

City of Nashville, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF NASHVILLE, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Independent Auditor's Report
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*
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

OTHER INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	4-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	4-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	4-3

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**

Independent Auditor's Report

City of Nashville, 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 Nashville, 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 Nashville, 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 Nashville, 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 another fund 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, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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
December 1, 2022
LOM106721

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 Nashville, 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 Nashville, 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 December 1, 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*.

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, reading "Timothy R. Jones". The signature is fluid and cursive, with the first name "Timothy" being the most prominent.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
December 1, 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 Nashville, 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: Billy Ray Jones
Interim City Clerk: Carol Mitchell
Finance Director: Kimberly Green
Park Director: Megan Floyd
District Court Clerk: Cynthia Grady
Police Chief: Amy Marion

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, reading "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
December 1, 2022

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,149,433	\$ 33,875	\$ 1,741,605
Investments			382,590
Accounts receivable	302,991	5,463	45,757
	<u>302,991</u>	<u>5,463</u>	<u>45,757</u>
TOTAL ASSETS	<u>\$ 1,452,424</u>	<u>\$ 39,338</u>	<u>\$ 2,169,952</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,813	\$ 1,488	\$ 22,234
Settlements pending			84,303
Total Liabilities	<u>15,813</u>	<u>1,488</u>	<u>106,537</u>
Fund Balances:			
Restricted	47,029		804,274
Committed			1,179,528
Assigned	202,623	37,850	79,613
Unassigned	1,186,959		
Total Fund Balances	<u>1,436,611</u>	<u>37,850</u>	<u>2,063,415</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,452,424</u>	<u>\$ 39,338</u>	<u>\$ 2,169,952</u>

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

CITY OF NASHVILLE, 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	\$ 266,070	\$ 371,881	\$ 3,467
Federal aid	2,550		454,350
Property taxes	170,348	65,456	
Franchise fees	253,916		
Sales taxes	2,660,931	124	
Fines, forfeitures, and costs	54,253		
Interest	6,524	284	36,046
Local permits and fees	16,456		
Sanitation fees			267,108
Park activity and concessions			109,237
Net increase in fair value of investments			1,423
Other	188,909	4,058	27,018
TOTAL REVENUES	3,619,957	441,803	898,649
EXPENDITURES			
Current:			
General government	536,209		11,517
Law enforcement	1,347,062		21,400
Highways and streets		833,857	7,100
Public safety	407,960		60,035
Sanitation			290,022
Recreation and culture	478,758		106,312
Total Current	2,769,989	833,857	496,386
Debt Service:			
Bond principal			113,129
Bond interest and other charges			22,711
Note principal	25,897	7,455	
Note interest	35,462	765	24,252
TOTAL EXPENDITURES	2,831,348	842,077	656,478

CITY OF NASHVILLE, 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	<u>\$ 788,609</u>	<u>\$ (400,274)</u>	<u>\$ 242,171</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		238,776	136,805
Transfers out	(375,581)		
Contribution to water department	(80,502)		(27,466)
Contribution to animal control	(6,600)		(2,800)
Proceeds from installment contract		155,542	59,927
TOTAL OTHER FINANCING SOURCES (USES)	<u>(462,683)</u>	<u>394,318</u>	<u>166,466</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	325,926	(5,956)	408,637
FUND BALANCES - JANUARY 1	<u>1,110,685</u>	<u>43,806</u>	<u>1,654,778</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,436,611</u></u>	<u><u>\$ 37,850</u></u>	<u><u>\$ 2,063,415</u></u>

