken an ultra-conservative approach for budgeting sales tax the past several years by only projecting collections to be the same as the prior year. This is because sales tax represents such a large portion of the City's budget, and any economic downturns have the potential to greatly impact operations for that year. However, for the 2023 budget year, management decided to change course on this philosophy and project an increase in sales tax revenue. The former ultra-conservative approach had begun to negatively affect some departments by not providing them with sufficient financial resources to progressively grow. Conway is a growing city, and management intends for the government to grow in a way that it can effectively provide service, but still in the most efficient manner possible.

The City's budget for 2023 is balanced with total resources greater than or equal to total expense appropriation within each fund, as well as in the aggregate. Total estimated revenues amount to $79,609,901 and total expenditures amount to $76,943,334. This leaves a $2,666,567 surplus to be used for appropriating Special Revenue Fund revenue for projects within the scope of the uses of those Funds.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1111 Main Street, Conway, Arkansas 72032.

City of Conway, Arkansas
Statement of Net Position
December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Assets					
Current Assets					
Cash and cash equivalents	$ 71,786,928	$ 17,077,955	$ 88,864,883	$ 23,519,535	$ 2,002,733
Investments	14,902,244	-	14,902,244	29,547,367	469,324
Restricted cash and cash equivalents – current	17,278,155	-	17,278,155	-	-
Accounts receivable, net of allowance	15,453,674	34,887	15,488,561	11,506,538	492,752
Grants receivable	216,945	-	216,945	-	-
Lease receivable, net – current	83,954	-	83,954	-	-
Due from component units	1,093,035	938,781	2,031,816	-	-
Internal balances	(13,059)	13,059	-	-	-
Other current assets	583	97,650	98,233	17,791,882	-
Prepaid items	-	-	-	1,827,253	-
Total current assets	120,802,459	18,162,332	138,964,791	84,192,575	2,964,809
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	-	6,293,565	6,293,565	32,059,430	-
Investments	-	-	-	1,178,751	-
Total restricted assets	-	6,293,565	6,293,565	33,238,181	-
Capital assets – nondepreciable	44,744,044	2,268,805	47,012,849	39,345,250	-
Capital assets – depreciable, net	147,333,861	31,950,872	179,284,733	358,659,930	-
Capital assets, net	192,077,905	34,219,677	226,297,582	398,005,180	-
Other assets					
Land held for resale	-	-	-	410,296	-
Long-term portion of lease receivable, net	206,178	-	206,178	-	-
Long-term portion of note receivable from related organization	-	-	-	2,204,971	-
Total other assets	206,178	-	206,178	2,615,267	-
Total noncurrent assets	192,284,083	40,513,242	232,797,325	433,858,628	-
Total assets	313,086,542	58,675,574	371,762,116	518,051,203	2,964,809
Deferred Outflows of Resources					
Loss on refunding	-	-	-	918,463	-
Deferred amounts for other postemployment benefits	1,027,839	230,380	1,258,219	711,890	-
Deferred amounts for pension items	5,836,155	1,311,646	7,147,801	10,592,573	-
Deferred outflow – pension contributions	4,510,830	-	4,510,830	38,908	-
Total deferred outflows of resources	11,374,824	1,542,026	12,916,850	12,261,834	-
Total assets and deferred outflows of resources	$ 324,461,366	$ 60,217,600	$ 384,678,966	$ 530,313,037	$ 2,964,809

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Liabilities and Net Position					
Current liabilities					
Accounts payable	$ 3,643,650	$ 439,080	$ 4,082,730	$ 8,507,103	$ -
Accrued expenses and other liabilities	898,946	155,572	1,054,518	2,740,883	-
Due to primary government	-	-	-	1,240,481	791,335
Due to fiduciary funds	88,584	-	88,584	-	-
Customer deposits	-	-	-	3,495,063	-
Unearned revenue	7,973,644	288,144	8,261,788	216,431	-
Accrued interest payable	298,178	-	298,178	738,564	-
Developer deposits	-	-	-	451,803	-
Notes payable – current portion	59,430	-	59,430	51,000	-
Compensated absences – current portion	1,006,837	135,709	1,142,546	-	-
Bonds payable – current portion	1,740,000	-	1,740,000	7,939,499	-
Total current liabilities	15,709,269	1,018,505	16,727,774	25,380,827	791,335
Noncurrent Liabilities					
Notes payable	-	600,000	600,000	1,659,421	-
Bonds payable, net	64,428,246	-	64,428,246	131,435,800	-
Compensated absences	3,649,338	156,373	3,805,711	682,941	-
Net pension liability	50,973,004	12,729,112	63,702,116	21,305,901	-
Total other postemployment benefits liability	3,972,004	890,285	4,862,289	2,858,464	-
Estimated liability for landfill closure and postclosure care costs	-	8,962,183	8,962,183	-	-
Total noncurrent liabilities	123,022,592	23,337,953	146,360,545	157,942,527	-
Total liabilities	138,731,861	24,356,458	163,088,319	183,323,354	791,335
Deferred Inflows of Resources					
Deferred gain on refunding	-	-	-	84,534	-
Deferred amounts for pension items	20,199,682	2,971,317	23,170,999	742,232	-
Deferred amounts for other postemployment benefits	1,568,187	351,494	1,919,681	1,702,167	-
Deferred amounts for leases	1,111,716	-	1,111,716	-	
Total deferred inflows of resources	22,879,585	3,322,811	26,202,396	2,528,933	-
Net Position					
Net investment in capital assets	152,684,927	34,219,677	186,904,604	280,133,594	-
Restricted – expendable					
Debt service	4,116,470	-	4,116,470	3,810,172	-
Capital improvements	36,026,441	-	36,026,441	-	-
Public works	34,912,237	-	34,912,237	-	-
Parks and recreation	64,084	-	64,084	-	-
Animal welfare	217,992	-	217,992	-	-
Court automation	609,550	-	609,550	-	-
Public safety	1,337,777	-	1,337,777	-	-
Other purposes	757	-	757	-	-
Advertising and promotion	-	-	-	-	2,173,474
Total restricted – expendable	77,285,308	-	77,285,308	3,810,172	2,173,474
Unrestricted (deficit)	(67,120,315)	(1,681,346)	(68,801,661)	60,516,984	-
Total net position	162,849,920	32,538,331	195,388,251	344,460,750	2,173,474
Total liabilities, deferred inflows of resources and net position	$ 324,461,366	$ 60,217,600	$ 384,678,966	$ 530,313,037	$ 2,964,809

City of Conway, Arkansas

Statement of Activities

Year Ended December 31, 2022

		Program Revenues			Primary Government			Component Units	
			Operating	Capital					
Functions/Programs Primary Government	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Governmental Activities									
General government	$ 9,853,808	$ 2,718,968	$ -	$ 1,614,000	$ (5,520,840)	$ -	$ (5,520,840)		
Police	15,269,104	292,323	645,900	358,597	(13,972,284)	-	(13,972,284)		
Fire	10,789,965	128,189	-	308,210	(10,353,566)	-	(10,353,566)		
Public works	9,931,730	846,764	-	1,104,763	(7,980,203)	-	(7,980,203)		
Parks and recreation	5,483,751	1,144,635	-	2,918,380	(1,420,736)	-	(1,420,736)		
Interest expense on long-term debt	2,847,735	-	-	-	(2,847,735)	-	(2,847,735)		
Total governmental activities	54,176,093	5,130,879	645,900	6,303,950	(42,095,364)	-	(42,095,364)		
Business-Type Activities									
Sanitation	11,042,326	11,085,340	-	-	-	43,014	43,014		
Airport	3,343,735	1,970,368	24,858	309,299	-	(1,039,210)	(1,039,210)		
Total business-type activities	14,386,061	13,055,708	24,858	309,299	-	(996,196)	(996,196)		
Total primary government	$ 68,562,154	$ 18,186,587	$ 670,758	$ 6,613,249	(42,095,364)	(996,196)	(43,091,560)		
Component Units									
Conway Corporation	$ 140,232,909	$ 148,386,165	$ -	$ 4,408,853				$ 12,562,109	$ -
A & P Commission	1,415,329	-	-	-				-	(1,415,329)
Total component units	$ 141,648,238	$ 148,386,165	$ -	$ 4,408,853				12,562,109	(1,415,329)
General Revenues									
General property taxes					6,179,076	-	6,179,076	-	-
Sales and use taxes					55,234,795	-	55,234,795	-	1,161,434
Franchise fees					4,781,977	-	4,781,977	-	-
Grants and contributions not restricted to specific programs					793,001	-	793,001	-	-
General state revenue turnback					956,684	-	956,684	-	-
Investment income					1,718,536	538,188	2,256,724	949,695	63,412
Other					1,891,602	-	1,891,602	16,397	-
Transfers					520,000	(520,000)	-	-	-
Total general revenues and transfers					72,075,671	18,188	72,093,859	966,092	1,224,846
Change in Net Position					29,980,307	(978,008)	29,002,299	13,528,201	(190,483)
Net Position, Beginning of Year					132,869,613	33,516,339	166,385,952	330,932,549	2,363,957
Net Position, End of Year					$ 162,849,920	$ 32,538,331	$ 195,388,251	$ 344,460,750	$ 2,173,474

City of Conway, Arkansas

Balance Sheet

Governmental Funds

December 31, 2022

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Sales Tax Capital Improvement Fund	2022 Capital Projects	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	$ 19,997,586	$ 4,015,609	$ 19,632,756	$ 9,234,703	$ 13,852,041	$ 9,931,388	$ 3,904,111	$ 8,496,889	$ 89,065,083
Investments	-	-	-	-	14,902,244	-	-	-	14,902,244
Accounts receivable, net of allowance	10,312,752	2,340,967	1,383,275	922,183	-	-	461,092	33,405	15,453,674
Lease receivable, net	290,132	-	-	-	-	-	-	-	290,132
Grants receivable	-	-	-	200,000	-	16,945	-	-	216,945
Inventory	583	-	-	-	-	-	-	-	583
Due from other funds	111,326	9,647	-	700	-	-	-	242,921	364,594
Due from component units	252,255	-	-	-	-	-	49,445	791,335	1,093,035
Total assets	$ 30,964,634	$ 6,366,223	$ 21,016,031	$ 10,357,586	$ 28,754,285	$ 9,948,333	$ 4,414,648	$ 9,564,550	$ 121,386,290
Liabilities and Fund Balances									
Liabilities									
Accounts payable	$ 917,288	$ 306,854	$ 215,770	$ 411,529	$ 199,353	$ 1,370,814	$ -	$ 222,042	$ 3,643,650
Accrued wages payable and related liabilities	834,376	63,436	-	-	-	-	-	1,134	898,946
Unearned revenue	-	-	-	-	-	7,973,644	-	-	7,973,644
Due to other funds	109,690	115,515	700	-	-	239,031	-	1,301	466,237
Total liabilities	1,861,354	485,805	216,470	411,529	199,353	9,583,489	-	224,477	12,982,477
Deferred Inflows of Resources									
Deferred inflow from leases	1,250,132	-	-	-	-	-	-	-	1,250,132
Unavailable revenues-property taxes	4,656,274	1,713,799	-	-	-	-	-	28,419	6,398,492
Total deferred inflows of resources	5,906,406	1,713,799	-	-	-	-	-	28,419	7,648,624
Fund Balances									
Nonspendable	583	-	-	-	-	-	-	-	583
Restricted	-	4,166,619	20,799,561	9,946,057	28,554,932	364,844	4,414,648	9,336,825	77,583,486
Unassigned (deficit)	23,196,291	-	-	-	-	-	-	(25,171)	23,171,120
Total fund balances	23,196,874	4,166,619	20,799,561	9,946,057	28,554,932	364,844	4,414,648	9,311,654	100,755,189
Total liabilities, deferred inflows of resources and fund balances	$ 30,964,634	$ 6,366,223	$ 21,016,031	$ 10,357,586	$ 28,754,285	$ 9,948,333	$ 4,414,648	$ 9,564,550	$ 121,386,290

City of Conway, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022

Total Fund Balances – Total Governmental Funds	$ 100,755,189
Amounts Reported for the Governmental Activities in the Statement of Net Position Are Different Because:	
Capital assets, net used in governmental activities are not financial resources and are not reported in the funds.	192,077,905
Property tax receivables not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,398,492
Difference in the amount of deferred inflows of resources reported in the funds related to the direct financing.	138,416
Long-term liabilities and related deferred inflows/outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:	
Accrued interest payable on long-term debt	(298,178)
Accrued compensated absences	(4,656,175)
Total OPEB liability	(3,972,004)
Net pension liability	(50,973,004)
Bonds payable, net	(66,168,246)
Notes payable	(59,430)
Deferred inflows/outflows of resources related to OPEB	(540,348)
Deferred inflows/outflows of resources related to pensions	(9,852,697)
Total Net Position – Governmental Activities	$ 162,849,920

City of Conway, Arkansas

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2022

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Sales Tax Capital Improvement Fund	2022 Capital Projects	Grant Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues									
General property taxes	$ 4,329,554	$ 1,600,104	$ -	$ -	$ -	$ -	$ -	$ 44,715	$ 5,974,373
Sales and use taxes	28,319,225	387,635	7,650,700	5,100,467	-	-	2,550,233	4,767,272	48,775,532
Licenses and permits	557,074	0	-	-	-	-	-	-	557,074
Charges for services	2,002,314	16,125	-	-	-	-	-	1,246,282	3,264,721
Fines and forfeitures	1,101,941	-	-	-	-	-	-	207,143	1,309,084
Franchise fees	4,188,637	-	-	-	-	-	593,340	-	4,781,977
Intergovernmental	2,925,690	5,136,157	-	651,763	-	4,618,792	-	1,826,396	15,158,798
Investment income (loss)	541,886	118,690	427,122	206,028	(18,206)	218,427	36,806	187,783	1,718,536
Miscellaneous	655,391	428,227	-	-	-	-	-	767,122	1,850,740
Total revenues	44,621,712	7,686,938	8,077,822	5,958,258	(18,206)	4,837,219	3,180,379	9,046,713	83,390,835
Expenditures									
Current									
General government	6,326,655	-	-	-	-	835,429	-	119,259	7,281,343
Police	16,078,227	-	-	-	-	-	-	-	16,078,227
Fire	11,530,763	-	-	-	-	-	-	-	11,530,763
Public works	-	4,410,422	-	5,000	-	-	-	-	4,415,422
Parks and recreation	3,924,042	-	-	-	-	-	-	-	3,924,042
Information technology	1,421,889	-	-	-	-	-	-	-	1,421,889
Capital outlay				-					
General government	575,462	-	-	-	-	3,371,275	-	1,272,231	5,218,968
Police	66,500	-	-	825,898	-	12,853	-	69,978	975,229
Fire	313,478	-	-	96,518	-	490,054	-	-	900,050
Public works	-	6,758,629	962,379	2,680,618	-	-	-	379,642	10,781,268
Parks and recreation	-	-	-	-	3,962,000	-	-	2,607,221	6,569,221
Debt service					-				
Principal	94,963	-	-	-	-	-	1,600,000	589,199	2,284,162
Interest	32,169	-	-	-	-	-	1,902,070	17,836	1,952,075
Agent fees	-	-	-	-	-	-	17,829	-	17,829
Issuance costs	-	-	-	-	-	-	782,703	-	782,703
Total expenditures	40,364,148	11,169,051	962,379	3,608,034	3,962,000	4,709,611	4,302,602	5,055,366	74,133,191
Excess of Revenues over Expenditures	4,257,564	(3,482,113)	7,115,443	2,350,224	(3,980,206)	127,608	(1,122,223)	3,991,347	9,257,644
Other Financing Sources (Uses)									
Refunding bonds issued	-	-	-	-	-	-	38,785,000	-	38,785,000
Premiums on debt issuance	-	-	-	-	-	-	732,585	-	732,585
Payment to escrow agent to refund bonds	-	-					(6,796,143)	-	(6,796,143)
Proceeds from sale of capital assets	29,604	-	-	11,258	-	-	-	-	40,862
Transfers in	770,000	-	-	-	32,535,138	-	1,562,303	-	34,867,441
Transfers out	-	-	-	-	-	-	(32,535,138)	(1,812,303)	(34,347,441)
Total other financing sources	799,604	-	-	11,258	32,535,138	-	1,748,607	(1,812,303)	33,282,304
Net Change in Fund Balances	5,057,168	(3,482,113)	7,115,443	2,361,482	28,554,932	127,608	626,384	2,179,044	42,539,948
Fund Balances, Beginning of Year	18,139,706	7,648,732	13,684,118	7,584,575	0	237,236	3,788,264	7,132,610	58,215,241
Fund Balances, End of Year	$ 23,196,874	$ 4,166,619	$ 20,799,561	$ 9,946,057	$ 28,554,932	$ 364,844	$ 4,414,648	$ 9,311,654	$ 100,755,189

