

# **City of Pocahontas, Arkansas**

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

**December 31, 2022**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas

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Senate Chair  
Sen. John Payton  
Senate Vice Chair



Rep. Jimmy Gazaway  
House Chair  
Rep. Richard Womack  
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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, 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 Pocahontas, 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 Pocahontas, 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 other funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

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

### ***Other Information***

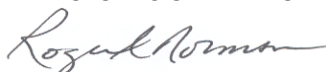
Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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 21, 2023  
LOM107722



**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 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, 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 21, 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 21, 2023.

### **Purpose of This Report**

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

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
December 21, 2023

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



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House Chair  
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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 2022:

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  
December 21, 2023



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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,241,330	\$ 370,250	\$ 2,027,175
Accounts receivable	338,172	43,917	756,957
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,579,502</u>	<u>\$ 414,167</u>	<u>\$ 2,784,132</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 41,358	\$ 5,853	\$ 16,257
Settlements pending			79,625
Total Liabilities	<u>41,358</u>	<u>5,853</u>	<u>95,882</u>
Fund Balances:			
Restricted	38,667		2,016,020
Assigned	395,793	408,314	672,230
Unassigned	2,103,684		
Total Fund Balances	<u>2,538,144</u>	<u>408,314</u>	<u>2,688,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,579,502</u>	<u>\$ 414,167</u>	<u>\$ 2,784,132</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, 2022

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 251,267	\$ 636,387	\$ 633,746
Federal aid			853,633
Property taxes	135,709	36,239	
Franchise fees	460,610		
Sales taxes	3,004,226	456,405	2,199,962
Fines, forfeitures, and costs	137,923		
Interest	7,249	1,384	11,469
Local permits and fees	424,454		
Sanitation fees	415,158		
Fire protection fees	23,602		89,963
Airport fees			243,550
Aquatic fees	168,282		1,561
Fuel sales			187,392
Sale of assets			31,478
Rent income			17,686
Other	444,397	17,975	23,719
TOTAL REVENUES	5,472,877	1,148,390	4,294,159
EXPENDITURES			
Current:			
General government	913,497		2,355
Law enforcement	1,593,858		147,347
Highways and streets		1,184,863	4,327
Public safety	221,181		629,826
Sanitation	648,909		1,750
Health	109,779		
Recreation and culture			1,166,899
Social services			16,421
Economic development	899,779		
Airport			1,265,375
Total Current	4,387,003	1,184,863	3,234,300
Debt Service:			
Bond principal			950,000
Bond interest and other charges			99,423
Financed purchase principal	15,216		21,623
Financed purchase interest	1,143		1,279
Note principal			30,526
Note interest			19,600
Line of credit principal			219,774
Line of credit interest			5,226
TOTAL EXPENDITURES	4,403,362	1,184,863	4,581,751

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

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,069,515	\$ (36,473)	\$ (287,592)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,908		35,657
Transfers out	(35,657)		(3,908)
Contribution to Five Rivers Medical Center	(1,195,488)		
Proceeds from line of credit			931,552
TOTAL OTHER FINANCING SOURCES (USES)	(1,227,237)		963,301
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(157,722)	(36,473)	675,709
FUND BALANCES - JANUARY 1	2,695,866	444,787	2,012,541
FUND BALANCES - DECEMBER 31	\$ 2,538,144	\$ 408,314	\$ 2,688,250