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

CITY OF NASHVILLE, 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	\$ 116,070	\$ 266,070	\$ 150,000	\$ 436,924	\$ 371,881	\$ (65,043)
Federal aid	454,350	2,550	(451,800)			
Property taxes	175,266	170,348	(4,918)		65,456	65,456
Franchise fees	248,816	253,916	5,100			
Sales taxes	2,627,981	2,660,931	32,950		124	124
Fines, forfeitures, and costs	53,688	54,253	565			
Interest	6,473	6,524	51	284	284	0
Local permits and fees	16,556	16,456	(100)			
Other	480,344	188,909	(291,435)	4,857	4,058	(799)
TOTAL REVENUES	4,179,544	3,619,957	(559,587)	442,065	441,803	(262)
EXPENDITURES						
Current:						
General government	1,027,373	536,209	491,164			
Law enforcement	1,183,776	1,347,062	(163,286)			
Highways and streets				695,622	833,857	(138,235)
Public safety	416,883	407,960	8,923			
Recreation and culture	490,013	478,758	11,255			
Total Current	3,118,045	2,769,989	348,056	695,622	833,857	(138,235)
Debt Service:						
Note principal		25,897	(25,897)		7,455	(7,455)
Note interest		35,462	(35,462)		765	(765)
TOTAL EXPENDITURES	3,118,045	2,831,348	286,697	695,622	842,077	(146,455)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,061,499	788,609	(272,890)	(253,557)	(400,274)	(146,717)
OTHER FINANCING SOURCES (USES)						
Transfers in	85,164		(85,164)	246,176	238,776	(7,400)
Transfers out	(479,656)	(375,581)	104,075			
Contribution to water department		(80,502)	(80,502)			
Contribution to animal control		(6,600)	(6,600)			
Proceeds from installment contract					155,542	155,542
TOTAL OTHER FINANCING SOURCES (USES)	(394,492)	(462,683)	(68,191)	246,176	394,318	148,142
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	667,007	325,926	(341,081)	(7,381)	(5,956)	1,425
FUND BALANCES - JANUARY 1		1,110,685	1,110,685		43,806	43,806
FUND BALANCES - DECEMBER 31	\$ 667,007	\$ 1,436,611	\$ 769,604	\$ (7,381)	\$ 37,850	\$ 45,231

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

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Nashville 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 fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

CITY OF NASHVILLE, 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)

Enterprise Funds – Enterprise funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. See Schedules 1 and 2 for the Enterprise Fund reported with other funds in the aggregate.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund reported with other funds in the aggregate.

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

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 money market accounts.

Investments

Investments are reported at fair value.

Settlements Pending

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

CITY OF NASHVILLE, 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.

G. Fund Balance Classification Policies and Procedures

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

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures (Continued)

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

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)	\$ 279,678	\$ 321,343
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,487,572	1,626,264
Uncollateralized	1,156,182	1,156,181
Total Deposits	<u>\$ 2,923,432</u>	<u>\$ 3,103,788</u>

The above total deposits do not include cash on hand of \$1,481.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial risk. As of December 31, 2021, \$1,156,181 of the City's bank balance of \$3,103,788 was exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	<u>December 31, 2021</u> Fair Value
Pension Trust	<u>\$ 382,590</u>

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

<u>December 31, 2021</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	<u>\$ 382,590</u>

The fair value of mutual funds is measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources. As a result, these were classified as Level I inputs.

NOTE 5: 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	\$ 13,383	\$ 5,148	
Franchise fees	51,280		
Sales taxes	233,127		
Fines, forfeitures, and costs	4,393		
Sanitation fees			\$ 45,757
Other	<u>808</u>	<u>315</u>	
Totals	<u>\$ 302,991</u>	<u>\$ 5,463</u>	<u>\$ 45,757</u>

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6: 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	\$ 15,813	\$ 1,488	\$ 20,221
Payroll taxes payable			2,013
Totals	<u>\$ 15,813</u>	<u>\$ 1,488</u>	<u>\$ 22,234</u>

