

City of Dardanelle, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF DARDANELLE, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
Senate Vice Chair



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Dardanelle, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Dardanelle, Arkansas as of December 31, 2022; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Dardanelle, Arkansas, as of December 31, 2022, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Emphases of Matter

As discussed in Note 1 to the financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 7, 2023
LOM102422

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Dardanelle, Arkansas (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 regulatory basis financial statements, and have issued our report thereon dated December 7, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated December 7, 2023.

Purpose of This Report

The purpose of this report is solely to described the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Timothy R. Jones", written in a cursive style.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
December 7, 2023

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2022:

Mayor: Jimmy Witt
Treasurer: Betty Smith
Clerk: Frances Cross
Police Chief: Wilson Short

No issues came to our attention that we considered necessary to report to management.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
December 7, 2023

CITY OF DARDANELLE, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2022

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,595,837	\$ 202,663	\$ 718,182
Investments			584,470
Accounts receivable	331,590	9,557	114,107
	<u>331,590</u>	<u>9,557</u>	<u>114,107</u>
TOTAL ASSETS	<u>\$ 1,927,427</u>	<u>\$ 212,220</u>	<u>\$ 1,416,759</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 91,778	\$ 50,023	\$ 57,502
Settlements pending			1,185
Total Liabilities	<u>91,778</u>	<u>50,023</u>	<u>58,687</u>
Fund Balances:			
Restricted			1,225,293
Committed			132,779
Assigned	88,687	162,197	
Unassigned	1,746,962		
Total Fund Balances	<u>1,835,649</u>	<u>162,197</u>	<u>1,358,072</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,927,427</u>	<u>\$ 212,220</u>	<u>\$ 1,416,759</u>

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

CITY OF DARDANELLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 154,395	\$ 389,983	\$ 37,140
Federal aid	24,082		471,402
Property taxes	218,576	44,092	43,640
Franchise fees	221,489		13,774
Sales taxes	1,723,453		1,203,063
Fines, forfeitures, and costs	145,903		53,243
Interest	4,438	384	21,728
Local permits and fees	24,375		
Sanitation fees			291,892
Cemetery lot sales	22,970		
Recreation fees	46,352		
Concession fees	43,081		
Net increase/(decrease) in fair value of investments			(98,815)
Other	225,258	36,936	
TOTAL REVENUES	2,854,372	471,395	2,037,067
EXPENDITURES			
Current:			
General government	624,779		
Law enforcement	1,271,786		311,132
Highways and streets	558	540,229	282,418
Public safety	125,423		60,684
Sanitation	23		253,386
Recreation and culture	751,421		271,814
Cemetery	23,093		37,371
Total Current	2,797,083	540,229	1,216,805
Debt Service:			
Bond principal			335,000
Bond interest and other charges			106,869
Financed purchase principal	62,955		39,846
Financed purchase interest	3,649		726
TOTAL EXPENDITURES	2,863,687	540,229	1,699,246

CITY OF DARDANELLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (9,315)</u>	<u>\$ (68,834)</u>	<u>\$ 337,821</u>
OTHER FINANCING SOURCES (USES)			
Contribution to water department			(757,350)
Contribution from water department	<u>3,893</u>		<u></u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,893</u>		<u>(757,350)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,422)	(68,834)	(419,529)
FUND BALANCES - JANUARY 1	<u>1,841,071</u>	<u>231,031</u>	<u>1,777,601</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,835,649</u></u>	<u><u>\$ 162,197</u></u>	<u><u>\$ 1,358,072</u></u>

