

City of Pocahontas, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF POCAHONTAS, ARKANSAS
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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 Pocahontas, 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 Pocahontas, 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 Pocahontas, 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 Pocahontas, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the 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 November 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
November 1, 2022
LOM107721

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 Pocahontas, 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 Pocahontas, 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 November 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*.

We also reported to management of the City in a separate letter dated November 1, 2022.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
November 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 Pocahontas, 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: Keith Sutton
Clerk/Treasurer: Suzanne Hawkins
Police Chief: David Edington

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
November 1, 2022

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,744,457	\$ 421,403	\$ 2,796,788
Accounts receivable	337,786	39,371	178,050
Interfund receivables	690,392		
	<u>2,772,635</u>	<u>460,774</u>	<u>2,974,838</u>
TOTAL ASSETS	<u>\$ 2,772,635</u>	<u>\$ 460,774</u>	<u>\$ 2,974,838</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 76,769	\$ 15,987	\$ 111,535
Interfund payables			690,392
Settlements pending			160,370
Total Liabilities	<u>76,769</u>	<u>15,987</u>	<u>962,297</u>
Fund Balances:			
Restricted	42,901		1,269,420
Committed			14,730
Assigned	719,423	444,787	728,391
Unassigned	1,933,542		
Total Fund Balances	<u>2,695,866</u>	<u>444,787</u>	<u>2,012,541</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,772,635</u>	<u>\$ 460,774</u>	<u>\$ 2,974,838</u>

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

CITY OF POCAHONTAS, 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	\$ 109,727	\$ 560,010	\$ 200,896
Federal aid	80,640		1,008,822
Property taxes	126,892	34,381	
Franchise fees	456,217		
Sales taxes	2,730,457	425,833	2,050,769
Fines, forfeitures, and costs	124,184		
Interest	4,737	786	8,442
Local permits and fees	344,159		
Sanitation fees	415,987		
Fire protection fees	269,146		240
Airport fees			95,975
Aquatic fees	177,561		4,461
Fuel sales			125,874
Sale of assets			144,792
Rent income			16,456
Other	383,205	3,977	12,093
TOTAL REVENUES	5,222,912	1,024,987	3,668,820
EXPENDITURES			
Current:			
General government	633,744		749,586
Law enforcement	887,505		690,392
Highways and streets		850,307	
Public safety	580,033		90,637
Sanitation	370,639		
Health	109,779		
Recreation and culture			1,120,260
Social services			15,278
Economic development	672,912		
Airport			537,744
Total Current	3,254,612	850,307	3,203,897
Debt Service:			
Bond principal			835,000
Bond interest and other charges			129,462
Note principal	43,109		32,943
Note interest	1,349		17,181
Short-term line of credit principal			573,507
Short-term line of credit interest			9,608
TOTAL EXPENDITURES	3,299,070	850,307	4,801,598

CITY OF POCAHONTAS, 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>\$ 1,923,842</u>	<u>\$ 174,680</u>	<u>\$ (1,132,778)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			45,885
Transfers out	(36,885)	(9,000)	
Contribution to Five Rivers Medical Center	(1,195,488)		
Proceeds from short-term line of credit			52,837
Loan proceeds			<u>519,623</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,232,373)</u>	<u>(9,000)</u>	<u>618,345</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	691,469	165,680	(514,433)
FUND BALANCES - JANUARY 1	<u>2,004,397</u>	<u>279,107</u>	<u>2,526,974</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,695,866</u></u>	<u><u>\$ 444,787</u></u>	<u><u>\$ 2,012,541</u></u>

