

City of Heber Springs, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HEBER SPRINGS, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
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Rep. Jimmy Gazaway
House Chair
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Heber Springs, 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, 2023; the related Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis; and the Statement of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended; and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Heber Springs, Arkansas as of December 31, 2023; the regulatory basis revenues, expenditures, and changes in fund balance; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Heber Springs, Arkansas, as of December 31, 2023, or the revenues, expenditures, and changes in fund balance and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
January 2, 2025
LOM104323

Arkansas

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



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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Heber Springs, Arkansas (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated January 2, 2025. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

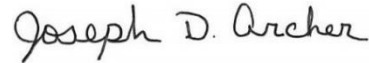
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

We also reported to management of the City in a separate letter dated January 2, 2025.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT



Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 2, 2025

Arkansas



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

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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2023:

Mayor: Kasey Griffin
Treasurer: Keri Dickey (hired November 20, 2023)
David Gibbs (October 24, 2023 – November 19, 2023)
Alec Pittman (July 8, 2023 – October 23, 2023)
Zeke Wilson (January 1, 2023 – July 7, 2023)
Clerk: Vickie McPherson
Police Chief: Brian Haile

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

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Joseph D. Archer".

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 2, 2025

CITY OF HEBER SPRINGS, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2023

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 5,972,908	\$ 620,043	\$ 8,665,234
Accounts receivable	283,613	6,073	344,076
Interfund receivables			22,826
	<u>6,256,521</u>	<u>626,116</u>	<u>9,032,136</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 50,140	\$ 16,649	\$ 19,075
Interfund payables			22,826
Settlements pending			170,007
Total Liabilities	<u>50,140</u>	<u>16,649</u>	<u>211,908</u>
Fund Balances:			
Restricted		465,534	7,554,449
Committed			49,964
Assigned	1,984,286	143,933	1,215,815
Unassigned	4,222,095		
Total Fund Balances	<u>6,206,381</u>	<u>609,467</u>	<u>8,820,228</u>
	<u>\$ 6,256,521</u>	<u>\$ 626,116</u>	<u>\$ 9,032,136</u>
TOTAL LIABILITIES AND FUND BALANCES			

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

CITY OF HEBER SPRINGS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 111,341	\$ 608,841	\$ 72,120
Federal aid	166	17,354	268,825
Property taxes	732,554	36,271	
Franchise fees	463,467		
Sales taxes	1,513,653	169	2,631,576
Fines, forfeitures, and costs	187,359		30,673
Interest	138,089	12,822	436,631
Local permits and fees	154,255		314,522
Sanitation fees	1,749,386		196
Advertising and promotion taxes			55,868
Fuel sales			101,743
Other	237,710	6,605	137,129
TOTAL REVENUES	5,287,980	682,062	4,049,283
EXPENDITURES			
Current:			
General government	700,936		11,063
Law enforcement	1,652,149		97,072
Highways and streets		597,195	483,982
Public safety	571,231		
Sanitation	1,348,167		
Recreation and culture			2,707,668
Advertising and promotion			58,367
Airport			462,354
Cemetery	2,062		
Total Current	4,274,545	597,195	3,820,506
Debt Service:			
Bond principal			1,240,000
Bond interest and other charges			336,687
Financed purchase principal	94,947	95,601	
Financed purchase interest	21,689	7,789	
TOTAL EXPENDITURES	4,391,181	700,585	5,397,193

CITY OF HEBER SPRINGS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 896,799	\$ (18,523)	\$ (1,347,910)
FUND BALANCES - JANUARY 1	5,309,582	627,990	10,168,138
FUND BALANCES - DECEMBER 31	\$ 6,206,381	\$ 609,467	\$ 8,820,228

