

# **City of Marked Tree, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**December 31, 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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Rep. Richard Womack  
House Chair  
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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 Marked Tree, 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 Marked Tree, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund 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 Marked Tree, Arkansas as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

#### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing 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 Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with 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 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 Regulatory Basis Financial Statements***

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

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

- Exercise professional 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 September 15, 2022, 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  
September 15, 2022  
LOM105921

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
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 Marked Tree, 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 Marked Tree, Arkansas (City), as of and for the year ended December 31, 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 September 15, 2022. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

#### 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 September 15, 2022.

### **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 that reads "Marti Steel". The signature is written in a cursive, flowing style.

Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 15, 2022

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

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

Mayor: Danny Johnson  
Clerk/Treasurer: Susan Macefe  
District Court Clerk: Barbara Dexter  
Police Chief: Chester Ford

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 "Marti Steel".

Marti Steel, CPA

Deputy Legislative Auditor

Little Rock, Arkansas  
September 15, 2022



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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 219,270	\$ 172,171	\$ 1,271,862
Accounts receivable	124,209	8,600	40,134
Interfund receivables			6,630
	<u>343,479</u>	<u>180,771</u>	<u>1,318,626</u>
TOTAL ASSETS	<u>\$ 343,479</u>	<u>\$ 180,771</u>	<u>\$ 1,318,626</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 23,968	\$ 3,973	\$ 3,928
Interfund payables			6,630
Settlements pending			15,619
Total Liabilities	<u>23,968</u>	<u>3,973</u>	<u>26,177</u>
Fund Balances:			
Restricted	73,795	176,798	1,074,278
Committed	5,894		207,557
Assigned	67,701		15,356
Unassigned	172,121		(4,742)
Total Fund Balances	<u>319,511</u>	<u>176,798</u>	<u>1,292,449</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 343,479</u>	<u>\$ 180,771</u>	<u>\$ 1,318,626</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 64,340	\$ 205,891	
Federal aid	2,550		\$ 287,000
Property taxes	79,035	22,927	
Franchise fees	113,371		
Sales taxes	626,653	106,282	452,502
Fines, forfeitures, and costs	52,214		2,784
Interest	1,610	303	8,592
Local permits and fees	22,833		21,950
Sanitation fees	293,597		
Reimbursements	37,643		
Insurance proceeds	19,100		
Contribution from Poinsett County			7,488
Other	110,095	1,436	8,915
TOTAL REVENUES	1,423,041	336,839	789,231
EXPENDITURES			
Current:			
General government	318,827		
Law enforcement	692,406		3,168
Highways and streets		320,538	
Public safety	58,446		
Sanitation	340,504		
Health	6,425		
Recreation and culture	6,410		116,043
Social services	16,476		
Industrial development			35,591
Airport			10,392
Total Current	1,439,494	320,538	165,194
Debt Service:			
Bond principal			160,000
Bond interest and other charges			107,706
Lease principal	7,371	7,371	
Lease interest	323	323	
Note principal	9,676		
Note interest	364		
TOTAL EXPENDITURES	1,457,228	328,232	432,900

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (34,187)	\$ 8,607	\$ 356,331
OTHER FINANCING SOURCES (USES)			
Transfers in		10,428	5,000
Transfers out	(15,428)		
Contribution to water department	(18,687)		
TOTAL OTHER FINANCING SOURCES (USES)	(34,115)	10,428	5,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(68,302)	19,035	361,331
FUND BALANCES - JANUARY 1	387,813	157,763	931,118
FUND BALANCES - DECEMBER 31	\$ 319,511	\$ 176,798	\$ 1,292,449