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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 109,993	\$ 251,267	\$ 141,274	\$ 589,818	\$ 636,387	\$ 46,569
Property taxes	93,577	135,709	42,132	36,355	36,239	(116)
Franchise fees	515,913	460,610	(55,303)			
Sales taxes	3,926,805	3,004,226	(922,579)	451,743	456,405	4,662
Fines, forfeitures, and costs	127,312	137,923	10,611			
Interest	6,927	7,249	322	1,384	1,384	0
Local permits and fees	233,917	424,454	190,537			
Sanitation fees	415,158	415,158	0			
Fire protection fees	23,602	23,602	0			
Aquatic fees	168,306	168,282	(24)			
Other	692,110	444,397	(247,713)	64,545	17,975	(46,570)
<b>TOTAL REVENUES</b>	<b>6,313,620</b>	<b>5,472,877</b>	<b>(840,743)</b>	<b>1,143,845</b>	<b>1,148,390</b>	<b>4,545</b>
EXPENDITURES						
Current:						
General government	969,065	913,497	55,568			
Law enforcement	1,659,804	1,593,858	65,946			
Highways and streets				1,198,880	1,184,863	14,017
Public safety	636,800	221,181	415,619			
Sanitation	650,382	648,909	1,473			
Health	110,000	109,779	221			
Economic development	902,183	899,779	2,404			
Total Current	4,928,234	4,387,003	541,231	1,198,880	1,184,863	14,017
Debt Service:						
Financed purchase principal	15,216	15,216	0			
Financed purchase interest	1,143	1,143	0			
<b>TOTAL EXPENDITURES</b>	<b>4,944,593</b>	<b>4,403,362</b>	<b>541,231</b>	<b>1,198,880</b>	<b>1,184,863</b>	<b>14,017</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,369,027</b>	<b>1,069,515</b>	<b>(299,512)</b>	<b>(55,035)</b>	<b>(36,473)</b>	<b>18,562</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	242,448	3,908	(238,540)			
Transfers out	(835,937)	(35,657)	800,280			
Contribution to Five Rivers Medical Center	(1,195,476)	(1,195,488)	(12)			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,788,965)</b>	<b>(1,227,237)</b>	<b>561,728</b>			
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(419,938)</b>	<b>(157,722)</b>	<b>262,216</b>	<b>(55,035)</b>	<b>(36,473)</b>	<b>18,562</b>
FUND BALANCES - JANUARY 1	1,579,500	2,695,866	1,116,366	385,000	444,787	59,787
FUND BALANCES - DECEMBER 31	\$ 1,159,562	\$ 2,538,144	\$ 1,378,582	\$ 329,965	\$ 408,314	\$ 78,349

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

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

**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.

**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.

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

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

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

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

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 and savings accounts, and money market accounts, certificates of deposit and treasury bills.

**Settlements Pending**

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

CITY OF POCAHONTAS, 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.

CITY OF POCAHONTAS, 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 fund 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)	\$ 820,263	\$ 828,577
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,657,367	2,719,104
Collateral held by the pledging bank or pledging bank's trust department or agent not in the City's name	358,859	358,859
Uncollateralized	800,157	800,157
 Total Deposits	 <u>\$ 4,636,646</u>	 <u>\$ 4,706,697</u>

The above total deposits do not include cash on hand of \$2,109.

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, \$800,157 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  
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**NOTE 4: Accounts Receivable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 49,771		\$ 561,378
Property taxes	7,560	\$ 1,107	
Franchise fees	656		
Sales taxes	247,286	42,810	185,606
Fines, forfeitures, and costs	10,515		
Local permits and fees	4,226		
Fuel sales			9,973
Other	18,158		
Totals	<u>\$ 338,172</u>	<u>\$ 43,917</u>	<u>\$ 756,957</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>\$ 41,358</u>	<u>\$ 5,853</u>	<u>\$ 16,257</u>

**NOTE 6: Federal Funds Program Compliance**

The grants of the U.S. Department of Transportation 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 December 14, 2023, the City contracted with a CPA firm to perform the 2022 federal audit.

CITY OF POCAHONTAS, 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	\$ 38,667		
Public safety			\$ 60,739
Airport			675,829
Debt service			1,279,452
Total Restricted	<u>38,667</u>		<u>2,016,020</u>
Assigned to:			
General government	198,000		
Law enforcement	35,823		
Highways and streets		\$ 408,314	
Recreation and culture			672,230
Economic development	161,970		
Total Assigned	<u>395,793</u>	<u>408,314</u>	<u>672,230</u>
Unassigned	<u>2,103,684</u>		
Totals	<u><u>\$ 2,538,144</u></u>	<u><u>\$ 408,314</u></u>	<u><u>\$ 2,688,250</u></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 \$16,496,311. 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 \$4,420,334. The amount of short-term financing obligations was \$60,634 leaving a legal debt margin of \$4,359,700.