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

CITY OF HEBER SPRINGS, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 111,340	\$ 111,341	\$ 1	\$ 587,880	\$ 608,841	\$ 20,961
Federal aid	17,520	166	(17,354)		17,354	17,354
Property taxes	708,222	732,554	24,332	34,928	36,271	1,343
Franchise fees	470,584	463,467	(7,117)			
Sales taxes	1,569,451	1,513,653	(55,798)	169	169	0
Fines, forfeitures, and costs	149,818	187,359	37,541			
Interest	112,896	138,089	25,193	10,402	12,822	2,420
Local permits and fees	151,873	154,255	2,382			
Sanitation fees	1,749,620	1,749,386	(234)			
Other	444,066	237,710	(206,356)	25,118	6,605	(18,513)
TOTAL REVENUES	5,485,390	5,287,980	(197,410)	658,497	682,062	23,565
EXPENDITURES						
Current:						
General government	700,391	700,936	(545)			
Law enforcement	1,698,502	1,652,149	46,353			
Highways and streets				575,565	597,195	(21,630)
Public safety	565,470	571,231	(5,761)			
Sanitation	1,430,091	1,348,167	81,924			
Cemetery	2,150	2,062	88			
Total Current	4,396,604	4,274,545	122,059	575,565	597,195	(21,630)
Debt Service:						
Financed purchase principal	46,990	94,947	(47,957)	95,602	95,601	1
Financed purchase interest	18,401	21,689	(3,288)	7,789	7,789	0
TOTAL EXPENDITURES	4,461,995	4,391,181	70,814	678,956	700,585	(21,629)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,023,395	896,799	(126,596)	(20,459)	(18,523)	1,936
OTHER FINANCING SOURCES (USES)						
Transfers in	537,935		(537,935)			
Transfers out	(32,500)		32,500			
TOTAL OTHER FINANCING SOURCES (USES)	505,435		(505,435)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,528,830	896,799	(632,031)	(20,459)	(18,523)	1,936
FUND BALANCES - JANUARY 1	5,150,358	5,309,582	159,224	625,767	627,990	2,223
FUND BALANCES - DECEMBER 31	\$ 6,679,188	\$ 6,206,381	\$ (472,807)	\$ 605,308	\$ 609,467	\$ 4,159

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

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

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

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

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Settlements Pending

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

Fund Balance Classifications

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

E. Property Taxes

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

CITY OF HEBER SPRINGS, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

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

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

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

Basis of Accounting

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

G. Fund Balance Classification Policies and Procedures

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

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

NOTE 2: Cash Deposits with Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 2,914,984	\$ 2,954,539
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	5,143,956	5,388,105
Uninsured and uncollateralized	7,198,787	7,198,787
Total Deposits	\$ 15,257,727	\$ 15,541,431

The above total deposits do not include cash on hand of \$458.

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2: Cash Deposits with Financial Institutions (Continued)

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 credit risk. As of December 31, 2023, \$7,198,787 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in a money market account invested in Northern Institutional Treasury Portfolio, which is not insured or collateralized, but invests primarily in instruments issued by, or backed by, the U.S. government and related repurchase agreements.

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, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 73,896	\$ 3,627	
Franchise fees	19,054		
Sales taxes	126,550		\$ 219,006
Fines, forfeitures, and costs	15,568		1,796
Interest	1,562		5,523
Local permits and fees	6,071		87,894
Sanitation fees	38,778		
Advertising and promotion taxes			3,818
Fuel sales			1,137
Other	2,134	2,446	24,902
Totals	<u>\$ 283,613</u>	<u>\$ 6,073</u>	<u>\$ 344,076</u>

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 50,140</u>	<u>\$ 16,649</u>	<u>\$ 19,075</u>

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2023	
	Interfund Receivables	Interfund Payables
Other Funds in the Aggregate:		
Special Revenue Funds:		
Police Equipment		\$ 22,826
Airport	\$ 22,826	
Totals	\$ 22,826	\$ 22,826

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2024.

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2023, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 32,312
Highways and streets		\$ 465,534	
Advertising and promotion			119,164
Capital outlay			6,297,679
Debt service			1,105,294
Total Restricted		465,534	7,554,449
Committed for:			
Law enforcement			13,508
Cemetery			36,456
Total Committed			49,964
Assigned to:			
Highways and streets		143,933	
Public safety	\$ 263,776		95,083
Sanitation	1,720,510		
Recreation and culture			839,208
Airport			273,571
Cemetery			7,953
Total Assigned	1,984,286	143,933	1,215,815
Unassigned	4,222,095		
Totals	\$ 6,206,381	\$ 609,467	\$ 8,820,228

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2023, the legal debt limit for the bonded debt was \$27,933,329. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2023, the legal debt limit for short-term financing obligations was \$7,282,428. The amount of short-term financing obligations, was \$530,835 leaving a legal debt margin of \$6,751,593.

