

City of Magnolia, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2022 and 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MAGNOLIA, ARKANSAS
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Sen. David Wallace
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Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Magnolia, 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 Magnolia, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022 and 2021 and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Magnolia, Arkansas as of December 31, 2022 and 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 general fund, street fund, and other funds in the aggregate of the City of Magnolia, Arkansas, as of December 31, 2022 and 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 Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Emphases of Matter

As discussed in Note 1 to the financial statements, in 2021 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the City would have included some 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. 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 26, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 26, 2024
LOM105422



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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Independent Auditor's Report

City of Magnolia, 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 Magnolia, Arkansas (City), as of and for the years ended December 31, 2022 and 2021, 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 26, 2024. 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 26, 2024.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 26, 2024

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2022 and 2021:

Mayor: Parnell Vann
City Treasurer: Kim Newell
City Clerk: Shakamree Roy (Appointed January 1, 2021, Resigned May 31, 2021)
Candy Meeler (Appointed July 6, 2021)
District Court Clerk: Nancy Moody
Police Chief: Todd Dew

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

Mayor and City Treasurer

The City disbursed \$1,800 (\$1,000 in 2022 and \$800 in 2021) to a nonprofit organization for event sponsorship, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 92-099.

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

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Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 26, 2024

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,427,138	\$ 798,464	\$ 5,282,593
Accounts receivable	256,137		899,539
Interfund receivables	452,200		
	<u>3,135,475</u>	<u>798,464</u>	<u>6,182,132</u>
TOTAL ASSETS	<u>\$ 3,135,475</u>	<u>\$ 798,464</u>	<u>\$ 6,182,132</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 196,365	\$ 1,034	\$ 87,667
Interfund payables			452,200
Settlements pending			14,725
Total Liabilities	<u>196,365</u>	<u>1,034</u>	<u>554,592</u>
Fund Balances:			
Restricted	28,509		4,842,965
Committed			737,964
Assigned	6,657	797,430	46,611
Unassigned	2,903,944		
Total Fund Balances	<u>2,939,110</u>	<u>797,430</u>	<u>5,627,540</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,135,475</u>	<u>\$ 798,464</u>	<u>\$ 6,182,132</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 279,550	\$ 963,689	\$ 458,144
Federal aid			2,885,897
Property taxes	14,615	212,704	280,866
Franchise fees			727,488
Sales taxes	2,686,295		4,985,338
Fines, forfeitures, and costs	129,609		21,057
Interest	9,609	1,752	7,440
Local permits and fees	94,943	29,732	45,607
Advertising and promotion taxes			160,153
Fuel sales			108,307
Other	286,437	111,011	172,554
TOTAL REVENUES	3,501,058	1,318,888	9,852,851
EXPENDITURES			
Current:			
General government	776,360		43,659
Law enforcement	1,757,376		378,112
Highways and streets		1,053,503	
Public safety	861,049		145,219
Recreation and culture	515,132		183,505
Social services			6,685
Economic development			1,119,116
Airport			1,912,603
Total Current	3,909,917	1,053,503	3,788,899
Debt Service:			
Bond principal			2,811,000
Bond interest and other charges			603,738
Financed purchase principal		347,299	18,117
Financed purchase interest		1,880	2,213
TOTAL EXPENDITURES	3,909,917	1,402,682	7,223,967

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (408,859)</u>	<u>\$ (83,794)</u>	<u>\$ 2,628,884</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	644,400	162,500	105,245
Transfers out	(252,745)		(659,400)
Contribution to water department			(1,299,603)
Sales taxes remitted to hospital			(755,938)
	<u>391,655</u>	<u>162,500</u>	<u>(2,609,696)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(17,204)	78,706	19,188
FUND BALANCES - JANUARY 1	<u>2,956,314</u>	<u>718,724</u>	<u>5,608,352</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,939,110</u></u>	<u><u>\$ 797,430</u></u>	<u><u>\$ 5,627,540</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 180,000	\$ 279,550	\$ 99,550	\$ 964,000	\$ 963,689	\$ (311)
Property taxes		14,615	14,615	213,000	212,704	(296)
Franchise fees	644,400		(644,400)			
Sales taxes	2,681,000	2,686,295	5,295			
Fines, forfeitures, and costs	125,000	129,609	4,609			
Interest	12,000	9,609	(2,391)	2,000	1,752	(248)
Local permits and fees	91,500	94,943	3,443	10,000	29,732	19,732
Other	1,097,703	286,437	(811,266)	132,000	111,011	(20,989)
TOTAL REVENUES	4,831,603	3,501,058	(1,330,545)	1,321,000	1,318,888	(2,112)
EXPENDITURES						
Current:						
General government	1,538,274	776,360	761,914			
Law enforcement	1,960,641	1,757,376	203,265			
Highways and streets				1,164,843	1,053,503	111,340
Public safety	918,615	861,049	57,566			
Recreation and culture	528,153	515,132	13,021			
Total Current	4,945,683	3,909,917	1,035,766	1,164,843	1,053,503	111,340
Debt Service:						
Financed purchase principal				367,800	347,299	20,501
Financed purchase interest				7,200	1,880	5,320
TOTAL EXPENDITURES	4,945,683	3,909,917	1,035,766	1,539,843	1,402,682	137,161
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(114,080)	(408,859)	(294,779)	(218,843)	(83,794)	135,049
OTHER FINANCING SOURCES (USES)						
Transfers in	242,110	644,400	402,290	162,500	162,500	0
Transfers out	(955,333)	(252,745)	702,588			
TOTAL OTHER FINANCING SOURCES (USES)	(713,223)	391,655	1,104,878	162,500	162,500	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(827,303)	(17,204)	810,099	(56,343)	78,706	135,049
FUND BALANCES - JANUARY 1	450,000	2,956,314	2,506,314	300,000	718,724	418,724
FUND BALANCES - DECEMBER 31	\$ (377,303)	\$ 2,939,110	\$ 3,316,413	\$ 243,657	\$ 797,430	\$ 553,773

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

CITY OF MAGNOLIA, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2021

Exhibit A-1

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,679,296	\$ 720,771	\$ 5,008,686
Accounts receivable	295,704		704,048
	<u>2,975,000</u>	<u>720,771</u>	<u>5,712,734</u>
TOTAL ASSETS	<u>\$ 2,975,000</u>	<u>\$ 720,771</u>	<u>\$ 5,712,734</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,686	\$ 2,047	\$ 84,987
Settlements pending			19,395
Total Liabilities	<u>18,686</u>	<u>2,047</u>	<u>104,382</u>
Fund Balances:			
Restricted	40,908		4,840,607
Committed			727,355
Assigned	1,657	718,724	40,390
Unassigned	2,913,749		
Total Fund Balances	<u>2,956,314</u>	<u>718,724</u>	<u>5,608,352</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,975,000</u>	<u>\$ 720,771</u>	<u>\$ 5,712,734</u>