City of Conway, Arkansas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2022

Net Change in Fund Balances – Total Governmental Funds	$ 42,539,948
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital asset purchases	24,311,435
Depreciation expense	(9,441,584)
The net effect of various miscellaneous transactions involving capital assets (*i.e*., sales and loss on disposal) is to change net position	(4,853)
Net change in property tax receivables that do not provide current financial resources are not reported as revenues in the funds.	204,703
Difference in the change in amount of deferred inflows of resources related to direct financing.	(2,883)
Bond and other debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Issuance of refunding bonds	(38,785,000)
Payment to escrow agent	6,796,143
Principal paid on bonds	2,218,019
Premium	(732,585)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net change in these items this year.	
Accrued interest	(98,149)
Accrued compensated absences	(296,047)
Amortization of bond discount/premium	69,139
Total OPEB liability and related deferred outflows and inflows	(234,899)
Net pension liability and related deferred outflows and inflows	3,436,920
Change in Net Position of Governmental Activities	$ 29,980,307

City of Conway, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-Type Activities		
	Sanitation	Airport	Total
Assets			
Current assets			
Cash and cash equivalents	$ 15,271,115	$ 1,806,840	$ 17,077,955
Accounts receivable	-	34,887	34,887
Due from component unit	938,781	-	938,781
Due from other funds	47,117	-	47,117
Inventory	2,122	95,528	97,650
Total current assets	16,259,135	1,937,255	18,196,390
Noncurrent assets			
Restricted cash	6,293,565	-	6,293,565
Capital assets			
Land	1,014,332	1,254,473	2,268,805
Construction in progress	-	-	-
Buildings and improvements	3,918,210	7,229,692	11,147,902
Equipment	17,493,181	1,252,019	18,745,200
Infrastructure	1,623,347	28,883,018	30,506,365
Less accumulated depreciation	(18,386,810)	(10,061,785)	(28,448,595)
Capital assets, net	5,662,260	28,557,417	34,219,677
Total noncurrent assets	11,955,825	28,557,417	40,513,242
Total assets	28,214,960	30,494,672	58,709,632
Deferred Outflows of Resources			
Deferred amounts for pension items	1,311,646	-	1,311,646
Deferred amounts for other postemployment benefits	221,321	9,059	230,380
Total deferred outflows of resources	1,532,967	9,059	1,542,026
Liabilities			
Current liabilities			
Accounts payable	$ 414,152	$ 24,928	$ 439,080
Accrued wages payable and related liabilities	146,343	9,229	155,572
Due to other funds	31,342	2,716	34,058
Compensated absences	98,576	37,133	135,709
Unearned revenue	-	288,144	288,144
Total current liabilities	690,413	362,150	1,052,563
Noncurrent liabilities			
Compensated absences	156,373	-	156,373
Landfill closure and postclosure care costs	8,962,183	-	8,962,183
Notes payable	-	600,000	600,000
Net pension liability	12,729,112	-	12,729,112
OPEB liability	855,277	35,008	890,285
Total noncurrent liabilities	22,702,945	635,008	23,337,953
Total liabilities	23,393,358	997,158	24,390,516
Deferred Inflows of Resources			
Deferred amounts for pension items	2,971,317	-	2,971,317
Deferred amounts for other postemployment benefits	337,672	13,822	351,494
Total deferred inflows of resources	3,308,989	13,822	3,322,811
Net Position			
Net investment in capital assets	5,662,260	28,557,417	34,219,677
Unrestricted (deficit)	(2,616,680)	935,334	(1,681,346)
Total net position	$ 3,045,580	$ 29,492,751	$ 32,538,331

City of Conway, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2022

	Business-Type Activities		
	Sanitation	Airport	Total
Operating Revenues			
Charges for services	$ 11,085,340	$ 1,970,368	$ 13,055,708
Total operating revenues	11,085,340	1,970,368	13,055,708
Operating Expenses			
Personnel services	6,490,572	365,191	6,855,763
Materials and supplies	2,205,666	77,027	2,282,693
Utilities	97,499	53,104	150,603
Fuel for resale	-	1,413,907	1,413,907
Contracted services	950,168	12,159	962,327
Other services and charges	206,294	58,452	264,746
Depreciation	1,382,500	1,356,432	2,738,932
Total operating expenses	11,332,699	3,336,272	14,668,971
Operating Loss	(247,359)	(1,365,904)	(1,613,263)
Nonoperating Revenues			
Investment income	538,188	-	538,188
Grant revenue	-	24,858	24,858
Gain on sale of assets	290,373	-	290,373
Interest expense	-	(7,463)	(7,463)
Net nonoperating revenues	828,561	17,395	845,956
Income (Loss) Before Transfers and Capital Contributions	581,202	(1,348,509)	(767,307)
Transfers Out	(520,000)	-	(520,000)
Total transfers	(520,000)	-	(520,000)
Capital Grants	-	309,299	309,299
Change in Net Position	61,202	(1,039,210)	(978,008)
Net Position, Beginning of Year	2,984,378	30,531,961	33,516,339
Net Position, End of Year	$ 3,045,580	$ 29,492,751	$ 32,538,331

City of Conway, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2022

	Business-Type Activities		
	Sanitation	Airport	Total
Cash Flows from Operating Activities			
Receipts from customers	$ 11,063,627	$ 2,383,959	$ 13,447,586
Payments to employees	(5,118,714)	(343,002)	(5,461,716)
Payments to suppliers	(2,344,387)	(1,740,389)	(4,084,776)
Other operating payments	(360,445)	-	(360,445)
Net cash provided by operating activities	3,240,081	300,568	3,540,649
Cash Flows from Noncapital Financing Activities			
Grant received	-	24,858	24,858
Transfers to other funds	(520,000)	-	(520,000)
Net cash provided by (used in) noncapital financing activities	(520,000)	24,858	(495,142)
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(1,309,808)	(582,053)	(1,891,861)
Proceeds from the sale of capital assets	290,373	-	290,373
Receipts of federal and state grants	-	309,299	309,299
Interest paid on long-term debt	-	(7,463)	(7,463)
Net cash used in capital and related financing activities	(1,019,435)	(280,217)	(1,299,652)
Cash Flows from Investing Activities			
Interest income	538,188	-	538,188
Net cash provided by investing activities	538,188	-	538,188
Increase in Cash and Cash Equivalents	2,238,834	45,209	2,284,043
Cash and Cash Equivalents, Beginning of Year	19,325,846	1,761,631	21,087,477
Cash and Cash Equivalents, End of Year	$ 21,564,680	$ 1,806,840	$ 23,371,520
Reconciliation of Cash and Cash Equivalent to the Statement of Net Position			
Cash and cash equivalents	$ 15,271,115	$ 1,806,840	$ 17,077,955
Restricted cash	6,293,565	-	6,293,565
Total cash and cash equivalents	$ 21,564,680	$ 1,806,840	$ 23,371,520

	Business-Type Activities		
	Sanitation	Airport	Total
Reconciliation of Operating loss to Net Cash Provided By Operating Activities			
Operating loss	$ (247,359)	$ (1,365,904)	$ (1,613,263)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense	1,382,500	1,356,432	2,738,932
Changes in:			
Receivables, net	(21,713)	144,717	123,004
Deferred inflows/outflows of resources, pension	1,011,147	-	1,011,147
Deferred inflows/outflows of resources, OPEB	265,237	10,857	276,094
Due to/due from other funds, net	(10,295)	867	(9,428)
Net pension liability	272,731	-	272,731
Total OPEB liability	(214,657)	(8,787)	(223,444)
Accounts payable	165,072	(125,740)	39,332
Unearned revenue	-	288,144	288,144
Accrued expenses	637,418	(18)	637,400
Net cash provided by operating activities	$ 3,240,081	$ 300,568	$ 3,540,649

City of Conway, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Nonuniformed Employees' Pension Plan	Custodial Fund
Assets		
Cash and cash equivalents	$ 528,466	$ 113,577
Investments		
Corporate bonds	2,313,489	-
Equities and mutual funds	10,506,381	-
U.S. government obligations	500,078	
Receivables		
Ad valorem taxes receivable	488,010	-
Due from other funds	88,459	125
Interest and dividends	22,086	-
Total assets	$ 14,446,969	$ 113,702
Net Position		
Restricted for:		
Pensions	$ 14,446,969	$ -
Individuals	-	113,702
	$ 14,446,969	$ 113,702

City of Conway, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2022

	Nonuniformed Employees' Pension Plan	Custodial Fund
Additions		
Contributions		
Employer	$ 1,196,071	$ -
Plan members	935,738	-
Ad valorem taxes	450,274	-
Total contributions	2,582,083	-
Seized cash and other financial assets	-	148,950
Investment income (loss)		
Net decrease in fair value of investments	(2,647,630)	-
Interest	121,104	-
Dividends	199,084	-
Total investment income (loss)	(2,327,442)	-
Less investment expense	64,896	-
Net investment income (loss)	(2,392,338)	-
Total additions	189,745	148,950
Deductions		
Benefits paid directly to participants	2,176,972	-
Return of seized cash and other financial assets	-	152,673
Refunds of contributions	469,597	-
Administrative expense	19,418	-
Total deductions	2,665,987	152,673
Change in Net Position	(2,476,242)	(3,723)
Net Position, Beginning of Year	16,923,211	117,425
Net Position, End of Year	$ 14,446,969	$ 113,702

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Conway, Arkansas (the City), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under an elected mayor-council form of government. Eight elected council members and the Mayor set policy for the City. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member governing council (the Council). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between Blended Component Units, presented as part of the primary government, Discretely Presented Component Units, presented separately, or Fiduciary Component Units presented as funds in the fiduciary funds statements.

The City's Nonuniformed Employees' Defined Benefit Pension Plan is reported as a fiduciary component unit as a fiduciary fund in the fiduciary funds statements. The other benefit plans are maintained by the Arkansas Local Police and Fire Retirement System (LOPFI) and are properly excluded from the financial statements.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under these criteria, the following are included in the primary government reporting entity:

Discretely Presented Component Units

Conway Corporation (the Corporation) – The Corporation provides electric, water, wastewater treatment, cable, internet and telephone services to industrial, residential, commercial and institutional customers in the City of Conway, Arkansas. Appointments to the Corporation's Board of Directors, issues of additional indebtedness, rate changes and changes in services are subject to approval of the City Council. Complete financial statements of the Corporation can be obtained from its administrative offices at 1307 Prairie Street, Conway, Arkansas 72034.

The City of Conway Advertising and Promotion Commission (A & P Commission) – The governing body of A & P Commission is appointed by the Mayor of Conway subject to City Council approval. The City has the power to impose its will on A & P Commission. A & P Commission acts autonomously and serves as the sales and advertising office for the City's convention and tourism industry. Complete financial statements of A & P Commission can be obtained from the City of Conway Finance Department, 1111 Main Street, Conway, Arkansas 72032.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund type—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits and charges for services.

The *street fund* accounts for gasoline and road taxes received from the state and county levies. Revenues are expended for maintenance and repair of streets and sidewalks.

The *2018 street sales & use tax fund* accounts for taxes received from a three-eighths of 1% (0.375%) general citywide sales and use tax. Revenues are expended for the purpose of making improvements to streets within the City. The tax shall no longer be levied as of March 31, 2023.

The *sales tax capital improvement fund* accounts for taxes received from a quarter of 1% (0.25%) general citywide sales and use tax. Revenues are expended for the purpose of making improvements to streets within the City and for the purchase of police and fire vehicles. This fund has been designated as a major fund by the City.

The *2022 Capital Projects* accounts for the issuance of capital improvement bonds for the purpose of financing various capital improvements for the City.

The *grant fund* accounts for grant funds received for various programs. These monies are expended to satisfy purposes as outlined by each federal or state program.

The *debt service fund* accounts for the accumulation of resources for the payment of principal and interest on the debt of the City.

The City reports two major enterprise funds. They account for the City's Sanitation Department operations and the City's Airport operations, which are primarily supported by user charges.

Additionally, the City reports the following fund types:

The *pension trust fund* accounts for assets held in trust for the Nonuniformed Employees' Defined Benefit Pension Plan. The pension trust fund is accounted for in essentially the same manner as proprietary funds.

The *custodial fund* accounts for monies collected and held by the City until they are disbursed to various governmental agencies.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues.

Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available.

The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments and Investment Income (Loss)

All investments in the City's pension funds are carried at fair value. Fair value is determined using quoted market prices for all investments with the exception of municipal bonds for which fair value is determined using the present value of future cash flows model.

Investment income (loss) includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income (loss) is assigned to funds with which the related investment asset is associated.

Leases

Lessor: The City is a lessor for noncancellable leases of property. The City's general fund recognizes a lease receivable and deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City amortization of the lease receivable and the recognition of the related interest revenue of each financing arrangement is determined using the effective interest method. The lease term includes the noncancellable period of the lease. Any payments received are allocated first to the interest receivable and then to the lease receivable. Deferred inflows of resources are recognized as inflows of resources (revenue) coinciding with the reduction in lease receivables determined by the effective interest method. Interest income resulting from the lease financing arrangements is presented in investment income in the government-wide statement of activities, the statement of revenues, expenditures and changes in fund balances for governmental funds, and statement of revenues, expenses and changes in net position for proprietary funds.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Prepaid Items

Prepaid items in governmental funds are accounted for under the consumption method.

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Capital assets are defined as assets with an initial value or cost greater than or equal to $5,000 and an estimated useful life of greater than one year. Exceptions are for buildings and improvements infrastructure assets, which are defined as having a constructed cost greater than $10,000.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 50 years for infrastructure; 10 to 50 years for buildings and improvements; and 3 to 20 years for furniture, vehicles and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums and discounts are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received is reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City’s employment. All sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. For governmental activities, the liability for compensated absences is generally liquidated from the general fund.