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2023:

	December 31, 2023
Long-term liabilities	\$ 14,185,635
Construction contracts	2,198,186
Total Commitments	\$ 16,383,821

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9: Commitments (Continued)

Long-term liabilities

Long-term liabilities at December 31, 2023, are comprised of the following:

	December 31, 2023
<u>Bonds</u>	
Sales and Use Tax Bonds, Series 2021 A and B, dated July 1, 2021, in the amount of \$16,250,000, issued for the purpose of refunding Series 2015 bond issue and financing capital improvements, due in semi-annual installments of \$370,000 - \$815,000 plus interest of 0.5% to 3.25% through June 1, 2047. Surplus bond tax receipts will be used to redeem bonds as funds are available thus shortening the final maturity date of the bonds. The maturity date of the bonds as of the year ended December 31, 2023, is June 2045. Payments are to be made from the Debt Service Fund with proceeds of a .625% sales tax.	\$ 13,540,000
<u>Direct Borrowings</u>	
Financed purchase dated March 4, 2022, with Red River Dodge in the amount of \$88,353 with an interest rate of 3.49% for the purchase of three Dodge Durangos. Three yearly payments of \$31,533 beginning March 4, 2023. Payments are to be made from the General Fund.	59,907
Financed purchase dated November 22, 2022, with Eagle Bank in the amount of \$195,581 with interest rate of 5.32% for the purchase of a 2023 Freightliner truck. Twenty four monthly payments of \$8,616 beginning December 23, 2022. Payments are to be made from the Street Fund.	92,260
Financed purchase dated January 11, 2023 with First Arkansas Bank and Trust in the amount of \$398,113 with an interest rate of 4.49% for the purchase of two 2023 Freightliner sanitation trucks. Seven quarterly payments of \$9,183 beginning April 1, 2023 and one final payment of \$368,068 on January 1, 2025. Payments are to be made from the Sanitation Fund.	378,668
Total Direct Borrowings	530,835
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	114,800
Total Long-term liabilities	\$ 14,185,635

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

The City's outstanding bonds payable of \$13,540,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding direct borrowings of \$530,835 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9: Commitments (Continued)

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2023	Maturities to December 31, 2023
<u>Bonds</u>					
7/1/21	6/1/45	.5-3.25%	\$ 16,250,000	\$ 13,540,000	\$ 2,710,000
<u>Direct Borrowings</u>					
11/22/22	11/23/24	5.32%	195,581	92,260	103,321
3/4/22	3/24/25	3.49%	88,353	59,907	28,446
1/11/23	1/1/25	4.49%	398,113	378,668	19,445
Total Direct Borrowings			<u>682,047</u>	<u>530,835</u>	<u>151,212</u>
Total Long-Term Debt			<u>\$ 16,932,047</u>	<u>\$ 14,070,835</u>	<u>\$ 2,861,212</u>

Changes in Long-Term Debt

	Balance January 01, 2023	Issued	Retired	Balance December 31, 2023
Bonds payable	\$ 14,780,000	\$ 0	\$ 1,240,000	\$ 13,540,000
<u>Direct Borrowings</u>				
Financed purchases	323,270	398,113	190,548	530,835
Total Long-Term Debt	<u>\$ 15,103,270</u>	<u>\$ 398,113</u>	<u>\$ 1,430,548</u>	<u>\$ 14,070,835</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2023:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 490,000	\$ 317,594	\$ 807,594	\$ 136,476	\$ 17,380	\$ 153,856
2025	495,000	311,925	806,925	394,359	5,242	399,601
2026	500,000	304,959	804,959			
2027	510,000	296,718	806,718			
2028	520,000	286,980	806,980			
2029 through 2033	2,780,000	1,245,038	4,025,038			
2034 through 2038	3,175,000	831,395	4,006,395			
2039 through 2043	3,690,000	317,420	4,007,420			
2044 through 2045	1,380,000	20,881	1,400,881			
Totals	<u>\$ 13,540,000</u>	<u>\$3,932,910</u>	<u>\$17,472,910</u>	<u>\$ 530,835</u>	<u>\$ 22,622</u>	<u>\$ 553,457</u>