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

CITY OF MAGNOLIA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-1

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 187,117	\$ 945,947	\$ 316,892
Federal aid			1,231,148
Property taxes	210,920	212,059	244,881
Franchise fees			719,518
Sales taxes	2,531,166		4,741,735
Fines, forfeitures, and costs	175,061		21,679
Interest	14,978	2,181	8,036
Local permits and fees	86,161	41,351	5,392
Advertising and promotion taxes			138,960
Fuel sales			69,861
Other	320,345	43,313	163,010
TOTAL REVENUES	3,525,748	1,244,851	7,661,112
EXPENDITURES			
Current:			
General government	666,953		8,447
Law enforcement	1,813,638		353,729
Highways and streets		1,043,962	
Public safety	1,240,352		135,012
Recreation and culture	222,981		126,637
Social services			8,328
Economic development			635,267
Airport			161,572
Total Current	3,943,924	1,043,962	1,428,992
Debt Service:			
Bond principal			2,639,000
Bond interest and other charges			694,028
Financed purchase principal		345,438	17,604
Financed purchase interest		13,737	2,725
TOTAL EXPENDITURES	3,943,924	1,403,137	4,782,349

CITY OF MAGNOLIA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-1

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (418,176)</u>	<u>\$ (158,286)</u>	<u>\$ 2,878,763</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	640,000	137,500	95,000
Transfers out	(217,500)		(655,000)
Sales taxes remitted to hospital			(555,426)
TOTAL OTHER FINANCING SOURCES (USES)	<u>422,500</u>	<u>137,500</u>	<u>(1,115,426)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,324	(20,786)	1,763,337
FUND BALANCES - JANUARY 1	<u>2,951,990</u>	<u>739,510</u>	<u>3,845,015</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,956,314</u></u>	<u><u>\$ 718,724</u></u>	<u><u>\$ 5,608,352</u></u>

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

CITY OF MAGNOLIA, 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, 2021

Exhibit C-1

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 190,000	\$ 187,117	\$ (2,883)	\$ 950,000	\$ 945,947	\$ (4,053)
Federal aid	1,253,615		(1,253,615)			
Property taxes	211,000	210,920	(80)	215,000	212,059	(2,941)
Franchise fees	635,400		(635,400)			
Sales taxes	2,532,000	2,531,166	(834)			
Fines, forfeitures, and costs	136,000	175,061	39,061			
Interest	22,000	14,978	(7,022)	2,000	2,181	181
Local permits and fees	91,100	86,161	(4,939)	41,400	41,351	(49)
Other	406,720	320,345	(86,375)	45,000	43,313	(1,687)
TOTAL REVENUES	5,477,835	3,525,748	(1,952,087)	1,253,400	1,244,851	(8,549)
EXPENDITURES						
Current:						
General government	689,812	666,953	22,859			
Law enforcement	2,010,447	1,813,638	196,809			
Highways and streets				1,076,384	1,043,962	32,422
Public safety	1,325,082	1,240,352	84,730			
Recreation and culture	264,983	222,981	42,002			
Total Current	4,290,324	3,943,924	346,400	1,076,384	1,043,962	32,422
Debt Service:						
Financed purchase principal				342,000	345,438	(3,438)
Financed purchase interest				18,000	13,737	4,263
TOTAL EXPENDITURES	4,290,324	3,943,924	346,400	1,436,384	1,403,137	33,247
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,187,511	(418,176)	(1,605,687)	(182,984)	(158,286)	24,698
OTHER FINANCING SOURCES (USES)						
Transfers in	85,000	640,000	555,000	150,000	137,500	(12,500)
Transfers out	(373,309)	(217,500)	155,809			
TOTAL OTHER FINANCING SOURCES (USES)	(288,309)	422,500	710,809	150,000	137,500	(12,500)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	899,202	4,324	(894,878)	(32,984)	(20,786)	12,198
FUND BALANCES - JANUARY 1	453,000	2,951,990	2,498,990	300,000	739,510	439,510
FUND BALANCES - DECEMBER 31	\$ 1,352,202	\$ 2,956,314	\$ 1,604,112	\$ 267,016	\$ 718,724	\$ 451,708

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

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 through 4 for Special Revenue Funds as reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 through 4 for Debt Service Funds as reported with other funds in the aggregate.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Enterprise Funds – Enterprise funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. See Schedules 1 through 4 for the Enterprise 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 Schedules 1 and 3 for Custodial Funds as reported with other funds in the aggregate.

C. Basis of Accounting - Regulatory

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

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

In 2021, the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. The significant/material effect on the Regulatory Basis of Accounting in the current period is that certain items included in debt service in the previous period are included in the expenditure/function code of the applicable opinion unit.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Settlements Pending

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

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications

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

E. Property Taxes

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

F. Budget Law

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

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

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

Basis of Accounting

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

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures

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

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

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value at December 31, 2022, is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,295
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	8,007,895	8,464,787
Total Deposits	<u>\$ 8,507,895</u>	<u>\$ 8,965,082</u>

The above total deposits do not include cash on hand of \$300.

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value at December 31, 2021, is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,559
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	7,908,453	8,022,152
Total Deposits	<u>\$ 8,408,453</u>	<u>\$ 8,522,711</u>

The above total deposits do not include cash on hand of \$300.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022, is composed of the following:

Description	General Fund	Other Funds in the Aggregate
State aid		\$ 300,000
Franchise fees		149,904
Sales taxes	\$ 228,765	427,202
Fines, forfeitures, and costs	9,768	1,609
Local permits and fees	3,324	
Advertising and promotion taxes		9,897
Other	14,280	10,927
Totals	<u>\$ 256,137</u>	<u>\$ 899,539</u>

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

Description	General Fund	Other Funds in the Aggregate
State aid		\$ 100,817
Franchise fees		166,188
Sales taxes	\$ 221,823	412,134
Fines, forfeitures, and costs	6,627	1,206
Local permits and fees	2,520	
Advertising and promotion taxes		11,455
Other	64,734	12,248
Totals	<u>\$ 295,704</u>	<u>\$ 704,048</u>

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 196,365	\$ 1,034	\$ 75,734
Payroll taxes payable			11,933
Totals	<u>\$ 196,365</u>	<u>\$ 1,034</u>	<u>\$ 87,667</u>

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 18,686	\$ 2,047	\$ 74,490
Payroll taxes payable			10,497
Totals	<u>\$ 18,686</u>	<u>\$ 2,047</u>	<u>\$ 84,987</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances at December 31, 2022, are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 452,200	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Economic Development		\$ 452,200
Totals	<u>\$ 452,200</u>	<u>\$ 452,200</u>

Interfund receivables and payables consist of an interfund loan. This balance was repaid in 2023.

