

City of El Dorado, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF EL DORADO, ARKANSAS
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinions on Regulatory Basis of Accounting

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

Emphasis of Matter

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

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
August 23, 2022
LOM103020

Arkansas

Sen. Ronald Caldwell
Senate Chair
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Senate Vice Chair



Rep. Richard Womack
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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 El Dorado, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of El Dorado, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2022. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

2020-1 Arkansas Code requires City management to maintain financial records. The City's financial records contained errors that were considered material as indicated below:

General Fund financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures of \$2,535,202, \$120,593, \$62,998, \$1,150,953 and \$183,591, respectively, primarily due to errors in recording accounts receivable, accounts payable, classifications, and transfers between funds.

The Other Funds in the Aggregate financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures of \$2,119,138, \$9,715, \$3,359, \$889,216 and \$12,098, respectively, primarily due to errors in recording accounts receivable, accounts payable, classifications, and transfers between funds.

The effect of these misstatements constitutes a significant control deficiency in the process of preparing financial records. We recommend City management implement procedures to ensure financial records are properly posted.

The Mayor concurred with the above recommendations and has approved the appropriate adjustments to the City's financial records.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control over Financial Reporting section as items 2020-1.

Entity's Response to Findings

The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also reported to management of the City in a separate letter dated August 23, 2022.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
August 23, 2022

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: Veronica Smith-Creer
City Clerk: Heather McVay
Advertising and Promotion Commission Chairman: Barry Bagwell
Police Chief: Kenneth Hickman

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

Mayor and Advertising and Promotion Commission Chairman

The City paid El Dorado Festivals and Events, a nonprofit corporation, \$100,000 without a contract for services, in noncompliance with Ark. Const. art. 12, § 5. These payments (\$75,039 from the General Fund and \$24,961 from the Advertising and Promotion Fund) were used to set up and operate an ice skating rink during the holiday season.

Mayor

The City expended \$5,239 in noncompliance with Ark. Code Ann. § 14-42-107 as follows.

- \$1,009 paid to a business owned by the spouse of an elected official for cleaning services without an authorizing ordinance.
- \$3,195 and \$1,035 paid respectively, to two City employees for miscellaneous jobs performed after normal working hours without an authorizing ordinance.

A similar finding was noted in the previous two reports.

The City paid a local construction company (Contractor #1) \$1,412,297 for various projects in 2020. Review of invoices and other documentation concerning these payments revealed the following:

- The City solicited bids for a drainage project in January 2020 and accepted the lowest bid (\$97,969), which was offered by Contractor #1. Subsequently, the City paid Contractor #1 for invoices totaling \$344,878, despite the project remaining unfinished. No change orders or other documentation could be located to justify the excessive amount billed/paid; however, we noted \$60,414 in duplicate billings and overcharges during a review of invoices submitted by Contractor #1.
- Contractor #1 charged \$19,132 for materials purchased from third-party vendors without supporting documentation; therefore, the validity of these charges could not be determined.
- In July 2021, the City agreed to terminate the agreement with Contractor #1 and hire another contractor (Contractor #2) to finish the project. Contractor #2 completed the project in November 2021 and was paid \$69,493, bringing the total cost of the project to \$414,371.

It should also be noted that, in December 2019, the City accepted an hourly rate bid from Contractor #1 for various construction services for calendar year 2020. The City subsequently paid Contractor #1 for several individual projects that exceeded \$35,000 each, without entering into a written contract or soliciting additional bids. We question whether the "hourly rate" bids comply with Ark. Code Ann. § 14-58-303, as interpreted in Op. Att'y Gen. nos. 2001-396 and 2002-225, which requires cities to solicit bids for purchases over \$35,000.

Mayor (Continued)

Administration employees received a 3% raise in 2021 without City Council approval. As a result, seven employees received salary overpayments totaling \$5,964.

The City paid the El Dorado Chamber of Commerce \$45,000 for economic development services without a contract, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099.

The City was unable to provide invoices for credit card charges totaling \$1,662 to various vendors during the period June 1, 2020 through December 31, 2020. Due to a lack of supporting documentation, the validity of these disbursements could not be determined.

The governing body did not review the prior report and accompanying comments at the first regularly scheduled meeting following receipt of the report, in noncompliance with Ark. Code Ann. § 10-4-418.

Bank reconciliations were not performed monthly, nor were they substantially correct. Additionally, bank reconciliations were not approved by a municipal official or employee other than the person preparing the reconciliation, in noncompliance with Ark. Code Ann. § 14-59-108. A similar finding was noted in the prior report.

Competitive bids were not solicited, as required by Ark. Code Ann. § 14-58-303 and El Dorado Ordinance no. 1798 (January 1, 2010). This ordinance established the purchase authority of the Mayor without the need to engage in competitive bidding at \$5,000. A similar finding was issued in the previous seven reports dating back to 2013.