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

CITY OF MARKED TREE, 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

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 64,341	\$ 64,340	\$ (1)	\$ 205,893	\$ 205,891	\$ (2)
Federal aid	253,240	2,550	(250,690)			
Property taxes	79,021	79,035	14	22,921	22,927	6
Franchise fees	136,657	113,371	(23,286)			
Sales taxes	621,602	626,653	5,051	105,265	106,282	1,017
Fines, forfeitures, and costs	54,525	52,214	(2,311)			
Interest	1,609	1,610	1	300	303	3
Local permits and fees	22,860	22,833	(27)			
Sanitation fees	293,221	293,597	376			
Reimbursements		37,643	37,643			
Insurance proceeds		19,100	19,100			
Other	138,904	110,095	(28,809)	1,435	1,436	1
TOTAL REVENUES	1,665,980	1,423,041	(242,939)	335,814	336,839	1,025
EXPENDITURES						
Current:						
General government	358,163	318,827	39,336			
Law enforcement	710,514	692,406	18,108			
Highways and streets				284,494	320,538	(36,044)
Public safety	55,785	58,446	(2,661)			
Sanitation	282,045	340,504	(58,459)			
Health	16,034	6,425	9,609			
Recreation and culture	8,682	6,410	2,272			
Social services	1,206	16,476	(15,270)			
Total Current	1,432,429	1,439,494	(7,065)	284,494	320,538	(36,044)
Debt Service:						
Lease principal	66,776	7,371	59,405	25,520	7,371	18,149
Lease interest		323	(323)		323	(323)
Note principal		9,676	(9,676)			
Note interest		364	(364)			
TOTAL EXPENDITURES	1,499,205	1,457,228	41,977	310,014	328,232	(18,218)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	166,775	(34,187)	(200,962)	25,800	8,607	(17,193)
OTHER FINANCING SOURCES (USES)						
Transfers in	8,554		(8,554)		10,428	10,428
Transfers out	(258,390)	(15,428)	242,962			
Contribution to water department		(18,687)	(18,687)			
TOTAL OTHER FINANCING SOURCES (USES)	(249,836)	(34,115)	215,721		10,428	10,428
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(83,061)	(68,302)	14,759	25,800	19,035	(6,765)
FUND BALANCES - JANUARY 1		387,813	387,813		157,763	157,763
FUND BALANCES - DECEMBER 31	\$ (83,061)	\$ 319,511	\$ 402,572	\$ 25,800	\$ 176,798	\$ 150,998

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

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Marked Tree was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer. 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, property taxes, and sales taxes that are restricted or committed for maintaining and constructing highways and streets.

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

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

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

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

**B. Basis of Presentation – Regulatory (Continued)**

**Other Funds in the Aggregate (Continued)**

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 Debt Service Funds 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 Fund as reported with other funds in the aggregate.

**C. Basis of Accounting - Regulatory**

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

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

**D. Assets, Liabilities, and Fund Balances**

**Cash and Cash Equivalents**

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

**Settlements Pending**

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

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 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 MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 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 is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 692,264	\$ 692,264
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	970,229	584,406
Total Deposits	<u>\$ 1,662,493</u>	<u>\$ 1,276,670</u>

The above total deposits do not include cash on hand of \$810.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

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



CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 4: Accounts Receivable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 479	\$ 139	
Franchise fees	9,960		
Sales taxes	49,415	8,461	\$ 36,390
Fines, forfeitures, and costs	1,598		
Local permits and fees	1,068		
Sanitation fees	24,530		
Reimbursements	19,260		
Contribution from Poinsett County			3,744
Other	17,899		
Totals	<u>\$ 124,209</u>	<u>\$ 8,600</u>	<u>\$ 40,134</u>

**NOTE 5: Accounts Payable**

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	\$ 15,155	\$ 3,973	\$ 3,928
Payroll taxes payable	8,813		
Totals	<u>\$ 23,968</u>	<u>\$ 3,973</u>	<u>\$ 3,928</u>

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
Other Funds in the Aggregate:		
Special Revenue Funds:		
Airport		\$ 6,630
Capital Projects Funds:		
Capital Building	\$ 6,630	
Totals	<u>\$ 6,630</u>	<u>\$ 6,630</u>

Interfund receivables and payables consist an interfund loan. Repayment of this balance began in 2011 as funds have been available and is expected to be completed over an 11 year period.