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

CITY OF POCAHONTAS, 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	\$ 109,721	\$ 109,727	\$ 6	\$ 460,000	\$ 560,010	\$ 100,010
Federal aid		80,640	80,640			
Property taxes	127,471	126,892	(579)	30,000	34,381	4,381
Franchise fees	464,642	456,217	(8,425)			
Sales taxes	3,460,345	2,730,457	(729,888)	300,000	425,833	125,833
Fines, forfeitures, and costs	131,168	124,184	(6,984)			
Interest	4,712	4,737	25	700	786	86
Local permits and fees	223,810	344,159	120,349			
Sanitation fees	411,000	415,987	4,987			
Fire protection fees	269,150	269,146	(4)			
Aquatic fees	183,788	177,561	(6,227)			
Other	1,289,105	383,205	(905,900)	1,500	3,977	2,477
TOTAL REVENUES	6,674,912	5,222,912	(1,452,000)	792,200	1,024,987	232,787
EXPENDITURES						
Current:						
General government	711,762	633,744	78,018			
Law enforcement	1,603,789	887,505	716,284			
Highways and streets				969,700	850,307	119,393
Public safety	601,725	580,033	21,692			
Sanitation	360,250	370,639	(10,389)			
Health	110,000	109,779	221			
Economic development	891,240	672,912	218,328			
Total Current	4,278,766	3,254,612	1,024,154	969,700	850,307	119,393
Debt Service:						
Note principal	76,345	43,109	33,236			
Note interest	1,315	1,349	(34)			
TOTAL EXPENDITURES	4,356,426	3,299,070	1,057,356	969,700	850,307	119,393
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,318,486	1,923,842	(394,644)	(177,500)	174,680	352,180
OTHER FINANCING SOURCES (USES)						
Transfers in	275,025		(275,025)			
Transfers out	(1,743,739)	(36,885)	1,706,854		(9,000)	(9,000)
Contribution to Five Rivers Medical Center	(1,195,488)	(1,195,488)	0			
TOTAL OTHER FINANCING SOURCES (USES)	(2,664,202)	(1,232,373)	1,431,829		(9,000)	(9,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(345,716)	691,469	1,037,185	(177,500)	165,680	343,180
FUND BALANCES - JANUARY 1	1,364,500	2,004,397	639,897	285,000	279,107	(5,893)
FUND BALANCES - DECEMBER 31	\$ 1,018,784	\$ 2,695,866	\$ 1,677,082	\$ 107,500	\$ 444,787	\$ 337,287

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial 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, money market accounts, certificates of deposit and treasury bills.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, payroll withholdings, and scheduled vendor payments to be made by way of electronic funds transfer that have not been transferred to the appropriate entities.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications

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

E. Property Taxes

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

F. Budget Law

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

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

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

Basis of Accounting

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures

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

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

NOTE 2: Cash Deposits with Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 910,545	\$ 910,646
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,939,928	3,022,446
Collateral held by the pledging bank or pledging bank's trust department or agent not in the City's	431,025	431,025
Uncollateralized	678,641	678,642
Total Deposits	<u>\$ 4,960,139</u>	<u>\$ 5,042,759</u>

The above total deposits do not include cash on hand of \$2,509.

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, 2021, \$678,642 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 POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 8,093	\$ 1,223	
Franchise fees	55,960		
Sales taxes	244,187	38,148	\$ 176,382
Fines, forfeitures, and costs	9,049		
Aquatic fees	25		
Fuel sales			1,668
Other	20,472		
Totals	<u>\$ 337,786</u>	<u>\$ 39,371</u>	<u>\$ 178,050</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 76,769</u>	<u>\$ 15,987</u>	<u>\$ 111,535</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
General Fund	\$ 690,392	
Other Funds in the Aggregate:		
Special Revenue Funds:		
American Rescue Plan Act		\$ 690,392
	<u>\$ 690,392</u>	<u>\$ 690,392</u>

Interfund receivables and payables consist of American Rescue Plan Act expenditures to be reimbursed by the American Rescue Plan Act Fund. These balances were transferred in 2022.

NOTE 7: Federal Funds Program Compliance

The grants of the U.S. Department of Transportation, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Agriculture, and U.S. Department of the Treasury were not audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City. On October 12, 2022, the City contracted with a CPA firm to perform the 2021 federal audit.

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

NOTE 8: 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:			
Law enforcement	\$ 42,901		
Public safety			\$ 6,813
Airport			40,388
Debt service			1,222,219
Total Restricted	<u>42,901</u>		<u>1,269,420</u>
Committed for:			
Public safety			<u>14,730</u>
Assigned to:			
General government	216,142		
Law enforcement	22,355		
Highways and streets		\$ 444,787	
Recreation and culture			728,391
Economic development	480,926		
Total Assigned	<u>719,423</u>	<u>444,787</u>	<u>728,391</u>
Unassigned	<u>1,933,542</u>		
Totals	<u>\$ 2,695,866</u>	<u>\$ 444,787</u>	<u>\$ 2,012,541</u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2021, the legal debt limit for the bonded debt was \$16,140,949. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2021, the legal debt limit for short-term financing obligations was \$4,314,854. There were no short-term financing obligations.

