

City of Ozark, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF OZARK, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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. 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 Ozark, 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 Ozark, 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 Ozark, 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 Ozark, 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.

Emphases 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 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 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 December 7, 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
December 7, 2023
LOM107122



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 Ozark, 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 Ozark, 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 December 7, 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 December 7, 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", written in a cursive style.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
December 7, 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 Ozark, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

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

Mayor: Roxie Hall
Treasurer: Marla Ward
City Clerk: Susan Stevens
District Court Clerk: Scout Ingram
Police Chief: Devin Bramlett

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

Other issue

On September 9, 2022, one unauthorized withdrawal totaling \$2,446 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon notification from the vendor that payment for services had not been received. The City notified its banking institution of the unauthorized payment and funds were recovered.

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 7, 2023

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 3,847,475	\$ 37,658	\$ 1,636,102
Accounts receivable	194,169		110,468
Interfund receivables	9,000		13,900
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 4,050,644</u></u>	<u><u>\$ 37,658</u></u>	<u><u>\$ 1,760,470</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 42,029	\$ 13,562	\$ 5,032
Interfund payables	13,900		9,000
Settlements pending			191,602
Total Liabilities	<u>55,929</u>	<u>13,562</u>	<u>205,634</u>
Fund Balances:			
Restricted			1,554,836
Assigned	62,042	24,096	
Unassigned	3,932,673		
Total Fund Balances	<u>3,994,715</u>	<u>24,096</u>	<u>1,554,836</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,050,644</u></u>	<u><u>\$ 37,658</u></u>	<u><u>\$ 1,760,470</u></u>

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

CITY OF OZARK, 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	\$ 112,048	\$ 305,804	\$ 38,716
Federal aid			373,855
Property taxes	292,575	86,595	57,455
Franchise fees	454,267		
Sales taxes	1,874,283		1,203,930
Fines, forfeitures, and costs	162,900		40,283
Interest	10,313	107	9,017
Local permits and fees	19,564		
Sanitation fees	20,000		
Advertising and promotion taxes			193,629
Park fee, rentals, and sales	171,365		
Other	77,792		478
TOTAL REVENUES	3,195,107	392,506	1,917,363
EXPENDITURES			
Current:			
General government	572,490	1,092	1,450
Law enforcement	569,791		794,111
Highways and streets	21,394	627,807	
Public safety	428,887		8,220
Recreation and culture	349,697	27,348	
Social services	25,000		
Advertising and promotion			107,853
Total Current	1,967,259	656,247	911,634
Debt Service:			
Bond principal			1,005,000
Bond interest and other charges			283,524
Financed purchase principal			6,096
Financed purchase interest			25
TOTAL EXPENDITURES	1,967,259	656,247	2,206,279

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,227,848</u>	<u>\$ (263,741)</u>	<u>\$ (288,916)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		250,000	22,021
Transfers out	<u>(272,021)</u>	<u></u>	<u></u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(272,021)</u>	<u>250,000</u>	<u>22,021</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	955,827	(13,741)	(266,895)
FUND BALANCES - JANUARY 1	<u>3,038,888</u>	<u>37,837</u>	<u>1,821,731</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 3,994,715</u></u>	<u><u>\$ 24,096</u></u>	<u><u>\$ 1,554,836</u></u>

