

CITY OF GOSNELL, ARKANSAS

Regulatory Basis Financial Statements and Other Reports

December 31, 2020

Thomas, Speight & Noble
Certified Public Accountants
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City of Gosnell, Arkansas
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December 31, 2020

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A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council of
Gosnell, Arkansas

Report on Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund and other fund in the aggregate of the City of Gosnell, 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 an opinion 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. 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, the financial statements are prepared by the City of Gosnell, Arkansas, 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.

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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 Gosnell, 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 Opinion 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 Gosnell, Arkansas, as of December 31, 2020, and 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.

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 my 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, I do not express an opinion or provide assurance on it.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 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 my testing of internal control over financial reporting and compliance and the resulting 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.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas
December 5, 2023



THOMAS, SPEIGHT & NOBLE, CPAs

A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' 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*

To the Honorable Mayor and City Council of
Gosnell, Arkansas

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 Gosnell, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2023. We have 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, a regulatory basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect 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 my audit of the financial statements, we considered the City of Gosnell's internal control over financial reporting (internal control) to determine 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 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 preceding paragraph 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered to be significant deficiencies. We did identify a certain deficiency in internal control described below that we consider to be a material weakness.

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2020-1 – To ensure proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The City's management did not segregate these duties to sufficiently reduce the risks of fraud and error and properly safeguard assets, because of limited resources. We recommend that the financial accounting duties be segregated amount employees to the extent possible.

Management responded and indicated that accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions will be segregated to the extent possible with current staffing levels.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Gosnell, Arkansas Response to Finding

The City's response to the finding identified in my 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, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas
December 5, 2023



THOMAS, SPEIGHT & NOBLE, CPAs

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MEMBER OF THE PRIVATE COMPANIES SECTION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Honorable Mayor and City Council of
Gosnell, Arkansas

We have examined management's assertions that City of Gosnell, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2020.

- Arkansas Municipal Accounting Law, (§§ 14-59-101-14-5-111, 14-59-114-14-59-118);
- Budgets, (§§14-58-201-14-58-203)
- Deposit of Public Funds, (§§ 19-8-101-- 19-8-107)
- Review of Report by Governing Body (§10-4-418)
- Improvement Contracts, (§§22-9-202 -- 22-9-204);
- Investment of Public Funds, (§§ 19--1-501-- 19-1--505);
- Arkansas District Courts Accounting Law, (§§ 16-10-201-16-10-210);
- Purchases, and Payments of Claims, Etc. (§§ 14-58-301- 14-58-305, -307, -308)

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. We believe that our examinations provide a reasonable basis for our opinion. Our examinations do not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Gosnell, Arkansas complied, in all material respects, with the aforementioned requirements for the year ending December 31, 2020.:

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

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas
December 5, 2023

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City of Gosnell, Arkansas
Balance Sheet - Regulatory Basis
December 31, 2020

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 342,480	\$ 231,659	\$ 164,558
Certificates of deposit	219,368	69,113	81,243
Interfund receivable	-	6,673	8,301
Accounts receivable	92,958	1,226	18,761
TOTAL ASSETS	<u>\$ 654,806</u>	<u>\$ 308,671</u>	<u>\$ 272,863</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,018	\$ 1,204	\$ 5,675
Interfund payable	14,974	-	-
Settlements pending	-	-	41,298
Total Liabilities	<u>19,992</u>	<u>1,204</u>	<u>46,973</u>
Fund Balances			
Restricted	-	307,467	49,658
Assigned	-	-	651
Unassigned	634,814	-	175,581
Total Fund Balances	<u>634,814</u>	<u>307,467</u>	<u>225,890</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 654,806</u>	<u>\$ 308,671</u>	<u>\$ 272,863</u>

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

City of Gosnell, Arkansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis
For the Year Ended December 31, 2020