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9: Commitments (Continued)

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2023:

Project Name	Completed or Estimated Completion Date	Contract Balance December 31, 2023
Runway Safety Area	March 2024	\$ 157,025
Community Center/Aquatics Rehab	December 2024	1,471,492
Sulphur Creek Trails - Phase II	March 2024	383,932
Gym Floors	December 2025	49,700
HBZ Airport Layout	December 2024	136,037
Total Construction Contracts		<u>\$ 2,198,186</u>

NOTE 10: Pledged Revenues

The City pledged future .625% sales and use taxes to repay \$16,250,000 in bonds that were issued in 2021 to refund bonds issued in 2015 that financed a portion of the cost of capital improvements. Total principal and interest remaining on the bonds are \$13,540,000 and \$3,932,910, respectively, payable through June 1, 2045. For 2023, principal and interest paid were \$1,240,000 and \$330,720, respectively.

The Debt Service Fund received \$1,644,735 in sales taxes in 2023. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for the early redemption of the bonds.

NOTE 11: Risk Management

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

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

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

Municipal Vehicle Program

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

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 11: Risk Management (Continued)

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

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

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

**NOTE 12: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

On September 26, 2017, administration of the City of Heber Springs' Firemen's Pension and Relief Fund and the Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$310,591 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$110,930 for the year ended December 31, 2023.

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

**NOTE 12: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2023, (actuarial valuation date and measurement date) was \$2,340,474.

NOTE 13: Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.5% as of July 1, 2023. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan for the year ended June 30, 2023, (date of APERS Employer Allocation Report) was \$205,614.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2023, (actuarial valuation date and measurement date) was \$1,764,653.

NOTE 14: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid the spouse of retired Mayor Edward Roper \$11,250, for the year ended December 31, 2023.

NOTE 15: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer Norma Martin \$23,340, for the year ended December 31, 2023.

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 16: City Attorney Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-120 establishes retirement benefits for city attorneys in cities of the first class at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the city attorney at the time of retirement. Retirement benefits are to be paid monthly from the City's General Fund. A city attorney may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of service. The City paid former City Attorney James Green \$12,200, for the year ended December 31, 2023.

NOTE 17: Interlocal Agreement

The City entered into an interlocal agreement with Cleburne County on December 17, 2020, for the County to provide dispatching services and proper custody of prisoners held at the County Jail for the City. Under the agreement, the City will pay \$100,000 annually to be paid on a quarterly basis beginning January 1, 2021.

NOTE 18: Refunded Bonds

On July 1, 2021, the City advance refunded bonds dated September 30, 2015. The outstanding principal of the bond refunded was \$4,315,000 at December 31, 2023. U.S. Government securities of \$3,662,811, purchased by the escrow agent, were pledged for the retirement of the bonds. These 2015 Series bonds are to be called on December 31, 2025.

NOTE 19: Subsequent Events

- On February 8, 2024, the City executed a \$1,619,571 financed purchase agreement for an Energy Efficiency Project.
- On August 15, 2024, the City entered into a \$868,902 contract with AECB, LLC, for construction of a splash pad.

CITY OF HEBER SPRINGS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2023

Schedule 1

SPECIAL REVENUE FUNDS

	Fire Protection	Municipal Court Administration	Police Equipment	Advertising and Promotion Tax	Airport	Cemetery	Community Center Operation and Maintenance
ASSETS							
Cash and cash equivalents	\$ 94,483	\$ 12,288	\$ 54,562	\$ 115,716	\$ 241,155	\$ 44,130	\$ 666,799
Accounts receivable	600	1,220	576	4,598	9,590	279	190,334
Interfund receivables					22,826		
TOTAL ASSETS	\$ 95,083	\$ 13,508	\$ 55,138	\$ 120,314	\$ 273,571	\$ 44,409	\$ 857,133
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable				\$ 1,150			\$ 17,925
Interfund payables			\$ 22,826				
Settlements pending							
Total Liabilities			22,826	1,150			17,925
Fund Balances:							
Restricted			32,312	119,164			
Committed		\$ 13,508				\$ 36,456	
Assigned	\$ 95,083				\$ 273,571	7,953	839,208
Total Fund Balances	95,083	13,508	32,312	119,164	273,571	44,409	839,208
TOTAL LIABILITIES AND FUND BALANCES	\$ 95,083	\$ 13,508	\$ 55,138	\$ 120,314	\$ 273,571	\$ 44,409	\$ 857,133