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			\$ 384,684
Law enforcement	\$ 22,001		
Public safety	25,028		
Pension benefits			395,978
Debt service			23,612
Total Restricted	<u>47,029</u>		<u>804,274</u>
Committed for:			
Sanitation			46,958
Capital outlay			1,132,570
Total Committed			<u>1,179,528</u>
Assigned to:			
General government	46,668		
Law enforcement	29,222		
Highways and streets		\$ 37,850	
Public safety	109,668		
Sanitation			26,271
Recreation and culture	17,065		53,342
Total Assigned	<u>202,623</u>	<u>37,850</u>	<u>79,613</u>
Unassigned	<u>1,186,959</u>		
Totals	<u>\$ 1,436,611</u>	<u>\$ 37,850</u>	<u>\$ 2,063,415</u>

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 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 \$12,641,361. There were no property tax secured bond issues.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Legal Debt Limit (Continued)

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 \$3,408,555. The amount of short-term financing obligations was \$148,087 leaving a legal debt margin of \$3,260,468.

NOTE 9: Commitments

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

	December 31, 2021
Long-term liabilities	\$ 3,911,834
Construction contracts	1,244,680
Total Commitments	<u>\$ 5,156,514</u>

Long-term liabilities

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

Bonds

Sales and Use Tax Refunding Bonds, Series 2020 dated August 25, 2020 in the amount of \$1,239,623, annual installments of \$12,008 - \$136,389 plus interest through November 1, 2030; interest of 1.85%, due May 1 and November 1 of each year. Payments are to be made from the 2020 Sales and Use Tax Refunding Bond Issue Debt Service Fund.

December 31, 2021
<u>\$ 1,114,486</u>

Direct Borrowings

Installment Financing Agreement, dated November 5, 2021, in the amount of \$2,422,656 for the acquisition, installation, and construction of certain energy efficiency equipment, solar equipment, improvements and renovations. Due in annual installments of \$62,037 - \$219,874 plus interest through July 1, 2041; interest at 2.929% due July 1 of each year beginning on July 1, 2023. Payments are to be made from the General Fund.

2,422,656

Note payable, dated October 1, 2021, in the amount of \$155,542 for the purchase of a Petersen Knuckleboom truck. Terms of the note payable require 24 monthly payments of \$2,740 which include 2.00% interest beginning November 1, 2021 and one lump sum payment of \$95,000 plus interest due November 1, 2023. Payments are to be made from the Street Fund.

148,087

Total Direct Borrowings

2,570,743

Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.

226,605

Total Long-term liabilities

\$ 3,911,834

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

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: Commitments (Continued)

The City's outstanding bonds payable of \$1,114,486 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 installment financing agreement and note from direct borrowings of \$2,570,743 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
8/25/20	11/1/30	1.85%	\$ 1,239,623	\$ 1,114,486	\$ 125,137
<u>Direct Borrowings</u>					
11/5/21	7/1/41	2.929%	2,422,656	2,422,656	
10/1/21	11/1/23	2.00%	155,542	148,087	7,455
Total Direct Borrowings			2,578,198	2,570,743	7,455
Total Long-Term Debt			\$ 3,817,821	\$ 3,685,229	\$ 132,592

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 1,227,615	\$ 0	\$ 113,129	\$ 1,114,486
<u>Direct Borrowings</u>				
Notes payable	2,388,626	215,469	33,352	2,570,743
Total Long-Term Debt	\$ 3,616,241	\$ 215,469	\$ 146,481	\$ 3,685,229

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: 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	\$ 112,372	\$ 20,618	\$ 132,990	\$ 27,658	\$ 2,485	\$ 30,143
2023	116,151	18,539	134,690	182,466	72,933	255,399
2024	119,835	16,390	136,225	66,395	69,143	135,538
2025	123,091	14,174	137,265	72,503	67,198	139,701
2026	121,229	11,896	133,125	78,915	65,074	143,989
2027 through 2031	521,808	24,541	546,349	502,356	286,609	788,965
2032 through 2036				663,346	204,060	867,406
2037 through 2041				977,104	89,361	1,066,465
Totals	<u>\$1,114,486</u>	<u>\$ 106,158</u>	<u>\$1,220,644</u>	<u>\$2,570,743</u>	<u>\$ 856,863</u>	<u>\$3,427,606</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2021:

Project Name	Completed Date	Contract Balance December 31, 2021
4th Street Sidewalk Project	February 21, 2022	\$ 157,899
Solar Panel Project	July 31, 2022	1,086,781
Total Construction Contracts		<u>\$ 1,244,680</u>

NOTE 10: Interfund Transfers

The General Fund transferred \$238,776 to the Street Fund for supplemental funding and the General Fund transferred \$136,805 to the Other Funds in the Aggregate, 2020 Sales and Use Tax Refunding Bond Issue Debt Service Fund, for debt service.

NOTE 11: Pledged Revenues

The City pledged future collections of an existing 1% sales and use taxes to repay \$1,239,623 in bonds that were issued in 2020 for the purpose of refunding a 2014 sales and use tax refunding. The total principal and interest remaining on the bonds at December 31, 2021 was \$1,114,486 and \$106,158, respectively, payable through November 1, 2030. For 2021, principal and interest paid were \$113,129 and \$22,711, respectively. Sales tax revenue in excess of debt service requirements on the bonds may be used for other City purposes.

NOTE 12: Joint Venture – Animal Control Commission

On September 23, 1997, the Cities of Nashville, Mineral Springs, Dierks, Tollette, and Murfreesboro entered into an interlocal agreement creating the Animal Control Commission. The Commission is comprised of one representative appointed by the respective Mayors with Council approval. Additionally, one local veterinarian is appointed by the Mayor of Nashville. The Commission is financed on a per capita basis. In the event of termination of the agreement, in whole or in part, all real estate and personal property will become property of the City of Nashville. The original interlocal agreement has been amended on several occasions subsequent to the formation of the Animal Control Commission. As of December 31, 2021, Nashville, Dierks, Murfreesboro, Washington, Mineral Springs, Delight, and Prescott were participating in this joint venture. In 2021, the City of Nashville's per capita contribution to the Animal Control Commission was \$51,442. The financial statements for the Animal Control Commission are available at the Nashville City Hall, 426 Main Street, Nashville, AR 71852.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13: Jointly Governed Organizations

Ninth West Judicial Drug Task Force

The Prosecuting Attorney of the Ninth West Judicial District, the Sheriffs' Departments of Sevier, Little River, Howard, and Pike Counties, and the Police Departments of De Queen, Ashdown, and Nashville entered into an agreement to establish the Ninth West Judicial Drug Task Force. The agreement covers the period July 1, 2021 to June 30, 2022 and may be extended upon written mutual agreement. Funding is provided through federal and state grants in addition to contributions from participating entities. In 2021, the City of Nashville's contribution to the Ninth West Judicial Drug Task Force was \$3,000. Separate financial statements for the Ninth West Judicial Drug Task Force are not available.

Upper Southwest Arkansas Regional Solid Waste Management District

The Upper Southwest Arkansas Regional Solid Waste Management District is a jointly governed organization comprised of representatives from Howard, Pike, Sevier, Little River, Hempstead, Lafayette, Montgomery, Nevada, and Polk Counties and participating cities within the aforementioned counties. The District is governed by a Board of Directors consisting of the respective county judges and mayors of the county seats for the area served, unless other representatives are appointed by the respective entity. In 2021, the City paid \$17,135 to the Upper Southwest Arkansas Regional Solid Waste Management District. The latest audited financial statements for the Upper Southwest Arkansas Regional Solid Waste Management District are available at www.arklegaudit.gov.

Nashville/Howard County Airport Commission

On July 8, 1997, the City entered into an interlocal agreement with Howard County forming the Nashville/Howard County Airport Commission. The joint commission was not established in accordance with Ark. Code Ann. §§ 14-362-104 –14-362-131 (the Regional Airport Act) and appears to be acting in an advisory capacity. The County owns all real and personal property per the agreement. Accordingly, the Nashville/Howard County Airport Commission is presented in the financial statements of Howard County in the other Funds in the Aggregate as a special revenue fund. Howard County's financial statements are available at www.arklegaudit.gov.