NOTE 7: Federal Funds Program Compliance

The City's 2022 federal funds are in the process of being audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 1,257,029
Law enforcement	\$ 28,509		11
Public safety			65,227
Economic development			982,176
Airport			9,673
Debt service			2,528,849
Total Restricted	<u>28,509</u>		<u>4,842,965</u>
Committed for:			
General government			18,352
Social services			453,204
Debt service			266,408
Total Committed			<u>737,964</u>
Assigned to:			
Law enforcement	6,657		46,611
Highways and streets		\$ 797,430	
Total Assigned	<u>6,657</u>	<u>797,430</u>	<u>46,611</u>
Unassigned	<u>2,903,944</u>		
Totals	<u>\$ 2,939,110</u>	<u>\$ 797,430</u>	<u>\$ 5,627,540</u>

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8: Details of Fund Balance Classifications (Continued)

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 1,392,445
Law enforcement	\$ 40,908		27,769
Public safety			66,215
Economic development			942,005
Airport			4,986
Debt service			2,407,187
Total Restricted	<u>40,908</u>		<u>4,840,607</u>
Committed for:			
General government			14,401
Social services			456,320
Debt service			256,634
Total Committed			<u>727,355</u>
Assigned to:			
Law enforcement	1,657		40,390
Highways and streets		\$ 718,724	
Total Assigned	<u>1,657</u>	<u>718,724</u>	<u>40,390</u>
Unassigned	<u>2,913,749</u>		
Totals	<u>\$ 2,956,314</u>	<u>\$ 718,724</u>	<u>\$ 5,608,352</u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2022 and December 31, 2021, the legal debt limit for the bonded debt was \$28,457,782 and \$28,201,652, respectively. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022 and December 31, 2021, the legal debt limit for short-term financing obligations was \$7,498,973 and \$7,442,122, respectively. The amount of short-term financing obligations was \$37,209 and \$402,625, leaving a legal debt margin of \$7,461,764 and \$7,039,497, respectively.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: Commitments

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

	December 31, 2022	December 31, 2021
	<u> </u>	<u> </u>
Long-term liabilities	\$ 16,633,224	\$ 19,798,102
Construction contracts	<u>1,172,005</u>	<u>404,692</u>
 Total Commitments	 <u><u>\$ 17,805,229</u></u>	 <u><u>\$ 20,202,794</u></u>

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: Commitments (Continued)

Long-term liabilities

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

	December 31, 2022	December 31, 2021
<u>Bonds</u>		
Sales and use Tax Refunding Bonds Series 2018 - Regional Medical Center, dated January 13, 2018, in the amount of \$26,220,000; annual installments of \$500,000 - \$4,375,000 due August 1, 2018 through August 1, 2036, with interest at 2.60%-4.00% due August 1 of each year. Payments are to be made from the Debt Service Fund.	\$ 15,930,000	\$ 18,685,000
2013 Capital Improvement Revenue Bonds, dated May 1, 2016, in the amount of \$1,000,000; annual installments of \$42,000-\$71,000 due May 1, 2014 through May 1, 2031 with interest at 3.106% due May 1, 2014 and semiannually thereafter on May 1 and November 1 of each year. Payments are to be made from the Debt Service Fund.	554,000	610,000
Total Bonds	<u>16,484,000</u>	<u>19,295,000</u>
<u>Direct Borrowings</u>		
Financed purchase with Farmer's Bank and Trust, dated July 22, 2019, in the amount of \$105,820, to finance costs of a 2014 Sutphen fire truck with interest of 4.00% for 5 annual installments of \$20,330 beginning July 22, 2020. A lump sum payment of unpaid principal and accrued interest totaling \$19,398 is due July 22, 2025. Payments are to be made from the Fire Equipment and Training (ACT 833) Fund.	37,209	55,326
Financed purchase with Farmer's Bank and Trust, dated March 20, 2017, in the amount of \$2,000,000, to finance costs of a street improvement project with interest of 2.149% for 59 annual installments of \$22,723 beginning April 20, 2017. A lump sum payment of unpaid principal and interest totaling \$641,877 is due March 20, 2022. Payments are to be made from the Street Fund.		347,299
Total Direct Borrowings	<u>37,209</u>	<u>402,625</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	112,015	100,477
Total Long-term liabilities	<u>\$ 16,633,224</u>	<u>\$ 19,798,102</u>

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

The City's outstanding bonds payable of \$16,484,000 and \$19,295,000 at December 31 2022 and 2021, respectively, 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.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding financed purchases from direct borrowings of \$37,209 and \$402,625 at December 31, 2022 and 2021, respectively, contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
1/23/18	8/1/33	2.6 - 4%	\$ 26,220,000	\$ 15,930,000	\$ 10,290,000
5/1/13	5/1/31	3.11%	1,000,000	554,000	446,000
Total Bonds			<u>27,220,000</u>	<u>16,484,000</u>	<u>10,736,000</u>

<u>Direct Borrowings</u>					
7/22/14	7/22/25	4.00%	<u>164,867</u>	<u>37,209</u>	<u>127,658</u>
Total Long-Term Debt			<u><u>\$ 27,384,867</u></u>	<u><u>\$ 16,521,209</u></u>	<u><u>\$ 10,863,658</u></u>

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
1/23/18	8/1/34	2.6 - 4%	\$ 26,220,000	\$ 18,685,000	\$ 7,535,000
5/1/13	5/1/31	3.11%	1,000,000	610,000	390,000
Total Bonds			<u>27,220,000</u>	<u>19,295,000</u>	<u>7,925,000</u>

<u>Direct Borrowings</u>					
7/22/14	7/22/25	4.00%	164,867	55,326	109,541
3/20/17	3/20/22	2.15%	2,000,000	347,299	1,652,701
Total Direct Borrowings			<u>2,164,867</u>	<u>402,625</u>	<u>1,762,242</u>
Total Long-Term Debt			<u><u>\$ 29,384,867</u></u>	<u><u>\$ 19,697,625</u></u>	<u><u>\$ 9,687,242</u></u>

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: Commitments (Continued)

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 19,295,000	\$ 0	\$ 2,811,000	\$ 16,484,000
<u>Direct Borrowings</u>				
Financed purchases	402,625	0	365,416	37,209
Total Long-Term Debt	<u>\$ 19,697,625</u>	<u>\$ 0</u>	<u>\$ 3,176,416</u>	<u>\$ 16,521,209</u>

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 21,934,000	\$ 0	\$ 2,639,000	\$ 19,295,000
<u>Direct Borrowings</u>				
Financed purchases	765,667 *	0	363,042	402,625
Total Long-Term Debt	<u>\$ 22,699,667</u>	<u>\$ 0</u>	<u>\$ 3,002,042</u>	<u>\$ 19,697,625</u>

* Includes (\$863) adjustments to correct prior year error.