Unearned Revenue

Unearned revenue consists of grant funding received in advance. At December 31, 2022, $7,754,593 of unearned revenue is related to the City's remaining *American Rescue Plan Act* (ARPA) fund. The City received a total of $12,233,839 in ARPA funding. During 2022, the City recognized $4,260,195 of ARPA revenue as it allocated this amount toward eligible personnel expenditures and capital projects.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s defined benefit pension plans (the Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources and expense associated with the City's OPEB plan, information has been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future reporting period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. Two items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other includes differences between expected and actual experience and difference related to change in assumptions. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce the net pension liability. The remaining amounts will be amortized to pension expense over the following years as shown within *Note 11*. Another item is a deferred charge on bond refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt. The final item is related to the OPEB plan and consists of the difference in assumption changes and the difference between expected and actual experience. The remaining amounts are amortized over future periods to OPEB expense as shown in *Note 13*.

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has four items that qualify as deferred inflows of resources as of December 31, 2022. The items reported in the statements are related to pension, bond refunding, leases and other postemployment benefits; and, as applicable, include changes in assumptions, difference between expected and actual experience, changes in proportion and differences between contribution and proportionate share of contributions, and difference between actual and expected investment earnings. Deferred inflows for both pension and other postemployment benefits are amortized over future periods. Deferred pension inflows are amortized to pension expense over future periods as shown within *Note 11*. Deferred OPEB inflows are amortized over future periods to OPEB expense as shown in *Note 13*.

Fund Balances – Governmental Funds

The fund balances for the City's governmental funds are displayed in three components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and street funds. All annual appropriations lapse at year-end and are re-established in the succeeding year.

Future Adoption of Accounting GASB Pronouncements

GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2022:

Statement No.		Adoption Required in Fiscal Year
94	*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*	2023
96	*Subscription-Based Information Technology Arrangements*	2023
99	*Omnibus 2022*	2023/2024
100	*Accounting Changes and Error Corrections*	2024
101	*Compensated Absences*	2024
102	*Certain Risk Disclosures*	2025

The City has not yet determined the potential impact, if any, that these statements could have on its financial statements.

Accounting Pronouncements Adopted

The City adopted GASB Statement No. 87 – *Leases* (GASB 87) for the year ended December 31, 2022. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provision of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement was effective for reporting periods beginning after June 15, 2021. The City of Conway adopted the standard in fiscal year 2022 and has accounted for leases as a lessor in its governmental activities and in the governmental funds (General Fund). Adoption of GASB 87 had no effect on beginning net position or fund balances at January 1, 2022.

The City adopted GASB Statement No. 91 – *Conduit Debt Obligations* (GASB 91) for the year ended December 31, 2022. This statement provides a single method of reporting conduit debt obligations by issuers and improves required note disclosures. The City's adoption of this statement improves the comparability of financial reporting for the users of the City's financial statements.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2022, the City's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk. At December 31, 2022, none of City's component units' bank balances were uninsured or uncollateralized.

Investments

Arkansas statutes authorize the City to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940*, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the City to invest no more than 20% of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the *Investment Company Act of 1940* with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state, or the District of Columbia.

The pension funds are authorized to invest in U.S. government and agency securities, bank certificates of deposit, common stocks, investment grade corporate bonds and other appropriate securities.

Investments at December 31, 2022 consisted of the following:

		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
Corporate bonds	$ 2,313,490	$ 197,992	$ 1,924,175	$ 191,323	$ -
U.S. Treasuries	15,402,322	9,258,500	6,143,822	-	-
Money market mutual funds	17,521,095	17,521,095	-	-	-
	35,236,907	$ 26,977,587	$ 8,067,997	$ 191,323	$ -
Equities and fixed income mutual funds	10,506,380				
	$ 45,743,287				

Interest Rate Risk – The City's investment policy does not specifically address interest rate risk. The pension fund investment policy does not specifically address interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The pension fund investment policy limits its investments to U.S. Treasury and Agency securities, "AAA" mortgage-backed investments, and corporate bond issues rated at "A" by either Moody's or Standard & Poor's at the time of purchase.

Investment Type	Rating Agency	Rating
Corporate bonds	S&P/Moody's	BBB-/Baa3 to AA-/A1
Money market mutual funds	S&P/Moody's	AAA/Aaa

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City's name are insured or collateralized or limited to Treasury Fund Money Markets.

Concentration of Credit Risk – The City defines the following ranges as suitable for portfolio asset allocation:

	Minimum	Maximum
Stocks	60%	80%
Fixed income	20%	40%
Cash equivalents	0%	10%

Summary of Carrying Values

The carrying values of deposits and investments are included in the financial statements as follows:

	Primary Government
Carrying value	
Deposits	$ 95,557,551
Investments	45,743,287
	$ 141,300,838
Included in the following statement of net position captions	
Cash and cash equivalents	$ 88,864,883
Investments	14,902,244
Restricted cash and cash equivalents – current	17,278,155
Restricted cash and cash equivalents – noncurrent	6,293,565
Included in the following fiduciary net position captions	
Cash and cash equivalents	642,043
Investments	13,319,948
	$ 141,300,838

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments by Fair Value Level				
Corporate bonds	$ 2,313,490	$ 1,381,612	$ 931,878	$ -
Money market mutual funds	17,521,095	17,521,095	-	-
Equities	4,644,524	4,644,524	-	-
Fixed income mutual funds	5,861,856	5,861,856	-	-
US Treasuries	15,402,322	15,402,322	-	-
Total investments by fair value level	$ 45,743,287	$ 44,811,409	$ 931,878	$ -

Note 4: Receivables

Accounts Receivable

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the major governmental funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Sales Tax Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	$ 5,149,851	$ 1,897,445	$ -	$ -	$ -	$ 28,418	$ 7,075,714
Sales taxes	5,001,922	70,086	1,383,275	922,183	461,092	-	7,838,558
State insurance turnback	125,769	463,636	-	-	-	-	589,405
Other receivables	280,038	-	-	-	-	4,987	285,025
Gross receivable	10,557,580	2,431,167	1,383,275	922,183	461,092	33,405	15,788,702
Allowance	(244,828)	(90,200)	-	-		-	(335,028)
Net receivable	$ 10,312,752	$ 2,340,967	$ 1,383,275	$ 922,183	$ 461,092	$ 33,405	$ 15,453,674

Leases Receivable

The City leases space on a communications tower and a portion of its property to a third party who uses the space to conduct their operations, the terms of which expire from 2025 through 2028. Each of the leases have an interest rate of 4.00%. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City also entered into a 52-year lease agreement in 2018 with the Corporation for $1,050,000. The Corporation paid the entire lease balance ($1,050,000) at inception. Payments received in advance are record as a deferred inflow of resources and are recognized as revenue over the life of the lease term.

Revenue recognized under lease contracts in governmental activities for the year ended December 31, 2022 was $114,800, which includes both lease revenue and interest. The following is a schedule by year of minimum payments to be received under leases contracts that are included in the measurement of the lease receivable as of December 31, 2022:

Year Ending December 31	Total to Be Paid	Principal	Interest
2023	$ 93,800	$ 83,954	$ 9,846
2024	93,800	87,360	6,440
2025	71,333	68,258	3,075
2026	26,400	24,821	1,579
2027	24,200	23,618	582
2028	2,145	2,121	24
	$ 311,678	$ 290,132	$ 21,546

Regulated Leases

The Airport leases a portion of its property to air carriers and other aeronautical users whose leases meet the definition of a regulated lease as defined in GASB 87 and, therefore, are only subject to the disclosure requirements. The terms of the regulated leases expire from 2042 to 2054. Revenue recognized for fixed payments under regulated lease contracts during the year ended December 31, 2022 was $51,458.

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2022:

Year Ending December 31	Lease Revenue
2023	$ 51,458
2024	51,458
2025	51,458
2026	51,458
2027	51,458
2028-2032	257,290
2033-2037	257,290
2038-2042	231,290
2043-2047	101,290
2048-2052	101,290
2053-2054	329,119
	$ 1,534,859

Note 5: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2022 is presented below:

Governmental Activities	Balance January 1, 2022	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets, nondepreciable					
Land	$ 19,362,625	$ 209,354	$ -	$ 128,897	$ 19,700,876
Construction in progress	13,967,290	20,681,124	-	(9,605,246)	25,043,168
Total capital assets, nondepreciable	33,329,915	20,890,478	-	(9,476,349)	44,744,044
Capital assets, depreciable					
Buildings and improvements	69,959,713	651,630	-	6,689,122	77,300,465
Equipment	35,216,388	1,899,406	280,607	-	36,835,187
Infrastructure	179,581,231	869,921	-	2,787,227	183,238,379
Total capital assets, depreciable	284,757,332	3,420,957	280,607	9,476,349	297,374,031
Less accumulated depreciation					
Buildings and improvements	21,370,990	2,213,608	-	-	23,584,598
Equipment	30,520,195	1,819,893	275,754	-	32,064,334
Infrastructure	88,983,155	5,408,083	-	-	94,391,238
Total accumulated depreciation	140,874,340	9,441,584	275,754	-	150,040,170
Total governmental activities, net	$ 177,212,907	$ 14,869,851	$ 4,853	$ -	$ 192,077,905

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2022

Business-Type Activities	Balance January 1, 2022	Additions	Retirements	Transfers	Balance December 31, 2022
Capital assets, nondepreciable					
Land	$ 2,268,805	$ -	$ -	$ -	$ 2,268,805
Construction in progress	1,452,623	582,053	-	(2,034,676)	-
Total capital assets, nondepreciable	3,721,428	582,053	-	(2,034,676)	2,268,805
Capital assets, depreciable					
Buildings and improvements	9,113,226	-	-	2,034,676	11,147,902
Equipment	18,068,491	1,309,808	(633,101)	-	20,011,400
Infrastructure	30,506,365	-	-	-	30,506,365
Total capital assets, depreciable	57,688,082	1,309,808	(633,101)	2,034,676	61,665,667
Less accumulated depreciation					
Buildings and improvements	4,253,950	371,911	-	-	4,625,861
Equipment	15,263,124	1,369,590	(633,101)	-	17,265,815
Infrastructure	6,825,688	997,431	-	-	7,823,119
Total accumulated depreciation	26,342,762	2,738,932	(633,101)	-	29,714,795
Total business-type activities, net	$ 35,066,748	$ (847,071)	$ -	$ -	$ 34,219,677

Component Unit – Conway Corporation	Balance January 1, 2022	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2022
Capital assets, nondepreciable				
Land and land rights	$ 21,565,688	$ 146,522	$ 839,044	$ 20,873,166
Construction in progress	14,411,383	18,625,931	14,565,230	18,472,084
Total capital assets, nondepreciable	35,977,071	18,772,453	15,404,274	39,345,250
Capital assets, depreciable				
Building and improvements	401,358,993	13,376,939	4,315,920	410,420,012
Equipment	231,916,791	16,167,500	1,948,353	246,135,938
Undivided interest in coal-fired generating plants	53,146,556	907,443	-	54,053,999
Total capital assets, depreciable	686,422,340	30,451,882	6,264,273	710,609,949
Less accumulated depreciation	332,277,072	24,117,898	4,444,951	351,950,019
Total component unit, net	$ 390,122,339	$ 25,106,437	$ 17,223,596	$ 398,005,180

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General administration	$ 829,773
Fire	763,683
Highways and streets	5,564,916
Parks and recreation	1,669,076
Law enforcement	581,315
Information technology	32,821
Total depreciation expense	9,441,584
Business-type activities	
Sanitation	1,382,500
Airport	1,356,432
Total depreciation expense	2,738,932
Total depreciation expense, primary government	$ 12,180,516

Note 6: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2022 were as follows:

Governmental Activities	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amounts Due in One Year
Bonds payable	$ 34,425,000	$ 38,785,000	$ 8,330,000	$ 64,880,000	$ 1,740,000
Unamortized discount/premium	624,800	732,585	69,139	1,288,246	-
Notes payable (direct borrowings)	589,199	-	589,199	-	-
Note payable (financed purchase)	154,393	-	94,963	59,430	59,430
Compensated absences	4,360,128	1,302,884	1,006,837	4,656,175	1,006,837
Net pension liability	61,661,904	-	10,688,900	50,973,004	-
Other postemployment benefits	4,968,896	-	996,892	3,972,004	-
Total governmental activities long-term liabilities	$ 106,784,320	$ 40,820,469	$ 21,775,930	$ 125,828,859	$ 2,806,267

Business-Type Activities	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amounts Due in One Year
Compensated absences	$ 247,813	$ 179,978	$ 135,709	$ 292,082	$ 135,709
Notes payable (direct borrowings)	600,000	-	-	600,000	-
Net pension liability	12,456,381	272,732	-	12,729,113	-
Estimated liability for landfill closure and postclosure care costs	8,362,165	600,018	-	8,962,183	-
Other postemployment benefits	1,113,729	-	223,444	890,285	-
Total business-type activities long-term liabilities	$ 22,780,088	$ 1,052,728	$ 359,153	$ 23,473,663	$ 135,709

Component Unit – Conway Corporation	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amounts Due in One Year
Bonds payable	$ 56,195,000	$ 37,525,000	$ 18,020,000	$ 75,700,000	$ 4,540,000
Bonds payable (direct placement)	64,041,286	-	3,317,491	60,723,795	3,399,499
Unamortized discount/premium	1,930,553	2,036,169	1,015,218	2,951,504	-
Notes payable (direct borrowings)	1,759,757	-	49,336	1,710,421	51,000
Net pension liability	10,139,072	11,166,829	-	21,305,901	-
Other postemployment benefits	3,693,910	-	835,446	2,858,464	-
Total component unit long-term liabilities	$ 137,759,578	$ 50,727,998	$ 23,237,491	$ 165,250,085	$ 7,990,499

Bonds outstanding at December 31, 2022 were as follows:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Governmental Activities				
Franchise Fee Revenue Bonds, Series 2012	1–3.75%	2030	$ 4,440,000	$ 2,205,000
Sales and Use Tax Bonds, Series 2015	2–4%	2044	26,970,000	21,085,000
Franchise Fee Revenue Bonds, Series 2015	2–3.85%	2035	3,340,000	2,805,000
Restaurant Tax Bonds, Series 2022	4.00%	2052	38,785,000	38,785,000
				$ 64,880,000

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Component Unit – Conway Corporation				
Water Revenue Refunding Bonds, Series 2015	3–4%	2023	$ 10,185,000	$ 1,405,000
Wastewater Revenue Improvement Bonds, Series 2015B	1.5%	2037	10,000,000	7,630,776
Wastewater Revenue Refunding Bonds, Series 2016	2–5%	2040	12,415,000	10,860,000
Wastewater Revenue Refunding Bonds, Series 2017	1.5%	2037	58,832,965	48,026,537
Wastewater Revenue Improvement Bonds, Series 2019A	2.25-5%	2039	9,370,000	8,700,000
Wastewater Revenue Refunding Bonds, Series 2019B	2.11–3.17%	2037	21,000,000	18,110,000
Wastewater Revenue Refunding Bonds, Series 2020	1.69%	2029	6,395,956	5,066,482
Electric Revenue Improvement Bonds, Series 2022A	4.00%	2043	24,165,000	24,165,000
Electric Revenue Improvement Bonds, Series 2022B	1.0%-3.0%	2030	13,360,000	12,460,000
				$ 136,423,795

Governmental Activities

Franchise Fee Revenue Bonds, Series 2012 – Bonds in the amount of $4,440,000 were issued with varying interest rates from 1.00% to 3.75% to refund the outstanding Franchise Fee Revenue Improvement Bonds, Series 2006, which had interest rates ranging from 4.00% to 4.375%. Principal payments are due annually on December 1. Interest payments are due semiannually on June 1 and December 1. The bonds are special obligations of the City secured by, and payable solely from, receipts of the franchise fees. Principal and interest paid for the current year and total franchise fee revenues were approximately $320,000 and $4,200,000, respectively. These bonds are subject to redemption in part by sinking fund installments beginning December 1, 2030. These bonds are also subject to redemption at direction of the City beginning June 1, 2017.

