

CITY OF GOSNELL, ARKANSAS

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

Thomas, Speight & Noble
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City of Gosnell, Arkansas
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December 31, 2021

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THOMAS, SPEIGHT & NOBLE, CPAs

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council of
Gosnell, Arkansas

Report on the Audit of the Financial Statements

Opinions

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Gosnell, Arkansas, as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

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

As described in Note 1, 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.

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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.

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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the report. The other information is comprised of schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do no cover other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 30, 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, 2021, 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 30, 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.

Report on 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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2021-1 – 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 30, 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, 2021.

- 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, 2021.

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 30, 2023

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City of Gosnell, Arkansas
Balance Sheet - Regulatory Basis
December 31, 2021

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 255,631	\$ 134,085	\$ 451,600
Certificates of deposit	219,808	69,217	81,406
Interfund receivable	-	4,635	-
Accounts receivable	106,551	236	19,686
TOTAL ASSETS	<u>\$ 581,990</u>	<u>\$ 208,173</u>	<u>\$ 552,692</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 20,921	\$ 2,426	\$ 3,962
Interfund payable	4,635	-	-
Settlements pending	-	-	35,060
Total Liabilities	<u>25,556</u>	<u>2,426</u>	<u>39,022</u>
Fund Balances			
Restricted	-	205,747	337,650
Assigned	-	-	648
Unassigned	556,434	-	175,372
Total Fund Balances	<u>556,434</u>	<u>205,747</u>	<u>513,670</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 581,990</u>	<u>\$ 208,173</u>	<u>\$ 552,692</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, 2021

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 55,867	\$ 279,648	\$ 20,527
Federal aid	-	-	322,790
Property taxes	53,287	21,962	-
Franchise taxes	121,984	-	-
Sales taxes	822,160	-	-
Fines, forfeitures and costs	28,037	-	2,582
Interest	464	122	299
Local permits and fees	9,865	-	-
Sanitation fees	220,303	-	-
Sewer fees	24,610	-	234,364
Post office	33,827	-	-
Other revenues	44,755	1,082	25
Total Revenues	<u>1,415,159</u>	<u>302,814</u>	<u>580,587</u>
EXPENDITURES			
Current:			
General government	446,840	-	7,392
Law enforcement	405,539	-	9,917
Highways and streets	35,091	399,055	7,988
Public safety	257,375	-	21,245
Sanitation	259,364	-	3,915
Recreation and culture	15,593	-	132
Post office	57,620	-	2,615
Sewer operating expenses	19,495	-	241,704
Total Expenditures	<u>1,496,917</u>	<u>399,055</u>	<u>294,908</u>
Excess of revenues over (under) expenditures	<u>(81,758)</u>	<u>(96,241)</u>	<u>285,679</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>3,378</u>	<u>(5,479)</u>	<u>2,101</u>
Total other financing sources (uses)	<u>3,378</u>	<u>(5,479)</u>	<u>2,101</u>
Excess of expenditures and other uses over revenues and other sources	<u>(78,380)</u>	<u>(101,720)</u>	<u>287,780</u>
FUND BALANCES-BEGINNING OF YEAR, as previously reported	<u>634,814</u>	<u>307,467</u>	<u>225,890</u>
FUND BALANCES-END OF YEAR	<u>\$ 556,434</u>	<u>\$ 205,747</u>	<u>\$ 513,670</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, 2021

	BUDGETED AMOUNTS	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
State aid	\$ 56,665	\$ 55,867	\$ (798)
Property taxes	50,000	53,287	3,287
Franchise taxes	130,000	121,984	(8,016)
Sales taxes	690,254	822,160	131,906
Fines, forfeitures and costs	68,362	28,037	(40,325)
Interest	270	464	194
Local permits and fees	10,010	9,865	(145)
Sanitation fees	228,106	220,303	(7,803)
Sewer fees	40,000	24,610	(15,390)
Post office	33,827	33,827	-
Other revenues	68,876	44,755	(24,121)
Total Revenues	<u>1,376,370</u>	<u>1,415,159</u>	<u>38,789</u>
EXPENDITURES			
Current:			
General government	426,022	446,840	(20,818)
Law enforcement	550,971	405,539	145,432
Highways and streets	26,500	35,091	(8,591)
Public safety	91,050	257,375	(166,325)
Sanitation	228,045	259,364	(31,319)
Recreation and culture	6,300	15,593	(9,293)
Post office	47,262	57,620	(10,358)
Sewer operating expenses	-	19,495	(19,495)
Total Expenditures	<u>1,376,150</u>	<u>1,496,917</u>	<u>(120,767)</u>
Revenues over (under) expenditures	<u>220</u>	<u>(81,758)</u>	<u>(81,978)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>-</u>	<u>3,378</u>	<u>3,378</u>
Total other financing sources (uses)	<u>-</u>	<u>3,378</u>	<u>3,378</u>
Excess of expenditures and other uses over revenues and other sources	220	(78,380)	(78,600)
FUND BALANCES-BEGINNING OF YEAR, as previously reported	<u>634,814</u>	<u>634,814</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 635,034</u>	<u>\$ 556,434</u>	<u>\$ (78,600)</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, 2021

