

City of Marked Tree, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MARKED TREE, ARKANSAS
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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

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, 2022, 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, 2022; 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, 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022 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 other funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
October 19, 2023
LOM105922



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 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, 2022, 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 October 19, 2023. 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 October 19, 2023

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
October 19, 2023

Arkansas

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

MANAGEMENT LETTER

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

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

Mayor: Danny Johnson
Clerk/Treasurer: Susan Macefe
District Court Clerk: Barbara Dexter
Police Chief: Chris Madden

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, appearing to read "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
October 19, 2023

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 196,689	\$ 144,433	\$ 1,503,777
Accounts receivable	108,819	9,514	207,713
Interfund receivables	53,175	10,764	195,628
	<u>358,683</u>	<u>164,711</u>	<u>1,907,118</u>
TOTAL ASSETS	<u>\$ 358,683</u>	<u>\$ 164,711</u>	<u>\$ 1,907,118</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 46,618	\$ 4,562	\$ 10,923
Interfund payables			259,567
Settlements pending			18,043
Total Liabilities	<u>46,618</u>	<u>4,562</u>	<u>288,533</u>
Fund Balances:			
Restricted	84,245	160,149	1,464,501
Committed	3,560		211,631
Assigned	36,396		
Unassigned	187,864		(57,547)
Total Fund Balances	<u>312,065</u>	<u>160,149</u>	<u>1,618,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 358,683</u>	<u>\$ 164,711</u>	<u>\$ 1,907,118</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, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 94,481	\$ 197,365	\$ 169,061
Federal aid			250,687
Property taxes	78,636	22,789	
Franchise fees	142,233		
Sales taxes	739,289	129,154	520,267
Fines, forfeitures, and costs	62,142		2,784
Interest	587	256	6,575
Local permits and fees	24,949		22,200
Sanitation fees	289,016		
Reimbursements	19,721		
Other	34,752	340	12,277
TOTAL REVENUES	1,485,806	349,904	983,851
EXPENDITURES			
Current:			
General government	308,332		32,953
Law enforcement	762,814		65,429
Highways and streets		359,500	
Public safety	59,203		
Sanitation	321,013		
Health	5,515		
Recreation and culture	6,770		78,747
Social services	14,213		
Industrial development			430
Airport			202,012
Total Current	1,477,860	359,500	379,571
Debt Service:			
Bond principal			160,000
Bond interest and other charges			102,256
Financed purchase principal	10,247	6,930	
Financed purchase interest	145	123	
TOTAL EXPENDITURES	1,488,252	366,553	641,827

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (2,446)</u>	<u>\$ (16,649)</u>	<u>\$ 342,024</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			5,000
Transfers out	(5,000)		
Contribution to water department			<u>(20,888)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>		<u>(15,888)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,446)	(16,649)	326,136
FUND BALANCES - JANUARY 1	<u>319,511</u>	<u>176,798</u>	<u>1,292,449</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 312,065</u></u>	<u><u>\$ 160,149</u></u>	<u><u>\$ 1,618,585</u></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 -
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	\$ 75,740	\$ 94,481	\$ 18,741	\$ 197,366	\$ 197,365	\$ (1)
Federal aid	256,601		(256,601)			
Property taxes	77,818	78,636	818	22,549	22,789	240
Franchise fees	141,226	142,233	1,007			
Sales taxes	733,045	739,289	6,244	117,716	129,154	11,438
Fines, forfeitures, and costs	59,809	62,142	2,333			
Interest	587	587	0	255	256	1
Local permits and fees	24,951	24,949	(2)			
Sanitation fees	289,614	289,016	(598)			
Reimbursements	37,455	19,721	(17,734)			
Other	52,744	34,752	(17,992)	325	340	15
TOTAL REVENUES	1,749,590	1,485,806	(263,784)	338,211	349,904	11,693
EXPENDITURES						
Current:						
General government	305,085	308,332	(3,247)			
Law enforcement	738,145	762,814	(24,669)			
Highways and streets				341,847	359,500	(17,653)
Public safety	61,831	59,203	2,628			
Sanitation	258,956	321,013	(62,057)			
Health	7,993	5,515	2,478			
Recreation and culture	7,260	6,770	490			
Social services	12,917	14,213	(1,296)			
Total Current	1,392,187	1,477,860	(85,673)	341,847	359,500	(17,653)
Debt Service:						
Financed purchase principal	125,775	10,247	115,528	24,118	6,930	17,188
Financed purchase interest		145	(145)		123	(123)
TOTAL EXPENDITURES	1,517,962	1,488,252	29,710	365,965	366,553	(588)