NOTE 10: Commitments

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

	December 31, 2021
Long-term liabilities	<u>\$ 4,232,209</u>

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

NOTE 10: Commitments (Continued)

Long-term liabilities

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

	December 31, 2021
<u>Bonds</u>	
Sales and Use Tax Bonds dated December 1, 2013, in the amount of \$7,500,000, due in annual installments of varying amounts through January 1, 2028; interest rates from 1% to 4%. Payments are to be made from the 2013 Sales and Use Tax Bond Debt Service Fund.	\$ 3,075,000.00
<u>Direct Borrowings</u>	
Promissory note to the United States Department of Agriculture dated October 17, 2002, used in aid of construction of a Head Start building. Total amount authorized is \$286,000. Interest is to accrue at 4.625% from the date of each advance. Payments are to be made from the Arkansas Department of Economic Development Loan Fund beginning November 17, 2003, from rentals received from Black River Area Development Council. Original terms were 360 monthly payments of \$1,496; however, additional payments were made and the note will mature in 2023. The note is secured with a \$286,000 revenue bond issued in accordance with City of Pocahontas Ordinance no. 2002-10 (October 17, 2002), and is held by the United States Department of Agriculture. The bond is a special obligation of the City and will be returned once the note is paid in full. Accordingly, the bond has been excluded from long-term liabilities.	26,142
Promissory note to the United States Department of Agriculture dated May 7, 2020, used in aid of construction of a child care building. Total amount authorized is \$830,000. Interest is to accrue at 2.375% from the date of each advance. Payments are to be made from the Arkansas Department of Economic Development Loan Fund beginning June 7, 2020, from rentals received from Black River Area Development Council. Terms are 480 monthly payments of \$2,681 and will mature in 2060. As of December 31, 2021, the City had drawn a total of \$830,000. The note is secured with a \$830,000 revenue bond issued in accordance with City of Pocahontas Ordinance no. 2019-15 (November 12, 2019), and is held by the United States Department of Agriculture. The bond is a special obligation of the City and will be returned once the note is paid in full. Accordingly, the bond has been excluded from long-term liabilities.	795,618
Total Direct Borrowings	821,760
Arkansas District Judge's Retirement unfunded pension liability to be repaid over 30 years beginning January 1, 2005. Payments are to be made from the General Fund.	56,448
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	279,001
Total Long-term liabilities	\$ 4,232,209

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

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

NOTE 10: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding bonds payable of \$3,075,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding notes payable of \$821,760, that are secured by bonds that are held by the United States Department of Agriculture, 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.

Long-Term Debt Issued and Outstanding

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2021</u>	<u>Maturities to December 31, 2021</u>
<u>Bonds</u>					
12/1/13	1/1/28	1% - 4%	\$ 7,500,000	\$ 3,075,000	\$ 4,425,000
<u>Direct Borrowings</u>					
10/17/02	7/17/23	4.625%	286,000	26,142	259,858
5/7/20	5/7/60	2.375%	830,000	795,618	34,382
Total Direct Borrowings			<u>1,116,000</u>	<u>821,760</u>	<u>294,240</u>
Total Long-Term Debt			<u>\$ 8,616,000</u>	<u>\$ 3,896,760</u>	<u>\$ 4,719,240</u>

Changes in Long-Term Debt

	<u>Balance January 01, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2021</u>
Bonds payable	\$ 3,910,000	\$ 0	\$ 835,000	\$ 3,075,000
<u>Direct Borrowings</u>				
Notes payable	<u>378,189</u>	<u>519,623</u>	<u>76,052</u> *	<u>821,760</u>
Total Long-Term Debt	<u>\$ 4,288,189</u>	<u>\$ 519,623</u>	<u>\$ 911,052</u>	<u>\$ 3,896,760</u>

*Includes \$24,403 early retirement of debt.