Sales and Use Tax Bonds, Series 2015 – Bonds in the amount of $26,970,000 were issued by the City in April 2015 for the purpose of financing the costs of constructing, extending and improving certain City streets and refunding of the City's outstanding Sales and Use Tax Capital Improvement Bonds, Series 2012. The bonds are special obligations of the City secured by, and payable solely from, receipts of the special sales and use tax and the general sales and use tax.

The interest rates on the bonds range from 2.00% to 4.00%. Principal payments are due annually on May 1. Interest payments are due semiannually on May 1 and November 1. Principal and interest paid for the current year and total restaurant gross receipts tax revenues were approximately $1,600,000 and $2,375,000, respectively. These bonds are subject to mandatory redemption from surplus tax receipts beginning May 1, 2016. These bonds are also subject to redemption at direction of the City beginning May 1, 2016.

Franchise Fee Revenue Bonds, Series 2015 – Bonds in the amount of $3,340,000 were issued with varying interest rates from 2.00% to 3.85% to finance the costs of acquiring and installing a mobile radio communications system and related improvements. Principal payments are due annually on December 1. Interest payments are due semiannually on June 1 and December 1. The bonds are special obligations of the City secured by, and payable solely from, receipts of the franchise fees. Principal and interest paid for the current year and total franchise fee revenues were approximately $165,000 and $270,000, respectively. These bonds are subject to redemption in part by sinking fund installments beginning December 1, 2025. These bonds are also subject to redemption at direction of the City beginning December 1, 2025.

Restaurant Gross Receipts Tax Capital Improvement and Refunding Bonds, Series 2022 – Bonds in the amount of $38,785,000 were issued with an interest rate of 4.00% for financing the costs of acquiring, constructing and equipping a community center and soccer fields and refund the outstanding Restaurant Gross Receipts Tax Capital Improvement Bonds, Series 2017. The refunding resulted in an economic loss or difference between the present value of the old and new debt services payments of approximately $200,000.

Principal payments are due annually on June 1. Interest payments are due semiannually on June 1 and December 1. The bonds are special obligations of the City secured by, and payable by Advertising and Promotion taxes levied upon on the gross receipts received by restaurants and similar businesses. Total restaurant gross receipts tax revenues for the current year was approximately $4,650,000. These bonds are also subject to redemption at direction of the City beginning June 1, 2029.

Component Unit – Conway Corporation

Water Revenue Refunding Bonds, Series 2015 – Bonds in the amount of $10,185,000 were issued with varying interest rates from 3.00% to 4.00% to accomplish a refunding of the 2010 Series Bonds. The reacquisition price exceeded the net carrying amount of the old debt by $501,099. This amount is shown as a deferred loss on refunding of bonds payable and is amortized over the life of the new debt through 2023. This refunding transaction was undertaken to reduce the Water Department's total debt service payments by approximately $746,000 over nine years and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately $627,000. Principal and interest are payable semiannually and are due on December 1, 2023.

Wastewater Revenue Improvement Bonds, Series 2015B – Bonds in the amount of $10,000,000 were issued with an interest rate of 1.50% for the purpose of financing improvements to the wastewater collection and treatment facilities and to refund previously issued debt and revenue improvement bonds. Principal and interest are payable semiannually and are due on April 15, 2037.

Wastewater Revenue Refunding Bonds, Series 2016 – Bonds in the amount of $12,415,000 were issued with varying interest rates from 2.00% to 5.00% to accomplish a current refunding of the 2010 Series Bonds. Principal and interest are payable semiannually and are due on October 1, 2040.

Wastewater Revenue Refunding Bonds, Series 2017 – Bonds in the amount of $58,832,965 were issued with an interest rate of 1.50% to accomplish a current refunding of the outstanding Wastewater Revenue Improvement Bonds, 2015 Series, which was initially issued for the purpose of financing improvements to the wastewater collection and treatment facilities and to refund previously issued debt and revenue improvement bonds. Principal and interest are payable semiannually and are due on October 15, 2037.

Wastewater Revenue Improvement Bonds, Series 2019A – Bonds in the amount of $9,370,000 were issued with varying interest rates from 2.25% to 5.0% for the purpose of financing improvements to the wastewater collection and treatment facilities. Principal is payable annually beginning October 1, 2020, and interest is payable semiannually through maturity on October 1, 2039.

Wastewater Revenue Refunding Bonds, Series 2019B – Bonds in the amount of $21,000,000 were issued with varying interest rates from 2.11% to 3.17% to refund the outstanding balance of $25,000,000 Wastewater Revenue Improvement Bonds, Series 2012A (the 2012A Series Bonds). The net proceeds along with other resources were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the 2012A Series Bonds. As a result, the remaining principal balance of the 2012A Series Bonds is considered defeased, and the Corporation has removed the liability from its accounts. The outstanding principal of the defeased bonds is $21,310,000 at December 31, 2019 and will be fully redeemed on April 1, 2022. The reacquisition price exceeded the net carrying amount of the old debt by $1,035,858. This amount is shown as deferred loss on refunding of bonds payable and amortized over the life of the new debt through 2037. This refunding transaction was undertaken to reduce the Corporation’s total debt service payments by approximately $1,419,000 over 18 years and resulted in an economic gain (difference between present value of debt service payments on the old and new debt) of approximately $1,415,000.

Wastewater Revenue Refunding Bonds, Series 2020 – Bonds in the amount of $6,395,956 were issued with an interest rate of 1.69% to refund the outstanding balance of the $9,980,000 Wastewater Revenue Refunding Bonds, Series 2014 (the 2014 Series Bonds). The net proceeds along with other resources were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the 2014 Series Bonds. As a result, the remaining principal balance of the 2014 Series Bonds is considered defeased, and the Wastewater Department has removed the liability from its accounts. The outstanding principal of the defeased bonds is $6,855,000 at December 31, 2020 and will be fully redeemed on October 1, 2029. The reacquisition price exceeded the net carrying amount of the old debt by $17,245. This amount is shown as deferred loss on refunding bonds payable and amortized over the life of the new debt through 2025. This refunding transaction was undertaken to reduce the Department’s total debt service payments by approximately $368,000 over nine years and resulted in an economic gain (difference between present value of debt service payments on the old and new debt) of approximately $344,000.

Electric Revenue Improvement Bonds, Series 2022A – Bonds in the amount of $24,165,000 were issued with an interest rate of 4.00% to finance the costs of betterments and improvements to the City's electric utility system. Principal is payable annually beginning December 1, 2030, and interest is payable semiannually through maturity on December 1, 2043.

Electric Revenue Improvement Bonds, Series 2022B – Bonds in the amount of $13,360,000 were issued with varying interest rates from 1.00% to 3.00% to refund the 2015 Series bonds. Principal is payable annually, and interest is payable semiannually through maturity on December 1, 2030.

Notes Payable

Notes payable at December 31, 2022 were as follows:

Governmental Activities

- An $847,463 financed-purchase agreement effective November 2008 was made to acquire energy efficiency improvements to city facilities: quarterly payments of $18,685 to $25,675 through July 1, 2023. The outstanding balance is $59,429 at December 31, 2022.

Business-Type Activities

- A $600,000 promissory note was issued by the City in June 2021 to finance the construction of a hangar at the airport. The note has an interest rate of 2.25% and is due in annual installments through June 10, 2026. The outstanding balance is $600,000 at December 31, 2022.

Component Unit – Conway Corporation

- A $723,417 promissory note to Mid-Arkansas Water Alliance for water storage rights; due in annual installments of approximately $41,000 through June 5, 2039; interest rate 4.125%. The outstanding balance is $491,465 at December 31, 2022.

- A $1,342,920 promissory note to Mid-Arkansas Water Alliance; due in annual installments of approximately $66,000 annually through June 5, 2049; interest rate 2.875%. The outstanding balance is $1,218,956 at December 31, 2022.

Annual Debt Service Requirements

The following schedules show the annual debt service requirements to pay principal and interest on revenue bonds, leases payable and notes payable outstanding at December 31, 2022:

Governmental Activities

	Bonds		Notes Payable		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2023	$ 1,740,000	$ 2,700,664	$ 59,430	$ 614	$ 4,500,708
2024	1,875,000	2,574,883	-	-	4,449,883
2025	1,935,000	2,503,771	-	-	4,438,771
2026	2,015,000	2,430,093	-	-	4,445,093
2027	2,095,000	2,349,423	-	-	4,444,423
2028-2032	11,135,000	10,422,911	-	-	21,557,911
2033-2037	11,915,000	8,141,581	-	-	20,056,581
2038-2042	13,535,000	5,692,482	-	-	19,227,482
2043-2047	8,675,000	3,114,707	-	-	11,789,707
2048-2052	9,960,000	1,226,400	-	-	11,186,400
	$ 64,880,000	$ 41,156,915	$ 59,430	$ 614	$106,096,959

Business-Type Activities

	Notes Payable		
Fiscal Year	Principal	Interest	Total
2023	$ -	$ 13,500	$ 13,500
2024	-	13,500	13,500
2025	-	13,500	13,500
2026	600,000	13,500	613,500
	$ 600,000	$ 54,000	$ 654,000

Component Unit – Conway Corporation

	Publicly Traded Bonds		Bonds from Direct Placement		Notes from Direct Borrowings		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2023	$ 4,540,000	$ 2,552,280	$ 3,399,499	$ 1,460,230	$ 51,000	$ 55,318	$ 12,058,327
2024	3,205,000	2,420,507	3,476,632	1,380,411	52,725	53,595	10,588,870
2025	3,285,000	2,343,687	3,558,887	1,298,726	54,506	51,812	10,592,618
2026	3,370,000	2,260,311	3,641,839	1,215,074	56,351	49,967	10,593,542
2027	3,460,000	2,166,516	3,724,410	1,129,429	58,261	48,058	10,586,674
2028-2032	17,790,000	9,190,657	20,144,634	4,251,176	322,376	209,217	51,908,060
2033-2037	19,220,000	6,029,594	22,777,894	1,589,057	381,241	150,353	50,148,139
2038-2042	14,865,000	2,473,642	-	-	323,770	85,452	17,747,864
2043-2047	5,965,000	393,943	-	-	284,577	43,065	6,686,585
2048-2052	-	-	-	-	125,614	5,443	131,057
	$ 75,700,000	$ 29,831,137	$ 60,723,795	$ 12,324,103	$ 1,710,421	$ 752,280	$ 181,041,736

Notes Payable from Direct Borrowings and Bonds from Direct Placement

Component Unit – Conway Corporation

The Corporation's outstanding notes payable from direct borrowings of $1,710,421 contain a provision that in the event of default, the lender may file suit to enforce the terms of the note payable.

The Corporation's outstanding bonds from direct placement of $60,723,795 are compiled of the Series 2015B, 2017 and the 2020 bonds. The Series 2015B and 2017 bonds contain a provision that, in the event of default, the lender may apply to the courts to appoint a person to administer the Wastewater System on behalf of the bondholders with the power to charge and collect rates sufficient to provide the payment of the System's operations and the principal and interest on all indebtedness secured by revenues. The Series 2020 bond contains a provision that, in the event of default, the lenders may proceed file suit to enforce the terms of the bond agreement.

All long-term debt of the Corporation is secured by pledged revenues generated by the respective departments. The Series 2019A, Wastewater Revenue Improvement Bonds and the Series 2020, 2019B, and 2016 Wastewater Revenue Refunding Bonds are additionally secured by surplus revenues of the Electric Department.

Note 7: Construction Commitments

At December 31, 2022, the City had the following commitments:

	Project Authorization	Expended Through December 31, 2022	Remaining Commitment
Fire Station #3	$ 3,829,500	$ -	$ 3,829,500
Overnight Emergency Shelter	2,065,746	1,377,681	688,065
Harkrider Sidewalk and Drainage	506,943	172,566	334,377
Markham Street Jump Start Phase II	1,782,414	-	1,782,414
Pompe Park Phase I	1,562,729	605,748	956,981
Adaptive Signal Control	1,193,381	-	1,193,381
Conway Station Park Field Turf Install	3,650,000	1,242,450	2,407,550
Total	$ 14,590,713	$ 3,398,445	$ 11,192,268

Note 8: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2022 are as follows:

	Interfund Receivables	Interfund Payables
General fund	$ 111,326	$ 109,690
Street fund	9,647	115,515
2018 Sales & Use Tax	-	700
Sales & Use Tax	700	-
Grant fund	-	239,031
Other governmental funds	242,921	1,301
Sanitation fund	47,117	31,342
Airport fund	-	2,716
Fiduciary funds	88,584	-
	$ 500,295	$ 500,295

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund transfers in and transfers out for the year ended December 31, 2022 are as follows:

	Transfers Out			
	Governmental Funds		Proprietary Funds	
Transfers In	Debt Service Fund	Other Funds	Sanitation Fund	Total
Governmental funds				
General fund	$ -	$ 250,000	$ 520,000	$ 770,000
Debt service fund	-	1,562,303	-	1,562,303
2022 Capital projects	32,535,138	-	-	32,535,138
	$ 32,535,138	$ 1,812,303	$ 520,000	$ 34,867,441

During the year, a transfer was used to move sanitation fees to the general fund in the amount of $520,000 and to transfer $250,000 from a capital project fund to the general fund for Expo Center operations. In addition, $32,535,138 was transferred from the Debt Service Fund to the 2022 Capital Project Fund for the construction of a community center and soccer fields.

Note 9: Fund Balances

The City classified governmental fund balances as follows:

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Street Sales & Use Tax Fund	2022 Capital Projects	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances									
Nonspendable:									
Prepaids	$ 583	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 583
Restricted									
Debt service	-	-	-	-	-	-	4,414,648	-	4,414,648
Street maintenance	-	4,166,619	-	-	-	-	-	-	4,166,619
Street capital projects	-	-	20,799,561	9,946,057	-	-	-	2,175,949	32,921,567
Parks and recreation capital projects	-	-	-	-	28,554,932	-	-	5,112,231	33,667,163
Special projects	-	-	-	-	-	364,844	-	2,048,645	2,413,489
Unassigned (deficit)	23,196,291	-	-	-	-	-	-	(25,171)	23,171,120
Total Fund Balances	$ 23,196,874	$ 4,166,619	$ 20,799,561	$ 9,946,057	$ 28,554,932	$ 364,844	$ 4,414,648	$ 9,311,654	$ 100,755,189

Note 10: Related Party Transactions

The City has entered into franchise agreements with the Corporation to operate City-owned utilities as follows:

Water Department and Wastewater Department – The Corporation operates the Water and Wastewater Departments for the City pursuant to an exclusive franchise agreement requiring the Corporation to assess each customer a 4.25% franchise fee on certain revenues. The Water and Wastewater Departments remitted approximately $1,340,000 in franchise fees to the City for the year ended December 31, 2022. At December 31, 2022, the Water and Wastewater Departments were indebted to the City in the amount of approximately $100,000, which is recorded as due from component units.