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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 231,628	\$ (2,446)	\$ (234,074)	\$ (27,754)	\$ (16,649)	\$ 11,105
OTHER FINANCING SOURCES (USES)						
Transfers in				15		(15)
Transfers out	258,402	(5,000)	(263,402)			
TOTAL OTHER FINANCING SOURCES (USES)	258,402	(5,000)	(263,402)	15		(15)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	490,030	(7,446)	(497,476)	(27,739)	(16,649)	11,090
FUND BALANCES - JANUARY 1		319,511	319,511		176,798	176,798
FUND BALANCES - DECEMBER 31	\$ 490,030	\$ 312,065	\$ (177,965)	\$ (27,739)	\$ 160,149	\$ 187,888

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

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 reported with other funds in the aggregate.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 the Custodial Fund 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 2022, 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 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, 2022

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, 2022

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)	\$ 617,080	\$ 617,080
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,227,369	1,239,704
Total Deposits	<u>\$ 1,844,449</u>	<u>\$ 1,856,784</u>

The above total deposits do not include cash on hand of \$450.

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, 2022

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid			\$ 169,061
Franchise fees	\$ 10,967		
Sales taxes	54,710	\$ 9,135	38,652
Fines, forfeitures, and costs	5,266		
Local permits and fees	1,087		
Sanitation fees	23,931		
Reimbursements	1,526		
Other	10,035		
Totals	<u>\$ 108,819</u>	<u>\$ 9,514</u>	<u>\$ 207,713</u>

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
Vendor payables	\$ 19,396	\$ 4,562	\$ 10,923
Payroll taxes and withholdings payable	27,222		
Totals	<u>\$ 46,618</u>	<u>\$ 4,562</u>	<u>\$ 10,923</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 53,175	
Street Fund	10,764	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Industrial Development	195,628	
Parks and Recreation Maintenance		\$ 16,146
Municipal Judge's and Clerk's Retirement		53,175
Airport		190,246
Totals	<u>\$ 259,567</u>	<u>\$ 259,567</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. Repayment to the Industrial Development Fund will begin in 2023 as funds become available and is expected to be completed over a three year period. Repayment to the General Fund began in 2022 and is expected to be completed over a four year period.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7: 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			\$ 448,037
Law enforcement	\$ 8,314		2,411
Highways and streets		\$ 160,149	
Public safety	21,854		
Recreation and culture			330,930
Industrial development			466,255
Police and fire retirement costs	54,077		
Debt service			216,868
Total Restricted	<u>84,245</u>	<u>160,149</u>	<u>1,464,501</u>
Committed for:			
Law enforcement	3,560		
Capital outlay			211,631
Total Committed	<u>3,560</u>		<u>211,631</u>
Assigned to:			
Sanitation	<u>36,396</u>		
Unassigned	<u>187,864</u>		<u>(57,547)</u>
Totals	<u>\$ 312,065</u>	<u>\$ 160,149</u>	<u>\$ 1,618,585</u>

NOTE 8: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2022:

	December 31, 2022
Other Funds in the Aggregate:	
Special Revenue Funds:	
Municipal Judge's and Clerk's Retirement	\$ (42,274)
Airport	<u>(15,273)</u>
Total	<u>\$ (57,547)</u>

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, the legal debt limit for the bonded debt was \$4,735,750. 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, the legal debt limit for short-term financing obligations was \$1,293,523. The amount of short-term financing obligations was \$74,929, leaving a legal debt margin of \$1,218,594.

NOTE 10: Commitments

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

	December 31, 2022
	<hr/>
Long-term liabilities	\$ 2,620,445
Leases	<hr/> 40,488
	<hr/>
Total Commitments	<u>\$ 2,660,933</u>

Long-term liabilities

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

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10: Commitments (Continued)

	December 31, 2022
<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.	\$ 1,190,000
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.	
	1,325,000
Total Bonds	<u>2,515,000</u>
<u>Direct Borrowings</u>	
Financed 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.	3,834
Financed purchase agreement with Axon Enterprise, Inc. dated December 29, 2022, in the amount of \$71,095 with zero interest, for body cameras and related software. Yearly installments of \$14,219 for 5 years. Payments are to be made from the General Funds.	71,095
Total Direct Borrowings	<u>74,929</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	<u>30,516</u>
Total Long-term liabilities	<u>\$ 2,620,445</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 \$2,515,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding financed purchases from direct borrowings of \$74,929 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10: Commitments (Continued)