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,347,000	\$ 515,485	\$ 1,862,485	\$ 18,841	\$ 1,488	\$ 20,329
2024	1,399,000	462,083	1,861,083	18,368	735	19,103
2025	1,441,000	420,019	1,861,019			
2026	1,483,000	376,694	1,859,694			
2027	1,530,000	332,106	1,862,106			
2028 through 2032	8,259,000	943,284	9,202,284			
2033	1,025,000	32,800	1,057,800			
Totals	<u>\$ 16,484,000</u>	<u>\$ 3,082,471</u>	<u>\$ 19,566,471</u>	<u>\$ 37,209</u>	<u>\$ 2,223</u>	<u>\$ 39,432</u>

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: Commitments (Continued)

Debt Service Requirements to Maturity (Continued)

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,296,000	\$ 610,609	\$ 1,906,609	\$ 365,416	\$ 4,094	\$ 369,510
2023	1,347,000	559,255	1,906,255	18,841	1,488	20,329
2024	1,399,000	505,853	1,904,853	18,368	735	19,103
2025	1,441,000	464,789	1,905,789			
2026	1,483,000	420,464	1,903,464			
2027 through 2031	8,089,000	1,406,190	9,495,190			
2032 through 2034	4,240,000	228,800	4,468,800			
Totals	<u>\$ 19,295,000</u>	<u>\$ 4,195,960</u>	<u>\$ 23,490,960</u>	<u>\$ 402,625</u>	<u>\$ 6,317</u>	<u>\$ 408,942</u>

Construction Contracts

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

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2022	Contract Balance December 31, 2021
Columbia Street Sidewalks	January 2023	\$ 121,783	\$ 161,837
High School Drive	September 2022		107,955
Runway 18-36 Overlay	July 2022		134,900
Cast Iron Replacement	March 2024	1,050,222	
Total Construction Contracts		<u>\$ 1,172,005</u>	<u>\$ 404,692</u>

NOTE 11: Interfund Transfers

In 2022, The General Fund transferred \$162,500 to the Street Fund to fund operations. The General Fund transferred \$90,245 to Other Funds in the Aggregate (District Court Administration) to fund operations. The Other Funds in Aggregate (Capital Improvement Revenue Bonds) transferred \$644,400 of excess franchise fees to the General Fund. Within Other Funds in the Aggregate, the Economic Development Fund transferred \$15,000 to the Airport Commission Fund for operations.

In 2021, The General Fund transferred \$137,500 to the Street Fund to fund operations. The General Fund transferred \$80,000 to Other Funds in the Aggregate (District Court Administration) to fund operations. The Other Funds in Aggregate (Capital Improvement Revenue Bonds) transferred \$640,000 of excess franchise fees to the General Fund. Within Other Funds in the Aggregate, the Economic Development Fund transferred \$15,000 to the Airport Commission Fund for operations.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12: Pledged Revenues

The City pledged future 1.125% and .25% sales and use taxes to repay \$26,220,000 in bonds that were issued in 2018 to advance refund sales and use tax bonds that were issued in 2007 to provide funding for financing all or a portion of the costs of the acquisition and construction of land and facilities for a new hospital facility, the acquisition and installation of equipment and other personal property for the Hospital; the acquisition and construction of necessary easements, right-of-way, utility, street, parking, and drainage or other improvements for or related to the Hospital; professional fees related to any of the foregoing; establishment of reserves; and bond issuance and any credit enhancement costs. Total principal and interest remaining on the bonds as of December 31, 2022, are \$15,930,000 and \$3,005,163, respectively, and the total principal and interest remaining on the bonds as of December 31, 2021, are \$18,685,000 and \$4,099,575, respectively, payable through August 1, 2033. For 2022, principal and interest paid were \$2,755,000 and \$582,913, respectively and for 2021, principal and interest paid were \$2,585,000 and \$666,723, respectively.

The Debt Service Fund received \$4,217,118 in sales taxes in 2022 and \$4,012,243 in 2021. When the bonds have been fully paid, the 1.125% sales and use tax shall no longer be levied or collected.

The City pledged future franchise fee collections to repay \$1,000,000 in capital improvement bonds that were issued in 2013 to provide funding for the purchase and equipping of a new fire truck. Total principal and interest remaining on the bonds as of December 31, 2022, are \$554,000 and \$77,308, respectively, and the total principal and interest remaining on the bonds as of December 31, 2021, are \$610,000 and \$96,385, respectively, payable through May 1, 2031. For 2022, principal and interest paid were \$56,000 and \$18,077, respectively and for 2021, principal and interest paid were \$54,000 and \$19,785, respectively.

NOTE 13: Jointly Governed Organization

The Prosecuting Attorney's Office of the Thirteenth Judicial District, the Sheriff's Departments of Calhoun, Cleveland, Columbia, Dallas, Ouachita, and Union Counties, and the Police Departments of Camden, El Dorado, Fordyce, Hampton, Magnolia, Rison, and Smackover entered into an agreement to establish the Thirteenth Judicial District Drug Task Force. The agreement covers the period June 28 to July 5, 2022, and may be extended upon written mutual agreement. Funding is provided through a Drug Law Enforcement Program grant, applied for by the Prosecuting Attorney of the Thirteenth Judicial District. No contributions or payments for expenditures were made to the Thirteenth Judicial District Drug Task Force by the City. The 2021 and 2022 financial statements of the Thirteenth Judicial Drug Task Force have not been audited.

NOTE 14: 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.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14: Risk Management (Continued)

Municipal Vehicle Program

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

Municipal 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.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

**NOTE 15: 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 January 1, 2011, administration of the City of Magnolia Firemen's Pension and Relief Fund and the City 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 \$388,749 and \$359,987 for the years ended December 31, 2022 and December 31, 2021, respectively, and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$188,771 and \$202,476 for the years ended December 31, 2022 and December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022 and December 31, 2021, (actuarial valuation date and measurement date) was \$4,274,715 and \$1,988,386, respectively.