Fixed asset records did not include additions and deletions in the amounts of \$3,305,066 and \$2,013,092, respectively, in noncompliance with Ark. Code Ann. § 14-59-107.

The Mayor's Secretary was reclassified as the Human Resources Director in June 2020, with a salary increase from \$35,277 to \$55,000. The authorized salary for the Human Resources Director's position was not included in the original city budget passed by the Council. On July 22, 2021, the Council approved actual expenditures as the amended 2020 budget, however, the budget was not detailed enough to determine if the Human Resources Director's salary was authorized.

Adequate supporting documentation was not maintained for all disbursements, in noncompliance with Ark. Code Ann. § 14-59-105. A similar finding was noted in the prior report.

The City's accounts were under collateralized by \$7,743,799 (26% of total deposits) at December 31, 2020, in noncompliance with Ark. Code Ann. § 19-8-107.

As noted in previous reports, a local promoter had unpaid rental fees totaling \$2,917 for the period June 2015 through October 2017. The City filed suit against the promoter, and on April 22, 2021, the Circuit Court of Union County ruled in favor of the City. The judgment ordered the promoter to pay the rental fees as well as court costs of \$217, for a total of \$3,134. As of July 15, 2022, the City had not received any payments.

The annual financial statement was not published by April 1 of the following year, in noncompliance with Ark. Code Ann. § 14-59-116.

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



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
August 23, 2022

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 23,755,247	\$ 1,190,389	\$ 3,454,936
Accounts receivable	1,068,611	46,468	358,707
Interfund receivables	8,084		1,889
	<u>24,831,942</u>	<u>1,236,857</u>	<u>3,815,532</u>
TOTAL ASSETS	<u>\$ 24,831,942</u>	<u>\$ 1,236,857</u>	<u>\$ 3,815,532</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,880	\$ 6,044	\$ 64,673
Interfund payables	2,377		7,596
Settlements pending			92,738
Total Liabilities	<u>30,257</u>	<u>6,044</u>	<u>165,007</u>
Fund Balances:			
Restricted		1,195,813	3,061,778
Assigned	31,698	35,000	644,483
Unassigned	24,769,987		(55,736)
Total Fund Balances	<u>24,801,685</u>	<u>1,230,813</u>	<u>3,650,525</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,831,942</u>	<u>\$ 1,236,857</u>	<u>\$ 3,815,532</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 287,151	\$ 1,426,740	\$ 190,832
Federal aid	795,648		1,012,219
Property taxes	1,492,075	410,910	
Franchise fees	920,405		
Sales taxes	11,872,722		4,539,364
Fines, forfeitures, and costs	130,543		33,083
Interest	47,509	8,817	16,877
Local permits and fees	208,780	3,145	484,006
Advertising and promotion taxes			238,861
911 fees	301,895		
Ambulance fees	1,122,122		
Rental fees	8,478		
Airport fees			101,613
Airport fuel sales			645,618
Golf course fees			282,497
Other	537,864	46,202	163,810
TOTAL REVENUES	17,725,192	1,895,814	7,708,780
EXPENDITURES			
Current:			
General government	1,819,748		978,689
Law enforcement	4,727,956		1,134,608
Highways and streets		1,308,248	1,914,509
Public safety	4,084,880		7,688
Sanitation			3,080,509
Health			62,512
Recreation and culture	1,726,499		542,496
Advertising and promotion			348,465
Airport	7,596		748,262
Total Current	12,366,679	1,308,248	8,817,738
Debt Service:			
Lease principal			16,523
Lease interest			1,379
TOTAL EXPENDITURES	12,366,679	1,308,248	8,835,640