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
3/20/13	11/1/34	1.25 - 4.25%	\$ 1,885,000	\$ 1,190,000	\$ 695,000
5/23/18	11/1/35	2 - 4%	1,675,000	1,325,000	350,000
Total Bonds			<u>3,560,000</u>	<u>2,515,000</u>	<u>1,045,000</u>
<u>Direct Borrowings</u>					
2/14/18	2/26/23	2.64%	108,000	3,834	104,166
12/29/22	1/1/27	0.00%	71,095	71,095	0
Total Direct Borrowings			<u>179,095</u>	<u>74,929</u>	<u>104,166</u>
Total Long-Term Debt			<u>\$ 3,739,095</u>	<u>\$ 2,589,929</u>	<u>\$ 1,149,166</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 2,675,000	\$ 0	\$ 160,000	\$ 2,515,000
<u>Direct Borrowings</u>				
Financed purchases	27,940	71,095	24,106 *	74,929
Total Long-Term Debt	<u>\$ 2,702,940</u>	<u>\$ 71,095</u>	<u>\$ 184,106</u>	<u>\$ 2,589,929</u>

* Includes \$6,929 paid from the Water Department

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	\$ 165,000	\$ 93,956	\$ 258,956	\$ 18,053	\$ 13	\$ 18,066
2024	170,000	89,325	259,325	14,219		14,219
2025	175,000	83,800	258,800	14,219		14,219
2026	180,000	78,100	258,100	14,219		14,219
2027	185,000	71,350	256,350	14,219		14,219
2028 through 2032	1,040,000	247,125	1,287,125			
2033 through 2035	600,000	44,713	644,713			
Totals	<u>\$2,515,000</u>	<u>\$ 708,369</u>	<u>\$3,223,369</u>	<u>\$74,929</u>	<u>\$ 13</u>	<u>\$74,942</u>

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10: Commitments (Continued)

Leases

The City entered into a lease agreement for a knuckle boom 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 knuckle boom truck or enter into another agreement. Payments are to be made from the General (Sanitation account) and Street Funds.

The City entered into a lease agreement for a sanitation truck 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 sanitation truck or enter into another agreement. Payments are to be made from the General Fund (Sanitation account).

The City is obligated for the following amounts for the next year:

<u>Year</u>	<u>December 31, 2022</u>
2023	<u>\$ 40,488</u>

Lease expense for 2022, was \$75,288.

NOTE 11: Interfund Transfers

The City transferred \$5,000 from the General Fund to Other Funds in the Aggregate (Municipal Judge's and Clerk's Retirement Fund) for retirement costs.

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 \$1,325,000 and \$372,556, respectively, payable through November 1, 2035. For 2022, principal and interest and other charges paid were \$80,000 and \$51,981, respectively.

Collection of the pledged tax were \$132,806 in 2022. 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 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 \$1,190,000 and \$335,813, respectively, payable through November 1, 2034. For 2022, principal and interest and other charges paid were \$80,000 and \$50,275, respectively.

Collections of the pledged tax were \$129,775 in 2022. 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.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13: Risk Management (Continued)

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.

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 MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

**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. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website 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 \$36,656 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$37,170 for the year ended December 31, 2022.

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, (actuarial valuation date and measurement date) was \$864,130.

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.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 15: 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 contributory 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 for the year ended June 30, 2022, (date of APERS Employer Allocation Report) was \$93,179.

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, (actuarial valuation date and measurement date) was \$784,577.

NOTE 16: 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 \$501,378 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$501,378 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 MARKED TREE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022

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	\$ 266,060	\$ 338,139	\$ 10,901	\$ 13,600	\$ 2,411	\$ 448,037
Accounts receivable	4,567	12,172		169,061		
Interfund receivables	195,628					
TOTAL ASSETS	\$ 466,255	\$ 350,311	\$ 10,901	\$ 182,661	\$ 2,411	\$ 448,037
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 3,235		\$ 7,688		
Interfund payables		16,146	\$ 53,175	190,246		
Settlements pending						
Total Liabilities		19,381	53,175	197,934		
Fund Balances:						
Restricted	\$ 466,255	330,930			\$ 2,411	\$ 448,037
Committed						
Unassigned			(42,274)	(15,273)		
Total Fund Balances	466,255	330,930	(42,274)	(15,273)	2,411	448,037
TOTAL LIABILITIES AND FUND BALANCES	\$ 466,255	\$ 350,311	\$ 10,901	\$ 182,661	\$ 2,411	\$ 448,037