	BUDGETED AMOUNTS	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
State aid	\$ 259,900	\$ 279,648	\$ 19,748
Property taxes	17,000	21,962	4,962
Interest	900	122	(778)
Other revenues	500	1,082	582
Total Revenues	<u>278,300</u>	<u>302,814</u>	<u>24,514</u>
EXPENDITURES			
Current:			
Highways and streets	<u>278,300</u>	<u>399,055</u>	<u>(120,755)</u>
Total Expenditures	<u>278,300</u>	<u>399,055</u>	<u>(120,755)</u>
Revenues over (under) expenditures	-	(96,241)	(96,241)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>-</u>	<u>(5,479)</u>	<u>(5,479)</u>
Total other financing sources (uses)	<u>-</u>	<u>(5,479)</u>	<u>(5,479)</u>
Excess of expenditures and other uses over revenues and other sources	-	(101,720)	(101,720)
FUND BALANCES-BEGINNING OF YEAR, as previously reported	<u>307,467</u>	<u>307,467</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 307,467</u>	<u>\$ 205,747</u>	<u>\$ (101,720)</u>

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

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, 2021

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

Custodial Funds

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Custodial Funds consist of the payroll fund and municipal court clerk fund and are reported with other funds in the aggregate.

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.

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, 2021

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, 2021

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)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	711,747	747,094
Uncollateralized		-
 Total Deposits	 <u>\$ 1,211,747</u>	 <u>\$ 1,247,094</u>

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of December 31, 2021, \$ of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	566	236	-
Franchise fees	15,371	-	-
Sales taxes	66,649	-	-
Fines, forfeitures, and costs	3,303	-	358
Sanitation fees	20,437	-	-
Sewer fees	-	-	19,328
Other	225	-	-
Totals	<u>\$ 106,551</u>	<u>\$ 236</u>	<u>\$ 19,686</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 20,921</u>	<u>\$ 2,426</u>	<u>\$ 3,962</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 4,635
Street Fund	4,635	-
Totals	<u>\$ 4,635</u>	<u>\$ 4,635</u>

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government	\$ -	\$ -	\$ 284,512
Law enforcement	-	-	7,454
Highways and streets	-	205,747	-
Public safety	-	-	45,684
Total Restricted	<u>-</u>	<u>205,747</u>	<u>337,650</u>
Assigned for:			
Recreation and culture	<u>-</u>	<u>-</u>	<u>648</u>
Unassigned	<u>556,434</u>	<u>-</u>	<u>175,372</u>
Totals	<u>\$ 556,434</u>	<u>\$ 205,747</u>	<u>\$ 513,670</u>

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 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, 2021, the legal debt limit for bonded debt was \$3,663,909. 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, 2021, the legal debt limit for short-term financing obligations was \$943,944. The City's total short-term obligation as of December 31, 2021, was \$111,654, leaving a debt margin of \$803,935.

NOTE 9: Commitments

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

	<u>December 31, 2021</u>
Long-term liabilities	<u>\$ 111,654</u>

Long-term debt on December 31, 2021, are comprised of the following:

	<u>December 31, 2021</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>\$ 111,654</u>

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

NOTE 9: Commitments – (Continued)

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 \$111,654 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, 2021</u>	<u>Maturities to December 31, 2021</u>
7/30/2020	8/29/2022	2.15%	\$ 151,645	\$ 111,654	\$ 39,991

Changes in Long-Term Debt

	<u>Balance January 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2021</u>
<u>Direct Borrowings</u>				
Capital leases	\$ 140,009	\$ -	\$ 28,355	\$ 111,654

Debt Service Requirements to Maturity

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	111,654	1,480	113,134
Total	\$ 111,654	\$ 1,480	\$ 113,134

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.