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

NOTE 10: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 450,000	\$ 107,222	\$ 557,222	\$ 30,525	\$ 19,599	\$ 50,124
2023	465,000	93,723	558,723	22,783	18,552	41,335
2024	475,000	79,308	554,308	14,074	18,098	32,172
2025	495,000	63,395	558,395	14,412	17,760	32,172
2026	510,000	46,070	556,070	14,758	17,414	32,172
2027 through 2031	680,000	33,200	713,200	80,015	80,845	160,860
2032 through 2036				90,183	70,677	160,860
2037 through 2041				101,410	59,450	160,860
2042 through 2046				113,917	46,943	160,860
2047 through 2051				128,217	32,643	160,860
2052 through 2056				144,179	16,681	160,860
2057 through 2060				67,287	1,779	69,066
Totals	<u>\$ 3,075,000</u>	<u>\$ 422,918</u>	<u>\$ 3,497,918</u>	<u>\$ 821,760</u>	<u>\$ 400,441</u>	<u>\$ 1,222,201</u>

NOTE 11: Interfund Transfers

The Economic Development Fund, which is included in the General Fund, transferred \$33,668 and \$3,217 to Other Funds in the Aggregate (Arkansas Department of Economic Development Loan Fund and United States Department of Agriculture Rural Development Debt Service Reserve Fund, respectively) for debt service payments. The Street Fund transferred \$9,000 to Other Funds in the Aggregate (Rural Fire Association) to purchase a truck.

NOTE 12: Subsequent Events

On July 21, 2022, the City entered into an agreement with the Farmers and Merchants Bank for a revolving line of credit with available borrowing up to \$1,000,000. The line of credit stipulated an interest rate of 3%, with all principal and interest to be repaid by July 14, 2023. As of November 1, 2022, the City borrowed \$682,347.

On August 9, 2022, the City entered into a two year lease purchase agreement with Bancorp South Equipment Finance in the amount of \$331,944 for a sanitation truck.

On July 1, 2022, the City entered into an agreement with Hostetler Steel Buildings in the amount of \$763,600 for the construction of four steel airport hangars.

NOTE 13: Pledged Revenues

The City pledged future one-half sales and use taxes to repay \$7,500,000 in bonds that were issued in 2013 to provide funding for financing all or a portion of the costs of capital improvements. Total principal and interest remaining on the bonds are \$3,075,000 and \$422,918, respectively, payable through January 1, 2028. For 2021, principal and interest and other charges paid were \$835,000 and \$129,462, respectively.

The 2013 Sales and Use Tax Bond Debt Service Fund received \$1,023,577 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used solely to retire the bonds.

The Recreation Facilities Fund received \$1,023,577 in sales taxes in 2021. Any sales tax collection is a secondary pledge to retire the bonds and to acquire, construct, improve, expand, equip, furnish, operate, and maintain new or existing park and recreational facilities.

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

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 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 POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Plan Description

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

On December 15, 2008, administration of the City of Pocahontas Firemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of this plan was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$185,314 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$126,192 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 \$1,372,721.

NOTE 16: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayor \$15,950 for the year ended December 31, 2021.

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

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 \$19,746 for the year ended December 31, 2021.

NOTE 18: City Attorney Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-120 establishes retirement benefits for city attorneys in cities of the first class 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 city attorney at the time of retirement. Retirement benefits are to be paid monthly from the City's General Fund. A city attorney 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 service. The City paid former City Attorney \$11,000 for the year ended December 31, 2021.

NOTE 19: Non-uniformed Employee's Pension Plan (A Defined Contribution)

Plan Description

The City maintains a pension plan for all non-uniformed employees. MetLife Insurance Company is the trustee. Plan provisions were established in accordance with the Employees Retirement Security Act of 1974. All non-uniformed regular and full time employees are eligible to become members of the plan after six months of service. Participation in the plan is compulsory. Normal retirement age is 62. Funding is provided by contributions from the General Fund of \$1,000 every six months per eligible employee. The City's contributions are vested at a rate of 20 percent per year of service, with the employee being fully vested after five years of service. Employees may choose to contribute to the plan in addition to the City's contributions. Upon retirement, the employee may choose to withdraw the funds in a lump sum or to receive an annuity, which will end when funds are exhausted. The City's contribution to the plan was \$41,000 for the year ended December 31, 2021. Benefits are limited to contributions made by and on-behalf of the employee; therefore, there is no net pension liability.