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

CITY OF DARDANELLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 75,000	\$ 154,395	\$ 79,395	\$ 380,000	\$ 389,983	\$ 9,983
Federal aid	20,000	24,082	4,082	180,000		(180,000)
Property taxes	175,000	218,576	43,576	35,000	44,092	9,092
Franchise fees	200,000	221,489	21,489			
Sales taxes	1,513,000	1,723,453	210,453			
Fines, forfeitures, and costs	175,000	145,903	(29,097)			
Interest	1,000	4,438	3,438	200	384	184
Local permits and fees	25,000	24,375	(625)			
Cemetery lot sales	15,000	22,970	7,970			
Recreation fees	40,000	46,352	6,352			
Concession fees	100,000	43,081	(56,919)			
Other	269,713	225,258	(44,455)		36,936	36,936
TOTAL REVENUES	2,608,713	2,854,372	245,659	595,200	471,395	(123,805)
EXPENDITURES						
Current:						
General government	709,845	624,779	85,066			
Law enforcement	1,567,254	1,271,786	295,468			
Highways and streets		558	(558)	744,300	540,229	204,071
Public safety	124,836	125,423	(587)			
Sanitation		23	(23)			
Recreation and culture	840,518	751,421	89,097			
Cemetery	46,900	23,093	23,807			
Total Current	3,289,353	2,797,083	492,270	744,300	540,229	204,071
Debt Service:						
Financed purchase principal		62,955	(62,955)			
Financed purchase interest		3,649	(3,649)			
TOTAL EXPENDITURES	3,289,353	2,863,687	425,666	744,300	540,229	204,071

CITY OF DARDANELLE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (680,640)	\$ (9,315)	\$ 671,325	\$ (149,100)	\$ (68,834)	\$ 80,266
OTHER FINANCING SOURCES (USES)						
Transfers in	300,271		(300,271)			
Contribution from water department		3,893	3,893			
TOTAL OTHER FINANCING SOURCES (USES)	300,271	3,893	(296,378)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(380,369)	(5,422)	374,947	(149,100)	(68,834)	80,266
FUND BALANCES - JANUARY 1	625,000	1,841,071	1,216,071	160,000	231,031	71,031
FUND BALANCES - DECEMBER 31	\$ 244,631	\$ 1,835,649	\$ 1,591,018	\$ 10,900	\$ 162,197	\$ 151,297

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

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

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

C. Basis of Accounting - Regulatory

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

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

In 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. The significant/material effect on the Regulatory Basis of Accounting in the current period is that certain items included in debt service in the previous period are included in the expenditure/function code of the applicable opinion unit.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand, money market accounts, and certificates of deposit.

Investments

Investments are reported at fair value.

Settlements Pending

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications

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

E. Property Taxes

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

F. Budget Law

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

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

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

Basis of Accounting

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures

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

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

NOTE 2: Cash Deposits with Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 637,675	\$ 637,675
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,870,534	1,956,275
Total Deposits	<u>\$ 2,508,209</u>	<u>\$ 2,593,950</u>

The above total deposits do not include cash on hand of \$100 and cash with investment broker covered by SIPC insurance of \$8,373.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Pension Trust Funds

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

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	<u>December 31, 2022</u> Fair Value
Firemen's Pension	\$ 584,470

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

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

The City's investments are composed of the following:

<u>December 31, 2022</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Stocks and Exchange-Traded funds	\$ 205,900
Mutual funds	378,570
Totals	\$ 584,470

The fair value of stocks, mutual funds and exchange-traded funds is measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources. As a result, these were classified as Level I inputs.

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 17,035		
Federal aid	9,738		
Property taxes	47,773	\$ 9,557	\$ 9,554
Franchise fees	16,479		2,978
Sales taxes	142,053		97,967
Fines, forfeitures, and costs	8,546		3,608
Recreation fees	300		
Other	89,666		
Totals	<u>\$ 331,590</u>	<u>\$ 9,557</u>	<u>\$ 114,107</u>

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 91,778</u>	<u>\$ 50,023</u>	<u>\$ 57,502</u>

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2022, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 28,611
Law enforcement			208,052
Public safety			223,104
Pension benefits			650,888
Debt service			114,638
Total Restricted			<u>1,225,293</u>
Committed for:			
Sanitation			<u>132,779</u>
Assigned to:			
General government	\$ 31,185		
Law enforcement	2,877		
Highways and streets		\$ 162,197	
Recreation and culture	20,454		
Cemetery	34,171		
Total Assigned	<u>88,687</u>	<u>162,197</u>	
Unassigned	<u>1,746,962</u>		
Totals	<u>\$ 1,835,649</u>	<u>\$ 162,197</u>	<u>\$ 1,358,072</u>

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2022, the legal debt limit for the bonded debt was \$8,329,414. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022, the legal debt limit for short-term financing obligations was \$2,208,159. The amount of short-term financing obligations was \$16,631, leaving a legal debt margin of \$2,191,528.

