

City of Pocahontas, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2023



CITY OF POCAHONTAS, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
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Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Kevin William White, CPA, JD
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, 2023, the related Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis, and the Statement of Revenues, Expenditures, and Changes in Fund Balances – 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, 2023; the regulatory basis revenues, expenditures, and changes in fund balance; 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, 2023, or the revenues, expenditures, and changes in fund balance and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, 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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
December 19, 2024
LOM107723

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
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, 2023, 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 19, 2024. 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

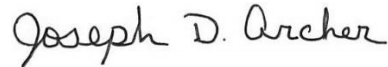
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 19, 2024.

Purpose of This Report

The purpose of this report is solely to describe 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 that reads "Joseph D. Archer". The signature is written in a cursive style.

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 19, 2024

Arkansas



Sen. David Wallace
Senate 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 2023:

Mayor: Keith Futrell (appointed December 28, 2023)
Keith Sutton (deceased December 24, 2023)
Clerk/Treasurer: Michelle Teel
Police Chief: David Edington

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

Other Matters

Four unauthorized withdrawals totaling \$18,347 were made from City bank accounts between April and November 2023. City personnel discovered the unauthorized withdrawals upon review of the affected bank accounts. All funds were recovered from the bank by December 1, 2023.

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 that reads "Joseph D. Archer".

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 19, 2024

CITY OF POCAHONTAS, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2023

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,992,993	\$ 561,219	\$ 6,945,918
Accounts receivable	402,657	48,941	208,212
TOTAL ASSETS	<u>\$ 2,395,650</u>	<u>\$ 610,160</u>	<u>\$ 7,154,130</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 57,505	\$ 4,939	\$ 12,985
Settlements pending			161,461
Total Liabilities	<u>57,505</u>	<u>4,939</u>	<u>174,446</u>
Fund Balances:			
Restricted	41,715		6,637,242
Assigned	353,810	605,221	342,442
Unassigned	1,942,620		
Total Fund Balances	<u>2,338,145</u>	<u>605,221</u>	<u>6,979,684</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,395,650</u>	<u>\$ 610,160</u>	<u>\$ 7,154,130</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, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 112,104	\$ 621,792	\$ 94,186
Federal aid	3,000		828,666
Property taxes	142,290	39,353	
Franchise fees	574,374		
Sales taxes	3,041,109	492,402	2,279,267
Fines, forfeitures, and costs	175,191		
Interest	53,280	12,194	58,042
Local permits and fees	409,751		
Sanitation fees	386,164		
Fire protection fees	372		105,195
Airport fees			187,354
Aquatic fees	159,732		19,564
Fuel sales			217,508
Rent income			16,456
Shooting range fees and sales			44,767
Other	395,670	152	29,801
TOTAL REVENUES	5,453,037	1,165,893	3,880,806
EXPENDITURES			
Current:			
General government	860,788		176,285
Law enforcement	1,872,268		
Highways and streets	271	968,986	
Public safety	641,410		118,995
Sanitation	343,821		
Health	137,224		
Recreation and culture	1,881		1,535,564
Social services			16,456
Economic development	567,445		
Airport			383,471
Total Current	4,425,108	968,986	2,230,771
Debt Service:			
Bond principal			1,050,000
Bond interest and other charges			66,922
Financed purchase principal			66,235
Financed purchase interest			20,534
Line of credit principal			729,278
Line of credit interest			2,248
TOTAL EXPENDITURES	4,425,108	968,986	4,165,988

CITY OF POCAHONTAS, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,027,929	\$ 196,907	\$ (285,182)
OTHER FINANCING SOURCES (USES)			
Transfers in			49,838
Transfers out	(32,440)		(17,398)
Contribution to water department			(769,266)
Contribution to Five Rivers Medical Center	(1,195,488)		
Proceeds from line of credit			17,500
Bond proceeds			5,980,000
Payment to refunding bond escrow agents			(1,089,437)
Bond premium			12,208
TOTAL OTHER FINANCING SOURCES (USES)	(1,227,928)		4,183,445
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(199,999)	196,907	3,898,263
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,538,144	408,314	2,688,250
Restatement adjustment (Note 11)			393,171
FUND BALANCES - JANUARY 1, AS RESTATED	2,538,144	408,314	3,081,421
FUND BALANCES - DECEMBER 31	\$ 2,338,145	\$ 605,221	\$ 6,979,684