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

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 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 \$32,880.

Net Pension Liability

The City's proportionate share of the collective net pension liability on December 31, 2021 (actuarial valuation date and measurement date) was \$332,047.

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 2021, 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 2021, the City paid \$2,400.

City of Gosnell, Arkansas
Notes to Financial Statements
December 31, 2021

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 2021 was \$3,140.

NOTE 15: Interfund Receivable/Payable

On December 31, 2021, there was an interfund receivable due from the general fund to the street fund in the amount of \$4,635 as a result of the improper recording of property tax revenue. This amount remains to be corrected as of the date of this report.

NOTE 16: Subsequent Events.

- a. In July of 2022, the City received additional monies through ARPA totaling \$322,786.
- b. In 2023, the City had to replace the roof of City Hall, at a cost of \$82,500.
- c. 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, 2021

	Special Revenue Funds				Custodial Funds		Enterprise Fund	
	Fire Equipment and Training (Act 833)	Veterans Memorial Fund	Court Automation Fund	American Rescue Plan Act	Municipal Court Clerk	Payroll	Sewer	Total
ASSETS								
Cash and cash equivalents	\$ 46,808	\$ 648	\$ 7,096	\$ 284,512	\$ 14,781	\$ 20,279	\$ 77,476	\$ 451,600
Certificates of deposit	-	-	-	-	-	-	81,406	81,406
Accounts receivable	-	-	358	-	-	-	19,328	19,686
TOTAL ASSETS	<u>\$ 46,808</u>	<u>\$ 648</u>	<u>\$ 7,454</u>	<u>\$ 284,512</u>	<u>\$ 14,781</u>	<u>\$ 20,279</u>	<u>\$ 178,210</u>	<u>\$ 552,692</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 1,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,838	\$ 3,962
Settlements pending	-	-	-	-	14,781	20,279	-	35,060
Total Liabilities	<u>1,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,781</u>	<u>20,279</u>	<u>2,838</u>	<u>39,022</u>
Fund Balances								
Restricted	45,684	-	7,454	284,512	-	-	-	337,650
Assigned	-	648	-	-	-	-	-	648
Unassigned	-	-	-	-	-	-	175,372	175,372
Total Fund Balances	<u>45,684</u>	<u>648</u>	<u>7,454</u>	<u>284,512</u>	<u>-</u>	<u>-</u>	<u>175,372</u>	<u>513,670</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,808</u>	<u>\$ 648</u>	<u>\$ 7,454</u>	<u>\$ 284,512</u>	<u>\$ 14,781</u>	<u>\$ 20,279</u>	<u>\$ 178,210</u>	<u>\$ 552,692</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, 2021

	Special Revenue Funds				Enterprise Fund
	Fire Equipment and Training (Act 833)	Veterans Memorial Fund	Court Automation Fund	American Rescue Plan Act	Sewer
REVENUES					
State aid	\$ 20,527	\$ -	\$ -	\$ -	\$ -
Federal aid				322,790	-
Fines, forfeitures and costs	-	-	2,582	-	-
Interest	-	-	-	12	287
Sewer fees	-	-	-	-	234,364
Other	-	25	-	-	-
Total Revenues	20,527	25	2,582	322,802	234,651
EXPENDITURES					
Current:					
General government	-	-	-	7,392	-
Law enforcement	-	-	-	9,917	-
Highways and streets	-	-	-	7,988	-
Public safety	19,629	-	-	1,616	-
Sanitation	-	-	-	3,915	-
Recreation and culture	-	132	-	-	-
Post office	-	-	-	2,615	-
Sewer operating expenses	-	-	-	4,847	236,856
Total Expenditures	19,629	132	-	38,290	236,856
Excess of revenues over (under) expenditures	898	(107)	2,582	284,512	(2,205)
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	-	104	-	-	1,996
Excess of expenditures and other uses over revenues and other sources	898	(3)	2,582	284,512	(209)
FUND BALANCES-BEGINNING OF YEAR	44,786	651	4,872	-	175,581
FUND BALANCES-END OF YEAR	\$ 45,684	\$ 648	\$ 7,454	\$ 284,512	\$ 175,372

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, 2021

	Balance December 31, 2021
Land, buildings, and improvements	\$ 2,241,963
Equipment	1,057,222
Total	<u>\$ 3,299,185</u>