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

**NOTE 9: Commitments**

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

	December 31, 2022
	<hr/>
Long-term liabilities	\$ 3,348,820
Line of credit payable	711,778
Lease	<hr/> 249,209
	<hr/>
Total Commitments	<hr/> <hr/> \$ 4,309,807

CITY OF POCAHONTAS, 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 Bonds dated December 1, 2013, in the amount of \$7,500,000, due in annual installments of varying amounts through January 1, 2027; interest rates from 1% to 4%. Payments are to be made from the 2013 Sales and Use Tax Bond Debt Service Fund.	<u>\$ 2,125,000</u>
<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.	9,039
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 2059. 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.	782,195
Financed purchase dated August 4, 2021, used to obtain Fire Station No. 1 building and property located on highway 62 in Pocahontas, Randolph County, Arkansas. Total amount authorized is \$225,000. Interest is to accrue at 3% from the date of mortgage. Payments are to be made from the General Fund (Economic Development account) or the Rural Fire Association Fund beginning August 4, 2021. Terms are one payment of \$112,500 paid upon closing and 36 monthly payments of \$3,272 and will mature in 2024. The mortgage is secured by Fire Station No. 1 building and acreage property located on highway 62 in Pocahontas, Randolph County, Arkansas.	<u>60,634</u>
Total Direct Borrowings	<u>851,868</u>
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.	61,281
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	<u>310,671</u>
Total Long-term liabilities	<u>\$ 3,348,820</u>

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

The City's outstanding bonds payable of \$2,125,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

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

**NOTE 9: Commitments (Continued)**

The City's outstanding notes from direct borrowings of \$791,234, 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.

The City's outstanding financed purchase from direct borrowings of \$60,634, that is secured by Fire Station No. 1 building and property located on highway 62 in Pocahontas, Randolph County, Arkansas, contains a provision that in an event of default, all or any part of the agreed fees and charges, accrued interest and principal, at the Mortgagee's sole option, may be declared immediately due and payable, and the Mortgagee may exercise any rights and remedies, including the right to foreclose the security instrument, available to it under the Constitution and laws of the State.

Line of Credit Payable

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. The total amount of draws and principal and interest payments made during the period were \$931,552, \$219,774, and \$5,226, respectively. As of December 31, 2022, the available balance and balance due were \$288,222 and \$711,778, respectively.

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>					
12/1/13	1/1/27	1% - 4%	\$ 7,500,000	\$ 2,125,000	\$ 5,375,000
<u>Direct Borrowings</u>					
10/17/02	7/17/23	4.625%	286,000	9,039	276,961
5/7/20	5/7/59	2.375%	830,000	782,195	47,805
8/4/21	7/4/24	3.00%	225,000	60,634	164,366
Total Direct Borrowings			1,341,000	851,868	489,132
Total Long-Term Debt			\$ 8,841,000	\$ 2,976,868	\$ 5,864,132

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 3,075,000	\$ 0	\$ 950,000	\$ 2,125,000
<u>Direct Borrowings</u>				
Notes payable	821,760	0	30,526	791,234
Financed purchases	97,473	0	36,839	60,634
Total Direct Borrowings	919,233	0	67,365	851,868
Total Long-Term Debt	\$ 3,994,233	\$ 0	\$ 1,017,365	\$ 2,976,868

CITY OF POCAHONTAS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9: Commitments (Continued)**

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 465,000	\$ 73,722	\$ 538,722	\$ 60,743	\$ 19,852	\$ 80,595
2024	475,000	59,307	534,307	36,748	18,325	55,073
2025	495,000	43,395	538,395	14,412	17,760	32,172
2026	510,000	26,070	536,070	14,758	17,414	32,172
2027	180,000	7,200	187,200	15,113	17,059	32,172
2028 through 2032				82,102	78,758	160,860
2033 through 2037				92,324	68,536	160,860
2038 through 2042				103,818	57,042	160,860
2043 through 2047				116,622	44,238	160,860
2048 through 2052				131,261	29,599	160,860
2053 through 2057				147,603	13,257	160,860
2058 through 2059				36,364	529	36,893
Totals	<u>\$2,125,000</u>	<u>\$ 209,694</u>	<u>\$2,334,694</u>	<u>\$ 851,868</u>	<u>\$ 382,369</u>	<u>\$1,234,237</u>

Leases

The City entered into a 10-year lease agreement with Black River Technical College for an aviation building on January 24, 2020. Terms of the lease are monthly rental payments starting at \$1,250 for 12 months then increasing 1% annually thereafter. At the end of the lease term, the City plans to renegotiate the lease agreement.

The City entered into a lease agreement with Bancorp South for a Mack Sanitation Truck on August 30, 2022. Terms of the lease are monthly rental payments of \$6,759. At the end of the lease term, the City plans to return the sanitation truck or enter into another agreement.