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 52,641	\$ 267,841	\$ 18,124
Federal aid	140,564	-	-
Property taxes	56,640	22,740	-
Franchise taxes	116,203	-	-
Sales taxes	733,329	-	-
Fines, forfeitures and costs	29,240	-	1,035
Interest	1,293	246	556
Local permits and fees	8,491	-	-
Sanitation fees	178,027	-	-
Sewer fees	50,325	-	232,489
Post office	33,827	-	-
Other revenues	9,260	50	-
Total Revenues	<u>1,409,840</u>	<u>290,877</u>	<u>252,204</u>
EXPENDITURES			
Current:			
General government	374,229	-	-
Law enforcement	425,047	-	-
Highways and streets	24,414	299,548	-
Public safety	80,150	-	2,984
Sanitation	213,631	-	-
Recreation and culture	9,215	-	99
Post office	51,438	-	-
Sewer operating expenses	338	-	246,421
Total Expenditures	<u>1,178,462</u>	<u>299,548</u>	<u>249,504</u>
Excess of revenues over (under) expenditures	<u>231,378</u>	<u>(8,671)</u>	<u>2,700</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>2,208</u>	<u>(1,968)</u>	<u>(240)</u>
Total other financing sources (uses)	<u>2,208</u>	<u>(1,968)</u>	<u>(240)</u>
Excess of expenditures and other uses over revenues and other sources	233,586	(10,639)	2,460
FUND BALANCES-BEGINNING OF YEAR, as previously reported	350,306	342,809	223,430
RESTATEMENT ADJUSTMENT	<u>50,922</u>	<u>(24,703)</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR, as restated	<u>401,228</u>	<u>318,106</u>	<u>223,430</u>
FUND BALANCES-END OF YEAR	<u>\$ 634,814</u>	<u>\$ 307,467</u>	<u>\$ 225,890</u>

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

City of Gosnell, Arkansas
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund - Regulatory Basis
For the Year Ended December 31, 2020

	BUDGETED AMOUNTS	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
State aid	\$ 54,365	\$ 52,641	\$ (1,724)
Federal aid	2,300	140,564	138,264
Property taxes	49,028	56,640	7,612
Franchise taxes	130,000	116,203	(13,797)
Sales taxes	690,254	733,329	43,075
Fines, forfeitures and costs	68,362	29,240	(39,122)
Interest	270	1,293	1,023
Local permits and fees	9,740	8,491	(1,249)
Sanitation fees	228,106	178,027	(50,079)
Sewer fees	27,900	50,325	22,425
Post office	33,827	33,827	-
Other revenues	15,125	9,260	(5,865)
Total Revenues	<u>1,309,277</u>	<u>1,409,840</u>	<u>100,563</u>
EXPENDITURES			
Current:			
General government	422,440	374,229	48,211
Law enforcement	495,579	425,047	70,532
Highways and streets	26,500	24,414	2,086
Public safety	86,952	80,150	6,802
Sanitation	218,045	213,631	4,414
Recreation and culture	6,500	9,215	(2,715)
Post office	47,262	51,438	(4,176)
Sewer operating expenses		338	(338)
Total Expenditures	<u>1,303,278</u>	<u>1,178,462</u>	<u>124,816</u>
Revenues over (under) expenditures	<u>5,999</u>	<u>231,378</u>	<u>225,379</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>-</u>	<u>2,208</u>	<u>2,208</u>
Total other financing sources (uses)	<u>-</u>	<u>2,208</u>	<u>2,208</u>
Excess of expenditures and other uses over revenues and other sources	5,999	233,586	227,587
FUND BALANCES-BEGINNING OF YEAR, as previously reported	350,306	350,306	-
RESTATEMENT ADJUSTMENT	<u>50,922</u>	<u>50,922</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR, as restated	<u>401,228</u>	<u>401,228</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 407,227</u>	<u>\$ 634,814</u>	<u>\$ 227,587</u>

City of Gosnell, Arkansas
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Funds - Regulatory Basis
For the Year Ended December 31, 2020

	BUDGETED AMOUNTS	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
State aid	\$ 259,900	\$ 267,841	\$ 7,941
Property taxes	17,000	22,740	5,740
Interest	900	246	(654)
Other revenues	500	50	(450)
Total Revenues	<u>278,300</u>	<u>290,877</u>	<u>12,577</u>
EXPENDITURES			
Current:			
Highways and streets	<u>278,300</u>	<u>299,548</u>	<u>(21,248)</u>
Total Expenditures	<u>278,300</u>	<u>299,548</u>	<u>(21,248)</u>
Revenues over (under) expenditures	-	(8,671)	(8,671)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>-</u>	<u>(1,968)</u>	<u>(1,968)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,968)</u>	<u>(1,968)</u>
Excess of expenditures and other uses over revenues and other sources	-	(10,639)	(10,639)
FUND BALANCES-BEGINNING OF YEAR, as previously reported	342,809	342,809	-
RESTATEMENT ADJUSTMENT	<u>(24,703)</u>	<u>(24,703)</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR, as restated	<u>318,106</u>	<u>318,106</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ 307,467</u>	<u>\$ 307,467</u>