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2022:

	December 31, 2022
Long-term liabilities	\$ 4,005,982
Construction contracts	<u>530,272</u>
Total Commitments	<u><u>\$ 4,536,254</u></u>

Long-term liabilities

Long-term liabilities at December 31, 2022, are comprised of the following:

	December 31, 1899
<u>Bonds</u>	
Sales and Use Tax Refunding Bonds, Series 2017, dated January 18, 2017, in the amount of \$5,695,000, due in annual installments of \$235,000 - \$430,000, plus interest of 2.55%, through November 1, 2032. Payments are to be made from the 2017 Sales and Use Tax Refunding Bonds Fund.	\$ 3,860,000
<u>Direct Borrowings</u>	
Financed purchase with KS StateBank, dated June 30, 2019, in the amount of \$42,183, for the LED lighting conversion projects, interest rate of 7.682%, with sixty (60) monthly payments of \$849. Payments are to be made from three funds: General Fund, General Fund (Recreation), and contributions from the water department.	16,631
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	<u>129,351</u>
Total Long-term liabilities	<u><u>\$ 4,005,982</u></u>

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

The City's outstanding bonds payable of \$3,860,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding direct borrowings of \$16,631 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9: Commitments (Continued)

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
1/18/17	11/1/32	2.55%	\$ 5,695,000	\$ 3,860,000	\$ 1,835,000
<u>Direct Borrowings</u>					
6/30/19	6/30/24	7.682%	42,183	16,631	25,552
Total Long-Term Debt			<u>\$ 5,737,183</u>	<u>\$ 3,876,631</u>	<u>\$ 1,860,552</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 4,195,000	\$ 0	\$ 335,000	\$ 3,860,000
<u>Direct Borrowings</u>				
Financed purchases	119,432	0	102,801	16,631
Total Long-Term Debt	<u>\$ 4,354,278</u>	<u>\$ 0</u>	<u>\$ 477,647</u>	<u>\$ 3,876,631</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2022:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 345,000	\$ 96,263	\$ 441,263	\$ 9,230	\$ 957	\$ 10,187
2024	355,000	87,401	442,401	7401	239	7,640
2025	360,000	78,285	438,285			
2026	370,000	69,041	439,041			
2027	380,000	59,543	439,543			
2028 through 2032	2,050,000	146,306	2,196,306			
Totals	<u>\$ 3,860,000</u>	<u>\$ 536,839</u>	<u>\$ 4,396,839</u>	<u>\$ 16,631</u>	<u>\$ 1,196</u>	<u>\$ 17,827</u>

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9: Commitments (Continued)

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2022:

Project Name	Completed	Contract Balance December 31, 2022
Front Street Streetscape	July 21, 2023	\$ 386,367
Merritt Park Drainage	March 3, 2023	143,905
Total Construction Contracts		<u>\$ 530,272</u>

NOTE 10: Pledged Revenues

The City pledged future one percent sales and use taxes to repay \$5,695,000 in bonds that were issued in 2017 to refund bonds issued in 2011. Total principal and interest remaining on the bonds are \$3,860,000 and \$536,839, respectively, payable through November 1, 2032. For 2022, principal and interest paid were \$335,000 and \$104,869, respectively.

The Debt Service Fund received \$1,203,063 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used to operate and maintain the City's water system and to acquire, construct, and equip extensions, betterments, and improvements to the system.