NOTE 14: Risk Management

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

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

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

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.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14: Risk Management (Continued)

The City participates in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage in the following areas:

Building and Contents Program - This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. Even though the APERMA property program limits are blanket, the City's property limits are tied back to the insurance statement of values. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city property.

Vehicle Program

- A. Liability - This program may pay all sums the City legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered city vehicle and for which the City is liable. The limit of payment for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city vehicles owned or leased by the City.
- B. Physical Damage - This program covers vehicles and mobile equipment which are the property of the participating city. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Police Department vehicles and \$500 for all other covered vehicles and mobile equipment. The City agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the city government of a participating city and pay judgments imposed on City officials and employees and the city government and city-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

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 15: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City did not contribute to the plan for the year ended December 31, 2021.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

**NOTE 16: 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.

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 \$26,540 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$17,647 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$137,439.

NOTE 17: Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. 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 \$305,177 for the year ended June 30, 2021.

CITY OF NASHVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 17: Arkansas Public Employees Retirement System (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 June 30, 2021 (actuarial valuation date and measurement date) was \$766,958.

NOTE 18: 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 \$908,695 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$908,695 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND	DEBT SERVICE FUND	ENTERPRISE FUND	TRUST FUND	CUSTODIAL FUNDS			
	Park Commission	American Rescue Plan Act	Energy Conservation Project	2020 Sales and Use Tax Refunding Bond Issue	Sanitation	Firemen's Pension	Disbursement	District Court - Traffic and Criminal	District Court - Civil and Small Claims	Totals
ASSETS										
Cash and cash equivalents	\$ 53,342	\$ 384,684	\$ 1,132,570	\$ 23,612	\$ 49,706	\$ 13,388	\$ 68,012	\$ 16,339	\$ (48)	\$ 1,741,605
Investments						382,590				382,590
Accounts receivable					45,757					45,757
TOTAL ASSETS	\$ 53,342	\$ 384,684	\$ 1,132,570	\$ 23,612	\$ 95,463	\$ 395,978	\$ 68,012	\$ 16,339	\$ (48)	\$ 2,169,952
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable					\$ 22,234					\$ 22,234
Settlements pending							\$ 68,012	\$ 16,339	\$ (48)	84,303
Total Liabilities					22,234		68,012	16,339	(48)	106,537
Fund Balances:										
Restricted		\$ 384,684		\$ 23,612		\$ 395,978				804,274
Committed			\$ 1,132,570		46,958					1,179,528
Assigned	\$ 53,342				26,271					79,613
Total Fund Balances	53,342	384,684	1,132,570	23,612	73,229	395,978				2,063,415
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,342	\$ 384,684	\$ 1,132,570	\$ 23,612	\$ 95,463	\$ 395,978	\$ 68,012	\$ 16,339	\$ (48)	\$ 2,169,952