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Reporting entity

The City of Gosnell (the "City") was incorporated under the laws of the State of Arkansas and operates under an elected Mayor and six-member Council government. The Mayor is the chief executive officer, and the Council is the legislative body of the City. The reporting entity includes all funds of the City.

B. Basis of Presentation - Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas 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 the 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 the 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 presentation does not require government-wide financial statements or 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 the general operating fund and is used to account for all financial resources, except those required to be 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 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. The following Special Revenue Funds are reported with other funds in the aggregate: Fire Equipment and Training (Act 833) Fund Veterans Memorial Fund and Court Automation Fund.

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 1: Summary of Significant Accounting Policies – (Continued)

Agency Funds

Agency funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. The following agency funds are reported with funds in the aggregate: Municipal Court Fund and Payroll Fund.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner like a private business, where the intent of the entity is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, federal grants, and other entity funds. The following enterprise funds are reported with other funds in the aggregate: Sewer Fund.

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas 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 at 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 reported in these financial statements.

NOTE 1: Summary of Significant Accounting Policies – (Continued)

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

D. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents

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

Settlements Pending

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

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 1: Summary of Significant Accounting Policies – (Continued)
Fund Balance Classification

Restricted fund balance- amounts that are restricted when constraints places in the use of the resource are either (a) externally imposed by creditors (such as though debt covenants), granters, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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.

- 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 and other funds in the aggregate. This classification may also include negative amounts in the 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 revenue 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:

- 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.
- The proposed budget is discussed at a City Council meeting prior to adoption.
- Prior to February 1, the budget is legally enacted by action of the City Council.
- Appropriations lapse at the end of each year.
- 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.

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 1: Summary of Significant Accounting Policies – (Continued)

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

There were no committed fund balances at year end.

NOTE 2: Cash Deposits and Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 927,978	\$ 954,722
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	180,443	191,854
Uncollateralized		-
 Total Deposits	 <u>\$ 1,108,421</u>	 <u>\$ 1,146,576</u>

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 comprised of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	2,916	1,226	-
Franchise fees	12,517	-	-
Sales taxes	59,996	-	-
Fines, forfeitures, and costs	446	-	38
Sanitation fees	16,858	-	-
Sewer fees	-	-	18,723
Other	225	-	-
 Totals	 <u>\$ 92,958</u>	 <u>\$ 1,226</u>	 <u>\$ 18,761</u>

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 5,018	\$ 1,204	\$ 5,675

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 14,974
Street Fund	6,673	-
Fire and Equipment Training (Act 833)	8,301	-
Totals	\$ 14,974	\$ 14,974

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:	\$ -	\$ -	\$ -
Law enforcement	-	-	4,872
Highways and streets	-	307,467	-
Public safety	-	-	44,786
Total Restricted	-	307,467	49,658
Assigned for:			
Recreation and culture	-	-	651
Unassigned	634,814	-	175,581
Totals	\$ 634,814	\$ 307,467	\$ 225,890

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. On December 31, 2020, the legal debt limit for bonded debt was \$3,626,630. There were no property tax secured bond issues.

8. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the total assessed value of taxable property located within the City as determined by the last tax assessment. On December 31, 2020, the legal debt limit for short-term financing obligations was \$928,184. The City's total short-term obligation as of December 31, 2020, was \$140,009, leaving a debt margin of \$788,175.