The City is obligated for the next eight years:

Year	December 31, 2022
2023	\$ 96,535
2024	69,653
2025	15,739
2026	15,897
2027	16,056
2028 through 2030	<u>35,329</u>
Totals	<u>\$ 249,209</u>

Lease expense for 2022, was \$72,656.

**NOTE 10: Interfund Transfers**

The Economic Development Fund, which is included in the General Fund, transferred \$32,440 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. Other Funds in the Aggregate (American Rescue Plan Act Fund) transferred \$3,908 of interest earned to the General Fund to close the fund.

CITY OF POCAHONTAS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11: Subsequent Events**

On November 21, 2023, the City issued \$5,980,000 of Sales and Use Tax Refunding and Improvement Bonds with interest rates ranging from 4.2 to 5 percent. The bond proceeds will be used to refund the City's Sales and Use Tax Bonds, series 2013 and to finance street improvements.

On August 8, 2023, The City entered into a contract with Broadway Electric, Inc. for the Airfield Lighting Rehabilitation project in the amount of \$521,262.

**NOTE 12: Pledged Revenues**

The City pledged two future one-half percent 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 \$2,125,000 and \$209,694, respectively, payable through January 1, 2027. For 2022, principal and interest and other charges paid were \$950,000 and \$99,423, respectively.

The 2013 Sales and Use Tax Bond Debt Service Fund received \$1,097,386 in sales taxes in 2022. 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 \$1,097,386 in sales taxes in 2022. 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.

**NOTE 13: Risk Management**

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

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

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

Municipal Vehicle Program

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

CITY OF POCAHONTAS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13: Risk Management (Continued)**

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.

**NOTE 14: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

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

On December 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



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**NOTE 14: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan) (Continued)**

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 \$180,953, and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$134,559 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 \$2,754,498.

**NOTE 15: 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 John Patrick \$15,950 for the year ended December 31, 2022.

**NOTE 16: 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 Sheila Rose \$19,746 for the year ended December 31, 2022.

**NOTE 17: 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 John Throesch \$11,000 for the year ended December 31, 2022.

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

**NOTE 18: 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 \$49,000 for the year ended December 31, 2022. Benefits are limited to contributions made by and on-behalf of the employee; therefore, there is no net pension liability.

**NOTE 19: Corona Virus (COVID-19)**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$1,376,717 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$1,376,717 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 POCAHONTAS, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2022

Schedule 1

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	Arkansas Department of Economic Development Loan	United States Department of Agriculture Rural Development Debt Reserve	2013 Sales and Use Tax Bond
ASSETS							
Cash and cash equivalents	\$ 106,802	\$ 593,662	\$ 39,289	\$ 20,967	\$ 19,496	\$ 8,317	\$ 1,159,017
Accounts receivable	569,085	92,622	2,628				92,622
<b>TOTAL ASSETS</b>	<b>\$ 675,887</b>	<b>\$ 686,284</b>	<b>\$ 41,917</b>	<b>\$ 20,967</b>	<b>\$ 19,496</b>	<b>\$ 8,317</b>	<b>\$ 1,251,639</b>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 58	\$ 14,054	\$ 1,564	\$ 581			
Settlements pending							
Total Liabilities	58	14,054	1,564	581			
Fund Balances:							
Restricted	675,829		40,353	20,386	\$ 19,496	\$ 8,317	\$ 1,251,639
Assigned		672,230					
Total Fund Balances	675,829	672,230	40,353	20,386	19,496	8,317	1,251,639
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 675,887</b>	<b>\$ 686,284</b>	<b>\$ 41,917</b>	<b>\$ 20,967</b>	<b>\$ 19,496</b>	<b>\$ 8,317</b>	<b>\$ 1,251,639</b>

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

Schedule 1

	CUSTODIAL FUNDS			
	Forfeiture and Seizure	Payroll	Electronic Funds Transfer Bill Pay	Totals
ASSETS				
Cash and cash equivalents	\$ 35,804	\$ 31,584	\$ 12,237	\$ 2,027,175
Accounts receivable				756,957
TOTAL ASSETS	<u>\$ 35,804</u>	<u>\$ 31,584</u>	<u>\$ 12,237</u>	<u>\$ 2,784,132</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable				\$ 16,257
Settlements pending	\$ 35,804	\$ 31,584	\$ 12,237	79,625
Total Liabilities	<u>35,804</u>	<u>31,584</u>	<u>12,237</u>	<u>95,882</u>
Fund Balances:				
Restricted				2,016,020
Assigned				672,230
Total Fund Balances				<u>2,688,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,804</u>	<u>\$ 31,584</u>	<u>\$ 12,237</u>	<u>\$ 2,784,132</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, 2022