CITY OF HEBER SPRINGS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2023

Schedule 1

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	CUSTODIAL FUNDS			
	2021 Sales and Use Tax Bond Construction	2021 Sales and Use Tax Bond	Administration of Justice	Payroll	Special Clearing	Totals
ASSETS						
Cash and cash equivalents	\$ 6,297,679	\$ 968,415	\$ 16	\$ 55,076	\$ 114,915	\$ 8,665,234
Accounts receivable		136,879				344,076
Interfund receivables						22,826
TOTAL ASSETS	\$ 6,297,679	\$ 1,105,294	\$ 16	\$ 55,076	\$ 114,915	\$ 9,032,136
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable						\$ 19,075
Interfund payables						22,826
Settlements pending			\$ 16	\$ 55,076	\$ 114,915	170,007
Total Liabilities			16	55,076	114,915	211,908
Fund Balances:						
Restricted	\$ 6,297,679	\$ 1,105,294				7,554,449
Committed						49,964
Assigned						1,215,815
Total Fund Balances	6,297,679	1,105,294				8,820,228
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,297,679	\$ 1,105,294	\$ 16	\$ 55,076	\$ 114,915	\$ 9,032,136

CITY OF HEBER SPRINGS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 2

	SPECIAL REVENUE FUNDS							
	Fire Protection	Municipal Court Administration	Police Equipment	Advertising and Promotion Tax	Airport	Cemetery	Community Center Operation and Maintenance	American Rescue Plan Act
REVENUES								
State aid	\$ 72,120							
Federal aid			\$ 70,428		\$ 198,397			
Sales taxes							\$ 986,841	
Fines, forfeitures, and costs		\$ 17,079	13,594					
Interest	1,556	323	1,254	\$ 3,489	8,636	\$ 1,201	20,709	\$ 11,063
Local permits and fees						300	314,222	
Sanitation fees					196			
Advertising and promotion taxes				55,868				
Fuel sales					101,743			
Other			5,582		54,694	1,500	75,353	
TOTAL REVENUES	73,676	17,402	90,858	59,357	363,666	3,001	1,397,125	11,063
EXPENDITURES								
Current:								
General government								11,063
Law enforcement		9,759	87,313					
Highways and streets							1,219,520	
Recreation and culture								
Advertising and promotion				58,367				
Airport					462,354			
Total Current		9,759	87,313	58,367	462,354		1,219,520	11,063
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES		9,759	87,313	58,367	462,354		1,219,520	11,063
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,676	7,643	3,545	990	(98,688)	3,001	177,605	
FUND BALANCES - JANUARY 1	21,407	5,865	28,767	118,174	372,259	41,408	661,603	
FUND BALANCES - DECEMBER 31	<u>\$ 95,083</u>	<u>\$ 13,508</u>	<u>\$ 32,312</u>	<u>\$ 119,164</u>	<u>\$ 273,571</u>	<u>\$ 44,409</u>	<u>\$ 839,208</u>	<u>\$ 0</u>

CITY OF HEBER SPRINGS, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 2

	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	
	2021 Sales and Use Tax Bond Construction	2021 Sales and Use Tax Bond	Totals
REVENUES			
State aid			\$ 72,120
Federal aid			268,825
Sales taxes		\$ 1,644,735	2,631,576
Fines, forfeitures, and costs			30,673
Interest	\$ 344,186	44,214	436,631
Local permits and fees			314,522
Sanitation fees			196
Advertising and promotion taxes			55,868
Fuel sales			101,743
Other			137,129
TOTAL REVENUES	<u>344,186</u>	<u>1,688,949</u>	<u>4,049,283</u>
EXPENDITURES			
Current:			
General government			11,063
Law enforcement			97,072
Highways and streets	483,982		483,982
Recreation and culture	1,488,148		2,707,668
Advertising and promotion			58,367
Airport			462,354
Total Current	<u>1,972,130</u>		<u>3,820,506</u>
Debt Service:			
Bond principal		1,240,000	1,240,000
Bond interest and other charges		336,687	336,687
TOTAL EXPENDITURES	<u>1,972,130</u>	<u>1,576,687</u>	<u>5,397,193</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,627,944)</u>	<u>112,262</u>	<u>(1,347,910)</u>
FUND BALANCES - JANUARY 1	<u>7,925,623</u>	<u>993,032</u>	<u>10,168,138</u>
FUND BALANCES - DECEMBER 31	<u>\$ 6,297,679</u>	<u>\$ 1,105,294</u>	<u>\$ 8,820,228</u>