NOTE 9: Commitments

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

	<u>December 31, 2020</u>
Long-term liabilities	<u>\$ 140,009</u>

Long-term debt on December 31, 2020, are comprised of the following:

	<u>December 31, 2020</u>
<u>Direct Borrowings</u>	
Lease-purchase agreement dated July 30, 2020 with U.S. Bancorp Government Leasing and Finance, Inc. in the amount of \$151,645 with interest rate of 2.15% for the purchase of a garbage truck. Monthly payments of \$2,591 for 24 months and final payment of \$95,000. Payments are made from the General Fund.	<u>\$ 140,009</u>

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

The City's outstanding notes from direct borrowing of \$140,009 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 actuarially determined accrued liability for post-employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2020</u>	<u>Maturities to December 31, 2020</u>
7/30/2020	8/29/2021	2.15%	\$ 151,645	\$ 140,009	\$ 117,036

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 9: Commitments – (Continued)
Changes in Long-Term Debt

	Balance January 1, 2020	Issued	Retired	Balance December 31, 2020
<u>Direct Borrowings</u>				
Capital leases	\$ 105,400	\$ 151,645	\$ 117,036	\$ 140,009

Debt Service Requirements to Maturity

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

Year	Principal	Interest	Total
2021	\$ 28,354	\$ 2,732	\$ 31,086
2022	111,655	1,480	113,135
Total	\$ 140,009	\$ 4,212	\$ 144,221

NOTE 10: Risk Management

The City has various insurance policies to cover its potential liability risk areas (e.g., vehicles, personal property, contents, buildings, and worker's compensation). These risks are covered by commercial insurance purchased from independent third parties and participation through Arkansas Municipal League (AML), a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the three prior years.

NOTE 11: Local Police and Fire Retirement System (LOPFI) (A Defined Pension Benefit Plan)

Plan description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent and multiple The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide retirement plan for police officers and firefighters of political subdivisions of the State of Arkansas. It was established under the authority of ACT 365 of 1981 and bears a fiduciary obligation to the participants of the system. LOPFI maintains a cost-sharing multiple employers defined benefit plan for participants hired by the respective local government until after January 1, 1983. 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 or by calling 1-866-859-1745.

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:

1. Paid service not covered by Social Security: 8.5% of gross pay.
2. Paid service also covered by Social Security: 2.5% of gross pay.
3. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2020

NOTE 11: Local Police and Fire Retirement System (LOPFI) (A Defined Pension Benefit Plan) –
(Continued)

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 \$39,898.

Net Pension Liability

The City's proportionate share of the collective net pension liability on December 31, 2020 (actuarial valuation date and measurement date) was \$514,363.

NOTE 12: Mayor's Retirement Plan

Arkansas Code Ann § 24-12-123 established a retirement plan for mayors in all cities of the first class. The code states any mayor who served for the city for a period of not less than ten (10) years, upon reaching age sixty (60), or any person who shall serve as mayor of the city for a period of not less than twenty (20) years, without regard to age, shall be entitled to retire at an annual retirement benefit during the remainder of the person's natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the time of retirement. During 2020, the City paid \$15,010.

NOTE 13: Clerk/Treasurer Retirement Plan

Arkansas Code Ann § 24-12-121 established a retirement plan for city clerks in all cities of the first class. The code states any city clerk who served for the city for a period of not less than ten (10) years, upon reaching age sixty (60), or any person who shall serve as city clerk of the city for a period of not less than twenty (20) years, without regard to age, shall be entitled to retire at an annual retirement benefit during the remainder of the person's natural life, payable at the rate of one-half (1/2) of the salary payable to the city clerk at the time of retirement. During 2020, the City paid \$2,400.

NOTE 14: Deferred Compensation Plan

The City sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). The City allows full-time employees to participate upon hiring. The City is not required to make contributions; however, the City has elected to match up to \$20 per pay period for those employees that participate. Employees are entitled only to funds deposited by them and on their behalf; therefore, there is no unfunded liability. The City's contribution to the plan for 2020 was \$3,140.

NOTE 15: Interfund Receivable/Payable

On December 31, 2020, there was an interfund receivable due from the general fund to the street fund in the amount of \$6,673 as a result of the improper recording of property tax revenue. This amount remains to be corrected as of the date of this report. On December 31, 2020, there was an interfund receivable due from the general fund to the fire equipment and training fund (Act 833) in the amount of \$8,301 due to a deposit error. This amount was corrected in January of 201.

NOTE 16: Restatement Adjustment

A restatement adjustment of \$50,922 and (\$24,703) for the general fund and street fund, respectively, to adjust for errors made in the accruing of prior year accounts receivable.