Schedule 2

	SPECIAL REVENUE FUNDS				
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	American Rescue Plan Act
REVENUES					
State aid	\$ 558,750		\$ 74,996		
Federal aid	165,279				\$ 688,354
Sales taxes	5,190	\$ 1,097,386			
Interest	114	3,366	34	\$ 23	1,879
Fire protection fees				89,963	
Airport fees	243,550				
Aquatic fees		1,561			
Fuel sales	187,392				
Sale of assets	31,478				
Rent income					
Other	1,634	20,051		2,034	
<b>TOTAL REVENUES</b>	<b>1,193,387</b>	<b>1,122,364</b>	<b>75,030</b>	<b>92,020</b>	<b>690,233</b>
EXPENDITURES					
Current:					
General government					2,355
Law enforcement					147,347
Highways and streets					4,327
Public safety			41,490	63,462	524,874
Sanitation					1,750
Recreation and culture		1,162,104			4,795
Social services		16,421			
Airport	1,264,498				877
Total Current	1,264,498	1,178,525	41,490	63,462	686,325
Debt Service:					
Bond principal					
Bond interest and other charges					
Financed purchase principal				21,623	
Financed purchase interest				1,279	
Note principal					
Note interest					
Line of credit principal	219,774				
Line of credit interest	5,226				
<b>TOTAL EXPENDITURES</b>	<b>1,489,498</b>	<b>1,178,525</b>	<b>41,490</b>	<b>86,364</b>	<b>686,325</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>(296,111)</b>	<b>(56,161)</b>	<b>33,540</b>	<b>5,656</b>	<b>3,908</b>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					(3,908)
Proceeds from line of credit	931,552				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>931,552</b>				<b>(3,908)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)</b>					
<b>EXPENDITURES AND OTHER USES</b>	<b>635,441</b>	<b>(56,161)</b>	<b>33,540</b>	<b>5,656</b>	
FUND BALANCES - JANUARY 1	40,388	728,391	6,813	14,730	
FUND BALANCES - DECEMBER 31	\$ 675,829	\$ 672,230	\$ 40,353	\$ 20,386	\$ 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, 2022

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				\$ 633,746
Federal aid				853,633
Sales taxes			\$ 1,097,386	2,199,962
Interest		\$ 4	6,049	11,469
Fire protection fees				89,963
Airport fees				243,550
Aquatic fees				1,561
Fuel sales				187,392
Sale of assets				31,478
Rent income	\$ 17,686			17,686
Other				23,719
TOTAL REVENUES	17,686	4	1,103,435	4,294,159
EXPENDITURES				
Current:				
General government				2,355
Law enforcement				147,347
Highways and streets				4,327
Public safety				629,826
Sanitation				1,750
Recreation and culture				1,166,899
Social services				16,421
Airport				1,265,375
Total Current				3,234,300
Debt Service:				
Bond principal			950,000	950,000
Bond interest and other charges			99,423	99,423
Financed purchase principal				21,623
Financed purchase interest				1,279
Note principal	30,526			30,526
Note interest	19,600			19,600
Line of credit principal				219,774
Line of credit interest				5,226
TOTAL EXPENDITURES	50,126		1,049,423	4,581,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,440)	4	54,012	(287,592)
OTHER FINANCING SOURCES (USES)				
Transfers in	32,440	3,217		35,657
Transfers out				(3,908)
Proceeds from line of credit				931,552
TOTAL OTHER FINANCING SOURCES (USES)	32,440	3,217		963,301
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		3,221	54,012	675,709
FUND BALANCES - JANUARY 1	19,496	5,096	1,197,627	2,012,541
FUND BALANCES - DECEMBER 31	\$ 19,496	\$ 8,317	\$ 1,251,639	\$ 2,688,250

CITY OF POCAHONTAS, 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>
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 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).
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, 2022  
(Unaudited)