NOTE 11: Jointly Governed Organizations

West River Valley Solid Waste Management District

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

Fifteenth Judicial District Drug Task Force

The Prosecuting Attorney of the Fifteenth Judicial District, the Sheriffs' Departments of Conway, Logan, Scott, and Yell Counties, and the Police Departments of Booneville, Danville, Dardanelle, Magazine, Mansfield, Menifee, Morrilton, Ola, Oppelo, Paris, Plainview, Plumerville, and Waldron entered into an agreement to establish the Fifteenth Judicial District Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney, of the Fifteenth Judicial Drug Task Force. Financial statements of the Fifteenth Judicial Drug Task Force are not available. The City did not contribute any funding to the Task Force.

NOTE 12: Risk Management

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 12: Risk Management (Continued)

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

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

Municipal Vehicle Program

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

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

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

NOTE 13: Firemen's Pension and Relief Plan

Plan Description

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

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13: Firemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$43,640 for the year ended December 31, 2022. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2022, actuarial valuation, the plan has a net pension liability of \$0.

**NOTE 14: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$98,880 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$64,280 for the year ended December 31, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022, (actuarial valuation date and measurement date) was \$1,779,664.

CITY OF DARDANELLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 15: Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.25% as of July 1, 2022. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan for the year ended June 30, 2022, (date of APERS Employer Allocation Report) was \$87,749.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$738,853.

NOTE 16: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayor, Carolyn McGee, \$15,341 for the year ended December 31, 2022.

NOTE 17: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$940,808 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$940,808 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

CITY OF DARDANELLE, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2022

Schedule 1

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUND
	Fire Equipment and Training (Act 833)	Refuse	District Court Automation	Police Department Ordinance	Federal Emergency Management (FEMA)	2017 Sales and Use Tax Refunding Bonds
ASSETS						
Cash and cash equivalents	\$ 223,104	\$ 129,871	\$ 166,995	\$ 37,449	\$ 28,611	\$ 74,103
Investments						
Accounts receivable		2,978	2,414	1,194		97,967
TOTAL ASSETS	<u>\$ 223,104</u>	<u>\$ 132,849</u>	<u>\$ 169,409</u>	<u>\$ 38,643</u>	<u>\$ 28,611</u>	<u>\$ 172,070</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 70				\$ 57,432
Settlements pending						
Total Liabilities		<u>70</u>				<u>57,432</u>
Fund Balances:						
Restricted	\$ 223,104		\$ 169,409	\$ 38,643	\$ 28,611	114,638
Committed		132,779				
Total Fund Balances	<u>223,104</u>	<u>132,779</u>	<u>169,409</u>	<u>38,643</u>	<u>28,611</u>	<u>114,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 223,104</u>	<u>\$ 132,849</u>	<u>\$ 169,409</u>	<u>\$ 38,643</u>	<u>\$ 28,611</u>	<u>\$ 172,070</u>

CITY OF DARDANELLE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022

Schedule 1

	<u>TRUST FUND</u>	<u>CUSTODIAL FUND</u>	
	Firemen's Pension and Relief	Police Bond and Fine	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 56,864	\$ 1,185	\$ 718,182
Investments	584,470		584,470
Accounts receivable	<u>9,554</u>		<u>114,107</u>
 TOTAL ASSETS	 <u>\$ 650,888</u>	 <u>\$ 1,185</u>	 <u>\$ 1,416,759</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable			\$ 57,502
Settlements pending		\$ 1,185	<u>1,185</u>
Total Liabilities		<u>1,185</u>	<u>58,687</u>
 Fund Balances:			
Restricted	\$ 650,888		1,225,293
Committed			<u>132,779</u>
Total Fund Balances	<u>650,888</u>		<u>1,358,072</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 650,888</u>	 <u>\$ 1,185</u>	 <u>\$ 1,416,759</u>