NOTE 16: 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.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16: Arkansas Public Employees Retirement System (Continued)

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 contribution rate was increased to 5.25% as of July 1, 2022. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$282,813 and \$278,087 for the years ended June 30, 2022 and 2021, respectively.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2022 and June 30, 2021, (actuarial valuation date and measurement date) was \$2,381,315 and \$698,876, respectively.

NOTE 17: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$2,375,742 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$2,375,742 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

SPECIAL REVENUE FUNDS										
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief	Fire Equipment and Training (ACT 833)	American Rescue Plan Act
ASSETS										
Cash and cash equivalents	\$ 12,665	\$ 1,068,770	\$ 453,204	\$ 26,135	\$ 21,898	\$ 177,573	\$ 24,179	\$ 11	\$ 41,048	\$ 1,076,934
Accounts receivable	6,855	365,723		956		9,897				
Interfund receivables										
TOTAL ASSETS	<u>\$ 19,520</u>	<u>\$ 1,434,493</u>	<u>\$ 453,204</u>	<u>\$ 27,091</u>	<u>\$ 21,898</u>	<u>\$ 187,470</u>	<u>\$ 24,179</u>	<u>\$ 11</u>	<u>\$ 41,048</u>	<u>\$ 1,076,934</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable		\$ 117			\$ 3,546	\$ 7,375				
Interfund payables		452,200								
Settlements pending										
Total Liabilities		<u>452,317</u>			<u>3,546</u>	<u>7,375</u>				
Fund Balances:										
Restricted		982,176				180,095	\$ 24,179	\$ 11	\$ 41,048	\$ 1,076,934
Committed			\$ 453,204		18,352					
Assigned	\$ 19,520			\$ 27,091						
Total Fund Balances	<u>19,520</u>	<u>982,176</u>	<u>453,204</u>	<u>27,091</u>	<u>18,352</u>	<u>180,095</u>	<u>24,179</u>	<u>11</u>	<u>41,048</u>	<u>1,076,934</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,520</u>	<u>\$ 1,434,493</u>	<u>\$ 453,204</u>	<u>\$ 27,091</u>	<u>\$ 21,898</u>	<u>\$ 187,470</u>	<u>\$ 24,179</u>	<u>\$ 11</u>	<u>\$ 41,048</u>	<u>\$ 1,076,934</u>

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

Schedule 1

	DEBT SERVICE FUNDS		ENTERPRISE FUND	CUSTODIAL FUNDS				
	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	Police Bond and Fine	Police Fee	District Court	Payroll	Totals
ASSETS								
Cash and cash equivalents	\$ 2,167,370	\$ 116,504	\$ 21,701	\$ 806	\$ 350	\$ 11,169	\$ 62,276	\$ 5,282,593
Accounts receivable	361,479	149,904	4,725					899,539
Interfund receivables								
TOTAL ASSETS	\$ 2,528,849	\$ 266,408	\$ 26,426	\$ 806	\$ 350	\$ 11,169	\$ 62,276	\$ 6,182,132
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable			\$ 16,753				\$ 59,876	\$ 87,667
Interfund payables								452,200
Settlements pending				\$ 806	\$ 350	\$ 11,169	2,400	14,725
Total Liabilities			16,753	806	350	11,169	62,276	554,592
Fund Balances:								
Restricted	\$ 2,528,849		9,673					4,842,965
Committed		\$ 266,408						737,964
Assigned								46,611
Total Fund Balances	2,528,849	266,408	9,673					5,627,540
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,528,849	\$ 266,408	\$ 26,426	\$ 806	\$ 350	\$ 11,169	\$ 62,276	\$ 6,182,132

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

Schedule 2

	SPECIAL REVENUE FUNDS							
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief
REVENUES								
State aid		\$ 403,405						
Federal aid								
Property taxes							\$ 139,170	\$ 141,696
Franchise fees								
Sales taxes		766,749						
Fines, forfeitures, and costs	\$ 10,937			\$ 10,120				
Interest		2,222	\$ 2,149			\$ 478	40	41
Local permits and fees					\$ 45,607			
Advertising and promotion taxes						160,153		
Fuel sales								
Other	93,625	1,911	1,420	9,911		600		
TOTAL REVENUES	104,562	1,174,287	3,569	20,031	45,607	161,231	139,210	141,737
EXPENDITURES								
Current:								
General government					41,656	2,000		
Law enforcement	194,411			16,639				167,062
Public safety							145,219	
Recreation and culture						183,505		
Social services			6,685					
Economic development		1,119,116						
Airport								
Total Current	194,411	1,119,116	6,685	16,639	41,656	185,505	145,219	167,062
Debt Service:								
Bond principal								
Bond interest and other charges								
Financed purchase principal								
Financed purchase interest								
TOTAL EXPENDITURES	194,411	1,119,116	6,685	16,639	41,656	185,505	145,219	167,062
EXCESS OF REVENUES OVER (UNDER)								
EXPENDITURES	(89,849)	55,171	(3,116)	3,392	3,951	(24,274)	(6,009)	(25,325)
OTHER FINANCING SOURCES (USES)								
Transfers in	90,245							
Transfers out		(15,000)						
Contribution to water department								
Sales taxes remitted to hospital								
TOTAL OTHER FINANCING SOURCES (USES)	90,245	(15,000)						
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)								
EXPENDITURES AND OTHER USES	396	40,171	(3,116)	3,392	3,951	(24,274)	(6,009)	(25,325)
FUND BALANCES - JANUARY 1	19,124	942,005	456,320	23,699	14,401	204,369	30,188	25,336
FUND BALANCES - DECEMBER 31	\$ 19,520	\$ 982,176	\$ 453,204	\$ 27,091	\$ 18,352	\$ 180,095	\$ 24,179	\$ 11