Schedule 3

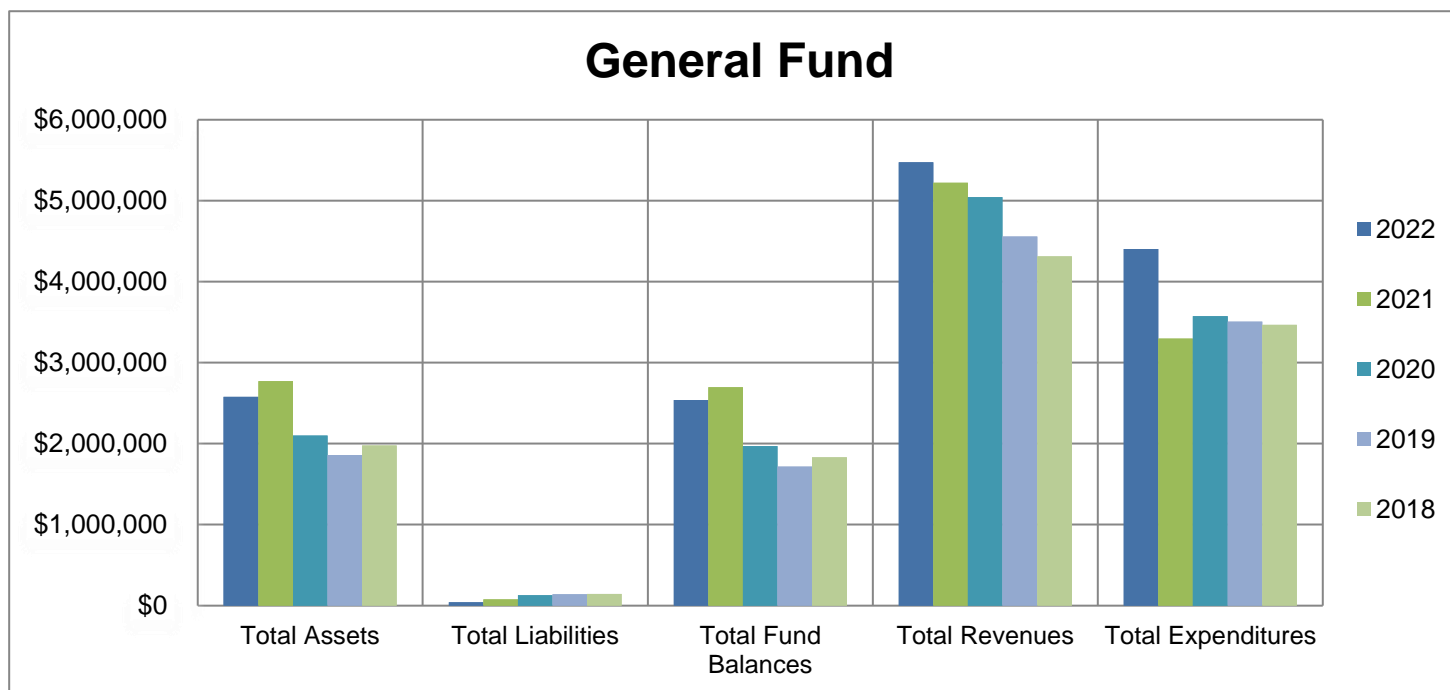
	December 31, 2022
Land	\$ 6,356,799
Buildings	16,595,468
Equipment	6,678,579
Construction in progress	<u>1,494,722</u>
Total	<u><u>\$ 31,125,568</u></u>