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

CITY OF OZARK, 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	\$ 174,308	\$ 112,048	\$ (62,260)	\$ 305,804	\$ 305,804	\$ 0
Property taxes	292,575	292,575	0	86,595	86,595	0
Franchise fees	446,439	454,267	7,828			
Sales taxes	1,816,335	1,874,283	57,948			
Fines, forfeitures, and costs	165,553	162,900	(2,653)			
Interest	10,166	10,313	147	107	107	0
Local permits and fees	19,564	19,564	0			
Sanitation fees	20,000	20,000	0			
Park fee, rentals, and sales	169,647	171,365	1,718			
Other	452,597	77,792	(374,805)			
TOTAL REVENUES	3,567,184	3,195,107	(372,077)	392,506	392,506	0
EXPENDITURES						
Current:						
General government	1,878,598	572,490	1,306,108		1,092	(1,092)
Law enforcement	962,899	569,791	393,108			
Highways and streets	33	21,394	(21,361)	649,235	627,807	21,428
Public safety	469,774	428,887	40,887			
Recreation and culture	397,431	349,697	47,734	27,348	27,348	0
Social services	25,000	25,000	0			
TOTAL EXPENDITURES	3,733,735	1,967,259	1,766,476	676,583	656,247	20,336
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(166,551)	1,227,848	1,394,399	(284,077)	(263,741)	20,336
OTHER FINANCING SOURCES (USES)						
Transfers in					250,000	250,000
Transfers out		(272,021)	(272,021)			
TOTAL OTHER FINANCING SOURCES (USES)		(272,021)	(272,021)		250,000	250,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(166,551)	955,827	1,122,378	(284,077)	(13,741)	270,336
FUND BALANCES - JANUARY 1		3,038,888	3,038,888		37,837	37,837
FUND BALANCES - DECEMBER 31	\$ (166,551)	\$ 3,994,715	\$ 4,161,266	\$ (284,077)	\$ 24,096	\$ 308,173

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

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Ozark 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. See Schedules 1 and 2 for the Capital Projects Fund reported with other funds in the aggregate.

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

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

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

C. Basis of Accounting - Regulatory

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

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

In 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, savings, and money market accounts, and certificates of deposit.

Settlements Pending

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

CITY OF OZARK, 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. 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.
3. 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 except for the Fire and Equipment Training (Act 833) Fund, Criminal Justice Fund, District Court Automation Fund, American Rescue Plan Act Fund, and Economic Development Grant Fund.

CITY OF OZARK, 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.

There were no committed balances at year-end.

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)	\$ 750,000	\$ 750,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	4,002,921	4,152,060
Uncollateralized	<u>767,587</u>	<u>767,587</u>
Total Deposits	<u>\$ 5,520,508</u>	<u>\$ 5,669,647</u>

The above total deposits do not include cash on hand of \$727.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2022, \$767,587 of the City's bank balances were 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.

CITY OF OZARK, 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	Other Funds in the Aggregate
Franchise fees	\$ 33,356	
Sales taxes	149,207	\$ 88,070
Fines, forfeitures, and costs	7,828	2,712
Advertising and promotion taxes		19,686
Park fee, rentals, and sales	3,062	
Other	716	
	<u>194,169</u>	<u>110,468</u>
Totals	<u>\$ 194,169</u>	<u>\$ 110,468</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 Aggregate
Vendor payables	<u>\$ 42,029</u>	<u>\$ 13,562</u>	<u>\$ 5,032</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 9,000	\$ 13,900
Other Funds in the Aggregate:		
Special Revenue Funds:		
Local Police and Fire Retirement (LOPFI)	13,900	
Debt Service Funds:		
Series 2003 Bonds		9,000
	<u>22,900</u>	<u>22,900</u>
Totals	<u>\$ 22,900</u>	<u>\$ 22,900</u>

Interfund receivables and payables consist of sales tax revenue and LOPFI employee contributions that are transferred between the General Fund and other Funds in the Aggregate. The sales tax was transferred January 5, 2023, and the LOPFI employee contribution transfer was made June 22, 2023.

CITY OF OZARK, 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:			
Law enforcement			\$ 238,488
Highways and streets			1
Public safety			107,509
Advertising and promotion			362,181
Capital outlay			126,463
Debt service			720,194
Total Restricted			<u>1,554,836</u>
Assigned to:			
Public safety	\$ 49,589		
Sanitation	12,453		
Recreation and culture		\$ 24,096	
Total Assigned	<u>62,042</u>	<u>24,096</u>	
Unassigned	<u>3,932,673</u>		
Totals	<u>\$ 3,994,715</u>	<u>\$ 24,096</u>	<u>\$ 1,554,836</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, 2022, the legal debt limit for the bonded debt was \$9,947,714. 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 \$3,003,743. There were no short-term financing obligations.