CITY OF NASHVILLE, 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		CAPITAL PROJECTS FUND	DEBT SERVICE FUND	ENTERPRISE FUND	TRUST FUND	
	Park Commission	American Rescue Plan Act	Energy Conservation Project	2020 Sales and Use Tax Refunding Bond Issue	Sanitation	Firemen's Pension	Totals
REVENUES							
State aid						\$ 3,467	\$ 3,467
Federal aid		\$ 454,350					454,350
Interest	\$ 2,413		\$ 257	\$ 6	\$ 318	33,052	36,046
Sanitation fees					267,108		267,108
Park activity and concessions	109,237						109,237
Net increase/(decrease) in fair value of investments						1,423	1,423
Other					27,018		27,018
TOTAL REVENUES	111,650	454,350	257	6	294,444	37,942	898,649
EXPENDITURES							
Current:							
General government		3,166	8,351				11,517
Law enforcement		21,400					21,400
Highways and streets		7,100					7,100
Public safety		9,700				50,335	60,035
Sanitation					290,022		290,022
Recreation and culture	100,612	5,700					106,312
Total Current	100,612	47,066	8,351		290,022	50,335	496,386
Debt Service:							
Bond principal				113,129			113,129
Bond interest and other charges				22,711			22,711
Note interest			24,252				24,252
TOTAL EXPENDITURES	100,612	47,066	32,603	135,840	290,022	50,335	656,478
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,038	407,284	(32,346)	(135,834)	4,422	(12,393)	242,171
OTHER FINANCING SOURCES (USES)							
Transfers in				136,805			136,805
Contribution to water department		(19,800)			(7,666)		(27,466)
Contribution to animal control		(2,800)					(2,800)
Proceeds from installment contract			59,927				59,927
TOTAL OTHER FINANCING SOURCES (USES)		(22,600)	59,927	136,805	(7,666)		166,466
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	11,038	384,684	27,581	971	(3,244)	(12,393)	408,637
FUND BALANCES - JANUARY 1	42,304		1,104,989	22,641	76,473	408,371	1,654,778
FUND BALANCES - DECEMBER 31	\$ 53,342	\$ 384,684	\$ 1,132,570	\$ 23,612	\$ 73,229	\$ 395,978	\$ 2,063,415

CITY OF NASHVILLE, 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>
Park Commission	Nashville Ordinance no. 293 (August 1, 1949) established fund for the acquisition, operation and management of park facilities and programs.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLFR), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Energy Conservation Project	Nashville Ordinance no. 961 (September 21, 2020) established to expend installment financing agreement proceeds for energy conservation improvements to City owned facilities and the installation of solar panels.
2020 Sales and Use Tax Refunding Bond Issue	Nashville Ordinance no. 960 (July 13, 2020) established fund to receive sales and use tax monies as approved by referendum on August 9, 2005 to be used for the principal, interest and fees on the Sales and Use Tax Refunding Bonds Series 2005. The Series 2014 bonds were refunded with the issuance of the 2020 Series Bonds. Sales tax revenue in excess of the debt service requirements may be used for any city purpose.
Sanitation	Nashville Ordinance no. 375 (January 17, 1964) as amended by Ordinance no. 464 (April 3, 1978) established fund to receive sanitation fees to finance sanitation operations.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Disbursement	Clearing account for the City for accounts payable and payroll related disbursements.
District Court - Traffic and Criminal	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
District Court - Civil and Small Claims	Ark. Code Ann. § 16-17-707 established account to receive fees relating to small claims and civil case filings.