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 5,358,513</u>	<u>\$ 587,566</u>	<u>\$ (1,126,860)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			2,780,450
Transfers out	<u>(1,480,450)</u>		<u>(1,300,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,480,450)</u>		<u>1,480,450</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,878,063	587,566	353,590
FUND BALANCES - JANUARY 1	<u>20,923,622</u>	<u>643,247</u>	<u>3,296,935</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 24,801,685</u></u>	<u><u>\$ 1,230,813</u></u>	<u><u>\$ 3,650,525</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 280,181	\$ 287,151	\$ 6,970	\$ 1,425,567	\$ 1,426,740	\$ 1,173
Federal aid	748,142	795,648	47,506			
Property taxes	1,491,421	1,492,075	654	414,110	410,910	(3,200)
Franchise fees	1,203,561	920,405	(283,156)			
Sales taxes	11,871,368	11,872,722	1,354			
Fines, forfeitures, and costs	147,011	130,543	(16,468)			
Interest	24,080	47,509	23,429	5,191	8,817	3,626
Local permits and fees	224,895	208,780	(16,115)	3,145	3,145	
911 fees	333,141	301,895	(31,246)			
Ambulance fees	1,122,122	1,122,122	0			
Rental fees		8,478	8,478			
Other	318,742	537,864	219,122	47,476	46,202	(1,274)
TOTAL REVENUES	17,764,664	17,725,192	(39,472)	1,895,489	1,895,814	325
EXPENDITURES						
Current:						
General government	4,684,908	1,819,748	2,865,160			
Law enforcement	4,765,399	4,727,956	37,443			
Highways and streets				1,291,704	1,308,248	(16,544)
Public safety	3,987,389	4,084,880	(97,491)			
Recreation and culture	779,924	1,726,499	(946,575)			
Airport	7,597	7,596	1			
TOTAL EXPENDITURES	14,225,217	12,366,679	1,858,538	1,291,704	1,308,248	(16,544)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,539,447	5,358,513	1,819,066	603,785	587,566	(16,219)
OTHER FINANCING SOURCES (USES)						
Transfers out	(141,000)	(1,480,450)	(1,339,450)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,398,447	3,878,063	479,616	603,785	587,566	(16,219)
FUND BALANCES - JANUARY 1	7,396	20,923,622	20,916,226		643,247	643,247
FUND BALANCES - DECEMBER 31	\$ 3,405,843	\$ 24,801,685	\$ 21,395,842	\$ 603,785	\$ 1,230,813	\$ 627,028

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

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of El Dorado 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 Sewer Funds. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are not included in this report.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

Enterprise Funds - Enterprise funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. See Schedules 1 and 2 for Enterprise Funds as reported with other funds in the aggregate.

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit.

Settlements Pending

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

Fund Balance Classifications

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

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

G. Fund Balance Classification Policies and Procedures

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

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

There were no committed fund balances at year-end.

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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)	\$ 3,269,506	\$ 3,269,506
Collateralized:		
Collateral held by the City's agent, pledging bank, or pledging bank's trust department or agent in the City's name	18,394,462	18,509,677
Uncollateralized	6,731,353	7,743,799
Total Deposits	<u>\$ 28,395,321</u>	<u>\$ 29,522,982</u>

The above total deposits do not include cash on hand of \$5,251.

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.

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 167,084	\$ 46,468	
Sales taxes	901,527		\$ 358,707
Totals	<u>\$ 1,068,611</u>	<u>\$ 46,468</u>	<u>\$ 358,707</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 27,880</u>	<u>\$ 6,044</u>	<u>\$ 64,673</u>

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivables	Interfund Payables
General Fund	\$ 8,084	\$ 2,377
Other Funds in the Aggregate:		
Special Revenue Funds:		
Federal Grants		5,407
Drug Control		1,889
Court Automation	1,889	
Enterprise Funds:		
Municipal Airport		300
Totals	<u>\$ 9,973</u>	<u>\$ 9,973</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2022.

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
Law enforcement			\$ 226,172
Highways and streets		\$ 1,195,813	
Public safety			50,911
Advertising and promotion			910,119
Airport			528,967
Capital outlay			1,345,609
Total Restricted		<u>1,195,813</u>	<u>3,061,778</u>
Assigned to:			
General government	\$ 31,698		
Law enforcement			629,207
Highways and streets		35,000	
Recreation and culture			15,276
Total Assigned	<u>31,698</u>	<u>35,000</u>	<u>644,483</u>
Unassigned	<u>24,769,987</u>		<u>(55,736)</u>
Totals	<u>\$ 24,801,685</u>	<u>\$ 1,230,813</u>	<u>\$ 3,650,525</u>

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2020:

	December 31, 2020
Other Funds in the Aggregate:	
Special Revenue Funds:	
Federal Grants	\$ (55,704)
DOJ Asset Forfeiture	(32)
	<u> </u>
Total	<u>\$ (55,736)</u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$57,786,946. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$14,446,736. The amount of short-term financing obligations was \$5,224, leaving a legal debt margin of \$14,441,512.

NOTE 10: Commitments

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

	December 31, 2020
Long-term liabilities	\$ 439,122
Noncancellable leases	129,688
Construction contracts	<u>289,123</u>
	<u> </u>
Total Commitments	<u>\$ 857,933</u>

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Long-term liabilities

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

	December 31, 2020
<u>Direct Borrowings</u>	
Lease-purchase agreement dated February 21, 2018, with New Equipment Leasing, Inc. in the amount of \$25,520, with interest rate of 8.9% for the purchase of two Exmark mowers. Monthly payments of \$817 for 36 months. Payments are to be made from the Golf Course Fund.	\$ 2,009
Lease-purchase agreement dated June 7, 2018, with New Equipment Leasing, Inc. in the amount of \$22,984, with interest rate of 8.9% for the purchase of two Exmark mowers. Monthly payments of \$736 for 36 months. Payments are to be made from the Golf Course Fund.	3,215
Total Direct Borrowings	<u>5,224</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	433,898
Total Long-term liabilities	<u>\$ 439,122</u>

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

The City's outstanding capital leases from direct borrowings of \$5,224 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.