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 7: Details of Fund Balance Classifications**

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			\$ 250,690
Law enforcement	\$ 9,454		360
Highways and streets		\$ 176,798	
Public safety	21,174		
Recreation and culture			209,118
Industrial development			399,974
Fire retirement costs	43,167		
Debt service			214,136
Total Restricted	<u>73,795</u>	<u>176,798</u>	<u>1,074,278</u>
Committed for:			
Sanitation	5,894		
Capital outlay			207,557
Total Committed	<u>5,894</u>		<u>207,557</u>
Assigned to:			
Law enforcement			15,356
Sanitation	67,701		
Total Assigned	<u>67,701</u>		<u>15,356</u>
Unassigned	<u>172,121</u>		<u>(4,742)</u>
Totals	<u>\$ 319,511</u>	<u>\$ 176,798</u>	<u>\$ 1,292,449</u>

**NOTE 8: Deficit Fund Balances**

The following funds have deficit fund balances as of December 31, 2021:

	December 31, 2021
Other Funds in the Aggregate:	
Special Revenue Funds:	
Airport	<u>\$ (4,742)</u>

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**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, 2021, the legal debt limit for the bonded debt was \$4,603,162. 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, 2021, the legal debt limit for short-term financing obligations was \$1,247,425. The amount of short-term financing obligations was \$27,940, leaving a legal debt margin of \$1,219,485.

**NOTE 10: Commitments**

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

	December 31, 2021
Long-term liabilities	\$ 2,721,163
Noncancellable leases	115,776
Total Commitments	<u>\$ 2,836,939</u>

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 10: Commitments (Continued)**

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	December 31, 2021
<u>Bonds</u>	
Sales and Use Tax Refunding Bonds - Series 2013, dated March 20, 2013, in the amount of \$1,885,000, for refunding Sales and Use Tax Bonds - Series 2007 for park and recreational improvements and construction, due in semiannual installments of \$40,000 - \$125,000 plus interest through November 1, 2034. Interest from 1.25% to 4.25%. Payments are to be made from the 2013 Sales and Use Tax Refunding Debt Service Fund.	\$ 1,270,000
Sales and Use Tax Refunding Bonds - Series 2018, dated May 23, 2018, in the amount of \$1,675,000, for refunding Sales and Use Tax Bonds - Series 1996 for water and sewer improvements, due in semiannual installments of \$40,000 - \$125,000 plus interest through November 1, 2035. Interest from 2% to 4%. Payments are to be made from the 2018 Sales and Use Tax Refunding Debt Service Fund.	1,405,000
Total Bonds	<u>2,675,000</u>
<u>Direct Borrowings</u>	
Lease-purchase agreement with Bancorp South Equipment Finance dated February 14, 2018, in the amount of \$108,000 with an interest rate of 2.64%, for a 2018 Freightliner street and sanitation vehicle. Monthly installments of \$1,923 for 60 months. Payments are to be made from the General, Street, and Water Funds.	24,623
Note payable agreement with Armor Bank dated October 6, 2020, in the amount of \$14,550 with an interest rate of 4.25%, for a police vehicle. Monthly installments of \$837 for 18 months. Payments are to be made from the General Fund.	3,317
Total Direct Borrowings	<u>27,940</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	18,223
Total Long-term liabilities	<u>\$ 2,721,163</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 \$2,675,000 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.

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 10: Commitments (Continued)**

The City's outstanding liabilities from direct borrowings of \$27,940 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.

Long-Term Debt Issued and Outstanding

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2021</u>	<u>Maturities to December 31, 2021</u>
<u>Bonds</u>					
3/20/13	11/1/34	1.25 - 4.25%	\$ 1,885,000	\$ 1,270,000	\$ 615,000
5/23/18	11/1/35	2 - 4%	1,675,000	1,405,000	270,000
Total Bonds			<u>3,560,000</u>	<u>2,675,000</u>	<u>885,000</u>
<u>Direct Borrowings</u>					
2/14/18	2/26/23	2.64%	108,000	24,623	83,377
10/6/20	4/15/22	4.25%	14,550	3,317	11,233
Total Direct Borrowings			<u>122,550</u>	<u>27,940</u>	<u>94,610</u>
Total Long-Term Debt			<u>\$ 3,682,550</u>	<u>\$ 2,702,940</u>	<u>\$ 979,610</u>