NOTE 20: 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 \$1,376,717 in federal aid from the American Rescue Plan Act of 2021 and as of report date, \$1,376,717 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 POCAHONTAS, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 1

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS		
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	American Rescue Plan Act	Arkansas Department of Economic Development Loan	Department of Agriculture Rural Development Debt Reserve	2013 Sales and Use Tax Bond
ASSETS								
Cash and cash equivalents	\$ 128,516	\$ 658,719	\$ 9,555	\$ 14,977	\$ 690,392	\$ 19,496	\$ 5,096	\$ 1,109,667
Accounts receivable	2,130	87,960						87,960
TOTAL ASSETS	<u>\$ 130,646</u>	<u>\$ 746,679</u>	<u>\$ 9,555</u>	<u>\$ 14,977</u>	<u>\$ 690,392</u>	<u>\$ 19,496</u>	<u>\$ 5,096</u>	<u>\$ 1,197,627</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 90,258	\$ 18,288	\$ 2,742	\$ 247				
Interfund payables					\$ 690,392			
Settlements pending								
Total Liabilities	<u>90,258</u>	<u>18,288</u>	<u>2,742</u>	<u>247</u>	<u>690,392</u>			
Fund Balances:								
Restricted	40,388		6,813			\$ 19,496	\$ 5,096	\$ 1,197,627
Committed				14,730				
Assigned		728,391						
Total Fund Balances	<u>40,388</u>	<u>728,391</u>	<u>6,813</u>	<u>14,730</u>		<u>19,496</u>	<u>5,096</u>	<u>1,197,627</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 130,646</u>	<u>\$ 746,679</u>	<u>\$ 9,555</u>	<u>\$ 14,977</u>	<u>\$ 690,392</u>	<u>\$ 19,496</u>	<u>\$ 5,096</u>	<u>\$ 1,197,627</u>

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

Schedule 1

	CUSTODIAL FUNDS			
	Forfeiture and Seizure	Payroll	Electronic Funds Transfer Bill Pay	Totals
ASSETS				
Cash and cash equivalents	\$ 46,184	\$ 52,261	\$ 61,925	\$ 2,796,788
Accounts receivable				178,050
TOTAL ASSETS	<u>\$ 46,184</u>	<u>\$ 52,261</u>	<u>\$ 61,925</u>	<u>\$ 2,974,838</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable				\$ 111,535
Interfund payables				690,392
Settlements pending	\$ 46,184	\$ 52,261	\$ 61,925	160,370
Total Liabilities	<u>46,184</u>	<u>52,261</u>	<u>61,925</u>	<u>962,297</u>
Fund Balances:				
Restricted				1,269,420
Committed				14,730
Assigned				728,391
Total Fund Balances				<u>2,012,541</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,184</u>	<u>\$ 52,261</u>	<u>\$ 61,925</u>	<u>\$ 2,974,838</u>

CITY OF POCAHONTAS, 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 FUNDS	
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	American Rescue Plan Act	Arkansas Economic Development Commission Black River Area Development Expansion Construction	United States Department of Agriculture Rural Development Black River Area Development Expansion Construction
REVENUES							
State aid	\$ 132,080		\$ 68,816				
Federal aid	90,970				\$ 688,362	\$ 229,490	
Sales taxes	3,615	\$ 1,023,577					
Interest	57	2,900	3	\$ 4	2,030		
Fire protection fees				240			
Airport fees	95,975						
Aquatic fees		4,461					
Fuel sales	125,874						
Sale of assets	144,792						
Rent income							
Other	1,166	6,980	1,238	2,236			\$ 473
TOTAL REVENUES	594,529	1,037,918	70,057	2,480	690,392	229,490	473
EXPENDITURES							
Current:							
General government						229,490	520,096
Law enforcement					690,392		
Public safety			73,096	17,541			
Recreation and culture		1,120,260					
Social services		15,278					
Airport	537,744						
Total Current	537,744	1,135,538	73,096	17,541	690,392	229,490	520,096
Debt Service:							
Bond principal							
Bond interest and other charges							
Note principal							
Note interest							
Short-term line of credit principal	573,507						
Short-term line of credit interest	9,608						
TOTAL EXPENDITURES	1,120,859	1,135,538	73,096	17,541	690,392	229,490	520,096
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(526,330)	(97,620)	(3,039)	(15,061)			(519,623)
OTHER FINANCING SOURCES (USES)							
Transfers in				9,000			
Proceeds from short-term line of credit	52,837						
Loan proceeds							519,623
TOTAL OTHER FINANCING SOURCES (USES)	52,837			9,000			519,623
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(473,493)	(97,620)	(3,039)	(6,061)			
FUND BALANCES - JANUARY 1	513,881	826,011	9,852	20,791			
FUND BALANCES - DECEMBER 31	\$ 40,388	\$ 728,391	\$ 6,813	\$ 14,730	\$ 0	\$ 0	\$ 0