NOTE 17: Subsequent Events

- a. In 2021, the City purchased a new fire station in the amount of \$39,559.
- b. In August and October of 2021, the City received monies through the American Rescue Plan Act (ARPA) collectively totaling \$322,790.
- c. In July of 2022, the City received additional monies through ARPA totaling \$322,786.
- d. In 2023, the City had to replace the roof of City Hall, at a cost of \$82,500.
- e. As of July of 2023, the City is participating in an ARDoT improvement project in which the City will be responsible for a portion of the costs. The City's expected share of the project is \$42,733.

City of Gosnell, Arkansas
Combining Balance Sheet
Other Funds in the Aggregate - Regulatory Basis
December 31, 2020

	Special Revenue Funds			Agency		Enterprise	
	Fire Equipment and Training (Act 833)	Veterans Memorial Fund	Court Automation Fund	Municipal Court Clerk	Payroll	Sewer	Total
ASSETS							
Cash and cash equivalents	\$ 36,485	\$ 651	\$ 4,834	\$ 9,333	\$ 31,965	\$ 81,290	\$ 164,558
Certificates of deposit	-	-	-	-	-	81,243	81,243
Interfund receivable	8,301	-	-	-	-	-	8,301
Accounts receivable	-	-	38	-	-	18,723	18,761
TOTAL ASSETS	<u>\$ 44,786</u>	<u>\$ 651</u>	<u>\$ 4,872</u>	<u>\$ 9,333</u>	<u>\$ 31,965</u>	<u>\$ 181,256</u>	<u>\$ 272,863</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,675	\$ 5,675
Settlements pending	-	-	-	9,333	31,965	-	41,298
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,333</u>	<u>31,965</u>	<u>5,675</u>	<u>46,973</u>
Fund Balances							
Restricted	44,786	-	4,872	-	-	-	49,658
Assigned	-	651	-	-	-	-	651
Unassigned	-	-	-	-	-	175,581	175,581
Total Fund Balances	<u>44,786</u>	<u>651</u>	<u>4,872</u>	<u>-</u>	<u>-</u>	<u>175,581</u>	<u>225,890</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,786</u>	<u>\$ 651</u>	<u>\$ 4,872</u>	<u>\$ 9,333</u>	<u>\$ 31,965</u>	<u>\$ 181,256</u>	<u>\$ 272,863</u>

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

City of Gosnell, Arkansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis
For the Year Ended December 31, 2020

	Special Revenue Funds			Enterprise
	Fire Equipment and Training (Act 833)	Veterans Memorial Fund	Court Automation Fund	Sewer Fund
REVENUES				
State aid	\$ 18,124	\$ -	\$ -	\$ -
Fines, forfeitures and costs	-	-	1,035	-
Interest	-	-	-	556
Sewer fees	-	-	-	232,489
Other	-	-	-	-
Total Revenues	<u>18,124</u>	<u>-</u>	<u>1,035</u>	<u>233,045</u>
EXPENDITURES				
Current:				
Public safety	2,984	-	-	-
Recreation and culture	-	99	-	-
Sewer operating expenses	-	-	-	246,421
Total Expenditures	<u>2,984</u>	<u>99</u>	<u>-</u>	<u>246,421</u>
Excess of revenues over (under) expenditures	<u>15,140</u>	<u>(99)</u>	<u>1,035</u>	<u>(13,376)</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>96</u>	<u>-</u>	<u>(336)</u>
Excess of expenditures and other uses over revenues and other sources	<u>15,140</u>	<u>(3)</u>	<u>1,035</u>	<u>(13,712)</u>
FUND BALANCES-BEGINNING OF YEAR	<u>29,646</u>	<u>654</u>	<u>3,837</u>	<u>189,293</u>
FUND BALANCES-END OF YEAR	<u>\$ 44,786</u>	<u>\$ 651</u>	<u>\$ 4,872</u>	<u>\$ 175,581</u>

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

City of Gosnell, Arkansas
Schedule of Capital Assets
For the Year Ended December 31, 2020

	Balance December 31, 2020
Land, buildings, and improvements	\$ 2,179,311
Equipment	1,051,222
Total	<u>\$ 3,230,533</u>