Changes in Long-Term Debt

	<u>Balance January 01, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2021</u>
Bonds payable	<u>\$ 2,835,000</u>	<u>\$ 0</u>	<u>\$ 160,000</u>	<u>\$ 2,675,000</u>
<u>Direct Borrowings</u>				
Notes payable	12,993		9,676	3,317
Capital leases	46,736		22,113 *	24,623
Total Direct Borrowings	<u>59,729</u>		<u>31,789</u>	<u>27,940</u>
Total Long-Term Debt	<u>\$ 2,894,729</u>	<u>\$ 0</u>	<u>\$ 191,789</u>	<u>\$ 2,702,940</u>

\*Includes \$7,371 paid from the Water Department

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 10: Commitments (Continued)**

Debt Service Requirements to Maturity

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	\$ 160,000	\$ 98,456	\$ 258,456	\$ 26,021	\$ 403	\$ 26,424
2023	165,000	93,956	258,956	1,919	3	1,922
2024	170,000	89,325	259,325			
2025	175,000	83,800	258,800			
2026	180,000	78,100	258,100			
2027 through 2031	1,005,000	284,800	1,289,800			
2032 through 2035	820,000	78,389	898,389			
Totals	<u>\$2,675,000</u>	<u>\$ 806,826</u>	<u>\$ 3,481,826</u>	<u>\$ 27,940</u>	<u>\$ 406</u>	<u>\$ 28,346</u>

Noncancellable Leases

The City entered into a noncancellable lease agreement for a knuckleboom truck on June 8, 2021. Terms of the lease are monthly rental payments of \$2,844 for 24 months. At the end of the lease term the City will return the vehicle. Payments are to be made from the General and Street Funds.

The City entered into a noncancellable lease agreement for a sanitation vehicle on June 8, 2021. Terms of the lease are monthly rental payments of \$3,430 for 24 months. At the end of the lease term the City will return the vehicle. Payments are to be made from the General Fund.

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

Year	December 31, 2021
2022	\$ 75,288
2023	40,488
Total	<u>\$ 115,776</u>

Rental expense for 2021 was \$80,377.

**NOTE 11: Interfund Transfers**

The City transferred \$10,428 from the General Fund to the Street Fund for prior year COVID related payroll expenditures and \$5,000 from the General Fund to Other Funds in the Aggregate (Municipal Judge's and Clerk's Retirement Fund) for retirement costs.

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 12: Pledged Revenues**

The City pledged one-half of one percent sales and use taxes to repay \$1,675,000 in refunding bonds that were issued in 2018. Total principal and interest remaining on the bonds are \$1,405,000 and \$422,637, respectively, payable through November 1, 2035. For 2021, principal and interest and other charges paid were \$80,000 and \$55,031, respectively.

Collections of the pledged tax were \$133,656 in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any other lawful city expenditure.

An additional one percent sales and use tax has been levied, for which 62.5 percent of the tax was pledged to repay \$1,885,000 in refunding bonds issued in 2013. Total principal and interest remaining on the bonds are \$1,270,000 and \$384,189, respectively, payable through November 1, 2034. For 2021, principal and interest and other charges paid were \$80,000 and \$52,675 respectively.

Collections of the pledged tax were \$132,175 in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any other lawful city expenditure.

**NOTE 13: 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.

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.

CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 13: Risk Management (Continued)**

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 14: 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. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

On December 31, 2012, administration of the City of Marked Tree Firemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of this plan 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 \$35,637 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$33,831 for the year ended December 31, 2021.



CITY OF MARKED TREE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 14: 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, 2021 (actuarial valuation date and measurement date) was \$375,712.

**NOTE 15: 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](http://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. 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 \$81,470 for the year ended June 30, 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 June 30, 2021 (actuarial valuation date and measurement date) was \$204,747.

**NOTE 16: 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 former Mayor L.W. Ashlock \$3,918, for the year ended December 31, 2021.