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, 2023

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 113,870	\$ 112,104	\$ (1,766)	\$ 574,046	\$ 621,792	\$ 47,746
Federal aid		3,000	3,000			
Property taxes	141,613	142,290	677	38,516	39,353	837
Franchise fees	511,305	574,374	63,069			
Sales taxes	3,962,706	3,041,109	(921,597)	488,204	492,402	4,198
Fines, forfeitures, and costs	131,843	175,191	43,348			
Interest	31,624	53,280	21,656	12,194	12,194	0
Local permits and fees	215,631	409,751	194,120			
Sanitation fees	354,463	386,164	31,701			
Fire protection fees		372	372			
Aquatic fees	159,277	159,732	455			
Other	574,608	395,670	(178,938)	47,898	152	(47,746)
TOTAL REVENUES	6,196,940	5,453,037	(743,903)	1,160,858	1,165,893	5,035
EXPENDITURES						
Current:						
General government	812,850	860,788	(47,938)			
Law enforcement	1,787,435	1,872,268	(84,833)			
Highways and streets		271	(271)	964,003	968,986	(4,983)
Public safety	676,900	641,410	35,490			
Sanitation	345,814	343,821	1,993			
Health	110,000	137,224	(27,224)			
Recreation and culture		1,881	(1,881)			
Economic development	542,691	567,445	(24,754)			
TOTAL EXPENDITURES	4,275,690	4,425,108	(149,418)	964,003	968,986	(4,983)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,921,250	1,027,929	(893,321)	196,855	196,907	52
OTHER FINANCING SOURCES (USES)						
Transfers in	125,000		(125,000)			
Transfers out	(857,172)	(32,440)	824,732			
Contribution to Five Rivers Medical Center	(1,195,476)	(1,195,488)	(12)			
TOTAL OTHER FINANCING SOURCES (USES)	(1,927,648)	(1,227,928)	699,720			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,398)	(199,999)	(193,601)	196,855	196,907	52
FUND BALANCES - JANUARY 1	1,711,659	2,538,144	826,485	340,000	408,314	68,314
FUND BALANCES - DECEMBER 31	\$ 1,705,261	\$ 2,338,145	\$ 632,884	\$ 536,855	\$ 605,221	\$ 68,366

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

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets (other than those financed by Enterprise Funds). See Schedules 1 and 2 for the Capital Projects Fund 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.

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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, payroll withholdings, excess transfers to the payroll fund, Five Rivers Medical Center contributions, and electronic fund transfer bill payments that have not been transferred to the appropriate entities.

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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

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

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

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

Basis of Accounting

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

G. Fund Balance Classification Policies and Procedures

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

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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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)	\$ 857,071	\$ 859,140
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,701,973	2,777,252
Collateral held by the pledging bank or pledging bank's trust department or agent not in the City's name	33,338	33,338
Uninsured and uncollateralized	5,905,630	5,905,630
Total Deposits	\$ 9,498,012	\$ 9,575,360

The above total deposits do not include cash on hand of \$2,118.

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, 2023, \$5,905,630 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.

Pension Trust Funds

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

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 6,664	\$ 1,933	
Franchise fees	63,725		
Sales taxes	259,279	47,008	\$ 193,640
Fines, forfeitures, and costs	8,502		
Local permits and fees	14,848		
Sanitation fees	31,701		
Airport fees			1,525
Aquatic fees	155		2,235
Fuel sales			9,222
Shooting range fees and sales			279
Other	17,783		1,311
Totals	<u>\$ 402,657</u>	<u>\$ 48,941</u>	<u>\$ 208,212</u>

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 57,505</u>	<u>\$ 4,939</u>	<u>\$ 12,985</u>

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2023, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government	\$ 39,954		
Law enforcement	1,761		
Public safety			\$ 102,552
Airport			60,415
Capital outlay			5,353,636
Debt service			1,120,639
Total Restricted	41,715		6,637,242
Assigned to:			
General government	99,841		
Law enforcement	36,083		
Highways and streets		\$ 605,221	
Recreation and culture			342,442
Economic development	217,886		
Total Assigned	353,810	605,221	342,442
Unassigned	1,942,620		
Totals	\$ 2,338,145	\$ 605,221	\$ 6,979,684

NOTE 7: 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, 2023, the legal debt limit for the bonded debt was \$17,145,169. 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, 2023, the legal debt limit for short-term financing obligations was \$4,585,952. The amount of short-term financing obligations was \$50,082 leaving a legal debt margin of \$4,535,870.