Cable Television Department – The Corporation operates the Cable Television Department for the City under an agreement that requires the Cable Television Department to pay the City a franchise fee of 5% of gross revenues. The Cable Television Department paid the City approximately $660,000 during the year ended December 31, 2022. At December 31, 2022, the Cable Television Department was indebted to the City in the amount of approximately $55,000, which is recorded as due from component units.

Electric Department – The Corporation operates the Electric Department for the City pursuant to an exclusive franchise agreement requiring the Electric Department to assess each customer a 2.5% franchise fee on certain revenues. The Electric Department remitted approximately $2,060,000 in franchise fees. At December 31, 2022, the Electric Department was indebted to the City in the amount of approximately $140,000, which is recorded as due from component units.

Sanitation Department – The City has entered into an agreement with the Corporation for collection of sanitation fees. The Corporation retains approximately 0.7% of the fees as compensation for the collection and billing services. The Corporation retained approximately $65,000 for billing and collection services and remitted approximately $10,000,000 to the City in gross receipts during the year ended December 31, 2022. At December 31, 2022, the Corporation was indebted to the Sanitation Department in the amount of approximately $940,000, which is recorded as due from component units.

The City paid the Corporation approximately $1,220,000 during 2022 for utility services provided to the City. The City also paid the Corporation approximately $5,200,000 during 2022 for the purchase of a building and the related land.

As of December 31, 2022, the Corporation has an outstanding note receivable from a related organization of $2,250,000. On September 7, 2022, the note was refunded thereby lowering the original interest rate from 7% to 4% with annual principal and interest payments of $135,029 required through February 1, 2050, beginning February 1, 2023. Accrued interest receivable and interest income were approximately $90,000 for the year ended December 31, 2022.

On August 16, 2005, Ordinance No. O-05-97 levied a 1% tax on prepared food for the benefit of the City (75%) and the Commission (25%). On the same date, Ordinance No. O-05-98 levied another 1% tax on prepared food for the benefit of the City. These taxes are collected by the Commission and remitted to the City. The Commission remitted approximately $4,700,000 to the City during the year ended December 31, 2022. At December 31, 2022, the Commission was indebted to the City in the amount of $791,335, which is recorded as due from component units.

The Commission contribution approximately $750,000 to the City during 2022 for Parks and Recreation.

Note 11: Pension Plans

The City participates in four defined benefit pension plans, which are comprised of two agent multiple-employer defined benefit pension plans, one cost-sharing multiple-employer defined benefit pension plan, and one single employer defined benefit plan, each of which is described and illustrated in detail below. Aggregate amounts for the four pension plans are as follows:

	Governmental Activities					Business-Type Activities	
	LOPFI	FRPF	PRPF	Nonuniformed	Total	Nonuniformed	Total
Net Pension Liability	$ (16,822,399)	$ (2,159,817)	$ (1,570,367)	$ (30,420,421)	$ (50,973,004)	$ (12,729,112)	$ (63,702,116)
Deferred Outflows – Pension	2,701,545	-	-	3,134,610	5,836,155	1,311,646	7,147,801
Deferred Outflows – Contributions	3,127,987	703,115	679,728	-	4,510,830	-	4,510,830
Pension Expense	1,271,501	137,587	228,580	1,666,581	3,304,249	697,364	4,001,613
Deferred Inflows – Pension	(11,478,471)	(796,499)	(823,765)	(7,100,947)	(20,199,682)	(2,971,317)	(23,170,999)

Pensions items listed above for the Nonuniformed Plan have been allocated between governmental activities and business-type activities (also proprietary funds) on the basis of covered payroll.

Policemen's Relief and Pension Fund (PRPF)

Plan Description. The Policemen's Relief and Pension Fund (PRPF) is an agent multiple-employer defined benefit pension plan for employees of the police department who were hired prior to January 1, 1983. The plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On June 25, 2013, the City entered into an agreement with LOPFI, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas.

Per the agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the plan's net pension liability over a 30-year closed amortization period. The plan's benefit structure remains unchanged under the administration of LOPFI. The plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits. The PRPF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the police department. The PRPF also provides benefits for surviving spouses and dependent children of deceased police officers. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to five years. All police officers hired after January 1, 1983, participate in the LOPFI Retirement System created by Act 364 of 1981 and described later in the footnote. Therefore, the PRPF is effectively closed to new members.

At the December 31, 2021 valuation and measurement date, the following were covered by the benefit terms:

	Policemen's Relief and Pension Plan
Inactive plan members or beneficiaries receiving benefits	29

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year (if any) and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. Contributions by the City to the Plan for the year ended December 31, 2022 were $679,728.

Net Pension Liability

The City's net pension liability of $1,570,367 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2021.

Actuarial Assumptions

	Local Police & Fire
Actuarial valuation date	12/31/2021
Actuarial cost method	Entry age normal
Amortization method	Closed amortization period based on projected future payroll
Remaining amortization period	6 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.50%
Projected salary increases	3.25%
Includes inflation at	2.50%
Cost-of-living adjustments	None

Mortality rates for retirees and beneficiaries were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Actuarial assumptions used in the December 31, 2021 valuation were based on the results of actuarial experience studies. The experience study in the PRPF was for the period January 1, 2012 through December 31, 2016 first used in the December 31, 2017 valuation. Assumptions are reviewed annually.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the Plan.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expend future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.77%
U.S. Stock - Small Cap	21%	5.47%
International Equity	9%	5.97%
Emerging Markets	9%	8.33%
U.S. Corporate Bonds	25%	0.66%
Real Estate	5%	4.34%
Private Equity	10%	9.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2022	$ 8,830,936	$ 6,457,420	$ 2,373,516
Changes for the year:			
Interest	588,133	-	588,133
Difference between expected and actual experience	137,512	-	137,512
Changes of assumptions	204,236	-	204,236
Contributions – employer	-	688,179	(688,179)
Net investment income	-	1,053,597	(1,053,597)
Benefit payments, including refunds of employee contributions	(858,062)	(858,062)	-
Administrative expenses	-	(8,746)	8,746
Net changes	71,819	874,968	(803,149)
December 31, 2022	$ 8,902,755	$ 7,332,388	$ 1,570,367

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

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's net pension liability	$ 2,371,823	$ 1,570,367	$ 871,294

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at http://lopfi-prb.com/lopfi/reports/.

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

For the year ended December 31, 2022, the City recognized pension expense of $228,580 related to this plan.

At December 31, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 823,765
Contributions subsequent to the measurement date	679,728	-
Total	$ 679,728	$ 823,765

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $679,728 will be recognized as a reduction of the net pension liability for the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2023	$ (201,923)
2024	(308,630)
2025	(191,646)
2026	(121,566)
Total	$ (823,765)

Firemen's Relief and Pension Fund (FRPF)

Plan Description. The Firemen's Relief and Pension Fund (FRPF) is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. The plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On June 25, 2013, the City entered into an agreement with the LOPFI retirement system, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the plan's net pension obligation over a 30-year closed amortization period.

The plan's benefit structure remains unchanged under the administration of LOPFI. The plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits. The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firefighters who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased firefighters. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All firefighters hired after January 1, 1983 participate in the LOPFI Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

At the December 31, 2021 valuation and measurement date, the following were covered by the benefit terms:

	Firemen's Relief and Pension Plan
Inactive plan members or beneficiaries receiving benefits	27

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. Contributions by the City to the Plan for the year ended December 31, 2022 were $695,770.

Net Pension Liability

The City's net pension liability of $2,159,817 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2021.

Actuarial Assumptions

	Local Police & Fire
Actuarial valuation date	12/31/2021
Actuarial cost method	Entry age normal
Amortization method	Closed amortization period based on projected future payroll
Remaining amortization period	6 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.50%
Projected salary increases	3.25%
Includes inflation at	2.50%
Cost-of-living adjustments	None

Mortality rates for retirees, beneficiaries and DROP members were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Actuarial assumptions used in the December 31, 2021 valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through December 31, 2016 first used in the December 31, 2017 valuation. Assumptions are reviewed annually.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the plan.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expend future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.77%
U.S. Stock - Small Cap	21%	5.47%
International Equity	9%	5.97%
Emerging Markets	9%	8.33%
U.S. Corporate Bonds	25%	0.66%
Real Estate	5%	4.34%
Private Equity	10%	9.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2022	$ 9,277,589	$ 6,225,324	$ 3,052,265
Changes for the year:			
Interest	621,733	-	621,733
Difference between expected and actual experience	182,854	-	182,854
Contributions – employer		695,005	(695,005)
Changes of assumptions	10,795		10,795
Net investment income	-	1,021,302	(1,021,302)
Benefit payments, including refunds of employee contributions	(791,392)	(791,392)	-
Administrative expenses	-	(8,477)	8,477
Net changes	23,990	916,438	(892,448)
December 31, 2022	$ 9,301,579	$ 7,141,762	$ 2,159,817

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

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's net pension liability	$ 2,912,061	$ 2,159,817	$ 1,506,303

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at http://lopfi-prb.com/lopfi/reports/.

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

For the year ended December 31, 2022, the City recognized pension expense of $137,587 related to this plan.

At December 31, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 796,499
Contributions subsequent to the measurement date	703,115	-
Total	$ 703,115	$ 796,499

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $703,115 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2023	$	(196,236)
2024		(297,113)
2025		(185,310)
2026		(117,840)
Total	$	(796,499)

Local Police and Fire Retirement System (LOPFI)

Plan Description. LOPFI is a statewide cost-sharing multiple-employer defined benefit plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983 whose political subdivision had a retirement system in effect at July 1, 1981 are eligible to participate in the plan. On January 1, 2008, only firefighters of the City participated in the plan. Effective July 1, 2008, police officers of the City began participating in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, P.O. Drawer 34164, Little Rock, Arkansas 72203, or by calling 501.682.1745.

Benefits provided. LOPFI provides for a retirement benefit paid to the member on a monthly basis. The monthly benefit is based on a formula provided by law for the member's lifetime. The member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

Contributions. Contributions to LOPFI are made by both the member and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 8.5% of covered payroll for police officers and firefighters. The City contributed 23.50% of covered employees' salaries to the plan for police officers and firefighters for the year ended December 31, 2022. Contributions by the City to the plan for the year ended December 31, 2022 were $3,127,987.

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

At December 31, 2022, the City reported a liability of $16,822,399 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the plan during the measurement period to the total employer contributions to the plan of the group for the measurement period. At December 31, 2021, the City's proportion was 3.3291%, which was a decrease of 0.0183% from the December 31, 2020 proportion of 3.3474%.

For the year ended December 31, 2022, the City recognized pension expense of $1,271,501 related to this plan. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,992,700	$ -
Change of assumptions	649,594	-
Change in proportion	59,251	1,166,486
Net difference between projected and actual earnings on pension plan investments	-	10,311,985
Contributions subsequent to the measurement date	3,127,987	-
Total	$ 5,829,532	$ 11,478,471

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $3,127,987 will be recognized as a reduction of the net pension liability for the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2022	$	(1,261,517)
2023		(3,306,803)
2024		(2,449,399)
2025		(1,759,207)
Total	$	(8,776,926)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	LOPFI
Actuarial valuation date	12/31/2021
Investment rate of return	7.00%, net of pension plan investment expense
Wage inflation	3.00%
Price inflation	2.25%

Mortality rates were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016. As a result of the actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2021 actuarial evaluation to more closely reflect actual experience. Assumptions are reviewed annually with no changes in the current year.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.77%
U.S. Stock - Small Cap	21%	5.47%
International Equity	9%	5.97%
Emerging Markets	9%	8.33%
U.S. Corporate Bonds	25%	0.66%
Real Estate	5%	4.34%
Private Equity	10%	9.05%

Discount Rate

In the December 31, 2021 actuarial valuation, a single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportional share of the net pension liability	$ 33,852,548	$ 16,822,399	$ 3,082,260

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at http://lopfi-prb.com/lopfi/reports/.

Nonuniformed Employees' Defined Benefit Pension Plan (Nonuniformed Plan)

Plan Description. The Nonuniformed Employees' Defined Benefit Pension Plan (Nonuniformed Plan) is a single-employer, defined benefit pension plan that covers the City of Conway's employees except those covered by LOPFI, elected officials and the court clerk. The Nonuniformed Plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contributions are established by the Nonuniformed Employees' Pension Plan Board. The plan does not issue a stand-alone financial report but is included in the City's financial report. Effective May 1, 2018, there were significant changes to the terms and conditions of the Nonuniformed Plan. The grandfathered employees are participants who were employed by the City before May 1, 2018. All other employees will be nongrandfathered.

Benefits. The Nonuniformed Plan provides retirement, disability and death benefits.

Retirement benefits for grandfathered plan members are calculated as 50% of the member's final average salary compensation. Grandfathered plan members with 10 years of continuous service are eligible to retire at age 60 or may retire at any age after 20 years of service. For grandfathered plan members, the death benefit equals $50 per month to the surviving spouse for their lifetime, ending upon remarriage and dependent children, until the child reaches 16. A grandfathered plan member who terminates employment for any reason other than death or disability and the participant does not have at least 10 years of service under the plan, the member shall be entitled to only the member contributions.

Retirement benefits for nongrandfathered plan members are calculated as 2% of the member's final average salary compensation multiplied by the member's years of service. Nongrandfathered plan members are eligible to retire at the age of 65 and completion of at least six years of service, at the age of 62 and completion of at least 20 years of service or completion of at least 28 years of service. For nongrandfathered plan members the death benefit equals to the actuarial equivalent of 50% of the benefit that would have been payable to the member had the member survived to the member's normal retirement age. A nongrandfathered plan member who terminates employment for any reason other than death or disability and the participant does not have at least six years of service under the plan, the member shall be entitled to only the member contributions.

All plan members are eligible for disability benefits after five years of service. Disability retirement benefits are determined in the same manner as retirement benefits for grandfathered plan members but are payable immediately.

At the January 1, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	Nonuniformed Employees' Defined Benefit Pension Plan
Inactive plan members or beneficiaries receiving benefits	131
Inactive plan members entitled to but not yet receiving benefits	17
Active plan members	266
Total	414

Contributions. The City contributes the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% (grandfathered) or 10% (nongrandfathered) of their gross salary. The City's required contributions for the 2022 fiscal year were $2,911,720; however, the City made contributions of $1,646,345, or 13.76%, of covered payroll.

Actuarial Assumptions

	Nonuniformed Employees' Defined Benefit Pension Plan
Actuarial valuation date	1/1/2022
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Market value
Investment rate of return	6.5%
Projected salary increases	3.5%
Includes inflation at	2.75%
Cost-of-living adjustments	None

The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

For the Nonuniformed Plan, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Method Used to Determine Fair Value of Investments

The fair value of investments is determined using quoted market prices.

Net Pension Liability

The City's net pension liability for the Nonuniformed Plan was measured as of December 31, 2022 for the year ended December 31, 2022. The components of the net pension liability of the City at December 31, 2022 and the total pension liability used to calculate the net pension liability were determined by an actuarial valuation as of January 1, 2022 and were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2022	$ 62,602,901	$ 16,923,211	$ 45,679,690
Changes for the year:			
Service cost	3,534,390	-	3,534,390
Interest	2,307,513	-	2,307,513
Difference between expected and actual experience	-	-	-
Assumption changes	(8,201,732)	-	(8,201,732)
Contributions – employer	-	1,646,345	(1,646,345)
Contributions – employees	-	935,738	(935,738)
Net investment income	-	(2,392,338)	2,392,338
Benefit payments, including refunds of employee contributions	(2,646,569)	(2,646,569)	-
Administrative expenses	-	(19,418)	19,418
Net changes	(5,006,398)	(2,476,242)	(2,530,156)
December 31, 2022	$ 57,596,503	$ 14,446,969	$ 43,149,534
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	25.08%		

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the Nonuniformed Plan's asset allocation as of December 31, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	7%	-0.90%
Corporate bonds	11%	-0.30%
Equities	82%	5.40%

Discount Rate

A single discount rate of 4.65% was used to measure the total pension liability as of December 31, 2022. The single discount rate of 4.65% is based on the expected rate of return on pension plan investments of 6.50% and a municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index of 4.05%. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2040. Therefore, a single discount rate of 4.65% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022. A single discount rate of 3.66% was used to measure the total pension liability as of December 31, 2021. The change in the single discount rate is presented as an assumption change in the changes to the net pension liability.