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

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	\$ 211,631	\$ 95,576	\$ 99,379	\$ 18,043	\$ 1,503,777
Accounts receivable		10,665	11,248		207,713
Interfund receivables					195,628
TOTAL ASSETS	<u>\$ 211,631</u>	<u>\$ 106,241</u>	<u>\$ 110,627</u>	<u>\$ 18,043</u>	<u>\$ 1,907,118</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 10,923
Interfund payables					259,567
Settlements pending				\$ 18,043	18,043
Total Liabilities				<u>18,043</u>	<u>288,533</u>
Fund Balances:					
Restricted		\$ 106,241	\$ 110,627		1,464,501
Committed	\$ 211,631				211,631
Unassigned					(57,547)
Total Fund Balances	<u>211,631</u>	<u>106,241</u>	<u>110,627</u>		<u>1,618,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 211,631</u>	<u>\$ 106,241</u>	<u>\$ 110,627</u>	<u>\$ 18,043</u>	<u>\$ 1,907,118</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, 2022

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						
State aid				\$ 169,061		
Federal aid						\$ 250,687
Sales taxes	\$ 64,577	\$ 193,109				
Fines, forfeitures, and costs			\$ 2,784			
Interest	1,883	374	15	20	\$ 1	501
Local permits and fees				22,200		
Other	251	7,076		200	2,050	
TOTAL REVENUES	66,711	200,559	2,799	191,481	2,051	251,188
EXPENDITURES						
Current:						
General government						32,953
Law enforcement			65,429			
Recreation and culture		78,747				
Industrial development	430					
Airport				202,012		
Total Current	430	78,747	65,429	202,012		32,953
Debt Service:						
Bond principal						
Bond interest and other charges						
TOTAL EXPENDITURES	430	78,747	65,429	202,012		32,953
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	66,281	121,812	(62,630)	(10,531)	2,051	218,235
OTHER FINANCING SOURCES (USES)						
Transfers in			5,000			
Contribution to water department						(20,888)
TOTAL OTHER FINANCING SOURCES (USES)			5,000			(20,888)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	66,281	121,812	(57,630)	(10,531)	2,051	197,347
FUND BALANCES - JANUARY 1	399,974	209,118	15,356	(4,742)	360	250,690
FUND BALANCES - DECEMBER 31	\$ 466,255	\$ 330,930	\$ (42,274)	\$ (15,273)	\$ 2,411	\$ 448,037

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, 2022

Schedule 2

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		
	Capital Building	2013 Sales and Use Tax Refunding	2018 Sales and Use Tax Refunding	Totals
REVENUES				
State aid				\$ 169,061
Federal aid				250,687
Sales taxes		\$ 129,775	\$ 132,806	520,267
Fines, forfeitures, and costs				2,784
Interest	\$ 1,374	1,193	1,214	6,575
Local permits and fees				22,200
Other	2,700			12,277
TOTAL REVENUES	4,074	130,968	134,020	983,851
EXPENDITURES				
Current:				
General government				32,953
Law enforcement				65,429
Recreation and culture				78,747
Industrial development				430
Airport				202,012
Total Current				379,571
Debt Service:				
Bond principal		80,000	80,000	160,000
Bond interest and other charges		50,275	51,981	102,256
TOTAL EXPENDITURES		130,275	131,981	641,827
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,074	693	2,039	342,024
OTHER FINANCING SOURCES (USES)				
Transfers in				5,000
Contribution to water department				(20,888)
TOTAL OTHER FINANCING SOURCES (USES)				(15,888)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,074	693	2,039	326,136
FUND BALANCES - JANUARY 1	207,557	105,548	108,588	1,292,449
FUND BALANCES - DECEMBER 31	\$ 211,631	\$ 106,241	\$ 110,627	\$ 1,618,585

CITY OF MARKED TREE, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
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>
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, 2022

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, 2022
(Unaudited)