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

Schedule 4-1

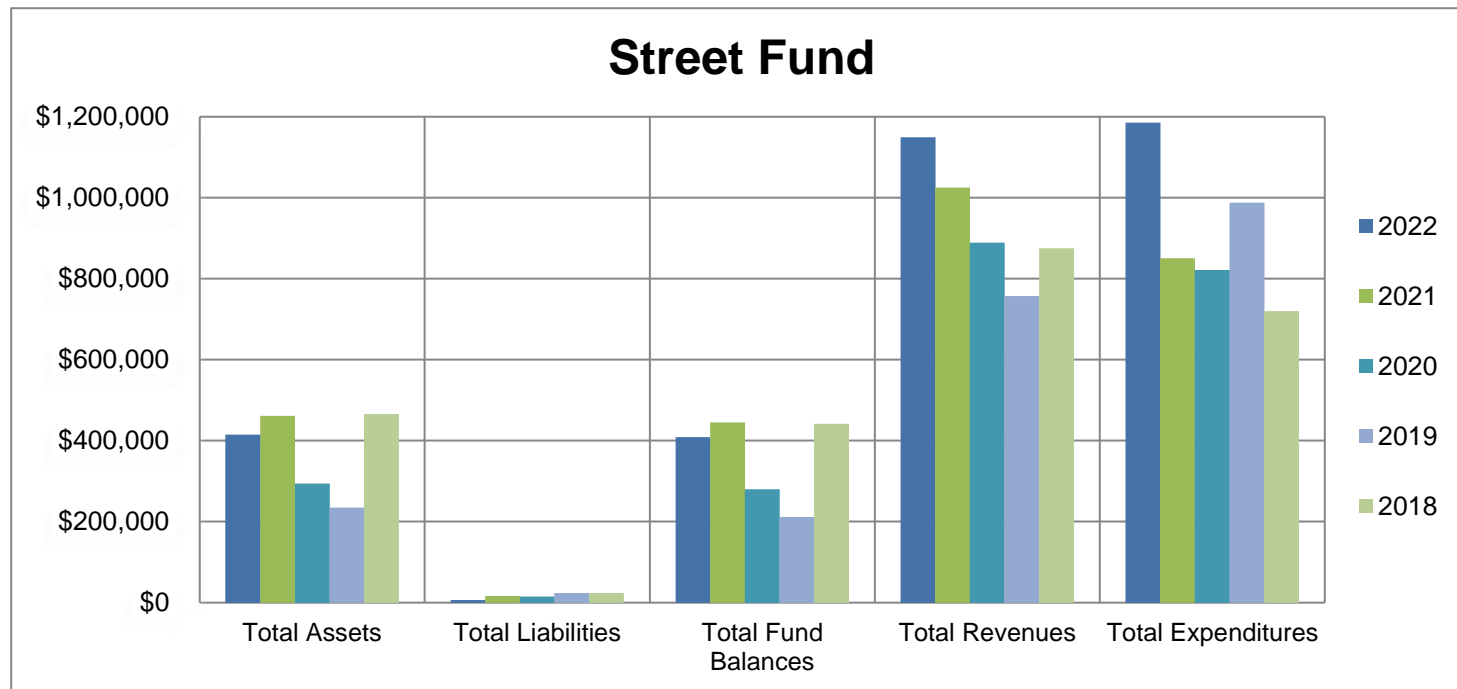
<b>General</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Assets	\$ 2,579,502	\$ 2,772,635	\$ 2,099,396	\$ 1,858,006	\$ 1,977,702
Total Liabilities	41,358	76,769	127,623	139,518	146,416
Total Fund Balances	2,538,144	2,695,866	1,971,773	1,718,488	1,831,286
Total Revenues	5,472,877	5,222,912	5,043,357	4,557,964	4,314,130
Total Expenditures	4,403,362	3,299,070	3,573,940	3,507,898	3,468,509
Total Other Financing Sources/Uses	(1,227,237)	(1,232,373)	(1,216,132)	(1,162,864)	(629,124)



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

Schedule 4-2

<b><u>Street</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total Assets	\$ 414,167	\$ 460,774	\$ 293,526	\$ 234,404	\$ 464,943
Total Liabilities	5,853	15,987	14,419	23,048	23,223
Total Fund Balances	408,314	444,787	279,107	211,356	441,720
Total Revenues	1,148,390	1,024,987	888,988	756,729	874,759
Total Expenditures	1,184,863	850,307	821,237	987,093	719,655
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, 2022  
(Unaudited)

Schedule 4-3

<b><u>Other Funds in the Aggregate</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total Assets	\$ 2,784,132	\$ 2,974,838	\$ 2,683,428	\$ 2,006,130	\$ 2,239,625
Total Liabilities	95,882	962,297	156,454	193,446	136,169
Total Fund Balances	2,688,250	2,012,541	2,526,974	1,812,684	2,103,456
Total Revenues	4,294,159	3,668,820	3,202,297	2,629,351	2,201,938
Total Expenditures	4,581,751	4,801,598	3,339,698	2,920,123	2,256,738
Total Other Financing Sources/Uses	963,301	618,345	851,691		