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

Schedule 2

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		ENTERPRISE FUND	
	Fire Equipment and Training (ACT 833)	American Rescue Plan Act	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	Totals
REVENUES						
State aid	\$ 25,347				\$ 29,392	\$ 458,144
Federal aid		\$ 1,187,864			1,698,033	2,885,897
Property taxes						280,866
Franchise fees				\$ 727,488		727,488
Sales taxes			\$ 4,217,118		1,471	4,985,338
Fines, forfeitures, and costs						21,057
Interest	4	597	1,146	763		7,440
Local permits and fees						45,607
Advertising and promotion taxes						160,153
Fuel sales					108,307	108,307
Other					65,087	172,554
TOTAL REVENUES	25,351	1,188,461	4,218,264	728,251	1,902,290	9,852,851
EXPENDITURES						
Current:						
General government			3			43,659
Law enforcement						378,112
Public safety						145,219
Recreation and culture						183,505
Social services						6,685
Economic development						1,119,116
Airport					1,912,603	1,912,603
Total Current			3		1,912,603	3,788,899
Debt Service:						
Bond principal			2,755,000	56,000		2,811,000
Bond interest and other charges			585,661	18,077		603,738
Financed purchase principal	18,117					18,117
Financed purchase interest	2,213					2,213
TOTAL EXPENDITURES	20,330		3,340,664	74,077	1,912,603	7,223,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,021	1,188,461	877,600	654,174	(10,313)	2,628,884
OTHER FINANCING SOURCES (USES)						
Transfers in					15,000	105,245
Transfers out				(644,400)		(659,400)
Contribution to water department		(1,299,603)				(1,299,603)
Sales taxes remitted to hospital			(755,938)			(755,938)
TOTAL OTHER FINANCING SOURCES (USES)		(1,299,603)	(755,938)	(644,400)	15,000	(2,609,696)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,021	(111,142)	121,662	9,774	4,687	19,188
FUND BALANCES - JANUARY 1	36,027	1,188,076	2,407,187	256,634	4,986	5,608,352
FUND BALANCES - DECEMBER 31	\$ 41,048	\$ 1,076,934	\$ 2,528,849	\$ 266,408	\$ 9,673	\$ 5,627,540

CITY OF MAGNOLIA, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 3

SPECIAL REVENUE FUNDS										
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief	Fire Equipment and Training (ACT 833)	American Rescue Plan Act
ASSETS										
Cash and cash equivalents	\$ 10,990	\$ 823,334	\$ 456,320	\$ 23,248	\$ 14,401	\$ 200,289	\$ 30,188	\$ 25,336	\$ 36,027	\$ 1,188,076
Accounts receivable	8,134	164,222		451		11,455				
TOTAL ASSETS	<u>\$ 19,124</u>	<u>\$ 987,556</u>	<u>\$ 456,320</u>	<u>\$ 23,699</u>	<u>\$ 14,401</u>	<u>\$ 211,744</u>	<u>\$ 30,188</u>	<u>\$ 25,336</u>	<u>\$ 36,027</u>	<u>\$ 1,188,076</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable		\$ 45,551				\$ 7,375				
Settlements pending										
Total Liabilities		<u>45,551</u>				<u>7,375</u>				
Fund Balances:										
Restricted		942,005		\$ 2,433		204,369	\$ 30,188	\$ 25,336	\$ 36,027	\$ 1,188,076
Committed			\$ 456,320		\$ 14,401					
Assigned	\$ 19,124			21,266						
Total Fund Balances	<u>19,124</u>	<u>942,005</u>	<u>456,320</u>	<u>23,699</u>	<u>14,401</u>	<u>204,369</u>	<u>30,188</u>	<u>25,336</u>	<u>36,027</u>	<u>1,188,076</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,124</u>	<u>\$ 987,556</u>	<u>\$ 456,320</u>	<u>\$ 23,699</u>	<u>\$ 14,401</u>	<u>\$ 211,744</u>	<u>\$ 30,188</u>	<u>\$ 25,336</u>	<u>\$ 36,027</u>	<u>\$ 1,188,076</u>

CITY OF MAGNOLIA, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2021

Schedule 3

	DEBT SERVICE FUNDS		ENTERPRISE FUND	CUSTODIAL FUNDS				
	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	Police Bond and Fine	Police Fee	District Court	Payroll	Totals
ASSETS								
Cash and cash equivalents	\$ 2,058,458	\$ 90,446	\$ 661	\$ 195	\$ 508	\$ 15,027	\$ 35,182	\$ 5,008,686
Accounts receivable	348,729	166,188	4,869					704,048
TOTAL ASSETS	\$ 2,407,187	\$ 256,634	\$ 5,530	\$ 195	\$ 508	\$ 15,027	\$ 35,182	\$ 5,712,734
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable			\$ 544				\$ 31,517	\$ 84,987
Settlements pending				\$ 195	\$ 508	\$ 15,027	3,665	19,395
Total Liabilities			544	195	508	15,027	35,182	104,382
Fund Balances:								
Restricted	\$ 2,407,187		4,986					4,840,607
Committed		\$ 256,634						727,355
Assigned								40,390
Total Fund Balances	2,407,187	256,634	4,986					5,608,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,407,187	\$ 256,634	\$ 5,530	\$ 195	\$ 508	\$ 15,027	\$ 35,182	\$ 5,712,734

CITY OF MAGNOLIA, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

	SPECIAL REVENUE FUNDS							
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief
REVENUES								
State aid		\$ 292,759						
Federal aid								
Property taxes							\$ 103,742	\$ 141,139
Franchise fees								
Sales taxes		728,599						
Fines, forfeitures, and costs	\$ 10,530			\$ 11,149				
Interest		1,402	\$ 4,125			\$ 440	49	49
Local permits and fees					\$ 5,392			
Advertising and promotion taxes						138,960		
Fuel sales								
Other	87,765	196	3,078	7,205	333	33,939		
TOTAL REVENUES	98,295	1,022,956	7,203	18,354	5,725	173,339	103,791	141,188
EXPENDITURES								
Current:								
General government					6,447	2,000		
Law enforcement	175,529			15,458				162,742
Public safety							135,012	
Recreation and culture						126,637		
Social services			8,328					
Economic development		635,267						
Airport								
Total Current	175,529	635,267	8,328	15,458	6,447	128,637	135,012	162,742
Debt Service:								
Bond principal								
Bond interest and other charges								
Financed purchase principal								
Financed purchase interest								
TOTAL EXPENDITURES	175,529	635,267	8,328	15,458	6,447	128,637	135,012	162,742
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,234)	387,689	(1,125)	2,896	(722)	44,702	(31,221)	(21,554)
OTHER FINANCING SOURCES (USES)								
Transfers in	80,000							
Transfers out		(15,000)						
Sales taxes remitted to hospital								
TOTAL OTHER FINANCING SOURCES (USES)	80,000	(15,000)						
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,766	372,689	(1,125)	2,896	(722)	44,702	(31,221)	(21,554)
FUND BALANCES - JANUARY 1	16,358	569,316	457,445	20,803	15,123	159,667	61,409	46,890
FUND BALANCES - DECEMBER 31	<u>\$ 19,124</u>	<u>\$ 942,005</u>	<u>\$ 456,320</u>	<u>\$ 23,699</u>	<u>\$ 14,401</u>	<u>\$ 204,369</u>	<u>\$ 30,188</u>	<u>\$ 25,336</u>