CITY OF POCAHONTAS, 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

	DEBT SERVICE FUNDS			
	Arkansas Department of Economic Development Loan	United States Department of Agriculture Rural Development Debt Reserve	2013 Sales and Use Tax Bond	Totals
REVENUES				
State aid				\$ 200,896
Federal aid				1,008,822
Sales taxes			\$ 1,023,577	2,050,769
Interest		\$ 2	3,446	8,442
Fire protection fees				240
Airport fees				95,975
Aquatic fees				4,461
Fuel sales				125,874
Sale of assets				144,792
Rent income	\$ 16,456			16,456
Other				12,093
TOTAL REVENUES	16,456	2	1,027,023	3,668,820
EXPENDITURES				
Current:				
General government				749,586
Law enforcement				690,392
Public safety				90,637
Recreation and culture				1,120,260
Social services				15,278
Airport				537,744
Total Current				3,203,897
Debt Service:				
Bond principal			835,000	835,000
Bond interest and other charges			129,462	129,462
Note principal	32,943			32,943
Note interest	17,181			17,181
Short-term line of credit principal				573,507
Short-term line of credit interest				9,608
TOTAL EXPENDITURES	50,124		964,462	4,801,598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,668)	2	62,561	(1,132,778)
OTHER FINANCING SOURCES (USES)				
Transfers in	33,668	3,217		45,885
Proceeds from short-term line of credit				52,837
Loan proceeds				519,623
TOTAL OTHER FINANCING SOURCES (USES)	33,668	3,217		618,345
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		3,219	62,561	(514,433)
FUND BALANCES - JANUARY 1	19,496	1,877	1,135,066	2,526,974
FUND BALANCES - DECEMBER 31	\$ 19,496	\$ 5,096	\$ 1,197,627	\$ 2,012,541

CITY OF POCAHONTAS, 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>
Airport	Ark. Code Ann. § 14-361-116 established fund to receive revenues obtained by a municipality from the ownership, control, or operation of any airport or air navigation facility, including proceeds from the sale of any airport or portion thereof or air navigation facility property. The revenues shall be used solely for airport purposes.
Recreation Facilities	Pocahontas Ordinance nos. 2013-02 and 2013-03 (March 12, 2013) established fund to receive sales and use tax of 1/2% approved by the voters to pay and secure the repayment of bonds and to acquire, construct, improve, expand, equip, furnish, operate, and maintain new or existing park and recreation facilities.
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.
Rural Fire Association	Pocahontas Ordinance no. 2019-13 (December 8, 2019) established fund to account for rural fire protection fees. The revenues shall be used solely for rural fire purposes.
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.
Arkansas Economic Development Commission Black River Area Development Expansion Construction	Established to account for grant revenues administered by the Arkansas Economic Development Commission and expenses to construct a child care facility.
United States Department of Agriculture Rural Development Black River Area Development Expansion Construction	Pocahontas Ordinance no. 2019-15 (November 12, 2019) established fund in relation to a revenue bond issue to pay the related expenses to construct a child care facility.
Arkansas Department of Economic Development Loan	Established to finance a loan from the United States Department of Agriculture Rural Development to construct a child care facility. Monies are received from Black River Area Development (BRAD).

CITY OF POCAHONTAS, 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>
United States Department of Agriculture Rural Development Debt Reserve	Pocahontas Ordinance no. 2019-15 (November 12, 2019) authorized the issuance of community development center revenue bonds for the purpose of financing the expansion and improvement of facilities for public health and social services and for the payment of the principal and interest on the bonds.
2013 Sales and Use Tax Bond	Pocahontas Ordinance no. 2013-16 (November 12, 2013) authorized the issuance of sales and use tax bonds for the purpose of financing all or a portion of the cost of capital improvements; pledging 1/2% sales and use taxes to pay the principal of and interest on the bonds.
Forfeiture and Seizure	Established as holding account for seized monies until court orders are issued to specify their distribution.
Payroll	Established to account for payroll expenditures.
Electronic Funds Transfer Bill Pay	Established to account for clearing of electronic bill pay items.