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Direct Borrowings</u>					
2/21/18	3/21/21	8.90%	\$ 25,520	\$ 2,009	\$ 23,511
6/7/18	7/7/21	8.90%	22,984	3,215	19,769
Total Direct Borrowings			<u>48,504</u>	<u>5,224</u>	<u>43,280</u>
Total Long-Term Debt			<u>\$ 48,504</u>	<u>\$ 5,224</u>	<u>\$ 43,280</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
<u>Direct Borrowings</u>				
Capital leases	<u>\$ 21,747</u>	<u>\$ 0</u>	<u>\$ 16,523</u>	<u>\$ 5,224</u>

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2021	\$ 5,224	\$ 907	\$ 6,131

Noncancellable Leases

The City entered into a noncancellable lease agreement for the following:

1. Caterpillar excavator on February 28, 2018, with monthly rental payments of \$599 for 36 months.
2. Caterpillar backhoe loader on February 27, 2018, with monthly rental payments of \$977 for 36 months.
3. Thirty-nine (39) golf carts and one ball picker on April 20, 2019, with monthly rental payments of \$3,343 for 48 months.
4. Toro Greens Master 3120 on May 1, 2019, with monthly rental payments of \$585 for 48 months.
5. Toyota Camry 1446 on January 29, 2020, with monthly rental payments of \$366 for 36 months.
6. Toyota Camry 1027 on January 29, 2020, with monthly rental payments of \$366 for 36 months.

The City is obligated for the following amounts for the next three years:

Year	December 31, 2020
2021	\$ 61,246
2022	55,924
2023	12,518
Total	\$ 129,688

Rental expense for 2020 was \$77,641.

Construction Contracts

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

Project Name	Completed or	Contract Balance
	Estimated Completion	December 31, 2020
Complex Concession Stand	December 31, 2021	\$ 17,000
Complex Soccer Fields	April 15, 2021	50,442
Widening Street	December 31, 2021	37,200
Sidewalk Enhancement	December 31, 2021	29,000
Airport Runway	December 31, 2021	155,481
Total Construction Contracts		\$ 289,123

NOTE 11: Interfund Transfers

The General Fund transferred \$1,480,450 to the Other Funds in the Aggregate (Golf Course \$80,586, DOJ Asset Forfeiture \$100, Capital Improvement \$1,399,664 and Airport \$100) for operations. Within the Other Funds in the Aggregate, transfers were made of \$1,300,000 for designated sales tax funds for capital outlay expenditures.

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE12: Related Party Transactions

The City paid \$730,527 to Diversified Construction and Design, LLC and Diversified Services Lawn and Garden Center, Inc. in the amounts of \$692,070 for construction and design and \$38,457 for lawn and garden services, respectively. City Council member John Vance Williamson is an employee of these companies and his brother the owner. El Dorado Ordinance no. 1845 (June 5, 2014) allows the City to conduct business with this related party.

NOTE 13: Joint Venture – Barton Public Library

The City of El Dorado and Union County entered into an agreement in May 1956, in accordance with Ark. Code Ann. § 13-2-204 to establish the Barton Public Library. The City and County library boards, by agreement, employ a librarian. Two members from the City library board, two members from the County library board, and a fifth member from either of the boards are appointed to serve as the Executive Library Committee. The Committee, working with the librarian, prepares the budget, allocates the expense to be paid by each of the library boards, and addresses any other details as to the operations of the library. These recommendations are presented to a joint meeting of the City library board and the County library board for approval or disapproval. Title to the land and building are in the name of the City of El Dorado library. The books and equipment belong to each library board and are marked and inventoried so as to indicate ownership by the respective library boards. The City paid \$261,361 for the Barton Public Library in 2020. Separate financial statements of the Barton Public Library are not available.

NOTE 14: Jointly Governed Organization

The Sheriffs' Departments of Calhoun, Cleveland, Columbia, Dallas, Ouachita, and Union Counties and the Police Departments of Camden, Fordyce, Rison, Magnolia, Hampton, Smackover, and El Dorado entered into an agreement to establish the Thirteenth Judicial District Drug Task Force. The agreement covers the period of July 1, 2020 to June 30, 2021, and may be extended upon written mutual agreement. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Thirteenth Judicial District. No contributions or payments for expenditures were made to the Thirteenth Judicial District Drug Task Force by the City. The 2020 financial statements of the Thirteenth Judicial District Drug Task Force have not been audited.