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

The following table presents the net pension liability of the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 3.65%	Current Single Rate Assumption 4.65%	1% Increase 5.65%
City's net pension liability	$ 51,443,750	$ 43,149,534	$ 36,435,421

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return is shown in the table below:

	Year	Annual Return
Annual money-weighted rate of return, net of investment expense	2022	-15.15%

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

For the year ended December 31, 2022, the City recognized pension expense of $2,363,945 related to this plan.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 163,739	$ -
Change of assumptions	2,643,085	10,072,265
Net difference between projected and actual earnings on pension plan investments	1,639,432	-
Total	$ 4,446,256	$ 10,072,265

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

Year Ending December 31,		
2023	$	(1,250,693)
2024		(1,917,560)
2025		(2,021,360)
2026		(436,396)
Total	$	(5,626,009)

Note 12: Component Unit Retirement Plans

Defined Benefit Pension Plan

Plan Description: The retirement plan of the Corporation (the Plan) is a noncontributory, single-employer defined benefit pension plan administered by the Corporation with the Corporation's chief executive officer serving as the Plan's trustee. The Plan provides retirement benefits to eligible employees in the form of monthly pension payments over the life of the participant. The Corporation's board of directors has been assigned the authority to establish and amend benefit provisions of the Plan. An actuarial valuation is prepared by an independent actuary as of the beginning of each plan year, which occurs on August 1.

Copies of this report may be obtained by contacting the Corporation. The Corporation does not issue a stand-alone financial report for the Plan.

Benefits Provided. The Plan provides retirement benefits for full-time employees of the Corporation with at least one year of service and are at least 21 years of age. Retirement benefits are calculated as 1.5% of the employee's final five-year average salary times the employee's years of service. All employees may retire on the latter of an employee's 65th birthday or the fifth anniversary of the first day of the plan year in which participation in the Plan commenced. An employee who retires after the age of 62, but before age 65, and has completed at least 10 years of service may withdraw their vested accrued benefit, subject to a 0.250% per month actuarial reduction (if hired on or after January 1, 1990) or 0.167% actual reduction (if hired before January 1, 1990) for early commencement.

At August 1, 2022, the following employees of the Corporation were covered by the benefit terms:

	Component Unit Nonuniformed Employees' Defined Benefit Pension Plan
Inactive plan members or beneficiaries receiving benefits	89
Inactive plan members entitled to but not yet receiving benefits	52
Active plan members	229
Total	370

Contributions. The Corporation's policy is to contribute at least 100% of the actuarially determined contribution, subject to approval by the Corporation's board of directors. The Corporation's contribution rate and required contributions for the year ended December 31, 2022 were 12.82% and $2,106,543, respectively. Actual contributions for all departments totaled $2,400,000, or 113.93%, of required contributions.

Net Pension Liability

The Corporation's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2022 and then projected forward to the measurement date. There have been no significant changes between the valuation date and the measurement date.

Total pension liability in the August 1, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

	Component Unit Nonuniformed
Actuarial valuation date	8/1/2022
Investment rate of return	7%
Projected salary increases	4%
Inflation	3.5%

Mortality rates were based on the Pub-G 2010 Healthy Mortality Table, projected generationally with Scale MP 2019.

The best-estimate range for the long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns. The target allocations and the expected real returns were developed based on consultation with the Plan's investment advisor. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of August 1, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Stock	75%	6.00%
Fixed income	20%	2.00%
Cash equivalents	5%	0.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will total the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the Corporation's net pension liability for the year ended December 31, 2022 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2022	$ 57,638,937	$ 47,499,865	$ 10,139,072
Changes for the year:			
Service cost	1,087,220	-	1,087,220
Interest	4,003,983	-	4,003,983
Effect of economic/demographic gains or losses	1,461,450	-	1,461,450
Employer contributions	-	2,400,000	(2,400,000)
Net investment income	-	(7,014,176)	7,014,176
Benefit payments	(1,965,590)	(1,965,590)	-
Net changes	4,587,063	(6,579,766)	11,166,829
December 31, 2022	$ 62,226,000	$ 40,920,099	$ 21,305,901

The schedule of changes in the component unit's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents information about the changes in the net pension liability of the Plan, differences between the actuarially determined contributions and employer contributions and related ratios.

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

The following presents the net pension liability of the Corporation, calculated using the discount rate of 7.00%, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Corporation's net pension liability	$ 27,728,611	$ 21,305,901	$ 14,883,191

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Corporation recognized pension expense of $1,547,157. At December 31, 2022, the Corporation reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,206,843	$ 742,232
Net difference between projected and actual earnings on pension plan investments	5,506,191	-
Changes of assumptions	879,539	-
Contributions subsequent to the measurement date	38,908	-
Total	$ 10,631,481	$ 742,232

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $38,908 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023.

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

Year Ending December 31,		
2023	$	1,440,194
2024		2,134,342
2025		2,833,546
2026		2,946,472
2027		325,918
Thereafter		169,869
Total	$	9,850,341

Section 457 Deferred Compensation Plan

The Conway Corporation 457 Supplemental Retirement Plan was formed, effective January 1, 2000 as a supplemental defined contribution retirement program for employees. Employee participation in this plan is optional. The Corporation makes matching contributions for eligible employees who elect to participate up to 25% of the first 3% of each participant's gross pay. Matching contributions for all Corporation employees for the year ended December 31, 2022 totaled $168,000.

Note 13: Other Postemployment Benefits (OPEB)

Governmental and Business-Type Activities

Plan Description: The City sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan, but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The benefit payment requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan.

As of December 31, 2022, the following employees were covered by benefit terms:

Retirees or beneficiaries currently receiving benefit payments	25
Active members	435
Total	460

Total OPEB Liability – The City's total OPEB liability of $4,862,289 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.05% based on the 20-year municipal GO AA bond rate from Fidelity.
Inflation rate	2.50%
Health care cost trend rates	7.00% declining to an ultimate rate of 4.25% after 15 years.
Cost method	Individual Entry-Age Normal
Mortality	For healthy retirees, the RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 135% and female rates multiplied by 125%. The rates were adjusted for mortality improvements using projection scale MP-2017 from 2006.

The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. Additionally, the health care trend rates were updated to better reflect the plans anticipated experience.

Changes in Total OPEB Liability

Total OPEB liability – January 1, 2022	$ 6,082,624
Service cost	315,308
Interest	113,612
Difference between expected and actual experience	(763,757)
Changes of assumptions or other inputs (discount rate)	(754,021)
Benefit payments	(131,477)
Net change in total OPEB liability	(1,220,335)
Total OPEB liability – December 31, 2022	$ 4,862,289

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current discount rate:

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease 3.05%	Discount Rate 4.05%	1% Increase 5.05%
Total OPEB liability	$ 5,401,959	$ 4,862,289	$ 4,390,530

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates – The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates		
	1% Decrease (6.00% decreasing to 3.25%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.25%)	1% Increase (8.00% decreasing to 5.25%)
Total OPEB liability	$ 4,339,541	$ 4,862,289	$ 5,476,031

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the City recognized OPEB expense of $419,027. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 640,693	$ 1,157,805
Changes of assumptions	617,526	761,876
Total	$ 1,258,219	$ 1,919,681

The balances as of December 31, 2022 of the deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Fiscal Year Ending December 31,		
2023	$	(9,893)
2024		(9,893)
2025		(9,893)
2026		(9,893)
2027		(9,893)
Thereafter		(611,997)
	$	(661,462)

Component Unit

Plan Description: The Corporation offers retiree medical benefits and life insurance to employees who retire from active employment under the OPEB plan, administered by the Corporation. The Corporation's board of directors has been assigned the authority to establish and amend benefits of the OPEB plan. An actuarial valuation was prepared by an independent actuary as of December 31, 2021. There were no assets of the OPEB plan that were accumulated in a trust during the year ended December 31, 2022.

Benefits Provided: The OPEB plan provides medical and life insurance benefits for retirees and their surviving spouses. An employee is eligible to elect medical coverage upon meeting the eligibility requirements of the Plan if the employee pays 100% of the retiree premium. The OPEB plan also provides retirees with life insurance coverage of one time their basic annual earnings immediately prior to retirement, up to a maximum of $200,000. This amount is reduced by 50% at age 65.

At January 1, 2022, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefit payments	54
Active members	228
Total	282

During the year ended December 31, 2022, the Corporation paid, as they came due, $48,278 of benefit payments for OPEB.

Total OPEB Liability – The Corporation's total OPEB liability of $2,858,464 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.31% based on the S&P Municipal Bond 20-Year High Grade Index
Inflation rate	2.00%
Annual salary increases	4.00%
Health care cost trend rates	7.5% for 2022, decreased each year, to an ultimate rate of 4.25% for 2031 and after
Cost method	Entry age normal
Mortality	Pub-G 2010 Healthy Mortality Table, projected generationally with Scale MP 2019

Changes in Total OPEB Liability

Total OPEB liability – January 1, 2022	$ 3,693,910
Service cost	130,746
Interest	84,041
Differences between expected and actual experience	(366,408)
Changes of assumptions or other inputs	(635,543)
Benefit payments	(48,278)
Net change in total OPEB liability	(835,442)
Total OPEB liability – December 31, 2022	$ 2,858,468

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (3.31%) or 1-percentage-point higher (5.31%) than the current discount rate:

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease 3.31%	Discount Rate 4.31%	1% Increase 5.31%
Total OPEB liability	$ 3,061,619	$ 2,858,468	$ 2,672,167

Sensitivity of the Total OPEB Liability to the Health Care Cost Trend Rates – The following represents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease (6.50% decreasing to 3.25%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.25%)	1% Increase (8.50% increasing to 5.25%)
Total OPEB liability	$ 2,585,379	$ 2,858,468	$ 3,170,161

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Corporation recognized OPEB expense of $71,619. At December 31, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 591,777	$ 958,350
Changes of assumptions	120,113	743,817
Total	$ 711,890	$ 1,702,167

The balances as of December 31, 2022 of the deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Fiscal Year Ending December 31,	
2023	$ (94,890)
2024	(94,890)
2025	(94,890)
2026	(94,890)
2027	(96,915)
Thereafter	(513,802)
	$ (990,277)

Note 14: Risk Management

The City has various insurance policies to cover its potential liability risk areas, *e.g.*, automobile, personal property, contents and outside structures and workers' compensation. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. The AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by the AML based on such factors as claims experience, employee class multipliers and population. For risks covered by the AML, the City pays no deductible; however, the City pays a $2,000 fee to the AML for each legal matter it handles. There have been no significant reductions in coverage from 2021 to 2022; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

Note 15: Contingencies

The City is a member of the Arkansas Municipal Legal Defense Program (the Program), which provides extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and their officials and employees, which will not exceed 25% of the Program's available funds at the time the lawsuit was filed or the judgment becomes final, or $1 million, whichever is less.

The City, its agencies and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts and alleged violations of state and federal laws. It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, except for matter discussed below, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position. However, events could occur in the near term that would cause these estimates to change materially.

Note 16: Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill site for two years after certified closure at one landfill site and 30 years after certified closure at the current landfill site. Although closure and postclosure care costs will be paid only near or after the date that the current landfill stops accepting waste, the City recognizes a portion of these closure and postclosure care costs as an operating expense in each year based on landfill capacity used as of each statement of net position date.

The estimated liability for landfill closure and postclosure care costs was $8,962,183 as of December 31, 2022, which is based on the amount of the landfill site currently being used.

The City will recognize additional cost of closure and postclosure care as the remaining estimated capacity is filled. The City expects to close the landfills in the year 2028. Actual costs are subject to change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

The City is required by state and federal laws and regulations to establish financial assurance for the cost of closure and postclosure care. The City Council approved the establishment of a trust fund in which annual contributions would be made, commencing in 2003. At December 31, 2022, the trust held funds of approximately $6,293,000. The financial assurance is funded by a capital improvement sanitation surcharge that also funds sanitation capital improvements.

Note 17: Conduit Debt Obligations

From time to time, the City has issued economic development and other revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, healthcare facilities and other deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the state nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of December 31, 2022, the aggregate principal amount payable on these bonds was approximately $226,000,000.

Note 18: Tax Abatements

The City provides tax reductions under an economic development program with local businesses. The objective of the economic development program is to encourage the development and rehabilitation of new and existing industrial and commercial property throughout the City, by offering a real estate tax incentive. Upon approval by the City, the applicant is eligible to receive a tax incentive by which the property will typically be charged 35% of the aggregate amount of the ad valorem taxes that would be paid. This incentive results in significant tax savings for eligible applicants. For the current fiscal year, the amount of property tax revenue forgone by the City due to these incentives is estimated at approximately $650,000.

Required Supplementary Information

City of Conway, Arkansas

Agent Multiple-Employer Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios – PRPF

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Interest	$ 588,133	$ 604,513	$ 656,020	$ 674,225	$ 693,297	$ 724,823	$ 764,021	$ 762,953
Difference between actual and expected experience	137,512	19,027	(518,945)	(42,791)	211,692	(261,942)	(276,923)	112,870
Assumption changes	204,236	-	-	-	669,113	-	167,104	-
Benefit payments	(858,062)	(857,014)	(888,746)	(894,267)	(881,909)	(857,419)	(846,418)	(878,531)
Net Change in Total Pension Liability	71,819	(233,474)	(751,671)	(262,833)	692,193	(394,538)	(192,216)	(2,708)
Total Pension Liability – Beginning	8,830,936	9,064,410	9,816,081	10,078,914	9,386,721	9,781,259	9,973,475	9,976,183
Total Pension Liability – Ending (a)	$ 8,902,755	$ 8,830,936	$ 9,064,410	$ 9,816,081	$ 10,078,914	$ 9,386,721	$ 9,781,259	$ 9,973,475
Plan Fiduciary Net Position								
Contributions – employer	$ 688,179	$ 711,465	$ 697,983	$ 622,034	$ 662,423	$ 706,602	$ 667,367	$ 714,536
Local plan administrative mergers				-	-	2,625	-	-
Net investment income	1,053,597	754,987	936,350	(154,431)	697,256	288,502	9,168	351,703
Benefit payments	(858,062)	(857,014)	(888,746)	(894,267)	(881,909)	(857,419)	(846,418)	(878,531)
Administrative expense	(8,746)	(9,337)	(8,235)	(10,238)	(8,939)	(9,686)	(11,907)	(8,357)
Net Change in Plan Fiduciary Net Position	874,968	600,101	737,352	(436,902)	468,831	130,624	(181,790)	179,351
Plan Fiduciary Net Position – Beginning	6,457,420	5,857,319	5,119,967	5,556,869	5,088,038	4,957,414	5,139,204	4,959,853
Plan Fiduciary Net Position – Ending (b)	$ 7,332,388	$ 6,457,420	$ 5,857,319	$ 5,119,967	$ 5,556,869	$ 5,088,038	$ 4,957,414	$ 5,139,204
City's Net Pension Liability (a) – (b)	$ 1,570,367	$ 2,373,516	$ 3,207,091	$ 4,696,114	$ 4,522,045	$ 4,298,683	$ 4,823,845	$ 4,834,271
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.36%	73.12%	64.62%	52.16%	55.13%	54.20%	50.68%	51.53%
Covered Payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:
(1) In 2018, the investment rate of return changed from 7.75% in 2017 to 7.00% in 2018.
(2) In 2016, the inflation rate decreased from 3.00% in 2015 to 2.75% in 2016; the investment rate of return decreased from 8.00% in 2015 to 7.75% in 2016; and the projected salary increases decreased from 4.00% in 2015 to 3.75% in 2016.