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

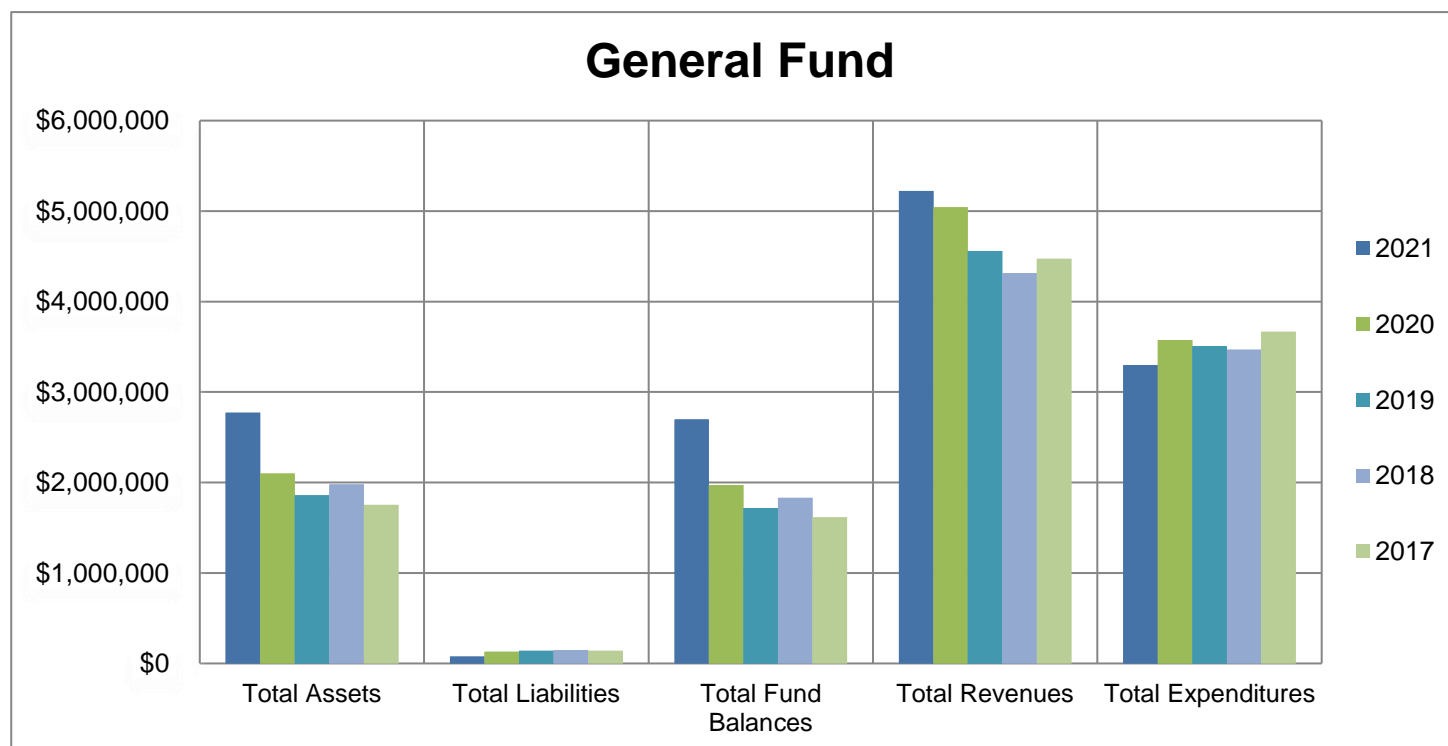
Schedule 3

	December 31, 2021
	<hr/>
Land	\$ 6,356,155
Buildings	15,392,301
Equipment	5,012,046
Construction in progress	<hr/> 217,875
	<hr/>
Total	<u><u>\$ 26,978,377</u></u>