NOTE 9: Commitments

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

	December 31, 2022
Long-term liabilities	<u>\$ 6,673,123</u>

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9: Commitments (Continued)

Long-term liabilities

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

	December 31, 2022
<u>Bonds</u>	
Sales and Use Tax Refunding Series 2003, issued June 1, 2003, in the amount of \$1,390,000, due in 21 annual installments of \$35,000 - \$100,000 plus interest through December 1, 2023; interest at 1.75 to 4.75%. Payments are to be made from the Series 2003 Bond Debt Service Fund.	\$ 100,000
Sales and Use Tax Refunding Series 2016, issued February 29, 2016, in the amount of \$10,000,000 due in 21 annual installments of \$155,000 - \$700,000 plus interest through October 1, 2036; interest at 2.00 to 4.5%. Payments are to be made from the Series 2016 Bond Debt Service Fund.	6,420,000
Total Bonds	<u>6,520,000</u>
<u>Unfunded Liability</u>	
Arkansas District Judge's Retirement unfunded pension liability - based on a 30 year level amortization of unfunded liability of the retirement plan for district judges and court clerk. Payments are made from the General Fund.	<u>74,037</u>
<u>Compensated Absences</u>	
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	<u>79,086</u>
Total Long-term liabilities	<u>\$ 6,673,123</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 \$100,000 contains 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 bond payable of \$6,420,000 contains a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 25% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9: Commitments

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>					
6/19/03	12/1/23	1.75 - 4.75 %	\$ 1,390,000	\$ 100,000	\$ 1,290,000
2/29/16	10/1/36	2 - 4.5%	10,000,000	6,420,000	3,580,000
Total Long-Term Debt			<u>\$ 11,506,276</u>	<u>\$ 6,520,000</u>	<u>\$ 4,986,276</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 7,525,000	\$ 0	\$ 1,005,000	\$ 6,520,000
<u>Direct Borrowings</u>				
Financed purchases	6,096	0	6,096	0
Total Long-Term Debt	<u>\$ 7,531,096</u>	<u>\$ 0</u>	<u>\$ 1,011,096</u>	<u>\$ 6,520,000</u>

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds		
	Principal	Interest	Total
2023	\$ 755,000	\$ 240,875	\$ 995,875
2024	455,000	215,425	670,425
2025	470,000	197,225	667,225
2026	490,000	178,425	668,425
2027	510,000	158,825	668,825
2028 through 2032	2,845,000	497,300	3,342,300
2033 through 2036	995,000	61,800	1,056,800
Totals	<u>\$ 6,520,000</u>	<u>\$ 1,549,875</u>	<u>\$ 8,069,875</u>

NOTE 10: Interfund Transfers

The City transferred \$272,021 from the General Fund to the Street Fund and Other Funds in the Aggregate as follows: \$250,000 to supplement operations in the Street Fund, \$13,900 to reimburse the Local Police and Fire Retirement (LOPFI) Fund for fiscal year 2021 employee withholdings, and \$8,121 to reimburse the American Rescue Plan Act Fund for fiscal year 2021 expenditures.

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$1,390,000 in bonds that were issued in 2003 to refund a bond issued in 1993. Total principal and interest remaining on the bonds are \$100,000 and \$4,750, respectively, payable through December 1, 2023. For 2022, principal and interest paid were \$95,000 and \$9,263, respectively.

The City pledged future 1% sales and use taxes to repay \$10,000,000 in bonds that were issued in 2016 for capital improvements. Total principal and interest remaining on the bonds are \$6,420,000 and \$1,545,125, respectively, payable through October 1, 2036. For 2022, principal and interest paid were \$910,000 and \$267,925, respectively.

The Series 2003 Bond and 2016 Bond Debt Service Funds received \$105,994 and \$1,097,936 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose.

NOTE 12: Jointly Governed Organizations

West River Valley Solid Waste Management District

Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Scott and Yell Counties and the Cities of Van Buren, Ozark, Atkins, Booneville, Alma, Clarksville, Russellville, Paris, Charleston, Morrilton, Waldron, and Dardanelle entered into an agreement in 1991 to form the West River Valley Solid Waste Management District in accordance with Ark. Code Ann. § 8-6-708. The City did not provide any funding for the West River Valley Solid Waste Management District. Separate financial statements may be obtained at: 24087 Highway 164, Clarksville, AR 72830.