**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). The City was awarded \$501,377 in federal aid from the American Rescue Plan Act of 2021. In 2021 and 2022, the City received funds in the amount of \$250,690 and \$250,687, respectively. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

	SPECIAL REVENUE FUNDS					
	Industrial Development	Parks and Recreation Maintenance	Municipal Judge's and Clerk's Retirement	Airport	Drug	American Rescue Plan Act
ASSETS						
Cash and cash equivalents	\$ 397,868	\$ 200,447	\$ 11,612	\$ 2,075	\$ 360	\$ 250,690
Accounts receivable	4,230	10,288	3,744			
Interfund receivables						
<b>TOTAL ASSETS</b>	<b>\$ 402,098</b>	<b>\$ 210,735</b>	<b>\$ 15,356</b>	<b>\$ 2,075</b>	<b>\$ 360</b>	<b>\$ 250,690</b>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,124	\$ 1,617		\$ 187		
Interfund payables				6,630		
Settlements pending						
<b>Total Liabilities</b>	<b>2,124</b>	<b>1,617</b>		<b>6,817</b>		
Fund Balances:						
Restricted	399,974	209,118			\$ 360	\$ 250,690
Committed						
Assigned			\$ 15,356			
Unassigned				(4,742)		
<b>Total Fund Balances</b>	<b>399,974</b>	<b>209,118</b>	<b>15,356</b>	<b>(4,742)</b>	<b>360</b>	<b>250,690</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 402,098</b>	<b>\$ 210,735</b>	<b>\$ 15,356</b>	<b>\$ 2,075</b>	<b>\$ 360</b>	<b>\$ 250,690</b>

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

Schedule 1

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		CUSTODIAL FUND	
	Capital Building	2013 Sales and Use Tax Refunding	2018 Sales and Use Tax Refunding	District Court	Totals
ASSETS					
Cash and cash equivalents	\$ 200,927	\$ 94,683	\$ 97,581	\$ 15,619	\$ 1,271,862
Accounts receivable		10,865	11,007		40,134
Interfund receivables	6,630				6,630
TOTAL ASSETS	<u>\$ 207,557</u>	<u>\$ 105,548</u>	<u>\$ 108,588</u>	<u>\$ 15,619</u>	<u>\$ 1,318,626</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 3,928
Interfund payables					6,630
Settlements pending				\$ 15,619	15,619
Total Liabilities				<u>15,619</u>	<u>26,177</u>
Fund Balances:					
Restricted		\$ 105,548	\$ 108,588		1,074,278
Committed	\$ 207,557				207,557
Assigned					15,356
Unassigned					(4,742)
Total Fund Balances	<u>207,557</u>	<u>105,548</u>	<u>108,588</u>		<u>1,292,449</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 207,557</u>	<u>\$ 105,548</u>	<u>\$ 108,588</u>	<u>\$ 15,619</u>	<u>\$ 1,318,626</u>

CITY OF MARKED TREE, 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 2

	SPECIAL REVENUE FUNDS					
	Industrial Development	Parks and Recreation Maintenance	Municipal Judge's and Clerk's Retirement	Airport	Drug	American Rescue Plan Act
REVENUES						
Federal aid		\$ 36,310				\$ 250,690
Sales taxes	\$ 53,141	133,530				
Fines, forfeitures, and costs			\$ 2,784			
Interest	4,855	262	11	\$ 12		
Local permits and fees				21,950		
Contribution from Poinsett County			7,488			
Other		6,015		200		
<b>TOTAL REVENUES</b>	<b>57,996</b>	<b>176,117</b>	<b>10,283</b>	<b>22,162</b>		<b>250,690</b>
EXPENDITURES						
Current:						
Law enforcement			3,164		\$ 4	
Recreation and culture		116,043				
Industrial development	35,591					
Airport				10,392		
Total Current	35,591	116,043	3,164	10,392	4	
Debt Service:						
Bond principal						
Bond interest and other charges						
<b>TOTAL EXPENDITURES</b>	<b>35,591</b>	<b>116,043</b>	<b>3,164</b>	<b>10,392</b>	<b>4</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,405</b>	<b>60,074</b>	<b>7,119</b>	<b>11,770</b>	<b>(4)</b>	<b>250,690</b>
OTHER FINANCING SOURCES (USES)						
Transfers in			5,000			
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>22,405</b>	<b>60,074</b>	<b>12,119</b>	<b>11,770</b>	<b>(4)</b>	<b>250,690</b>
FUND BALANCES - JANUARY 1	377,569	149,044	3,237	(16,512)	364	
FUND BALANCES - DECEMBER 31	\$ 399,974	\$ 209,118	\$ 15,356	\$ (4,742)	\$ 360	\$ 250,690