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2023:

	December 31,
Long-term liabilities	\$ 7,181,104
Leases	152,674
Construction contract	595,262
Total Commitments	\$ 7,929,040

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8: Commitments

Long-term liabilities

Long-term liabilities at December 31, 2023, are comprised of the following:

	December 31, 2023
<u>Bonds</u>	
Sales and Use Tax Refunding and Improvement Bonds dated November 21, 2023, in the amount of \$5,980,000, due in annual installment of varying amounts through November 1, 2033; interest rates from 4.2% to 5%. Payments are to be made from the Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023 Debt Service Fund.	\$ 5,980,000
<u>Direct Borrowings</u>	
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.	768,451
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.	22,690
Financed purchase dated October 15, 2023, used to obtain a tractor, loader, and utility task vehicle. Total amount authorized is \$32,900. Terms are 12 quarterly payments of \$3,087. Interest is to accrue at 8.94%. Payments are to be made from the Recreation Facilities Fund.	27,392
Total Direct Borrowings	818,533
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.	59,283
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	323,288
Total Long-term liabilities	\$ 7,181,104

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, 2023

NOTE 8: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding bonds payable of \$5,980,000 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 from direct borrowings of \$768,451, 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 \$22,690, 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.

The City's outstanding direct borrowing of \$27,392 contains a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

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, 2023</u>	<u>Maturities to December 31, 2023</u>
<u>Bonds</u>					
11/21/23	11/1/33	4.2% - 5%	\$ 5,980,000	\$ 5,980,000	\$ 0
<u>Direct Borrowings</u>					
5/7/20	5/7/59	2.375%	830,000	768,451	61,549
8/4/21	7/4/24	3.00%	225,000	22,690	202,310
10/15/23	7/15/26	8.94%	32,900	27,392	5,508
Total Direct Borrowings			<u>1,087,900</u>	<u>818,533</u>	<u>269,367</u>
Total Long-Term Debt			<u>\$ 7,067,900</u>	<u>\$ 6,798,533</u>	<u>\$ 269,367</u>

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8: Commitments (Continued)

Changes in Long-Term Debt

	Balance January 01, 2023	Issued	Retired	Balance December 31, 2023
Bonds payable	\$ 2,125,000	\$ 5,980,000	\$ 2,125,000 *	\$ 5,980,000
<u>Direct Borrowings</u>				
Note payable	791,234		22,783	768,451
Financed purchases	60,634	32,900	43,452	50,082
Total Direct Borrowings	851,868	32,900	66,235	818,533
Total Long-Term Debt	<u>\$ 2,976,868</u>	<u>\$ 6,012,900</u>	<u>\$ 2,191,235</u>	<u>\$ 6,798,533</u>

*Includes bond refunding of \$1,075,000

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2023:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 495,000	\$ 252,960	\$ 747,960	\$ 44,356	\$ 19,979	\$ 64,335
2025	505,000	243,090	748,090	25,350	19,170	44,520
2026	530,000	217,840	747,840	23,621	17,812	41,433
2027	555,000	191,340	746,340	15,113	17,059	32,172
2028	585,000	163,590	748,590	15,659	16,513	32,172
2029 through 2033	3,310,000	428,400	3,738,400	84,052	76,808	160,860
2034 through 2038				94,516	66,344	160,860
2039 through 2043				106,173	54,687	160,860
2044 through 2048				119,501	41,359	160,860
2049 through 2053				134,378	26,482	160,860
2054 through 2058				151,107	9,753	160,860
2059				4,707	15	4,722
Totals	<u>\$5,980,000</u>	<u>\$1,497,220</u>	<u>\$7,477,220</u>	<u>\$ 818,533</u>	<u>\$ 365,981</u>	<u>\$1,184,514</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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8: Commitments (Continued)

Leases (Continued)

The City is obligated for the following amounts for the next seven years:

Year	December 31,
2024	\$ 69,654
2025	15,739
2026	15,897
2027	16,056
2028	16,216
2029 through 2030	<u>19,112</u>
Total	<u>\$ 152,674</u>

Lease expense for 2023, was \$96,535.