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

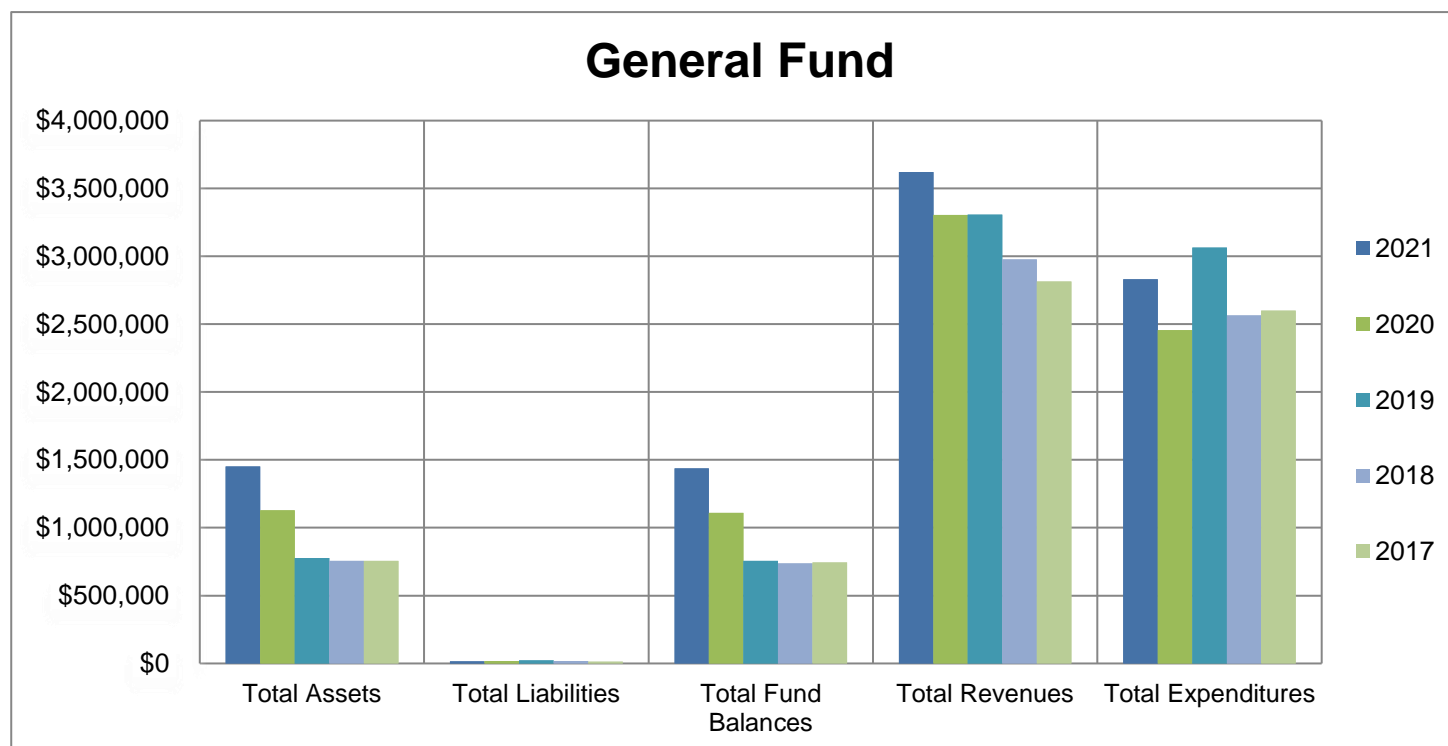
Schedule 3

	December 31, 2021
Construction in progress	\$ 1,263,050
Land and buildings	3,226,941
Improvements	1,019,408
Equipment	<u>1,997,423</u>
Total	<u><u>\$ 7,506,822</u></u>