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2023

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

<u>Fund Name</u>	<u>Fund Description</u>
Fire Protection	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Municipal Court Administration	Heber Springs Ordinance no. 93-5 (May 13, 1993) levies additional court costs with a portion of the court costs to be retained by the City and a portion to be received by the County.
Police Equipment	Heber Springs Ordinance no. 2003-3 (February 13, 2003) combined the Drug Control Fund and the Equipment Fund. All warrant fees authorized by law (Ark. Code Ann. § 21-6-307) and ordinance collected by the Heber Springs Police Department, all forfeitures, sale of contraband and other revenue to or inuring for the benefit of the City pursuant to Ark. Code Ann. § 5-64-505 shall be deposited into the fund.
Advertising and Promotion Tax	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the City and its environs, construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued. Heber Springs Ordinance no. 93-7 (May 27, 1993) levied a tax of two percent upon the gross receipts or gross proceeds of hotels or motel accommodations.
Airport	Ark. Code Ann. § 14-361-116 established fund to receive revenues obtained by a municipality from the ownership, control, or operation of any airport or air navigation facility, including proceeds from the sale of any airport or portion thereof or air navigation facility property. The revenues shall be used solely for airport purposes. Heber Springs Ordinance no. 2005-6 (May 12, 2005) authorizes the Mayor and City Clerk to enter into a contract for the lease and operation of the Municipal Airport.
Cemetery	Heber Springs Ordinance no. 2004-23 (December 9, 2004) established a separate fund for monies donated for the use and benefit of the cemetery.
Community Center Operation and Maintenance	Heber Springs Ordinance no. 2006-21 (May 18, 2006) authorizes the issuance of sales and use tax bonds for the purpose of financing all or a portion of the cost of capital improvements, pledging sales and use taxes aggregating one percent to pay the principal of, and interest on the bonds.

CITY OF HEBER SPRINGS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2023

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

<u>Fund Name</u>	<u>Fund Description</u>
American Rescue Plan Act	Fund established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLFR), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
2021 Sales and Use Tax Bond Construction	Heber Springs Ordinance no. 2021-04 (May 20, 2021) authorized the issuance of refunding and improvement sales tax bonds to refinance the 2015 bonds and to finance all or a portion of the cost of capital improvements.
2021 Sales and Use Tax Bond	Heber Springs Ordinance no. 2021-04 (May 20, 2021) authorized the refinancing of the 2015 bonds and the issuance of sales and use tax bonds for the purpose of financing all or a portion of the cost of capital improvements; pledging sales and use taxes aggregating 0.625% to pay the principal of and interest on the bonds.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees to be used to defray a part of the expenses of the administration of justice in the city.
Payroll	Established to process the City's payroll.
Special Clearing	Established to process the City's electronic fund transfers.

CITY OF HEBER SPRINGS, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2023
(Unaudited)