CITY OF MAGNOLIA, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		ENTERPRISE FUND	
	Fire Equipment and Training (ACT 833)	American Rescue Plan Act	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	Totals
REVENUES						
State aid	\$ 24,133					\$ 316,892
Federal aid		\$ 1,187,878			\$ 43,270	1,231,148
Property taxes						244,881
Franchise fees				\$ 719,518		719,518
Sales taxes			\$ 4,012,243		893	4,741,735
Fines, forfeitures, and costs						21,679
Interest	28	198	1,246	499		8,036
Local permits and fees						5,392
Advertising and promotion taxes						138,960
Fuel sales					69,861	69,861
Other					30,494	163,010
TOTAL REVENUES	24,161	1,188,076	4,013,489	720,017	144,518	7,661,112
EXPENDITURES						
Current:						
General government						8,447
Law enforcement						353,729
Public safety						135,012
Recreation and culture						126,637
Social services						8,328
Economic development						635,267
Airport					161,572	161,572
Total Current					161,572	1,428,992
Debt Service:						
Bond principal			2,585,000	54,000		2,639,000
Bond interest and other charges			674,243	19,785		694,028
Financed purchase principal	17,604					17,604
Financed purchase interest	2,725					2,725
TOTAL EXPENDITURES	20,329		3,259,243	73,785	161,572	4,782,349
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,832	1,188,076	754,246	646,232	(17,054)	2,878,763
OTHER FINANCING SOURCES (USES)						
Transfers in					15,000	95,000
Transfers out				(640,000)		(655,000)
Sales taxes remitted to hospital			(555,426)			(555,426)
TOTAL OTHER FINANCING SOURCES (USES)			(555,426)	(640,000)	15,000	(1,115,426)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,832	1,188,076	198,820	6,232	(2,054)	1,763,337
FUND BALANCES - JANUARY 1	32,195		2,208,367	250,402	7,040	3,845,015
FUND BALANCES - DECEMBER 31	\$ 36,027	\$ 1,188,076	\$ 2,407,187	\$ 256,634	\$ 4,986	\$ 5,608,352

CITY OF MAGNOLIA, ARKANSAS
NOTES TO SCHEDULES 1 THROUGH 4
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
District Court Administration	Ark. Code Ann. §§ 16-17-124 - 16-17-126 authorizes certified copies and district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Economic Development	Ark. Code Ann. § 14-174-104 authorizes the levy of a local sales tax dedicated to the operation of local economic development programs.
Cemetery Commission	Magnolia Ordinance no. 759 (August 12, 1985) established fund to receive reasonable fees for sale of lots, gifts, and bequests to operate and maintain the City Cemetery.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Nuisance Abatement	Magnolia Ordinance no. 11-05 (May 9, 2011) established fund to receive fees from property owners, salvage monies, contributions, and any other source allowed by law to be used for nuisance abatement.
Advertising and Promotion Commission	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.
Firemen's Pension and Relief	Established to support firefighter retirement programs.
Policemen's Pension and Relief	Established to support police retirement programs.
Fire Equipment and Training (ACT 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.

CITY OF MAGNOLIA, ARKANSAS
NOTES TO SCHEDULES 1 THROUGH 4
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Bonds	Magnolia Ordinance no. 07-07 (July 19, 2007) as approved by referendum on May 8, 2007 established fund to receive sales and use tax monies for payment of principal, interest, and fees on the Sales and Use Tax Bonds Series 2007. Magnolia Ordinance no. 2017-7 (December 18, 2017) authorized the issuance of Sales and Use Tax Refunding Bonds Series 2018.
2013 Capital Improvement Revenue Bonds	Magnolia Ordinance no. 13-2 (April 16, 2013) established fund to receive franchise fees for payment of principal, interest, and fees on the Capital Improvement Revenue Bonds.
Airport Commission	Ark. Code Ann. §§ 14-359-101 - 121 established the Municipal Airport Commission to operate and manage the airport. All revenue derived from the operation of the airport or flying field, after paying the operating expenses and maintenance, shall be set aside and used for additional improvements on the airport or for the retirement of bonds and interest thereon issued or advancement made for the purchase and improvement of the airport or flying field.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
Police Fee	Established to receive warrant, accident report, and bond fees.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Established to process payroll of all employees.