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

Schedule 4-1

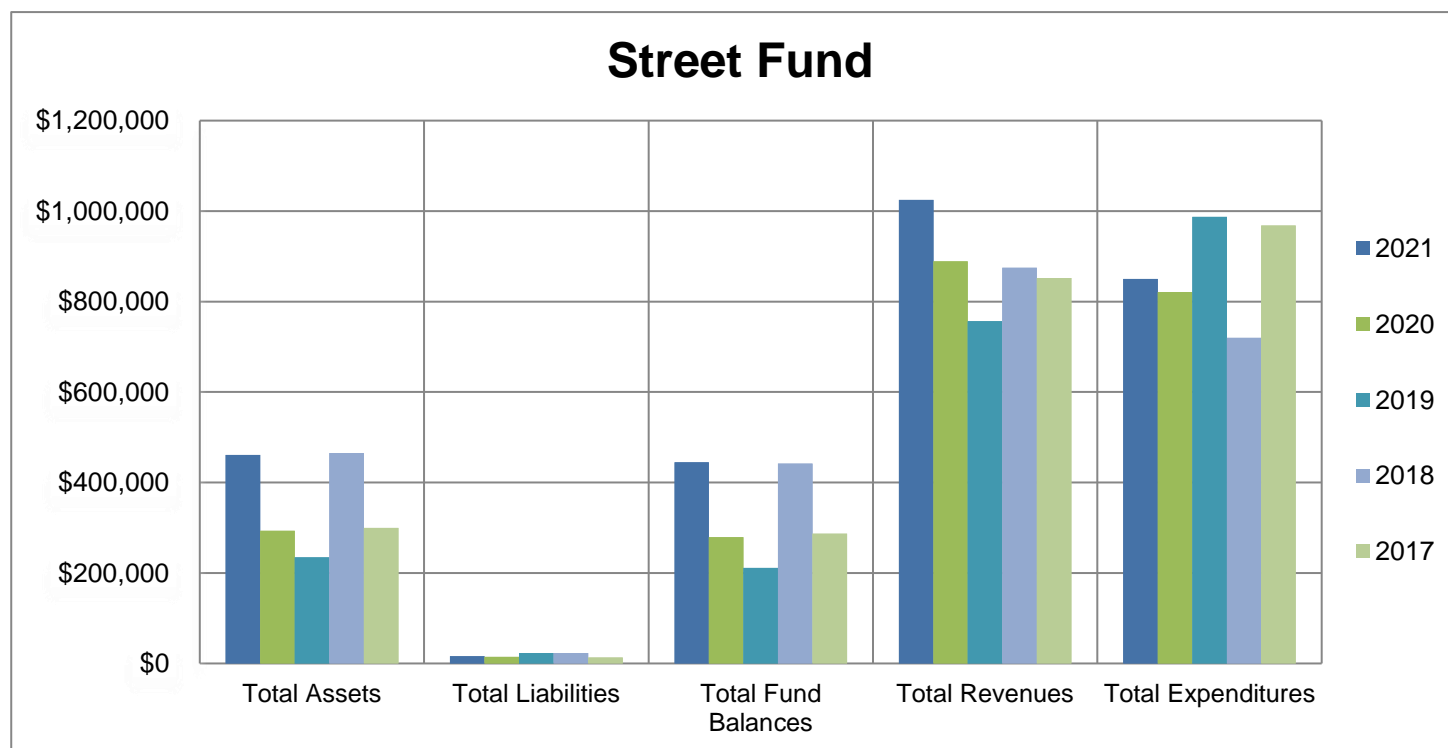
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 2,772,635	\$ 2,099,396	\$ 1,858,006	\$ 1,977,702	\$ 1,753,501
Total Liabilities	76,769	127,623	139,518	146,416	138,712
Total Fund Balances	2,695,866	1,971,773	1,718,488	1,831,286	1,614,789
Total Revenues	5,222,912	5,043,357	4,557,964	4,314,130	4,471,847
Total Expenditures	3,299,070	3,573,940	3,507,898	3,468,509	3,664,876
Total Other Financing Sources/Uses	(1,232,373)	(1,216,132)	(1,162,864)	(629,124)	(750,000)



CITY OF POCAHONTAS, 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	\$ 460,774	\$ 293,526	\$ 234,404	\$ 464,943	\$ 299,584
Total Liabilities	15,987	14,419	23,048	23,223	12,968
Total Fund Balances	444,787	279,107	211,356	441,720	286,616
Total Revenues	1,024,987	888,988	756,729	874,759	852,255
Total Expenditures	850,307	821,237	987,093	719,655	968,390
Total Other Financing Sources/Uses	(9,000)				



CITY OF POCAHONTAS, 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	\$ 2,974,838	\$ 2,683,428	\$ 2,006,130	\$ 2,239,625	\$ 2,238,155
Total Liabilities	962,297	156,454	193,446	136,169	79,899
Total Fund Balances	2,012,541	2,526,974	1,812,684	2,103,456	2,158,256
Total Revenues	3,668,820	3,202,297	2,629,351	2,201,938	2,144,093
Total Expenditures	4,801,598	3,339,698	2,920,123	2,256,738	2,194,693
Total Other Financing Sources/Uses	618,345	851,691			