Fifth Judicial District Drug Task Force

The Prosecuting Attorney of the Fifth Judicial District, the Sheriffs' Departments of Franklin, Johnson, and Pope Counties, and the Police Departments of Russellville, Clarksville, and Ozark entered into an agreement to establish the Fifth Judicial District Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fifth Judicial District. Financial statements of the Fifth Judicial District Drug Task Force are not available. The City did not contribute any funding to the Fifth Judicial District Drug Task Force in 2022.

NOTE 13: Interlocal Agreements

Sebastian County Regional Crisis Stabilization Unit

The City entered into an interlocal agreement dated August 16, 2018, with the counties and cities in the Sebastian County mental health catchment area, including Sebastian, Crawford, Franklin, Logan, Scott, and Polk Counties and all incorporated cities in these counties, concerning the operations of the Sebastian County Regional Crisis Stabilization Unit. This program will be utilized by the counties and cities to divert people who are experiencing a mental health crisis from jail to get the treatment they need, as determined by the medical service provider who is trained to recognize and treat behavioral-health issues. The program shall be maintained by the Sebastian County Judge. State funding of \$1.6 million annually has been allocated for Sebastian County to operate the crisis stabilization unit based upon daily billable services to each individual treated and subject to Medicaid reimbursements and other patient insurance. Sebastian County will initially pay all expenses incurred for operations and management of the program. The counties and cities will participate in a cost sharing agreement based on the cost per day for services for each patient, which will be determined by actual operations expenses. The cost sharing will equitably allocate the unreimbursed cost to each governmental entity participating in the program, after consideration of grant funding and allowable insurance reimbursements. The cost sharing agreement will be based upon the collection of actual operations data in the first year of service, and each year thereafter, as appropriate for annual adjustment. In addition, to defray maintenance and operation costs the counties and cities agree to pay a daily rate of \$5 for services provided each day of care, for the length of stay. Sebastian County had planned to send a monthly itemized bill to each county and city, beginning August 1, 2018, to receive reimbursement for each counties and cities equitable share of expenses. However, Sebastian County has not billed the counties or cities for costs as of December 31, 2022.

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13: Interlocal Agreements (Continued)

Franklin County Airport

The City of Ozark and Franklin County Airport entered into a service agreement in 2018 for the City to provide funds to aid in paying utility bills for the Franklin County Airport Commission for their management of the airport in exchange for services the City of Ozark received from the operation of the Franklin County Airport. Funds provided for this service agreement shall be budgeted by the Ozark City Council. The city did not contribute any funding to the Ozark/Franklin County Airport during 2022.

Franklin County District Court – Ozark Division

Franklin County and the City of Ozark entered into an agreement concerning the sharing of costs related to the operation of the Franklin County District Court - Ozark Division. This agreement was entered into on December 1, 2017. The City shall split the cost of all business operations, which shall include salaries, utilities, office related expenses and benefits on a 50% sharing ratio. The City contributed \$173,395 to Franklin County in 2022.

Ozark School District – School Resource Officer

The City of Ozark and the Ozark Public School District entered into an agreement in 2018 concerning the collaborative efforts to provide a safe and healthy school environment for the students, staff, faculty, and visitors. During 2022, the City received \$20,000 in reimbursements from the Ozark Public School District for a portion of School Resource Officer salaries.

District Court Judge

Franklin County, Johnson County and the Cities of Clarksville, Lamar, Coal Hill, Ozark, Charleston, and Altus entered into an agreement to provide for a District Judge's annual salary to be paid 50% by the state and the remaining 50% to be paid 28.6% by Johnson County, 29.6% by Clarksville, 4% by Lamar, 4% by Coal Hill, 14.6 % by Franklin County, 1.8% by Altus, 12.2% by Ozark, and 5.2% by Charleston. The Judge is an employee of the State of Arkansas and is elected by a four-year term. The City's portion for December 31, 2022 was \$7,115.