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

Schedule 4-1

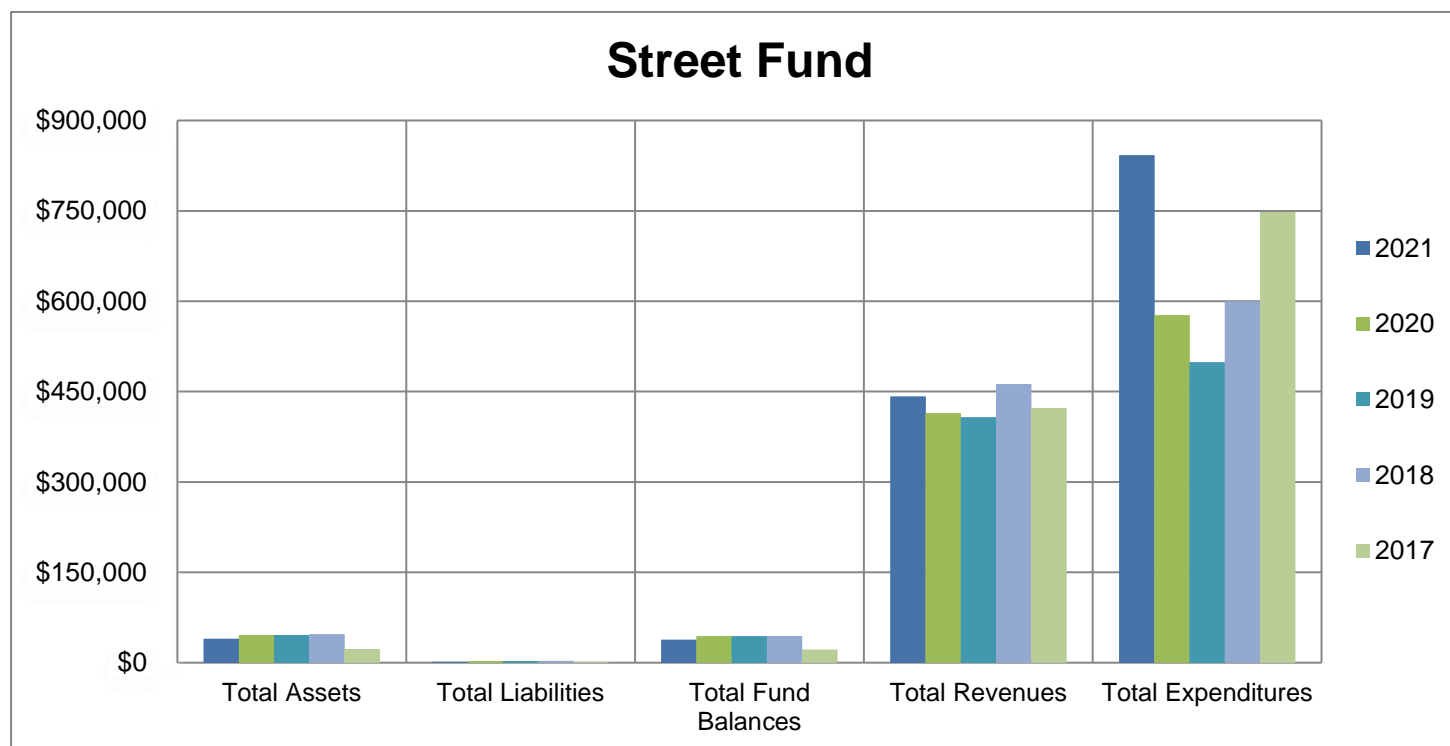
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 1,452,424	\$ 1,127,489	\$ 776,432	\$ 755,107	\$ 756,772
Total Liabilities	15,813	16,804	21,585	17,896	12,693
Total Fund Balances	1,436,611	1,110,685	754,847	737,211	744,079
Total Revenues	3,619,957	3,303,699	3,308,079	2,976,457	2,813,904
Total Expenditures	2,831,348	2,455,684	3,063,807	2,563,975	2,600,039
Total Other Financing Sources/Uses	(462,683)	(503,555)	(226,636)	(419,350)	(484,742)



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

Schedule 4-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 39,338	\$ 45,980	\$ 46,088	\$ 47,103	\$ 22,422
Total Liabilities	1,488	2,174	2,438	2,949	1,128
Total Fund Balances	37,850	43,806	43,650	44,154	21,294
Total Revenues	441,803	414,251	406,942	462,258	422,644
Total Expenditures	842,077	576,763	498,646	599,508	748,317
Total Other Financing Sources/Uses	394,318	162,668	91,200	160,110	312,827



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

Schedule 4-3

Other Funds in the Aggregate	2021	2020	2019	2018	2017
Total Assets	\$ 2,169,952	\$ 2,358,131	\$ 605,190	\$ 612,564	\$ 633,470
Total Liabilities	106,537	703,353	95,256	86,165	84,438
Total Fund Balances	2,063,415	1,654,778	509,934	526,399	549,032
Total Revenues	898,649	394,810	421,160	358,975	425,762
Total Expenditures	656,478	3,009,801	582,590	525,189	581,925
Total Other Financing Sources/Uses	166,466	3,759,835	144,965	143,581	141,143