CITY OF DARDANELLE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUND	TRUST FUND	
	Fire Equipment and Training (Act 833)	Refuse	District Court Automation	Police Department Ordinance	Federal Emergency Management (FEMA)	American Rescue Plan Act (ARPA)	2017 Sales and Use Tax Refunding Bonds	Firemen's Pension and Relief	Totals
REVENUES									
State aid	\$ 33,586							\$ 3,554	\$ 37,140
Federal aid						\$ 471,402			471,402
Property taxes								43,640	43,640
Franchise fees		\$ 13,774							13,774
Sales taxes							\$ 1,203,063		1,203,063
Fines, forfeitures, and costs			\$ 31,363	\$ 21,880					53,243
Interest	770	78	588	29	\$ 19	185	1,047	19,012	21,728
Sanitation fees		291,892							291,892
Net increase/(decrease) in fair value of investments								(98,815)	(98,815)
TOTAL REVENUES	34,356	305,744	31,951	21,909	19	471,587	1,204,110	(32,609)	2,037,067
EXPENDITURES									
Current:									
Law enforcement			19,886	15,975		275,271			311,132
Highways and streets						282,418			282,418
Public safety								60,684	60,684
Sanitation		253,386							253,386
Recreation and culture						271,814			271,814
Cemetery						37,371			37,371
Total Current		253,386	19,886	15,975		866,874		60,684	1,216,805
Debt Service:									
Bond principal							335,000		335,000
Bond interest and other charges							106,869		106,869
Financed purchase principal		39,846							39,846
Financed purchase interest		726							726
TOTAL EXPENDITURES		293,958	19,886	15,975		866,874	441,869	60,684	1,699,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,356	11,786	12,065	5,934	19	(395,287)	762,241	(93,293)	337,821
OTHER FINANCING SOURCES (USES)									
Contribution to water department							(757,350)		(757,350)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	34,356	11,786	12,065	5,934	19	(395,287)	4,891	(93,293)	(419,529)
FUND BALANCES - JANUARY 1	188,748	120,993	157,344	32,709	28,592	395,287	109,747	744,181	1,777,601
FUND BALANCES - DECEMBER 31	\$ 223,104	\$ 132,779	\$ 169,409	\$ 38,643	\$ 28,611	\$ 0	\$ 114,638	\$ 650,888	\$ 1,358,072

CITY OF DARDANELLE, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utility costs.
Refuse	Dardanelle Ordinance no. 1995-03 (February 6, 1995) established fund to account for revenues and disbursements related to the City's trash service.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees to be used for district court-related technology.
Police Department Ordinance	Ark. Code Ann. § 16-17-129 established fund to receive \$20 additional fee from each defendant who pleads guilty, nolo contendere, is found guilty of, or forfeits bonds for any misdemeanor or traffic violation to be used for expenses of incarcerating city prisoners.
Federal Emergency Management (FEMA)	Established to account for federal disaster relief assistance received.
American Rescue Plan Act (ARPA)	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLFR), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
2017 Sales and Use Tax Refunding Bonds	Dardanelle Ordinance no. 2016-05 (December 5, 2016) established fund to accumulate resources for the payment of interest and principal on 2017 Sales and Use Tax Refunding Bonds as required by the bond issue.
Firemen's Pension and Relief	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established fund to receive fines, forfeitures, and costs collected by the police department.

CITY OF DARDANELLE, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2022
(Unaudited)