CITY OF MARKED TREE, 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 2

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
	Capital Building	2013 Sales and Use Tax Refunding	2018 Sales and Use Tax Refunding	Totals
REVENUES				
Federal aid				\$ 287,000
Sales taxes		\$ 132,175	\$ 133,656	452,502
Fines, forfeitures, and costs				2,784
Interest	\$ 3,252	99	101	8,592
Local permits and fees				21,950
Contribution from Poinsett County				7,488
Other	2,700			8,915
TOTAL REVENUES	5,952	132,274	133,757	789,231
EXPENDITURES				
Current:				
Law enforcement				3,168
Recreation and culture				116,043
Industrial development				35,591
Airport				10,392
Total Current				165,194
Debt Service:				
Bond principal		80,000	80,000	160,000
Bond interest and other charges		52,675	55,031	107,706
TOTAL EXPENDITURES		132,675	135,031	432,900
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	5,952	(401)	(1,274)	356,331
OTHER FINANCING SOURCES (USES)				
Transfers in				5,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	5,952	(401)	(1,274)	361,331
FUND BALANCES - JANUARY 1	201,605	105,949	109,862	931,118
FUND BALANCES - DECEMBER 31	\$ 207,557	\$ 105,548	\$ 108,588	\$ 1,292,449

CITY OF MARKED TREE, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
Industrial Development	Marked Tree Ordinance no. 295 (June 11, 2007) provided for the levy of a new sales and use tax as per special elections at the rate of one percent to generate revenue for: (A) park and recreational purposes, (B) street improvement purposes, and (C) industrial development purposes.
Parks and Recreation Maintenance	Marked Tree Ordinance no. 295 (June 11, 2007) provided for the levy of a new sales and use tax at the rate of one percent to generate revenue for: (A) park and recreational purposes, (B) street improvement purposes, and (C) industrial development purposes.
Municipal Judge's and Clerk's Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
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.
Drug	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Recover 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.
Capital Building	Marked Tree Ordinance no. 119 (February 11, 1957) and Ordinance no. 270 (August 9, 2004) established a capital building and improvement fund to receive transfers from general fund for future building improvements.
2013 Sales and Use Tax Refunding	Marked Tree Ordinance no. 353 (February 11, 2013) authorized the issuance of sales and use tax refunding bonds - Series 2013 for refunding Sales and Use Tax Bonds - Series 2007 for park and recreational improvements and construction, pledging 62.5% of the receipts of collection of a 1% sales and use tax to pay the principal and interest on the bonds. Any excess funds may be used for any lawful purpose.

CITY OF MARKED TREE, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
2018 Sales and Use Tax Refunding	Marked Tree Ordinance no. 396 (April 16, 2018) authorized the issuance of sales and use tax refunding bonds - Series 2018 for refunding Sales and Use Tax Bonds - Series 1996 for water and sewer improvements and construction, pledging 50% of the receipts of collection of a 1% sales and use tax to pay the principal and interest on the bonds. Any excess funds may be used for any lawful purpose.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

CITY OF MARKED TREE, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2021  
(Unaudited)