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2023:

Project Name	Completed Date	Contract Balance December 31, 2023
Airport Lighting Rehabilitation	June 21, 2024	<u>\$ 595,262</u>

NOTE 9: Debt Refunding

On November 21, 2023, the City issued \$5,980,000 in Sales and Use Tax Refunding and Improvements Bonds, Series 2023, with interest rates of 4.2 to 5 percent to advance refund \$1,075,000 of outstanding bonds issued December 1, 2013, with interest rates of 1 to 4 percent. Bond proceeds of \$5,893,537 (principal amount plus \$12,208 of net original issue premium, less \$98,671 of underwriters discount) were used as follows: \$95,128 and additional City funds of \$994,309 were deposited with an escrow agent to advance refund the 2013 bonds and pay related interest and fees, \$77,366 for bond issuance cost, and \$5,721,043 for the purpose of financing all or a portion of the costs of improvements to existing streets, including particularly, without limitation, paving and resurfacing and related intersection, curb, gutter, drainage and utility improvements, sidewalks, lighting, traffic control devices and improvements. The 2013 bonds were called on November 21, 2023.

NOTE 10: Interfund Transfers

The Economic Development Fund, which is included in the General Fund, transferred \$29,491 and \$2,949 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. Within Other Funds in the Aggregate, the Sales and Use Tax Bond, Series 2013 Fund transferred \$17,398 to the Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023 Fund to satisfy bond requirements.

NOTE 11: Prior Year Restatement

Prior year fund balance was restated by \$393,171 to include the Five Rivers Medical Center Debt Reserve Fund, which was not included in the prior year engagements.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12: Pledged Revenues

The City pledged two future one-half percent sales and use taxes to repay \$5,980,000 in bonds that were issued in 2023 to provide funding for financing all or a portion of the cost of capital improvements. Total principal and interest remaining on the bonds are \$5,980,000 and \$1,497,220, respectively, payable through November 1, 2033. No principal and interest payments paid in 2023.

The Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023 Fund received \$289,251 in sales taxes in 2023. 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 \$1,137,017 in sales taxes in 2023. 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:

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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 13: Risk Management (Continued)

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. 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 \$204,781, and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$137,262 for the year ended December 31, 2023.

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, 2023, (actuarial valuation date and measurement date) was \$2,480,455.

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, 2023.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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/Treasurers Sheila Rose and Suzanne Hawkins \$19,746 and \$27,973, respectively, for the year ended December 31, 2023.

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, 2023.

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, 2023. Benefits are limited to contributions made by and on-behalf of the employee; therefore, there is no net pension liability.

NOTE 19: Jointly Governed Organization – Third Judicial District Drug Task Force

The Prosecuting Attorney's Office of the Third Judicial District, the Sheriffs' Departments of Jackson, Lawrence, Randolph, Sharp, and the Police Departments of Ash Flat, Cherokee Village, Highland, Newport, Pocahontas, and Walnut Ridge entered into an agreement to establish the Third Judicial District Drug Task Force. Funding is provided through a Drug Law Enforcement Program grant, applied for by the Prosecuting Attorney of the Third Judicial District. No contributions or payment for expenditures were made to the Third Judicial District Drug Task Force by the City. The financial statements of the Third Judicial District Drug Task Force have not been audited.

CITY OF POCAHONTAS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2023

Schedule 1

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	Sales and Use Tax Refunding and Improvement Bonds, Capital Projects, Series 2023	Arkansas Department of Economic Development Loan	United States Department of Agriculture Rural Development Debt Reserve
ASSETS							
Cash and cash equivalents	\$ 49,668	\$ 251,572	\$ 49,112	\$ 57,959	\$ 5,353,636	\$ 22,799	\$ 11,284
Accounts receivable	10,747	99,336				1,309	
TOTAL ASSETS	<u>\$ 60,415</u>	<u>\$ 350,908</u>	<u>\$ 49,112</u>	<u>\$ 57,959</u>	<u>\$ 5,353,636</u>	<u>\$ 24,108</u>	<u>\$ 11,284</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 8,466	\$ 3,979	\$ 540			
Settlements pending							
Total Liabilities		<u>8,466</u>	<u>3,979</u>	<u>540</u>			
Fund Balances:							
Restricted	\$ 60,415		45,133	57,419	\$ 5,353,636	\$ 24,108	\$ 11,284
Assigned		342,442					
Total Fund Balances	<u>60,415</u>	<u>342,442</u>	<u>45,133</u>	<u>57,419</u>	<u>5,353,636</u>	<u>24,108</u>	<u>11,284</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,415</u>	<u>\$ 350,908</u>	<u>\$ 49,112</u>	<u>\$ 57,959</u>	<u>\$ 5,353,636</u>	<u>\$ 24,108</u>	<u>\$ 11,284</u>