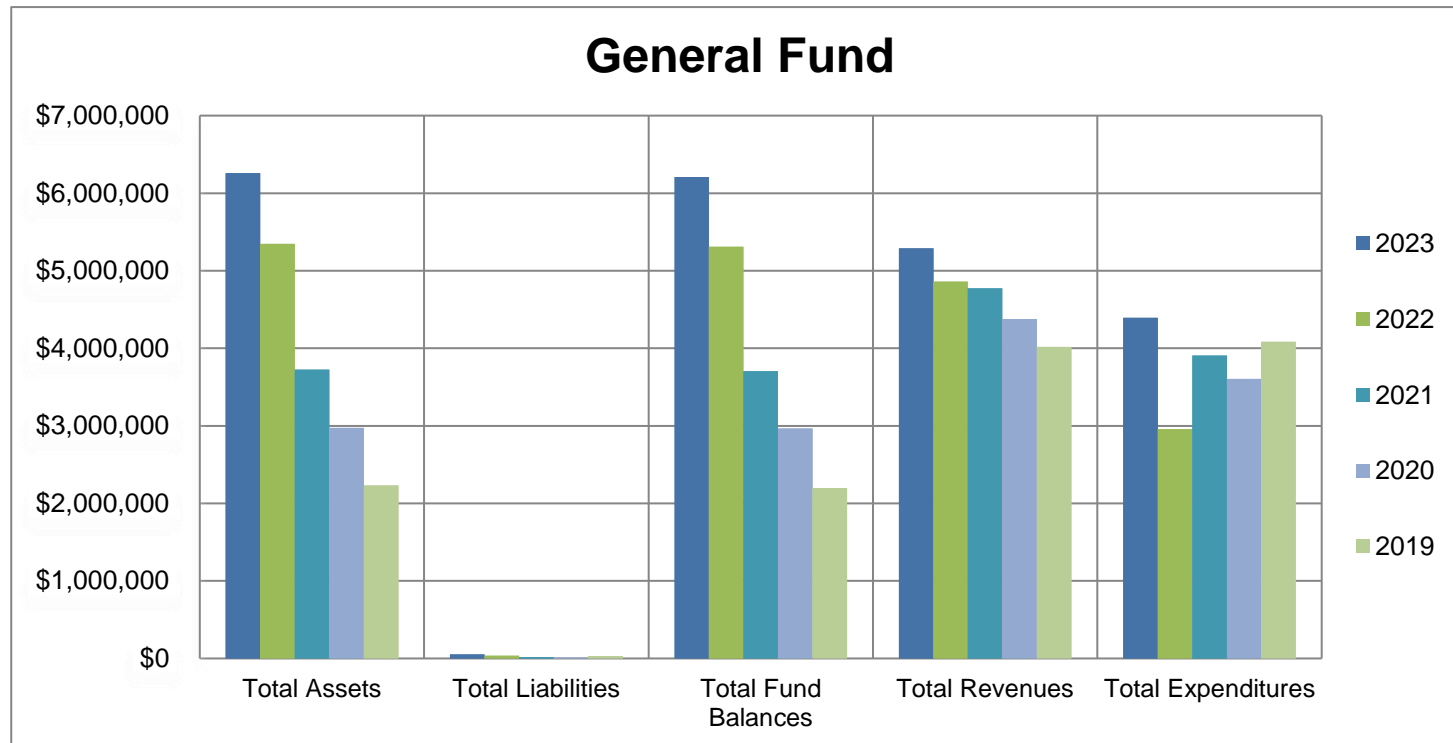
Schedule 3

	<u>December 31, 2023</u>
Land	\$ 4,390,250
Improvements	3,286,043
Buildings	14,973,331
Equipment	<u>6,191,323</u>
Total	<u><u>\$ 28,840,947</u></u>