Schedule 3

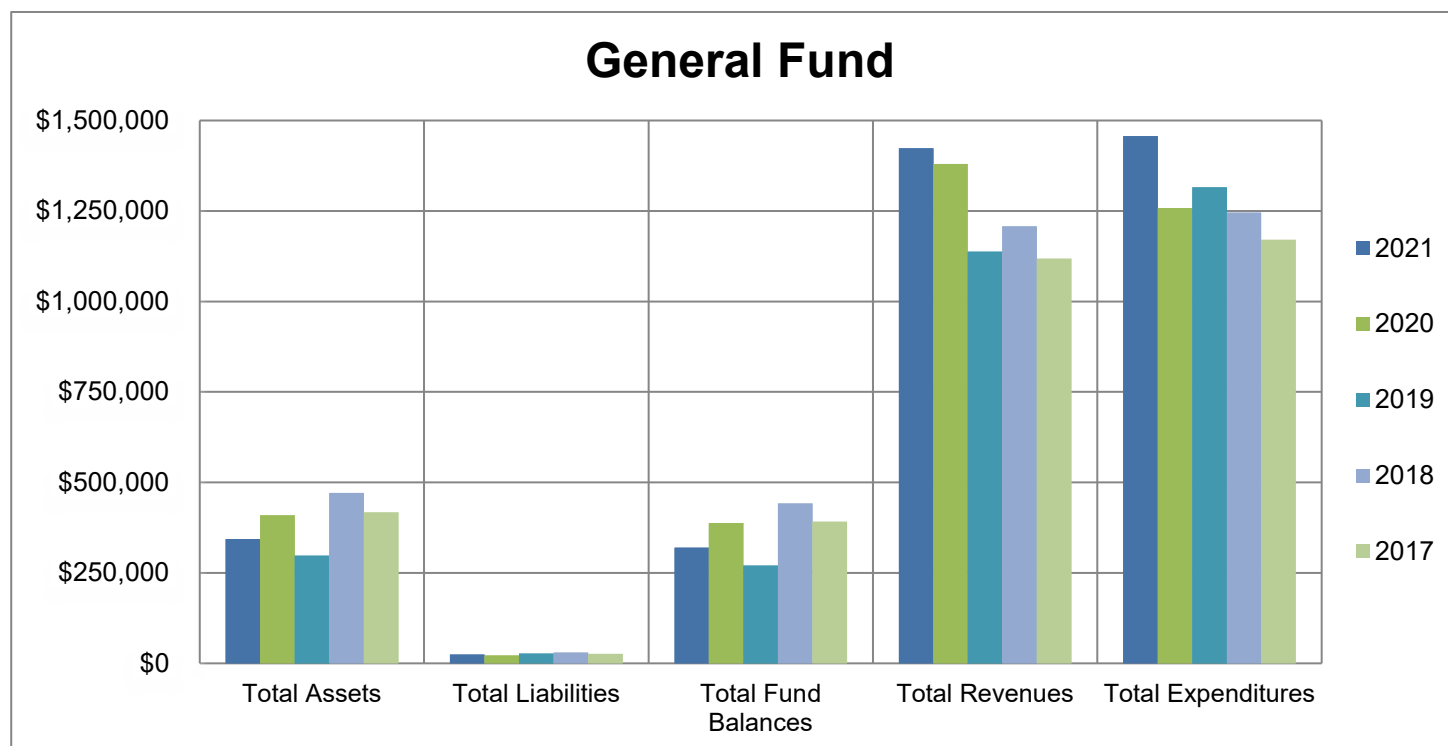
	December 31, 2021
Land	\$ 5,433,358
Buildings	1,910,422
Equipment	<u>2,753,819</u>
Total	<u><u>\$ 10,097,599</u></u>



CITY OF MARKED TREE, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
DECEMBER 31, 2021  
(Unaudited)