NOTE 15: Risk Management

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

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

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

Municipal Vehicle Program

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

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15: Risk Management (Continued)

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

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

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

**NOTE 16: 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.

On March 1, 1994 and February 1, 1994, administration of the City of El Dorado Firemen's Pension and Relief Fund and the City of El Dorado Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

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 \$804,848 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$762,855 for the year ended December 31, 2020.

CITY OF EL DORADO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

**NOTE 16: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$6,256,083.

NOTE 17: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 (24-12-124 for second class cities) establishes retirement benefits for mayors in cities of the first (second) class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. During 2020, the City paid retired Mayors Mike Dumas and Larry Combs \$34,679 and \$25,777, respectively.

NOTE 18: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. During 2020, the City paid \$6,365 on behalf of retired Clerk Dennis Puckett.

NOTE 19: City Employee Retirement Program (A Defined Contribution Pension Plan)

The El Dorado City Council has contracted with Edward Jones and Werntz & Associates to provide a money-purchase defined contribution plan for the benefit of its non-uniformed full-time employees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements may be amended by the El Dorado City Council. Funding is provided by contributions of 5% by the employee and 5% by the City of the employee's total annual compensation. The City's contribution to the plan was \$31,900.

NOTE 20: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). On November 30, 2020, the City received \$748,142 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. The City was awarded \$3,656,949 in federal aid from the American Rescue Plan Act of 2021. These payments were subsequently received on June 30, 2021 and July 26, 2022, respectively, in the amounts of \$1,828,485 and \$1,828,464, respectively. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

NOTE 21: Federal Funds Program Compliance

The federal grants of the City were not audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. However, the City engaged for a federal compliance audit on January 19, 2022, and is currently being conducted. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

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

Schedule 1

	SPECIAL REVENUE FUNDS						
	Sanitation	Advertising and Promotion	Federal Grants	Drug Control	Court Automation	Fire Equipment and Training (Act 833)	DOJ Asset Forfeiture
ASSETS							
Cash and cash equivalents	\$ 299,981	\$ 912,104	\$ (47,603)	\$ 103,145	\$ 125,112	\$ 50,911	\$ (32)
Accounts receivable	357,909						
Interfund receivables					1,889		
TOTAL ASSETS	<u>\$ 657,890</u>	<u>\$ 912,104</u>	<u>\$ (47,603)</u>	<u>\$ 103,145</u>	<u>\$ 127,001</u>	<u>\$ 50,911</u>	<u>\$ (32)</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 28,683	\$ 1,985	\$ 2,694		\$ 2,085		
Interfund payables			5,407	\$ 1,889			
Settlements pending							
Total Liabilities	<u>28,683</u>	<u>1,985</u>	<u>8,101</u>	<u>1,889</u>	<u>2,085</u>		
Fund Balances:							
Restricted		910,119		101,256	124,916	\$ 50,911	
Assigned	629,207						
Unassigned			(55,704)				\$ (32)
Total Fund Balances	<u>629,207</u>	<u>910,119</u>	<u>(55,704)</u>	<u>101,256</u>	<u>124,916</u>	<u>50,911</u>	<u>(32)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 657,890</u>	<u>\$ 912,104</u>	<u>\$ (47,603)</u>	<u>\$ 103,145</u>	<u>\$ 127,001</u>	<u>\$ 50,911</u>	<u>\$ (32)</u>

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

Schedule 1

	CAPITAL PROJECTS FUND	ENTERPRISE FUNDS			CUSTODIAL FUNDS		
	Capital Improvements	Municipal Airport	Golf Course	Police Bond and Fine	Police Fee	Drug Management	Totals
ASSETS							
Cash and cash equivalents	\$ 1,368,960	\$ 533,530	\$ 16,090	\$ 200	\$ 2,283	\$ 90,255	\$ 3,454,936
Accounts receivable		798					358,707
Interfund receivables							1,889
TOTAL ASSETS	<u>\$ 1,368,960</u>	<u>\$ 534,328</u>	<u>\$ 16,090</u>	<u>\$ 200</u>	<u>\$ 2,283</u>	<u>\$ 90,255</u>	<u>\$ 3,815,532</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 23,351	\$ 5,061	\$ 814				\$ 64,673
Interfund payables		300					7,596
Settlements pending				\$ 200	\$ 2,283	\$ 90,255	92,738
Total Liabilities	<u>23,351</u>	<u>5,361</u>	<u>814</u>	<u>200</u>	<u>2,283</u>	<u>90,255</u>	<u>165,007</u>
Fund Balances:							
Restricted	1,345,609	528,967					3,061,778
Assigned			15,276				644,483
Unassigned							(55,736)
Total Fund Balances	<u>1,345,609</u>	<u>528,967</u>	<u>15,276</u>				<u>3,650,525</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,368,960</u>	<u>\$ 534,328</u>	<u>\$ 16,090</u>	<u>\$ 200</u>	<u>\$ 2,283</u>	<u>\$ 90,255</u>	<u>\$ 3,815,532</u>