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

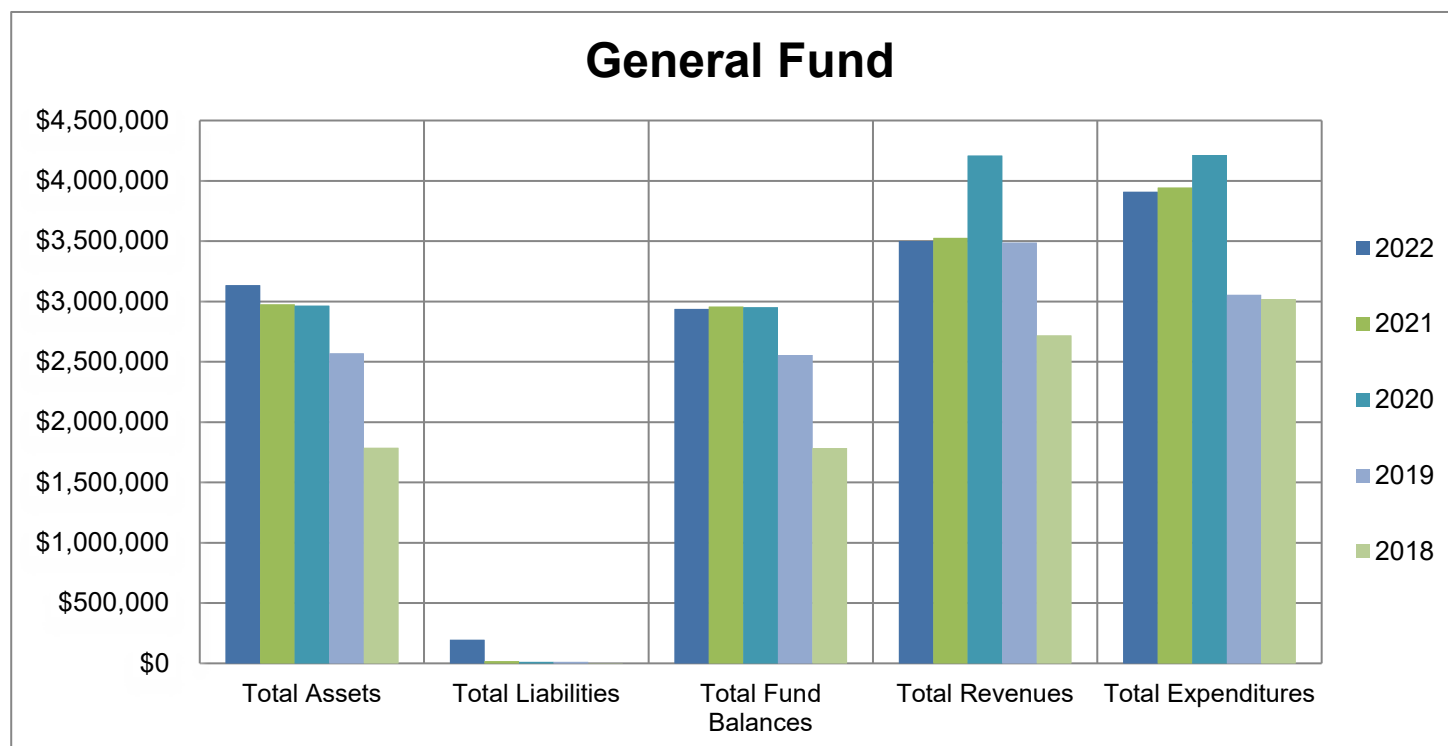
Schedule 5

	December 31, 2022	December 31, 2021
Land	\$ 3,571,521	\$ 3,303,437
Buildings and improvements	13,557,722	11,619,414
Equipment	<u>4,203,870</u>	<u>4,182,985</u>
Totals	<u>\$ 21,333,113</u>	<u>\$ 19,105,836</u>

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

Schedule 6-1

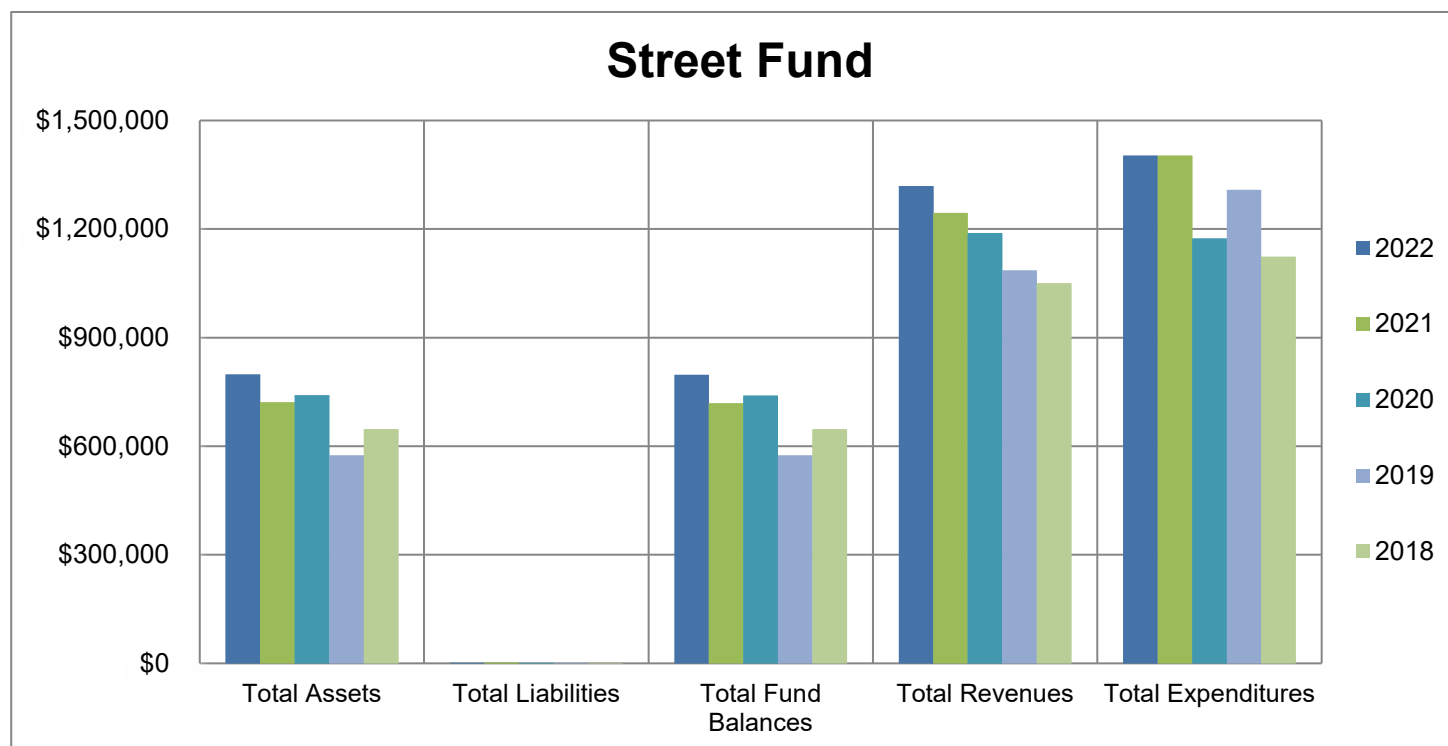
General	2022	2021	2020	2019	2018
Total Assets	\$ 3,135,475	\$ 2,975,000	\$ 2,965,056	\$ 2,570,059	\$ 1,785,843
Total Liabilities	196,365	18,686	13,066	12,740	2,770
Total Fund Balances	2,939,110	2,956,314	2,951,990	2,557,319	1,783,073
Total Revenues	3,501,058	3,525,748	4,209,013	3,486,673	2,719,043
Total Expenditures	3,909,917	3,943,924	4,213,592	3,053,427	3,019,102
Total Other Financing Sources/Uses	391,655	422,500	399,250	341,000	433,200



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

Schedule 6-2

Street	2022	2021	2020	2019	2018
Total Assets	\$ 798,464	\$ 720,771	\$ 740,844	\$ 574,327	\$ 647,041
Total Liabilities	1,034	2,047	1,334	40	74
Total Fund Balances	797,430	718,724	739,510	574,287	646,967
Total Revenues	1,318,888	1,244,851	1,189,321	1,085,438	1,050,255
Total Expenditures	1,402,682	1,403,137	1,174,098	1,308,118	1,123,419
Total Other Financing Sources/Uses	162,500	137,500	150,000	150,000	171,608



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

Schedule 6-3

Other Funds in the Aggregate	2022	2021	2020	2019	2018
Total Assets	\$ 6,182,132	\$ 5,712,734	\$ 3,928,632	\$ 3,684,645	\$ 3,745,259
Total Liabilities	554,592	104,382	83,617	109,270	96,102
Total Fund Balances	5,627,540	5,608,352	3,845,015	3,575,375	3,649,157
Total Revenues	9,852,851	7,661,112	6,068,755	5,692,431	5,730,134
Total Expenditures	7,223,967	4,782,349	4,856,050	4,635,727	2,398,563
Total Other Financing Sources/Uses	(2,609,696)	(1,115,426)	(943,065)	(1,130,486)	(2,204,278)