Police Department Dispatch Fees

Franklin County and the City of Ozark entered into an agreement concerning the sharing of costs related to the operation of Police Department Dispatch Fees. This agreement was entered into on January 1, 2020. The City contributed \$30,500 to Franklin County in 2022.

NOTE 14: Risk Management

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

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

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

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 14: Risk Management (Continued)

Municipal Vehicle Program

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

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

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

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

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

**NOTE 15: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

On December 15, 2018, administration of the City of Ozark Firemen's Pension and Relief Fund and the City of Ozark Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$124,117 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$58,422 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 \$1,360,241.

NOTE 16: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayors Vernon McDaniel and Caron Sneath \$18,400 and \$18,127, respectively, for the year ended December 31, 2022.

CITY OF OZARK, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 17: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer Sonya Eveld \$20,131 for the year ended December 31, 2022.

NOTE 18: Retirement System

Plan Description

The City has established a Simple IRA plan for city employees at Edward Jones. All full-time employees have the option to participate in the plan. Monthly contributions are made into each participating individual's IRA account by the City matching employee contributions up to a maximum of 3% of applicable wages. All employees are fully vested at the time the contribution is made.

NOTE19: 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 \$744,816 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$ 744,816 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 OZARK, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2022

Schedule 1

	SPECIAL REVENUE FUNDS						CAPITAL PROJECTS FUND
	Fire Equipment and Training (Act 833)	Local Police and Fire Retirement (LOPFI)	Criminal Justice	District Court Automation	Advertising and Promotion Commission	USDA Rural Development Grant	Emergency Services Facilities
ASSETS							
Cash and cash equivalents	\$ 107,509	\$ 65,041	\$ 84,603	\$ 77,100	\$ 342,659	\$ 1	\$ 126,463
Accounts receivable		319	1,093	1,300	19,686		
Interfund receivables		13,900					
TOTAL ASSETS	<u>\$ 107,509</u>	<u>\$ 79,260</u>	<u>\$ 85,696</u>	<u>\$ 78,400</u>	<u>\$ 362,345</u>	<u>\$ 1</u>	<u>\$ 126,463</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable			\$ 4,868		\$ 164		
Interfund payables							
Settlements pending							
Total Liabilities			<u>4,868</u>		<u>164</u>		
Fund Balances:							
Restricted	<u>\$ 107,509</u>	<u>\$ 79,260</u>	<u>80,828</u>	<u>\$ 78,400</u>	<u>362,181</u>	<u>\$ 1</u>	<u>\$ 126,463</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,509</u>	<u>\$ 79,260</u>	<u>\$ 85,696</u>	<u>\$ 78,400</u>	<u>\$ 362,345</u>	<u>\$ 1</u>	<u>\$ 126,463</u>

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

Schedule 1

	DEBT SERVICE FUNDS		CUSTODIAL FUNDS		
	Series 2003 Bonds	Series 2016 Bonds	District Court	Administration of Justice	Totals
ASSETS					
Cash and cash equivalents	\$ 75,781	\$ 565,343	\$ 190,758	\$ 844	\$ 1,636,102
Accounts receivable	8,867	79,203			110,468
Interfund receivables					13,900
TOTAL ASSETS	<u>\$ 84,648</u>	<u>\$ 644,546</u>	<u>\$ 190,758</u>	<u>\$ 844</u>	<u>\$ 1,760,470</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 5,032
Interfund payables	\$ 9,000				9,000
Settlements pending			\$ 190,758	\$ 844	191,602
Total Liabilities	<u>9,000</u>		<u>190,758</u>	<u>844</u>	<u>205,634</u>
Fund Balances:					
Restricted	<u>75,648</u>	<u>\$ 644,546</u>			<u>1,554,836</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,648</u>	<u>\$ 644,546</u>	<u>\$ 190,758</u>	<u>\$ 844</u>	<u>\$ 1,760,470</u>