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

Schedule 2

	SPECIAL REVENUE FUNDS						
	Sanitation	Advertising and Promotion	Federal Grants	Drug Control	Court Automation	Fire Equipment and Training (Act 833)	DOJ Asset Forfeiture
REVENUES							
State aid						\$ 20,802	
Federal aid		\$ 17,596	\$ 994,623				
Sales taxes	\$ 4,525,641						
Fines, forfeitures, and costs				\$ 19,983	\$ 13,100		
Interest	17	1,120		71	147	41	
Local permits and fees	484,006						
Advertising and promotion taxes		238,861					
Airport fees							
Airport fuel sales							
Golf course fees							
Other	69,841	4,150		32,319			
TOTAL REVENUES	5,079,505	261,727	994,623	52,373	13,247	20,843	
EXPENDITURES							
Current:							
General government							
Law enforcement	89,126		984,636	21,138	39,576		\$ 132
Highways and streets						7,688	
Public safety							
Sanitation	3,080,509						
Health	62,512						
Recreation and culture	191,379						
Advertising and promotion		348,465					
Airport			69,000				
Total Current	3,423,526	348,465	1,053,636	21,138	39,576	7,688	132
Debt Service:							
Lease principal							
Lease interest							
TOTAL EXPENDITURES	3,423,526	348,465	1,053,636	21,138	39,576	7,688	132
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,655,979	(86,738)	(59,013)	31,235	(26,329)	13,155	(132)
OTHER FINANCING SOURCES (USES)							
Transfers in							100
Transfers out	(1,300,000)						
TOTAL OTHER FINANCING SOURCES (USES)	(1,300,000)						100
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	355,979	(86,738)	(59,013)	31,235	(26,329)	13,155	(32)
FUND BALANCES - JANUARY 1	273,228	996,857	3,309	70,021	151,245	37,756	
FUND BALANCES - DECEMBER 31	\$ 629,207	\$ 910,119	\$ (55,704)	\$ 101,256	\$ 124,916	\$ 50,911	\$ (32)

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

Schedule 2

	CAPITAL PROJECTS FUND	ENTERPRISE FUNDS		
	Capital Improvements	Municipal Airport	Golf Course	Totals
REVENUES				
State aid	\$ 170,030			\$ 190,832
Federal aid				1,012,219
Sales taxes		\$ 13,723		4,539,364
Fines, forfeitures, and costs				33,083
Interest	14,458	1,023		16,877
Local permits and fees				484,006
Advertising and promotion taxes				238,861
Airport fees		101,613		101,613
Airport fuel sales		645,618		645,618
Golf course fees			\$ 282,497	282,497
Other	1,293	55,349	858	163,810
TOTAL REVENUES	185,781	817,326	283,355	7,708,780
EXPENDITURES				
Current:				
General government	978,689			978,689
Law enforcement				1,134,608
Highways and streets	1,914,509			1,914,509
Public safety				7,688
Sanitation				3,080,509
Health				62,512
Recreation and culture			351,117	542,496
Advertising and promotion				348,465
Airport		679,262		748,262
Total Current	2,893,198	679,262	351,117	8,817,738
Debt Service:				
Lease principal			16,523	16,523
Lease interest			1,379	1,379
TOTAL EXPENDITURES	2,893,198	679,262	369,019	8,835,640
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,707,417)	138,064	(85,664)	(1,126,860)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,699,664	100	80,586	2,780,450
Transfers out				(1,300,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,699,664	100	80,586	1,480,450
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,753)	138,164	(5,078)	353,590
FUND BALANCES - JANUARY 1	1,353,362	390,803	20,354	3,296,935
FUND BALANCES - DECEMBER 31	\$ 1,345,609	\$ 528,967	\$ 15,276	\$ 3,650,525

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

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

<u>Fund Name</u>	<u>Fund Description</u>
Sanitation	El Dorado Ordinance no. 1558 (July 10, 1997) established fund to receive one percent sales and use tax to be distributed by the County to be used solely for solid waste and capital improvement expenditures.
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Federal Grants	Established to account for federal grants received
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
DOJ Asset Forfeiture	Established to receive federal forfeitures to be used for providing additional law enforcement resources.
Capital Improvements	El Dorado Ordinance no. 1558 (July 10, 1997) established fund to receive one percent sales and use tax to be distributed by the County to be used solely for solid waste and capital improvement expenditures.
Municipal Airport	Ark. Code Ann. § 14-361-116 established fund to receive revenues obtained by a municipality from the ownership, control, or operation of any airport or air navigation facility, including proceeds from the sale of any airport or portion thereof or air navigation facility property. The revenues shall be used solely for airport purposes.
Golf Course	Established to receive fees collected and to pay expenditures for the City's municipal golf course.