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Contributions – PRPF
Year Ended December 31, 2022

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 714,536	$ 714,536	$ -	$ -	N/A
2015	$ 667,367	$ 667,367	$ -	$ -	N/A
2016	$ 706,602	$ 706,602	$ -	$ -	N/A
2017	$ 662,873	$ 662,873	$ -	$ -	N/A
2018	$ 643,774	$ 643,774	$ -	$ -	N/A
2019	$ 698,429	$ 698,429	$ -	$ -	N/A
2020	$ 711,908	$ 711,908	$ -	$ -	N/A
2021	$ 688,635	$ 688,635	$ -	$ -	N/A
2022	$ 679,728	$ 679,728	$ -	$ -	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization	6 years beginning January 1, 2021
Asset Valuation	5-Year smoothed market; 20% corridor (for funding purposes)
Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2017 valuation pursuant to an experience study of the period 2012–2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas

Agent Multiple-Employer Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios – FRPF

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Interest	$ 621,733	$ 624,091	$ 624,166	$ 643,980	$ 662,921	$ 645,070	$ 669,923	$ 699,332
Difference between actual and expected experience	182,854	131,860	160,965	(146,987)	206,064	258,794	(197,714)	754
Assumption changes	10,795	-	-	-	500,772	-	162,206	-
Benefit payments	(791,392)	(787,884)	(784,530)	(775,564)	(672,156)	(674,923)	(695,006)	(1,440,380)
Net Change in Total Pension Liability	23,990	(31,933)	601	(278,571)	697,601	228,941	(60,591)	(740,294)
Total Pension Liability – Beginning	9,277,589	9,309,522	9,308,921	9,587,492	8,889,891	8,660,950	8,721,541	9,461,835
Total Pension Liability – Ending (a)	$ 9,301,579	$ 9,277,589	$ 9,309,522	$ 9,308,921	$ 9,587,492	$ 8,889,891	$ 8,660,950	$ 8,721,541
Plan Fiduciary Net Position								
Contributions – employer	$ 695,005	$ 664,290	$ 668,635	$ 557,661	$ 582,066	$ 759,393	$ 801,590	$ 729,371
Net investment income	1,021,302	726,885	894,865	(145,992)	648,789	259,280	7,802	309,822
Benefit payments	(791,392)	(787,884)	(784,530)	(775,564)	(672,156)	(674,923)	(695,006)	(1,440,380)
Administrative expense	(8,477)	(8,990)	(7,870)	(9,679)	(8,318)	(8,767)	(10,200)	(7,362)
Net Change in Plan Fiduciary Net Position	916,438	594,301	771,100	(373,574)	550,381	334,983	104,186	(408,549)
Plan Fiduciary Net Position – Beginning	6,225,324	5,631,023	4,859,923	5,233,497	4,683,116	4,348,133	4,243,947	4,652,496
Plan Fiduciary Net Position – Ending (b)	$ 7,141,762	$ 6,225,324	$ 5,631,023	$ 4,859,923	$ 5,233,497	$ 4,683,116	$ 4,348,133	$ 4,243,947
City's Net Pension Liability (a) – (b)	$ 2,159,817	$ 3,052,265	$ 3,678,499	$ 4,448,998	$ 4,353,995	$ 4,206,775	$ 4,312,817	$ 4,477,594
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.78%	67.10%	60.49%	52.21%	54.59%	52.68%	50.20%	48.66%
Covered Payroll	$ -	$ -	$ -	$ 26,754	$ -	$ -	$ -	$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	16629.28%	N/A	N/A	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:
(1) In 2018, the investment rate of return changed from 7.75% in 2017 to 7.00% in 2018.
(2) In 2016, the inflation rate decreased from 3.00% in 2015 to 2.75% in 2016; the investment rate of return decreased from 8.00% in 2015 to 7.75% in 2016; and the projected salary increases decreased from 4.00% in 2015 to 3.75% in 2016.

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Contributions – FRPF
Year Ended December 31, 2022

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 729,371	$ 729,371	$ -	$ -	N/A
2015	$ 801,590	$ 801,590	$ -	$ -	N/A
2016	$ 759,393	$ 759,393	$ -	$ -	N/A
2017	$ 590,164	$ 590,164	$ -	$ -	N/A
2018	$ 557,460	$ 557,460	$ -	$ -	N/A
2019	$ 669,081	$ 669,081	$ -	$ -	N/A
2020	$ 665,217	$ 665,217	$ -	$ -	N/A
2021	$ 695,770	$ 695,770	$ -	$ -	N/A
2022	$ 703,115	$ 703,115	$ -	$ -	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization	6 years beginning January 1, 2021
Asset Valuation	5-Year smoothed market; 20% corridor (for funding purposes)
Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2017 valuation pursuant to an experience study of the period 2012–2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas

Cost-Sharing Plan

Schedule of the City's Proportionate Share of the Net Pension Liability – LOPFI

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	3.3291%	3.3474%	3.5725%	3.6930%	3.7416%	3.8261%	3.9910%	4.0634%
City's proportionate share of the net pension liability	$ 16,822,399	$ 23,012,814	$ 27,606,309	$ 33,325,120	$ 26,588,042	$ 21,829,154	$ 20,943,166	$ 14,710,048
City's covered payroll	$ 12,865,043	$ 12,596,196	$ 12,686,515	$ 12,450,855	$ 11,704,504	$ 11,477,083	$ 9,375,666	$ 10,662,985
City's proportionate share of the net pension liability as a percentage of its covered payroll	130.76%	182.70%	217.60%	267.65%	227.16%	190.20%	223.38%	137.95%
Plan fiduciary net position as a percentage of the total pension liability	84.67%	77.68%	73.03%	65.84%	71.17%	72.46%	72.41%	78.42%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas

Cost-Sharing Plan

Schedule of Contributions – LOPFI

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contribution	$ 3,031,998	$ 3,023,285	$ 2,960,106	$ 2,981,331	$ 2,883,619	$ 2,676,599	$ 2,527,860	$ 3,250,175
Contributions in relation to the actuarially required contribution	(3,031,998)	(3,023,285)	(2,960,106)	(2,981,331)	(2,883,619)	(2,676,599)	(2,527,860)	(3,250,175)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 13,310,583	$ 12,865,043	$ 12,596,196	$ 12,686,515	$ 12,450,855	$ 11,704,504	$ 11,477,083	$ 9,375,666
Contributions as a percentage of covered payroll	22.78%	23.50%	23.50%	23.50%	23.16%	22.87%	22.03%	34.67%

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas

Single Employer Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios – Nonuniformed Plan

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 3,534,390	$ 4,124,829	$ 3,330,863	$ 3,148,928	$ 3,298,661	$ 3,032,617	$ 3,010,273	$ 2,967,258	$ 2,313,305
Interest	2,307,513	1,964,956	2,042,444	2,057,073	1,814,774	1,851,930	1,698,455	1,696,589	1,744,947
Difference between actual and expected experience	-	239,261	-	171,116	-	(4,321,636)	-	(2,678,338)	-
Assumption changes	(8,201,732)	(6,390,894)	5,288,468	4,234,678	(4,318,217)	5,717,042	(1,060,169)	349,465	5,707,257
Benefit payments	(2,176,972)	(2,102,311)	(2,043,653)	(1,834,286)	(1,673,539)	(1,614,983)	(1,499,010)	(1,345,879)	(1,224,717)
Refunds	(469,597)	(319,572)	(198,543)	(281,769)	(229,219)	(136,657)	(211,124)	(185,640)	(53,856)
Net Change in Total Pension Liability	(5,006,398)	(2,483,731)	8,419,579	7,495,740	(1,107,540)	4,528,313	1,938,425	803,455	8,486,936
Total Pension Liability – Beginning	62,602,900	65,086,631	56,667,052	49,171,312	50,278,852	45,750,539	43,812,114	43,008,659	34,521,723
Total Pension Liability – Ending (a)	$ 57,596,502	$ 62,602,900	$ 65,086,631	$ 56,667,052	$ 49,171,312	$ 50,278,852	$ 45,750,539	$ 43,812,114	$ 43,008,659
Plan Fiduciary Net Position									
Contributions – employer	$ 1,646,345	$ 1,813,571	$ 1,479,652	$ 1,464,014	$ 1,111,470	$ 1,029,340	$ 938,264	$ 940,301	$ 929,460
Contributions – employee	935,738	844,162	748,893	693,403	588,992	554,240	531,381	543,809	529,837
Net investment income	(2,392,338)	1,503,088	2,208,218	2,202,707	(1,131,389)	1,576,156	505,146	(185,133)	514,083
Benefit payments	(2,176,972)	(2,102,311)	(2,043,653)	(1,834,286)	(1,673,539)	(1,614,983)	(1,499,010)	(1,345,879)	(1,224,717)
Refunds	(469,597)	(319,572)	(198,543)	(281,769)	(229,219)	(136,657)	(211,124)	(185,640)	(53,856)
Administrative expense	(19,418)	(7,102)	(27,169)	(7,191)	(24,688)	(21,472)	(45,306)	(19,674)	(3,079)
Net Change in Plan Fiduciary Net Position	(2,476,242)	1,731,836	2,167,398	2,236,878	(1,358,373)	1,386,624	219,351	(252,216)	691,728
Plan Fiduciary Net Position – Beginning	16,923,211	15,191,375	13,023,977	10,787,099	12,145,472	10,758,848	10,539,497	10,791,713	10,099,985
Plan Fiduciary Net Position – Ending (b)	$ 14,446,969	$ 16,923,211	$ 15,191,375	$ 13,023,977	$ 10,787,099	$ 12,145,472	$ 10,758,848	$ 10,539,497	$ 10,791,713
City's Net Pension Liability (a)–(b)	$ 43,149,533	$ 45,679,689	$ 49,895,256	$ 43,643,075	$ 38,384,213	$ 38,133,380	$ 34,991,691	$ 33,272,617	$ 32,216,946
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	25.08%	27.03%	23.34%	22.98%	21.94%	24.16%	23.52%	24.06%	25.09%
Covered Payroll	$ 11,960,710	$ 11,291,620	$ 10,464,540	$ 10,314,210	$ 9,514,453	$ 9,237,333	$ 8,856,350	$ 8,443,332	$ 8,638,180
City's Net Pension Liability as a Percentage of Covered Payroll	360.76%	404.55%	476.80%	423.14%	403.43%	412.82%	395.10%	394.07%	372.96%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:
(1) In 2017, the mortality table changed from the RP-2000 Combined Healthy mortality table projected to 2020 using Projection Scale BB, set forward 2 years for males and set forward 1 year for females. The disabled rates of mortality are set forward 10 years and are otherwise the same as the healthy rates.

Year	Discount Rate
2022	4.65%
2021	3.66%
2020	2.98%
2019	3.57%
2018	4.14%
2017	3.56%
2016	3.99%
2015	3.82%

City of Conway, Arkansas
Single Employer Plan
Schedule of City Contributions – Nonuniformed Plan
Year Ended December 31, 2022

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 2,526,083	$ 929,460	$ (1,596,623)	$ 8,638,180	10.76%
2015	$ 2,681,954	$ 940,301	$ (1,741,653)	$ 8,443,332	11.14%
2016	$ 2,762,413	$ 938,264	$ (1,824,149)	$ 8,856,350	10.59%
2017	$ 2,845,285	$ 1,029,340	$ (1,815,945)	$ 9,237,333	11.14%
2018	$ 2,716,162	$ 1,111,470	$ (1,604,692)	$ 9,514,453	11.68%
2019	$ 9,797,647	$ 1,464,014	$ (8,333,633)	$ 10,314,210	14.19%
2020	$ 2,917,205	$ 1,479,652	$ (1,437,553)	$ 10,464,540	14.14%
2021	$ 3,004,721	$ 1,813,571	$ (1,191,150)	$ 11,291,620	16.06%
2022	$ 2,911,720	$ 1,646,345	$ (1,265,375)	$ 11,960,710	13.76%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization	20 years
Asset Valuation	Market Value
Inflation	2.75%
Salary Increases	3.50%
Investment Rate of Return	6.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2012 pursuant to an experience study of the period 2008–2011.
Mortality	RP-2014 Healthy Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For disabled retirees, RP-2014 Disabled Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Single Employer Plan
Schedule of Investment Returns – Nonuniformed Plan
Year Ended December 31, 2022

Fiscal Year Ended December 31,	Annual Return
2014	5.60%
2015	-1.74%
2016	5.50%
2017	15.80%
2018	-10.00%
2019	21.60%
2020	17.80%
2021	10.30%
2022	-15.15%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas

Single Employer Plan

Schedule of Changes in the Component Unit's Net Pension Liability and Related Ratios – Conway Corporation Plan

Year Ended December 31, 2022

Fiscal Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	$ 1,087,220	$ 1,063,084	$ 1,002,305	$ 929,828	$ 863,738	$ 836,923	$ 708,579	$ 677,103
Interest	4,003,983	3,737,756	3,616,015	3,049,700	2,858,010	2,662,858	2,504,323	2,337,528
Difference between actual and expected experience	1,461,450	819,967	(1,263,550)	3,848,145	810,058	434,692	(121,199)	152,673
Changes of assumptions	-	-	-	1,759,075	-	-	-	-
Benefit payments	(1,965,590)	(1,693,696)	(1,598,300)	(1,467,229)	(1,299,894)	(1,051,119)	(862,586)	(770,966)
Net Change in Total Pension Liability	4,587,063	3,927,111	1,756,470	8,119,519	3,231,912	2,883,354	2,229,117	2,396,338
Total Pension Liability – Beginning	57,638,937	53,711,826	51,955,356	43,835,837	40,603,925	37,720,571	35,491,454	33,095,116
Total Pension Liability – Ending (a)	$ 62,226,000	$ 57,638,937	$ 53,711,826	$ 51,955,356	$ 43,835,837	$ 40,603,925	$ 37,720,571	$ 35,491,454
Plan Fiduciary Net Position								
Contributions – employer	$ 2,400,000	$ 2,392,000	$ 2,200,000	$ 2,092,000	$ 1,980,000	$ 1,931,179	$ 1,852,707	$ 2,024,664
Net investment income (loss)	(7,014,176)	4,004,937	6,191,752	5,728,748	(2,629,350)	3,652,273	1,275,030	(168,046)
Benefit payments	(1,965,590)	(1,693,696)	(1,598,300)	(1,467,229)	(1,299,894)	(1,051,119)	(862,586)	(770,966)
Administrative expense	-	-	-	-	(11,212)	(11,215)	(11,239)	(11,110)
Net Change in Plan Fiduciary Net Position	(6,579,766)	4,703,241	6,793,452	6,353,519	(1,960,456)	4,521,118	2,253,912	1,074,542
Plan Fiduciary Net Position – Beginning	47,499,867	42,796,626	36,003,174	29,649,655	31,610,111	27,088,993	24,835,081	23,760,539
Plan Fiduciary Net Position – Ending (b)	$ 40,920,101	$ 47,499,867	$ 42,796,626	$ 36,003,174	$ 29,649,655	$ 31,610,111	$ 27,088,993	$ 24,835,081
Corporation's Net Pension Liability (a)–(b)	$ 21,305,899	$ 10,139,070	$ 10,915,200	$ 15,952,182	$ 14,186,182	$ 8,993,814	$ 10,631,578	$ 10,656,373
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.76%	82.41%	79.68%	69.30%	67.64%	77.85%	71.81%	69.97%
Covered Payroll	$ 18,724,972	$ 17,937,660	$ 16,799,942	$ 16,216,377	$ 15,147,188	$ 14,721,678	$ 13,824,271	$ 13,111,553
Corporation's Net Pension Liability as a Percentage of Covered Payroll	113.78%	56.52%	64.97%	98.37%	93.66%	61.09%	76.91%	81.27%

Note: Information in this schedule has been determined as of the measurement date (August 1 of the most recent fiscal year-end) of the Corporation's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Corporation will only present available information.