CITY OF OZARK, 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								CAPITAL PROJECTS FUND
	Fire Equipment and Training (Act 833)	Local Police and Fire Retirement (LOPFI)	Criminal Justice	District Court Automation	Advertising and Promotion Commission	American Rescue Plan Act	USDA Rural Development Grant	Economic Development Grant	Emergency Services Facilities
REVENUES									
State aid	\$ 38,716								
Federal aid						\$ 372,405		\$ 1,450	
Property taxes		\$ 57,455							
Sales taxes									
Fines, forfeitures, and costs		3,827	\$ 24,950	\$ 11,506					
Interest	112	105	160	117		106			\$ 1,130
Advertising and promotion taxes					\$ 193,629				
Other					478				
TOTAL REVENUES	38,828	61,387	25,110	11,623	194,107	372,511		1,450	1,130
EXPENDITURES									
Current:									
General government								1,450	
Law enforcement		71,009	62,512	10,609		646,430			3,551
Public safety		8,220							
Advertising and promotion					107,853				
Total Current		79,229	62,512	10,609	107,853	646,430		1,450	3,551
Debt Service:									
Bond principal									
Bond interest and other charges									
Financed purchase principal	6,096								
Financed purchase interest	25								
TOTAL EXPENDITURES	6,121	79,229	62,512	10,609	107,853	646,430		1,450	3,551
EXCESS OF REVENUES OVER (UNDER)									
EXPENDITURES	32,707	(17,842)	(37,402)	1,014	86,254	(273,919)			(2,421)
OTHER FINANCING SOURCES (USES)									
Transfers in		13,900				8,121			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)									
EXPENDITURES AND OTHER USES	32,707	(3,942)	(37,402)	1,014	86,254	(265,798)			(2,421)
FUND BALANCES - JANUARY 1	74,802	83,202	118,230	77,386	275,927	265,798	\$ 1		128,884
FUND BALANCES - DECEMBER 31	\$ 107,509	\$ 79,260	\$ 80,828	\$ 78,400	\$ 362,181	\$ 0	\$ 1	\$ 0	\$ 126,463

CITY OF OZARK, 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

	DEBT SERVICE FUNDS		
	Series 2003 Bonds	Series 2016 Bonds	Totals
REVENUES			
State aid			\$ 38,716
Federal aid			373,855
Property taxes			57,455
Sales taxes	\$ 105,994	\$ 1,097,936	1,203,930
Fines, forfeitures, and costs			40,283
Interest	1,196	6,091	9,017
Advertising and promotion taxes			193,629
Other			478
TOTAL REVENUES	107,190	1,104,027	1,917,363
EXPENDITURES			
Current:			
General government			1,450
Law enforcement			794,111
Public safety			8,220
Advertising and promotion			107,853
Total Current			911,634
Debt Service:			
Bond principal	95,000	910,000	1,005,000
Bond interest and other charges	10,914	272,610	283,524
Financed purchase principal			6,096
Financed purchase interest			25
TOTAL EXPENDITURES	105,914	1,182,610	2,206,279
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	1,276	(78,583)	(288,916)
OTHER FINANCING SOURCES (USES)			
Transfers in			22,021
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER USES	1,276	(78,583)	(266,895)
FUND BALANCES - JANUARY 1	74,372	723,129	1,821,731
FUND BALANCES - DECEMBER 31	\$ 75,648	\$ 644,546	\$ 1,554,836

CITY OF OZARK, 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>
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Criminal Justice	Ark. Code Ann. § 16-10-308 established to pay for prisoner care.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Advertising and Promotion Commission	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
USDA Rural Development Grant	Established to account for grant from U.S. Department of Agriculture for purchase of street equipment.
Economic Development Grant	Established to account for grants from the Arkansas Department of Economic Development Commission.
Emergency Services Facilities	Established to account for expenditure of bond proceeds related to emergency service facilities.
Series 2003 Bonds	Ozark Ordinance no. 2003-9 (May 12, 2003) established this fund to pay interest and principal on the 2003 Sales Tax Bonds.
Series 2016 Bonds	Ozark Ordinance no. 2016-1 (January 11, 2016) established this fund to pay interest and principal on the 2016 Sales Tax Bonds.

CITY OF OZARK, 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>
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.