CITY OF HEBER SPRINGS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-1

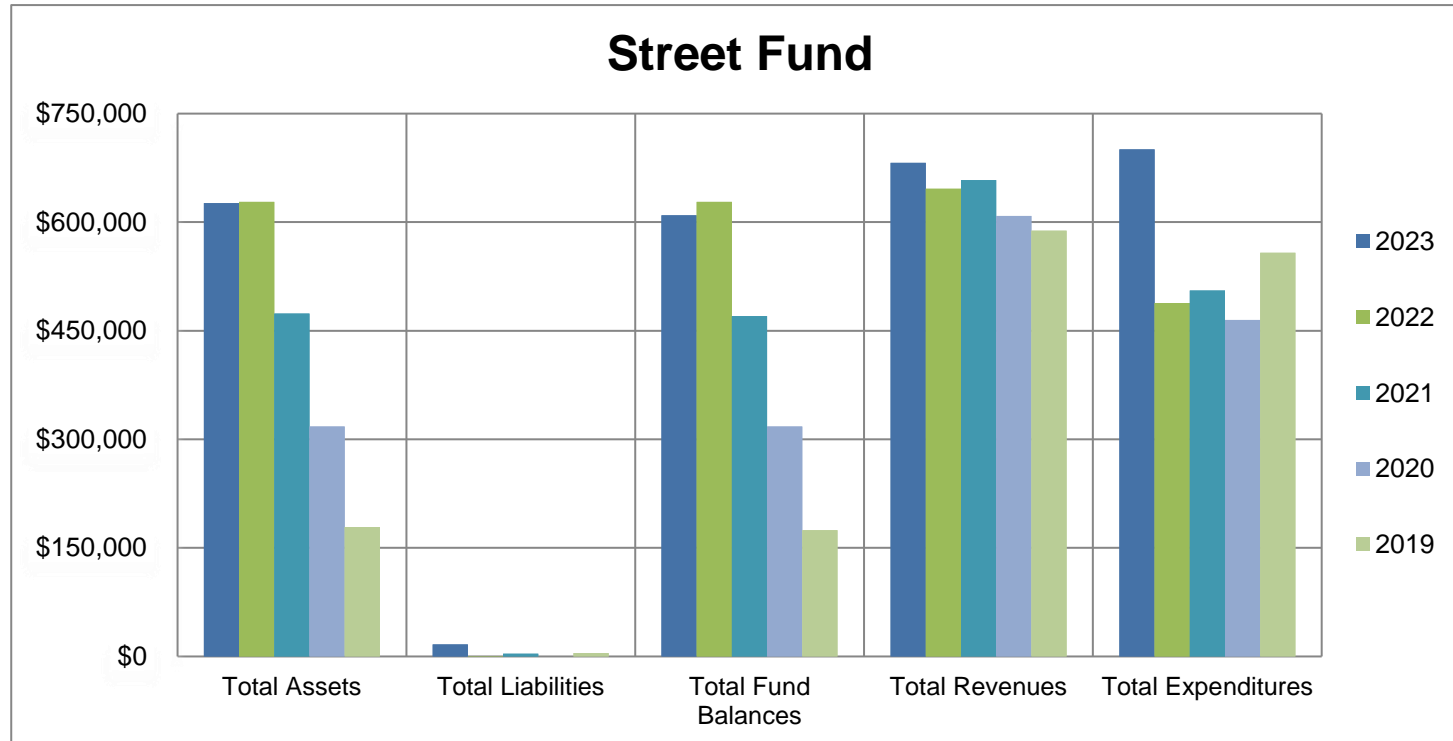
<u>General</u>	2023	2022	2021	2020	2019
Total Assets	\$ 6,256,521	\$ 5,345,251	\$ 3,723,304	\$ 2,974,323	\$ 2,230,041
Total Liabilities	50,140	35,669	19,595	10,977	31,618
Total Fund Balances	6,206,381	5,309,582	3,703,709	2,963,346	2,198,423
Total Revenues	5,287,980	4,860,841	4,772,573	4,375,370	4,018,050
Total Expenditures	4,391,181	2,955,593	3,907,210	3,603,947	4,081,649
Total Other Financing Sources/Uses		(299,375)	(125,000)	(6,500)	(377,452)



CITY OF HEBER SPRINGS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-2

<u>Street</u>	2023	2022	2021	2020	2019
Total Assets	\$ 626,116	\$ 628,050	\$ 473,813	\$ 317,797	\$ 178,730
Total Liabilities	16,649	60	3,771		4,475
Total Fund Balances	609,467	627,990	470,042	317,797	174,255
Total Revenues	682,062	646,280	657,994	608,492	588,180
Total Expenditures	700,585	488,332	505,749	464,950	557,858
Total Other Financing Sources/Uses					



CITY OF HEBER SPRINGS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 9,032,136	\$ 10,634,162	\$ 11,316,030	\$ 1,426,286	\$ 1,187,164
Total Liabilities	211,908	466,024	137,054	201,643	93,935
Total Fund Balances	8,820,228	10,168,138	11,178,976	1,224,643	1,093,229
Total Revenues	4,049,283	5,168,058	3,960,394	2,592,340	2,886,161
Total Expenditures	5,397,193	6,378,896	3,974,731	2,467,426	3,036,963
Total Other Financing Sources/Uses		200,000	9,968,670	6,500	377,452