CITY OF POCAHONTAS, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2023

Schedule 1

	DEBT SERVICE FUNDS		CUSTODIAL FUNDS				Totals
	Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023	Five Rivers Medical Center Debt Reserve	Forfeiture and Seizure	Payroll	Electronic Funds Transfer Bill Pay	Five Rivers Medical Center PAD	
ASSETS							
Cash and cash equivalents	\$ 585,331	\$ 403,096	\$ 2,823	\$ 46,505	\$ 79,509	\$ 32,624	\$ 6,945,918
Accounts receivable	96,820						208,212
TOTAL ASSETS	\$ 682,151	\$ 403,096	\$ 2,823	\$ 46,505	\$ 79,509	\$ 32,624	\$ 7,154,130
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 12,985
Settlements pending			\$ 2,823	\$ 46,505	\$ 79,509	\$ 32,624	161,461
Total Liabilities			<u>2,823</u>	<u>46,505</u>	<u>79,509</u>	<u>32,624</u>	<u>174,446</u>
Fund Balances:							
Restricted	\$ 682,151	\$ 403,096					6,637,242
Assigned							342,442
Total Fund Balances	<u>682,151</u>	<u>403,096</u>					<u>6,979,684</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 682,151	\$ 403,096	\$ 2,823	\$ 46,505	\$ 79,509	\$ 32,624	\$ 7,154,130

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, 2023

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND
	Airport	Recreation Facilities	Fire Equipment and Training (Act 833)	Rural Fire Association	Municipal Water Works Project	Sales and Use Tax Refunding and Improvement Bonds, Capital Projects, Series 2023
REVENUES						
State aid	\$ 11,700		\$ 82,486			
Federal aid	59,400				\$ 769,266	
Sales taxes	5,233	\$ 1,137,017				
Interest	119	10,167	137	\$ 109		\$ 7,712
Fire protection fees				105,195		
Airport fees	187,354					
Aquatic fees		19,564				
Fuel sales	217,508					
Rent income						
Shooting range fees and sales		44,767				
Other	769	16,891		12,141		
TOTAL REVENUES	<u>482,083</u>	<u>1,228,406</u>	<u>82,623</u>	<u>117,445</u>	<u>769,266</u>	<u>7,712</u>
EXPENDITURES						
Current:						
General government						
Public safety			77,843	41,152		
Recreation and culture		1,535,564				
Social services		16,456				
Airport	383,471					
Total Current	<u>383,471</u>	<u>1,552,020</u>	<u>77,843</u>	<u>41,152</u>		
Debt Service:						
Bond principal						
Bond interest and other charges						
Financed purchase principal		5,508		37,944		
Financed purchase interest		666		1,316		
Line of credit principal	729,278					
Line of credit interest	2,248					
TOTAL EXPENDITURES	<u>1,114,997</u>	<u>1,558,194</u>	<u>77,843</u>	<u>80,412</u>		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(632,914)</u>	<u>(329,788)</u>	<u>4,780</u>	<u>37,033</u>	<u>769,266</u>	<u>7,712</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Contribution to water department					(769,266)	
Proceeds from line of credit	17,500					
Bond proceeds						5,345,924
Payment to refunding bond escrow agents						
Bond premium						
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,500</u>				<u>(769,266)</u>	<u>5,345,924</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(615,414)</u>	<u>(329,788)</u>	<u>4,780</u>	<u>37,033</u>		<u>5,353,636</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	675,829	672,230	40,353	20,386		
Restatement adjustment (Note 11)						
FUND BALANCES - JANUARY 1, AS RESTATED	<u>675,829</u>	<u>672,230</u>	<u>40,353</u>	<u>20,386</u>		
FUND BALANCES - DECEMBER 31	<u>\$ 60,415</u>	<u>\$ 342,442</u>	<u>\$ 45,133</u>	<u>\$ 57,419</u>	<u>\$ 0</u>	<u>\$ 5,353,636</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, 2023