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

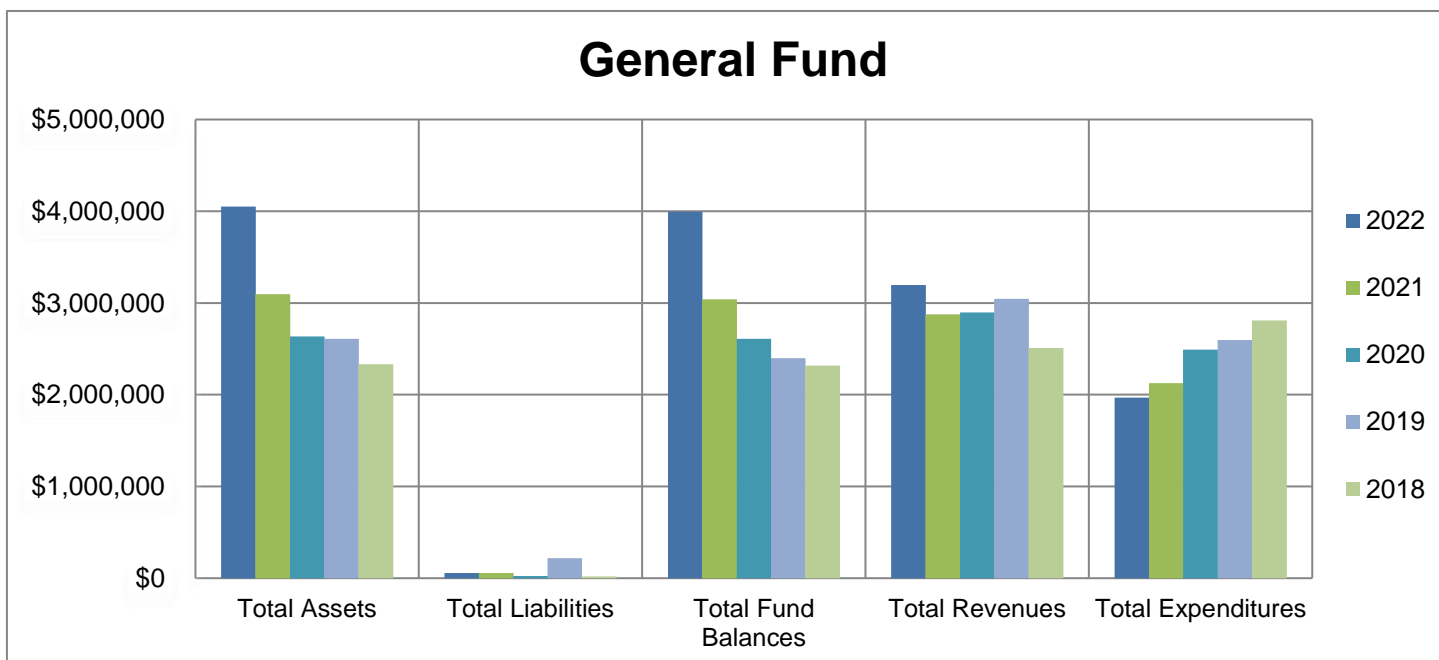
Schedule 3

	December 31, 2022
Land	\$ 683,860
Buildings	9,262,248
Equipment	<u>3,706,915</u>
Total	<u><u>\$ 13,653,023</u></u>