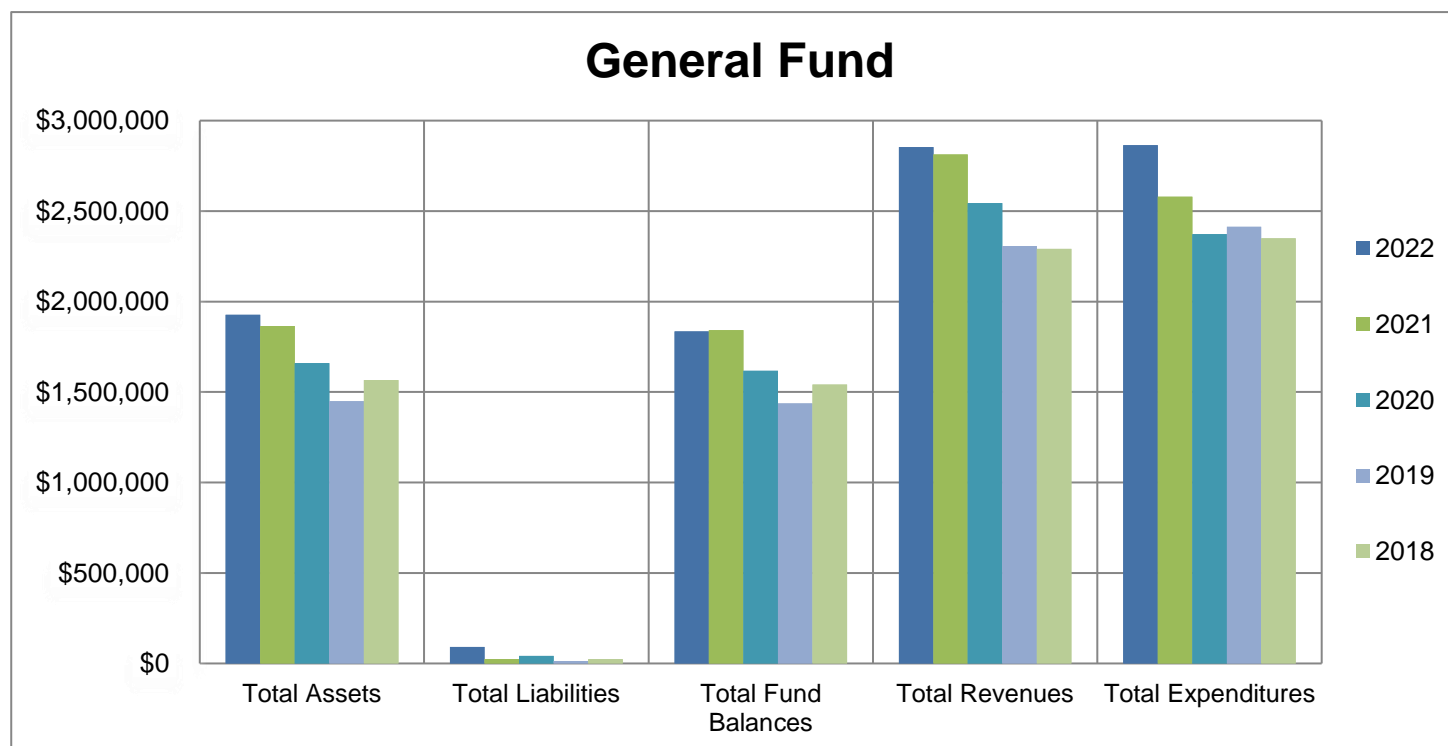
Schedule 3

	December 31, 2022
Land	\$ 917,943
Construction In Progress	347,708
Buildings	7,328,265
Equipment	<u>2,494,540</u>
Total	<u>\$ 11,088,456</u>