Change in Assumptions:
(1) In 2019, the inflation rate increased from 2.50% in 2018 to 3.50% in 2019.

City of Conway, Arkansas
Single Employer Plan
Schedule of Component Unit Contributions – Conway Corporation Plan
Year Ended December 31, 2022

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 1,737,774	$ 2,024,664	$ 286,890	$ 13,111,553	15.44%
2016	$ 1,779,575	$ 1,852,707	$ 73,132	$ 13,824,271	13.40%
2017	$ 1,974,247	$ 1,931,179	$ (43,068)	$ 14,721,678	13.12%
2018	$ 1,971,278	$ 1,980,000	$ 8,722	$ 15,147,188	13.07%
2019	$ 2,090,124	$ 2,092,000	$ 1,876	$ 16,216,377	12.90%
2020	$ 2,510,257	$ 2,200,000	$ (310,257)	$ 16,799,942	13.10%
2021	$ 2,398,914	$ 2,392,000	$ (6,914)	$ 17,937,660	13.34%
2022	$ 2,106,543	$ 2,400,000	$ 293,457	$ 18,724,972	12.82%

Note: Information in this schedule has been determined as of the Corporation's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Corporation will only present available information.

City of Conway, Arkansas

Defined Benefit Other Postemployment Benefit Plan

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Retired Healthcare Plan

Year Ended December 31, 2022

Total OPEB Liability	2022	2021	2020	2019	2018
Total OPEB liability – January 1	$ 6,082,625	$ 5,720,142	$ 3,754,696	$ 3,562,285	$ 4,369,035
Service cost	315,307	292,120	249,876	143,236	160,416
Interest	113,612	115,701	124,179	131,144	138,063
Difference between expected and actual experience	(763,757)	12,556	1,005,030	-	(757,219)
Changes of assumptions or other inputs	(754,021)	104,379	727,288	123,337	(154,639)
Benefit payments	(131,477)	(162,273)	(140,927)	(205,306)	(193,370)
Net change in total OPEB liability	(1,220,336)	362,483	1,965,446	192,411	(806,749)
Total OPEB liability – December 31	$ 4,862,289	$ 6,082,625	$ 5,720,142	$ 3,754,696	$ 3,562,286
Covered-employee payroll	$ 27,241,529	$ 25,180,957	$ 23,834,726	$ 22,669,043	$ 23,116,665
Total OPEB liability as a percentage of covered-employee payroll	17.85%	24.16%	24.00%	16.56%	15.41%

Notes to Schedule: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the City will only present available information.

Change in Assumptions:

(1) In 2020, due to changes in actuarial firms, all assumption and method changes other than the discount rate were included in the difference between expected and actual experience. These changes included: a change in inflation rate from 3.0% in 2019 to 2.5% in 2020; the mortality table used in 2019 was the RP-2014 Morality Table and it changed to the RP-2014 Healthy Annuitant Mortality Tables with male rates multiplied by 135% and female rates multiplied by 125%, and the rates were adjusted for mortality improvements using projection scale MP-2017 from 2006; the healthcare trend rate in 2019 was 8% for 2019 decreasing annually to an ultimate rate of 5% for 2025, and the healthcare trend rate in 2020 was an initial rate of 7% declining to an ultimate rate of 4.25% after 13 years.

Year	Discount Rate
2022	4.05%
2021	1.84%
2020	2.00%
2019	3.26%
2018	3.64%

City of Conway, Arkansas

Defined Benefit Other Postemployment Benefit Plan

Schedule of Changes in the Conway Corporation's Total OPEB Liability and Related Ratios

Retired Healthcare and Life Insurance Plan

Year Ended December 31, 2022

Total OPEB Liability	2022	2021	2020	2019	2018
Total OPEB liability – January 1	$ 3,693,910	$ 3,131,180	$ 3,580,074	$ 3,298,795	$ 2,950,791
Service cost	130,746	256,450	209,947	111,144	96,694
Interest	84,041	62,424	118,884	113,900	114,015
Difference between expected and actual experience	(366,408)	496,786	(859,723)	135,424	-
Changes of assumptions or other inputs	(635,543)	(202,951)	158,611	7,479	200,295
Benefit payments	(48,278)	(49,979)	(76,613)	(86,668)	(63,000)
Net change in total OPEB liability	(835,442)	562,730	(448,894)	281,279	348,004
Total OPEB liability – December 31	$ 2,858,468	$ 3,693,910	$ 3,131,180	$ 3,580,074	$ 3,298,795
Covered-employee payroll	$ 18,724,972	$ 17,937,660	$ 16,799,942	$ 16,216,377	$ 17,426,201
Total OPEB liability as a percentage of covered-employee payroll	15.27%	20.59%	18.64%	22.08%	18.93%

Notes to Schedule: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the Corporation will only present available information.

Change in Assumptions:
(1) In 2019, the annual salary increases increased from 3.00% in 2018 to 4.00% in 2019. Additionally, healthcare trends increased from 3.40% to 3.90% from 2018 to 2019 to 4.00% to 5.00% in 2025.

Year	Discount Rate
2022	4.31%
2021	2.25%
2020	1.93%
2019	3.26%
2018	3.44%

City of Conway, Arkansas
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General property taxes	$ 4,015,000	$ 4,015,000	$ 4,329,554	$ 314,554
Sales and use taxes	24,400,000	24,400,000	28,319,225	3,919,225
Licenses and permits	553,500	553,500	557,074	3,574
Charges for services	1,698,750	1,902,863	2,002,314	99,451
Fines and forfeitures	1,110,000	1,110,000	1,101,941	(8,059)
Franchise fees	3,442,500	3,442,500	4,188,637	746,137
Intergovernmental	2,250,000	3,085,505	2,925,690	(159,815)
Investment income	123,000	123,000	541,886	418,886
Miscellaneous	230,850	521,689	655,391	133,702
Total revenues	37,823,600	39,154,057	44,621,712	5,467,655
Expenditures				
General government	6,811,744	8,086,600	7,029,249	(1,057,351)
Police	15,331,831	16,999,720	16,144,727	(854,993)
Fire	11,293,636	14,661,933	11,844,241	(2,817,692)
Parks and recreation	3,681,172	3,824,978	3,924,042	99,064
Info tech	1,403,217	1,430,673	1,421,889	(8,784)
Total expenditures	38,521,600	45,003,904	40,364,148	(4,639,756)
Deficiency of Revenues Under Expenditures	(698,000)	(5,849,847)	4,257,564	10,107,411
Other Financing Sources				
Proceeds from sale of capital assets	-	-	29,604	29,604
Transfers in	770,000	770,000	770,000	-
Total other financing sources	770,000	770,000	799,604	29,604
Net Change in Fund Balances	72,000	(5,079,847)	5,057,168	10,137,015
Fund Balances, Beginning of Year	18,139,706	18,139,706	18,139,706	-
Fund Balances, End of Year	$ 18,211,706	$ 13,059,859	$ 23,196,874	$ 10,137,015

- -

City of Conway, Arkansas
Budgetary Comparison Schedule
Street Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General property taxes	$ 1,406,000	$ 1,406,000	$ 1,600,104	$ 194,104
Sales and use taxes	325,000	325,000	387,635	62,635
Charges for services	15,000	15,000	16,125	1,125
Intergovernmental	5,100,000	5,100,000	5,136,157	36,157
Investment income	80,000	80,000	118,690	38,690
Miscellaneous	-	-	428,227	428,227
Total revenues	6,926,000	6,926,000	7,686,938	760,938
Expenditures				
Current				
Public works	5,661,000	5,855,514	4,410,422	(1,445,092)
Capital outlay	1,265,000	7,488,943	6,758,629	(730,314)
Total expenditures	6,926,000	13,344,457	11,169,051	(2,175,406)
Deficiency of Revenues Under Expenditures	-	(6,418,457)	(3,482,113)	(1,414,468)
Net Change in Fund Balances	-	(6,418,457)	(3,482,113)	(1,414,468)
Fund Balances, Beginning of Year	7,648,732	7,648,732	7,648,732	-
Fund Balances, End of Year	$ 7,648,732	$ 1,230,275	$ 4,166,619	$ (1,414,468)

City of Conway, Arkansas
Budgetary Comparison Schedule
2018 Street Sales & Use Tax Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Sales and use taxes	$ 6,500,000	$ 6,500,000	$ 7,650,700	$ 1,150,700
Investment income	-	-	427,122	427,122
Total revenues	6,500,000	6,500,000	8,077,822	1,577,822
Expenditures				
Capital outlay	6,500,000	6,500,000	962,379	(5,537,621)
Total expenditures	6,500,000	6,500,000	962,379	(5,537,621)
Net Change in Fund Balances	-	-	7,115,443	7,115,443
Fund Balances, Beginning of Year	13,684,118	13,684,118	13,684,118	-
Fund Balances, End of Year	$ 13,684,118	$ 13,684,118	$ 20,799,561	$ 7,115,443

City of Conway, Arkansas
Budgetary Comparison Schedule
Sales Tax Capital Improvement Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Sales and use taxes	$ 4,500,000	$ 4,500,000	$ 5,100,467	$ 600,467
Intergovernmental	-	-	651,763	651,763
Investment income	40,000	40,000	206,028	166,028
Miscellaneous	-	393,448	-	(393,448)
Total revenues	4,540,000	4,933,448	5,958,258	1,024,810
Expenditures				
Current				
Public works	-	-	5,000	5,000
Capital outlay	4,540,000	5,347,052	3,603,034	(1,744,018)
Total expenditures	4,540,000	5,347,052	3,608,034	(1,739,018)
Deficiency of Revenues Under Expenditures	-	(413,604)	2,350,224	(714,208)
Other Financing Uses				
Proceeds from sale of capital assets	-	-	11,258	11,258
Total other financing uses	-	-	11,258	11,258
Net Change in Fund Balances	-	(413,604)	2,361,482	2,763,828
Fund Balances, Beginning of Year	7,584,575	7,584,575	7,584,575	-
Fund Balances, End of Year	$ 7,584,575	$ 7,170,971	$ 9,946,057	$ 2,763,828

City of Conway, Arkansas
Note to Required Supplementary Information
Year Ended December 31, 2022

Note 1: Budgets and Budgetary Accounting

Budgeted revenues and expenditures represent the formal operating budget adopted by the Council, as amended by the Council during the year. Budgetary control is maintained at the departmental level. Budgeted amounts not spent by year-end lapse in personnel services and operating accounts. Amounts for capital projects that are underway but not finished may be rolled forward to the following year if requested by the department head. Expenditures greater than budgeted amounts must be approved by Council voting to amend the budget. Department heads have the authority to submit a budget adjustment request to the finance department for approval if the adjustment is within a budget category and is within their approved total for the category. The chief financial officer may present the request to the mayor if the request seems unusual or noteworthy. The mayor may choose to take any request to the Council if it is one that may be unusual or highly visible. All budget transfers are documented by the budget analyst and tracked in the City's computerized financial system. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the funds. All annual appropriations lapse at year-end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The *Budgetary Comparison Schedules* present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

Other Required Report

FORVIS

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Independent Accountant's Report on Compliance with Certain State Acts

The Mayor and City Council
City of Conway, Arkansas

We have examined management's assertion that the City of Conway, Arkansas (the City), complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2022.

(1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
(2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
(3) Improvement contracts, §§ 22-9-202 – 22-9-204;
(4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and § 14-58-301 et seq.;
(5) Investment of public funds, § 19-1-501 et seq.; and
(6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for its compliance with the aforementioned Act and State Statutes. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the City complied with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion on compliance is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the City's compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the City of Conway, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022, is fairly stated, in all material respects.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be, and should not be, used by anyone other than these specified parties.

FORVIS, LLP

Little Rock, Arkansas
January 22, 2024

Single Audit Section

FORVIS

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas

We have audited, 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 (*Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Conway, Arkansas (the City), as of December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 22, 2024, which contained an emphasis of matter paragraph regarding a change in accounting principle. Our report includes a reference to other auditors who audited the financial statements of Conway Corporation, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City of Conway Advertising and Promotion Commission, included in the financial statements were not audited in accordance with *Government Auditing Standards*

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 opinion 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, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Little Rock, Arkansas
January 22, 2024

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Conway's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Little Rock, Arkansas
January 22, 2024

City of Conway, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
CDBG – Entitlement Grants Cluster				
U.S. Department of Housing and Urban Development/Community Development Block Grants/Entitlement Grants	14.218		$ -	$ 1,373,396
Total CDBG – Entitlement Grants Cluster			-	1,373,396
Highway Planning and Construction Cluster				
U.S. Department of Transportation/ Arkansas State Highway Department/ Highway Planning and Construction (Federal-Aid Highway Program)	20.205	080566	-	228,768
U.S. Department of Transportation/ Arkansas State Highway Department/ Recreational Trails Program	20.219	080620/080663	-	653,000
Total Highway Planning and Construction Cluster			-	881,768
U.S. Department of the Interior/Arkansas Historic Preservation Program/Historic Preservation Fund Grants-In-Aid	15.904	21-CLG-01	-	33,500
U.S. Department of Justice/COVID - 19 – Coronavirus Emergency Supplemental Funding Program	16.034		-	81,918
U.S. Department of Justice/Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	12,378
U.S. Department of Justice/Connect and Protect	16.745		-	88,319
U.S. Department of Transportation/ COVID - 19 – Airport Improvement Program	20.106		-	24,858
U.S. Department of Treasury/COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		-	4,260,195
U.S. Environmental Protection Agency/ Nonpoint Source Implementation Grants	66.460		-	222,995
U.S. Department of Homeland Security/ Homeland Security Grant Program	97.067		-	230,801
Total Expenditures of Federal Awards			$ -	$ 7,210,128

City of Conway, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the primary government of the City under programs of the federal government for the year ended December 31, 2022. The City's reporting entity is defined in *Note 1* in the City's basic financial statements for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

City of Conway, Arkansas

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for major federal programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

Reference Number	Finding

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding

No matters are reportable.

City of Conway, Arkansas

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2022

Reference Number	Summary of Finding	Status
	No matters are reportable.	