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

Schedule 4-1

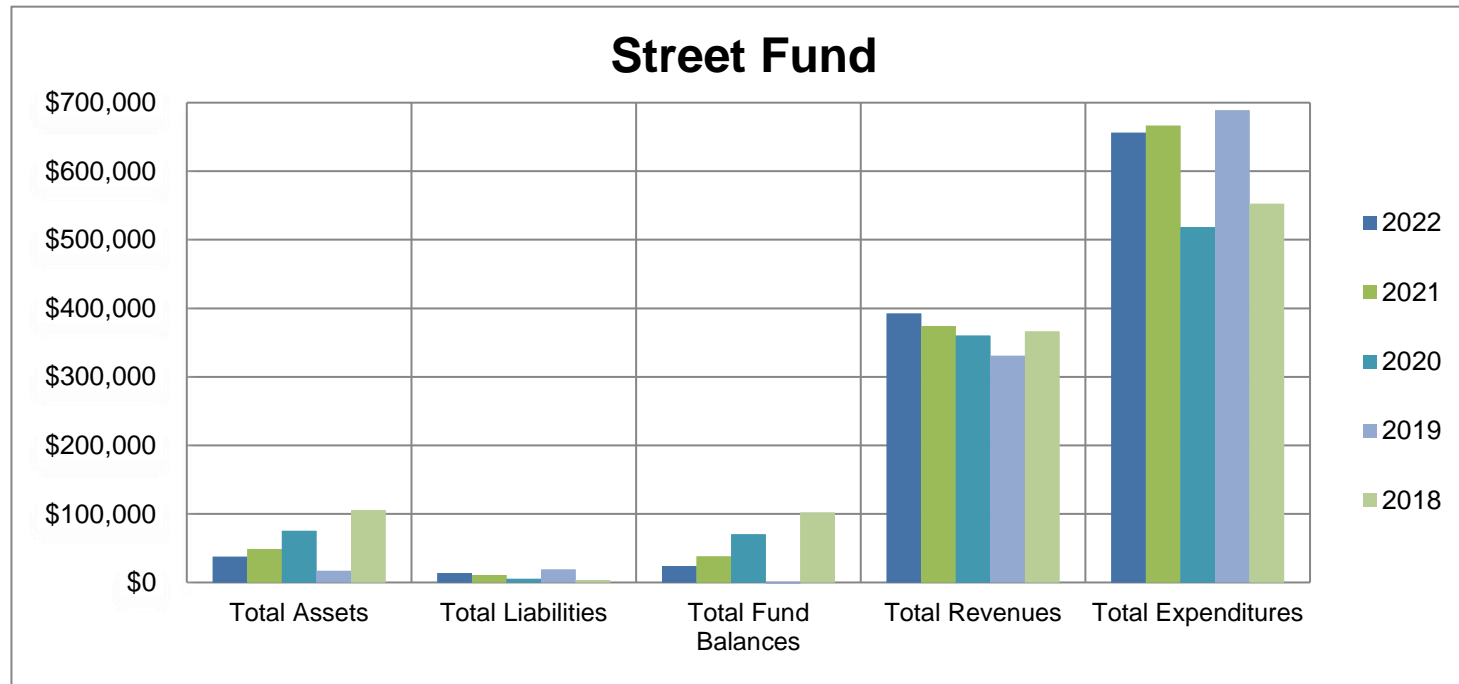
General	2022	2021	2020	2019	2018
Total Assets	\$ 4,050,644	\$ 3,092,601	\$ 2,633,306	\$ 2,610,047	\$ 2,329,625
Total Liabilities	55,929	53,713	25,082	214,400	15,106
Total Fund Balances	3,994,715	3,038,888	2,608,224	2,395,647	2,314,519
Total Revenues	3,195,107	2,875,053	2,893,093	3,045,166	2,506,994
Total Expenditures	1,967,259	2,124,389	2,489,763	2,594,143	2,805,785
Total Other Financing Sources/Uses	(272,021)	(320,000)	(260,000)	(369,895)	(409,455)



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

Schedule 4-2

<u>Street</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 37,658	\$ 48,836	\$ 75,480	\$ 17,123	\$ 105,518
Total Liabilities	13,562	10,999	5,483	18,877	3,492
Total Fund Balances	24,096	37,837	69,997	(1,754)	102,026
Total Revenues	392,506	373,985	360,262	330,698	366,105
Total Expenditures	656,247	666,145	518,511	688,753	552,512
Total Other Financing Sources/Uses	250,000	260,000	230,000	254,275	280,000



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 1,760,470	\$ 2,162,827	\$ 1,618,096	\$ 1,803,417	\$ 2,460,009
Total Liabilities	205,634	341,096	205,050	203,843	44,612
Total Fund Balances	1,554,836	1,821,731	1,413,046	1,599,574	2,415,397
Total Revenues	1,917,363	1,913,798	1,264,597	1,425,532	1,237,766
Total Expenditures	2,206,279	1,538,042	1,481,125	2,353,557	1,577,779
Total Other Financing Sources/Uses	22,021	32,929	30,000	115,620	(747,669)