Schedule 2

	DEBT SERVICE FUNDS					Totals
	Arkansas Department of Economic Development Loan	United States Department of Agriculture Rural Development Debt Reserve	Sales and Use Tax Bond, Series 2013	Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023	Five Rivers Medical Center Debt Reserve	
REVENUES						
State aid						\$ 94,186
Federal aid						828,666
Sales taxes			\$ 847,766	\$ 289,251		2,279,267
Interest		\$ 18	29,224	631	\$ 9,925	58,042
Fire protection fees						105,195
Airport fees						187,354
Aquatic fees						19,564
Fuel sales						217,508
Rent income	\$ 16,456					16,456
Shooting range fees and sales						44,767
Other						29,801
TOTAL REVENUES	16,456	18	876,990	289,882	9,925	3,880,806
EXPENDITURES						
Current:						
General government				176,285		176,285
Public safety						118,995
Recreation and culture						1,535,564
Social services						16,456
Airport						383,471
Total Current				176,285		2,230,771
Debt Service:						
Bond principal			1,050,000			1,050,000
Bond interest and other charges			66,922			66,922
Financed purchase principal	22,783					66,235
Financed purchase interest	18,552					20,534
Line of credit principal						729,278
Line of credit interest						2,248
TOTAL EXPENDITURES	41,335		1,116,922	176,285		4,165,988
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,879)	18	(239,932)	113,597	9,925	(285,182)
OTHER FINANCING SOURCES (USES)						
Transfers in	29,491	2,949		17,398		49,838
Transfers out			(17,398)			(17,398)
Contribution to water department						(769,266)
Proceeds from line of credit						17,500
Bond proceeds			95,128	538,948		5,980,000
Payment to refunding bond escrow agents			(1,089,437)			(1,089,437)
Bond premium				12,208		12,208
TOTAL OTHER FINANCING SOURCES (USES)	29,491	2,949	(1,011,707)	568,554		4,183,445
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,612	2,967	(1,251,639)	682,151	9,925	3,898,263
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	19,496	8,317	1,251,639			2,688,250
Restatement adjustment (Note 11)					393,171	393,171
FUND BALANCES - JANUARY 1, AS RESTATED	19,496	8,317	1,251,639		393,171	3,081,421
FUND BALANCES - DECEMBER 31	\$ 24,108	\$ 11,284	\$ 0	\$ 682,151	\$ 403,096	\$ 6,979,684

CITY OF POCAHONTAS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2023

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.
Municipal Water Works Project	Established to receive a grant from the Delta Regional Authority for water and sewer upgrades.
Sales and Use Tax Refunding and Improvement Bonds, Capital Projects, Series 2023	Pocahontas Ordinance no. 2023-17 (August 8, 2023) authorized the issuance of sales and use tax refunding and improvement bonds for the purpose of financing all or a portion of the cost of capital improvements to existing streets, including particularly, without limitation, paving and resurfacing and related intersection, curb, gutter, drainage and utility improvements, sidewalks, lighting and traffic control devices and improvements.
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.
Sales and Use Tax Bond, Series 2013	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.

CITY OF POCAHONTAS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2023

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Refunding and Improvement Bonds, Debt Service, Series 2023	Pocahontas Ordinance no. 2023-17 (August 8, 2023) authorized the issuance of sales and use tax refunding and improvement bonds for the purpose of financing and refinancing all or a portion of the cost of capital improvements; pledging sales and use taxes aggregating 1% to pay the principal of and interest on the bonds.
Five Rivers Medical Center Debt Reserve	Established to maintain a debt reserve for the City's special obligation bonds issued for the Five Rivers Medical Center. These bonds do not constitute debt of the City and are payable solely by revenues derived from the operation of the hospital.
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.
Five Rivers Medical Center PAD	Established to account for appropriated General Fund contributions to the Five Rivers Medical Center in order to facilitate the payment of debt for the special obligation bonds issued by the City for the medical center.