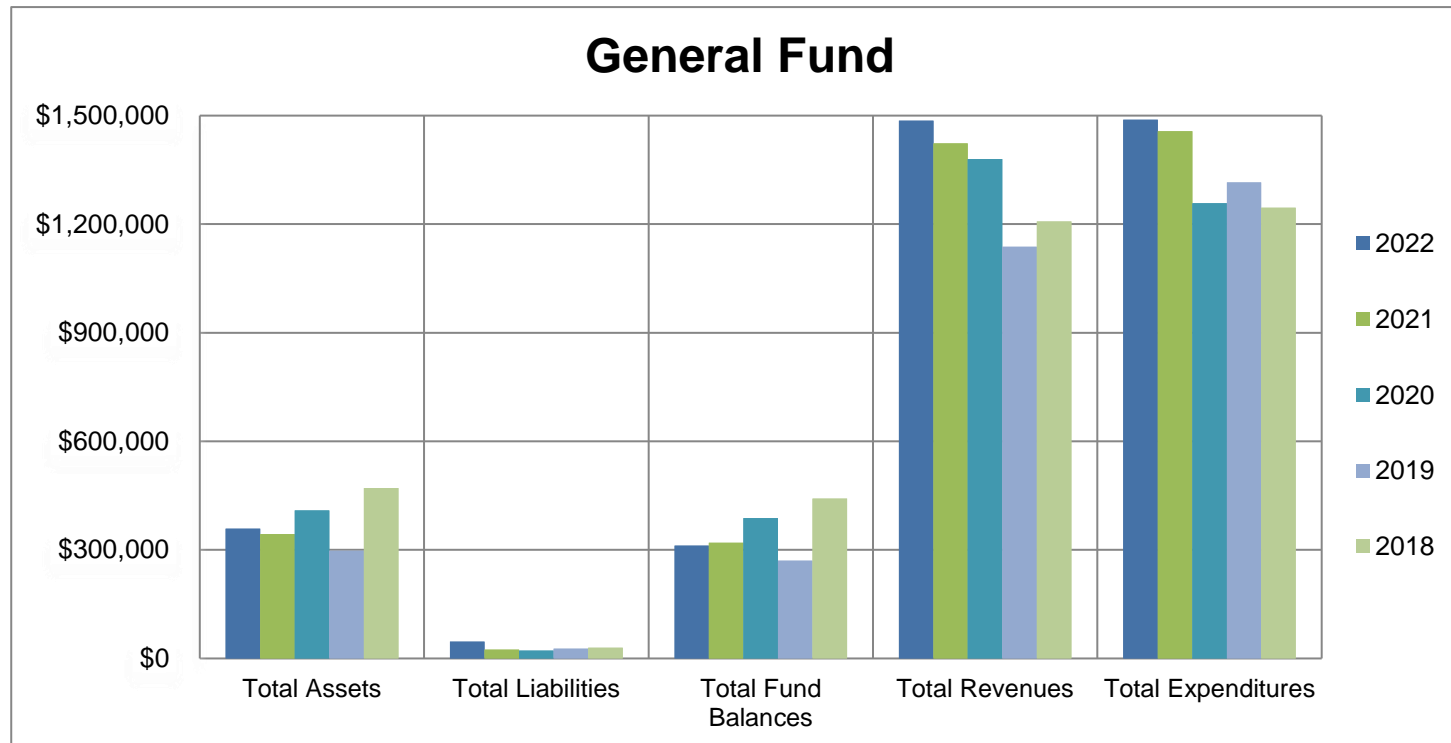
Schedule 3

	December 31, 2022
	<hr/>
Land	\$ 5,433,358
Buildings	1,910,422
Equipment	<hr/> 2,802,922
	<hr/>
Total	<u><u>\$ 10,146,702</u></u>

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

Schedule 4-1

<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 358,683	\$ 343,479	\$ 409,199	\$ 297,523	\$ 470,718
Total Liabilities	46,618	23,968	21,386	27,144	29,276
Total Fund Balances	312,065	319,511	387,813	270,379	441,442
Total Revenues	1,485,806	1,423,041	1,379,948	1,137,879	1,207,404
Total Expenditures	1,488,252	1,457,228	1,257,514	1,315,442	1,245,863
Total Other Financing Sources/Uses	(5,000)	(34,115)	(5,000)	6,500	88,816



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

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 164,711	\$ 180,771	\$ 161,275	\$ 109,903	\$ 161,001
Total Liabilities	4,562	3,973	3,512	4,918	16,638
Total Fund Balances	160,149	176,798	157,763	104,985	144,363
Total Revenues	349,904	336,839	372,007	295,916	290,577
Total Expenditures	366,553	328,232	319,229	323,794	310,347
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, 2022
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2022	2021	2020	2019	2018
Total Assets	\$ 1,907,118	\$ 1,318,626	\$ 963,354	\$ 948,216	\$ 922,999
Total Liabilities	288,533	26,177	32,236	38,916	59,242
Total Fund Balances	1,618,585	1,292,449	931,118	909,300	863,757
Total Revenues	983,851	789,231	575,483	468,685	429,988
Total Expenditures	641,827	432,900	555,774	428,142	434,645
Total Other Financing Sources/Uses	(15,888)	5,000	2,109	5,000	(91,473)