CITY OF DARDANELLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 4-1

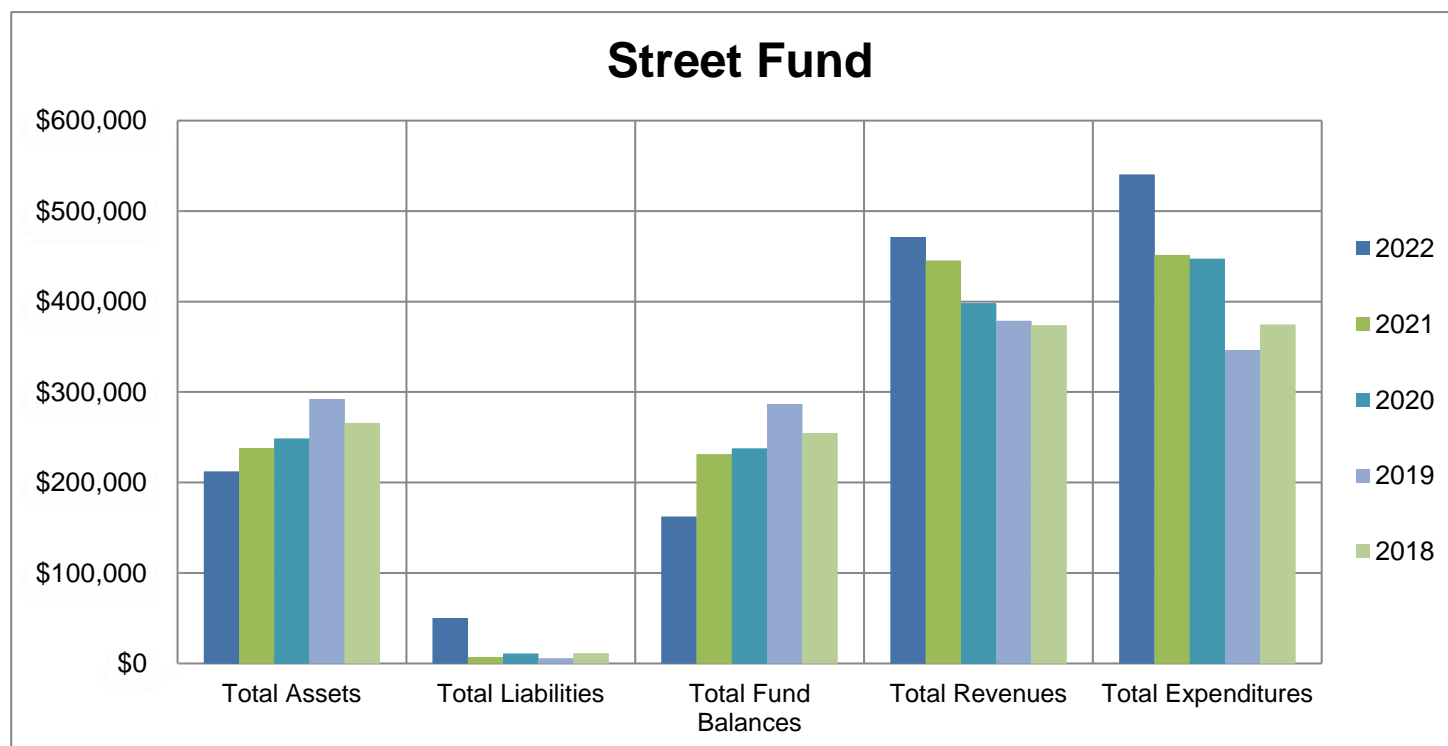
<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 1,927,427	\$ 1,864,799	\$ 1,659,255	\$ 1,449,973	\$ 1,566,379
Total Liabilities	91,778	23,728	42,529	13,400	24,856
Total Fund Balances	1,835,649	1,841,071	1,616,726	1,436,573	1,541,523
Total Revenues	2,854,372	2,812,618	2,543,519	2,307,873	2,290,843
Total Expenditures	2,863,687	2,578,922	2,372,760	2,413,791	2,349,130
Total Other Financing Sources/Uses	3,893	3,893	9,394	968	



CITY OF DARDANELLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 212,220	\$ 237,997	\$ 248,606	\$ 292,297	\$ 265,754
Total Liabilities	50,023	6,966	10,924	5,449	11,140
Total Fund Balances	162,197	231,031	237,682	286,848	254,614
Total Revenues	471,395	445,018	398,067	378,617	373,688
Total Expenditures	540,229	451,669	447,233	346,383	374,401
Total Other Financing Sources/Uses					



CITY OF DARDANELLE, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2022
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2022	2021	2020	2019	2018
Total Assets	\$ 1,416,759	\$ 1,843,220	\$ 1,324,251	\$ 1,356,363	\$ 1,148,197
Total Liabilities	58,687	65,619	54,992	58,825	51,366
Total Fund Balances	1,358,072	1,777,601	1,269,259	1,297,538	1,096,831
Total Revenues	2,037,067	2,145,929	1,663,849	1,599,243	1,274,862
Total Expenditures	1,699,246	923,489	1,091,461	892,186	781,358
Total Other Financing Sources/Uses	(757,350)	(712,623)	(600,667)	(506,350)	(478,658)