Schedule 4-1

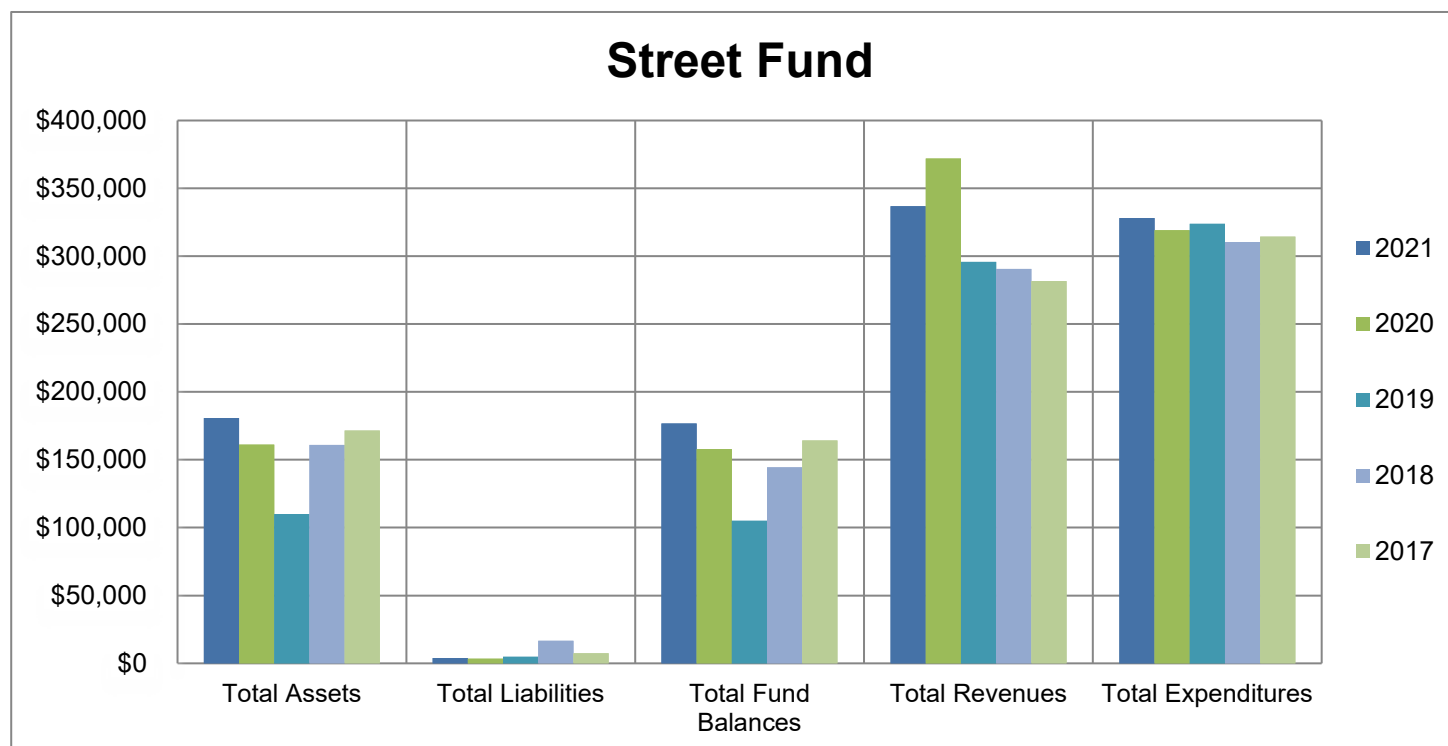
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 343,479	\$ 409,199	\$ 297,523	\$ 470,718	\$ 417,296
Total Liabilities	23,968	21,386	27,144	29,276	26,211
Total Fund Balances	319,511	387,813	270,379	441,442	391,085
Total Revenues	1,423,041	1,379,948	1,137,879	1,207,404	1,118,542
Total Expenditures	1,457,228	1,257,514	1,315,442	1,245,863	1,170,436
Total Other Financing Sources/Uses	(34,115)	(5,000)	6,500	88,816	(5,000)



CITY OF MARKED TREE, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
DECEMBER 31, 2021  
(Unaudited)

Schedule 4-2

<b><u>Street</u></b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Assets	\$ 180,771	\$ 161,275	\$ 109,903	\$ 161,001	\$ 171,596
Total Liabilities	3,973	3,512	4,918	16,638	7,463
Total Fund Balances	176,798	157,763	104,985	144,363	164,133
Total Revenues	336,839	372,007	295,916	290,577	281,702
Total Expenditures	328,232	319,229	323,794	310,347	314,450
Total Other Financing Sources/Uses	10,428		(11,500)		



CITY OF MARKED TREE, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
DECEMBER 31, 2021  
(Unaudited)

Schedule 4-3

<b>Other Funds in the Aggregate</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Assets	\$ 1,318,626	\$ 963,354	\$ 948,216	\$ 922,999	\$ 1,008,424
Total Liabilities	26,177	32,236	38,916	59,242	48,537
Total Fund Balances	1,292,449	931,118	909,300	863,757	959,887
Total Revenues	789,231	575,483	468,685	429,988	427,602
Total Expenditures	432,900	555,774	428,142	434,645	369,405
Total Other Financing Sources/Uses	5,000	2,109	5,000	(91,473)	5,000