CITY OF POCAHONTAS, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2023
(Unaudited)

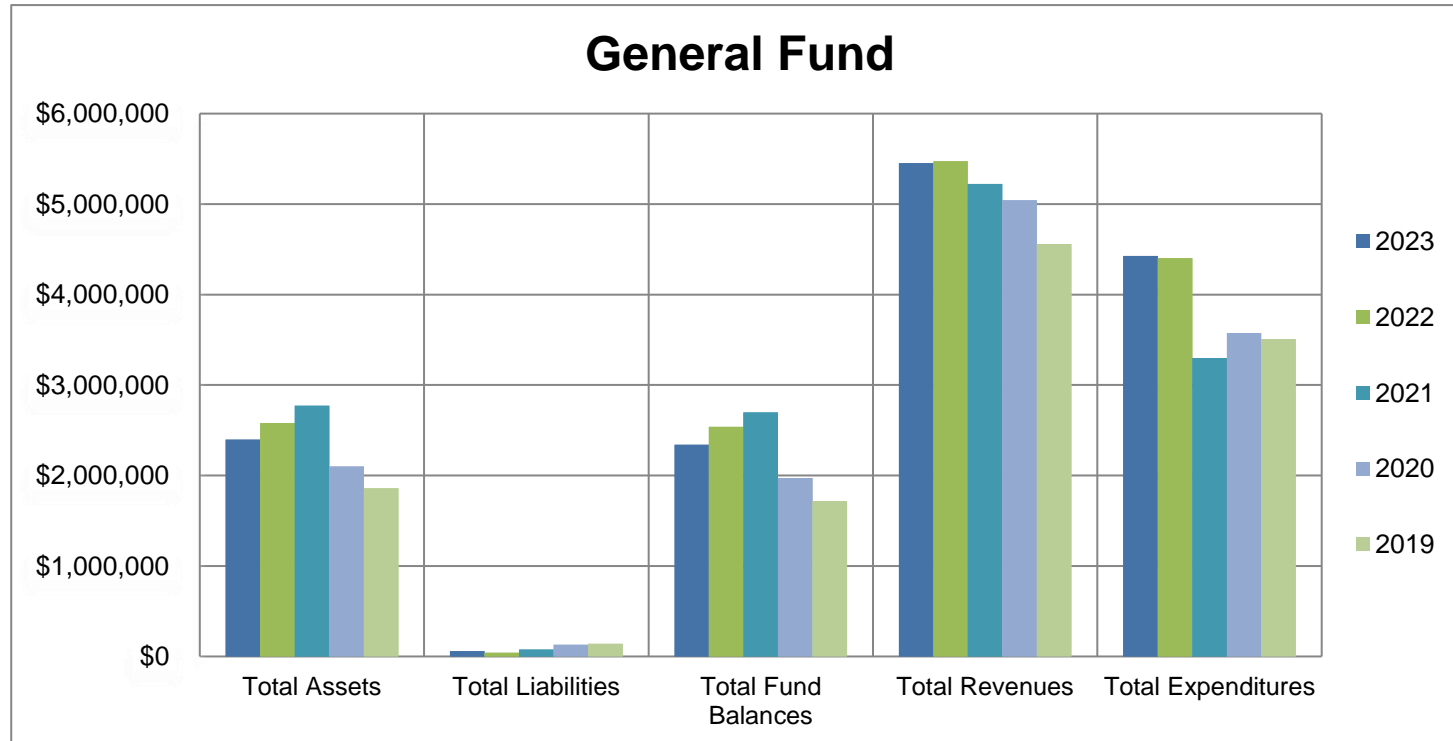
Schedule 3

	December 31, 2023
Land	\$ 6,356,799
Buildings	17,560,403
Equipment	7,077,772
Construction in progress	<u>984,899</u>
Total	<u>\$ 31,979,873</u>