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

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

<u>Fund Name</u>	<u>Fund Description</u>
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
Police Fee	Established to receive miscellaneous fees charged for accident reports, fingerprints, etc.
Drug Management	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.

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

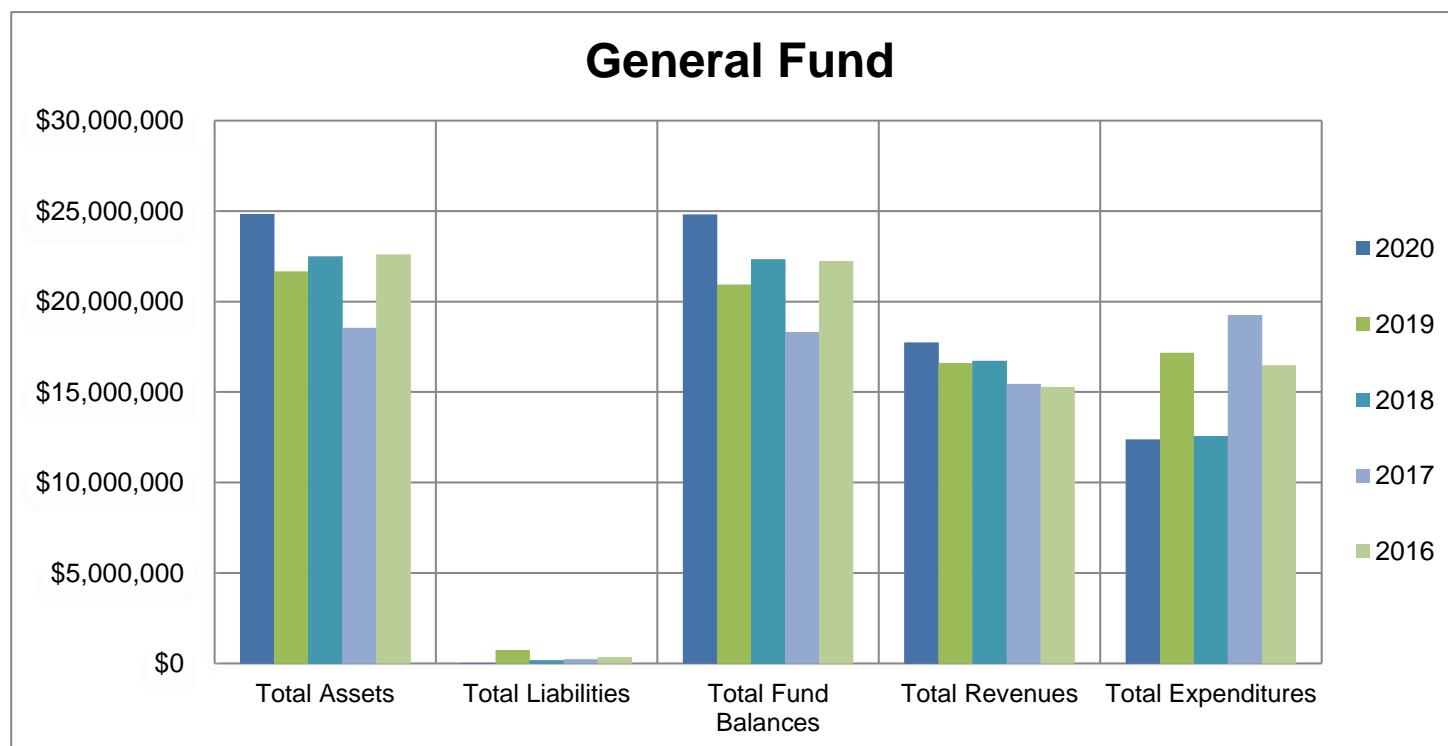
Schedule 3

	December 31, 2020
Land	\$ 6,548,918
Buildings	34,555,653
Equipment	<u>17,236,017</u>
Total	<u><u>\$ 58,340,588</u></u>