CITY OF POCAHONTAS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-1

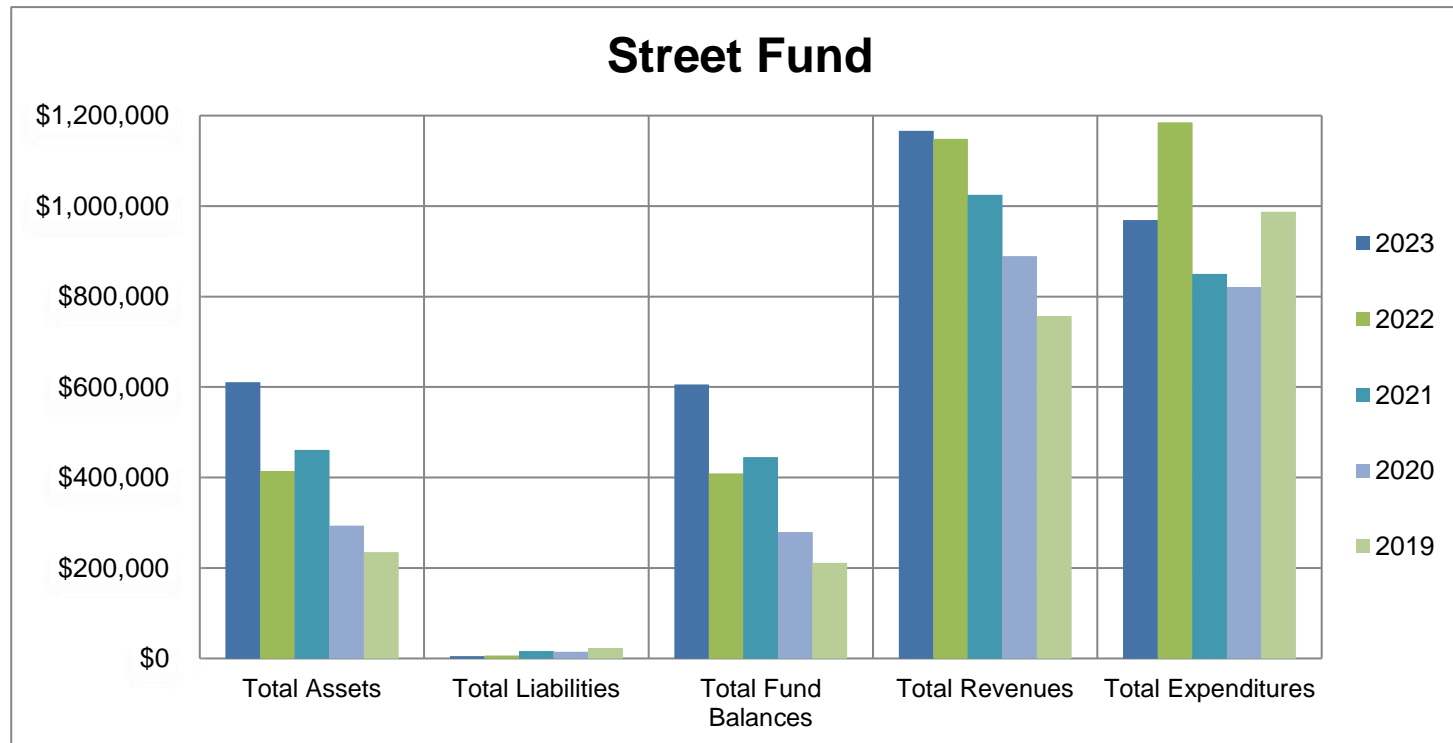
<u>General</u>	2023	2022	2021	2020	2019
Total Assets	\$ 2,395,650	\$ 2,579,502	\$ 2,772,635	\$ 2,099,396	\$ 1,858,006
Total Liabilities	57,505	41,358	76,769	127,623	139,518
Total Fund Balances	2,338,145	2,538,144	2,695,866	1,971,773	1,718,488
Total Revenues	5,453,037	5,472,877	5,222,912	5,043,357	4,557,964
Total Expenditures	4,425,108	4,403,362	3,299,070	3,573,940	3,507,898
Total Other Financing Sources/Uses	(1,227,928)	(1,227,237)	(1,232,373)	(1,216,132)	(1,162,864)



CITY OF POCAHONTAS, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-2

<u>Street</u>	2023	2022	2021	2020	2019
Total Assets	\$ 610,160	\$ 414,167	\$ 460,774	\$ 293,526	\$ 234,404
Total Liabilities	4,939	5,853	15,987	14,419	23,048
Total Fund Balances	605,221	408,314	444,787	279,107	211,356
Total Revenues	1,165,893	1,148,390	1,024,987	888,988	756,729
Total Expenditures	968,986	1,184,863	850,307	821,237	987,093
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, 2023
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 7,154,130	\$ 2,784,132	\$ 2,974,838	\$ 2,683,428	\$ 2,006,130
Total Liabilities	174,446	95,882	962,297	156,454	193,446
Total Fund Balances	6,979,684	2,688,250	2,012,541	2,526,974	1,812,684
Total Revenues	3,880,806	4,294,159	3,668,820	3,202,297	2,629,351
Total Expenditures	4,165,988	4,581,751	4,801,598	3,339,698	2,920,123
Total Other Financing Sources/Uses	4,183,445	963,301	618,345	851,691	