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

Schedule 4-1

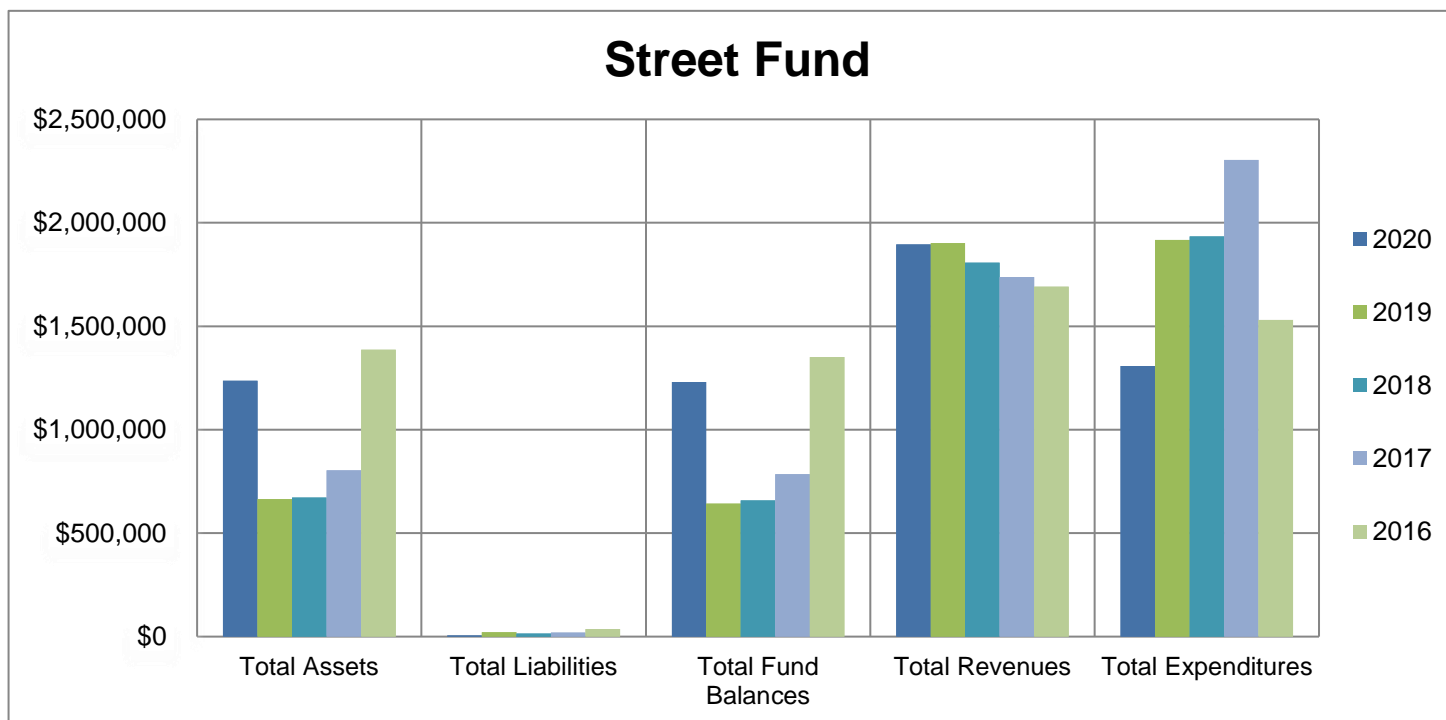
<u>General</u>	2020	2019	2018	2017	2016
Total Assets	\$ 24,831,942	\$ 21,660,897	\$ 22,490,667	\$ 18,536,645	\$ 22,594,113
Total Liabilities	30,257	737,275	169,063	221,142	347,265
Total Fund Balances	24,801,685	20,923,622	22,321,604	18,315,503	22,246,848
Total Revenues	17,725,192	16,603,597	16,730,592	15,446,305	15,280,460
Total Expenditures	12,366,679	17,164,894	12,566,428	19,242,650	16,475,524
Total Other Financing Sources/Uses	(1,480,450)	(836,685)	(158,063)	(135,000)	(636,860)



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

Schedule 4-2

Street	2020	2019	2018	2017	2016
Total Assets	\$ 1,236,857	\$ 664,314	\$ 672,355	\$ 804,094	\$ 1,386,936
Total Liabilities	6,044	21,067	14,250	19,084	35,700
Total Fund Balances	1,230,813	643,247	658,105	785,010	1,351,236
Total Revenues	1,895,814	1,901,540	1,807,701	1,737,449	1,691,281
Total Expenditures	1,308,248	1,916,398	1,934,606	2,303,675	1,530,002
Total Other Financing Sources/Uses					



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

Schedule 4-3

Other Funds in the Aggregate	2020	2019	2018	2017	2016
Total Assets	\$ 3,815,532	\$ 3,603,566	\$ 4,249,649	\$ 4,520,580	\$ 4,652,977
Total Liabilities	165,007	299,200	395,935	334,477	1,576,198
Total Fund Balances	3,650,525	3,304,366	3,853,714	4,186,103	3,076,779
Total Revenues	7,708,780	7,174,585	7,392,703	7,626,970	7,613,641
Total Expenditures	8,835,640	7,960,618	7,883,155	6,646,624	7,578,714
Total Other Financing Sources/Uses	1,480,450	236,685	158,063	135,000	936,860

