

CITY OF PRESCOTT, ARKANSAS



PRESCOTT, ARKANSAS

DECEMBER 31, 2023

CITY OF PRESCOTT, ARKANSAS

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Prescott, Arkansas

**Report on the Financial Statements**

*Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prescott, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Prescott, Arkansas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prescott, Arkansas, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

We conducted our audit in accordance with 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. 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 of Prescott, Arkansas 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.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 of Prescott, Arkansas' 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 of Prescott, Arkansas' 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 of Prescott, Arkansas' 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required supplemental information for cost-sharing plans on pages 4 through 9, and 43 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Prescott, Arkansas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 10, 2024, on our consideration of the City of Prescott, Arkansas' 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 that testing, and not to provide an opinion on the effectiveness of the City of Prescott, Arkansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Prescott, Arkansas' internal control over financial reporting and compliance.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

December 10, 2024

CITY OF PRESCOTT, ARKANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023

As management of the City of Prescott (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2023. The information contained in this MD&A should be considered in conjunction with the information contained in the Accountants' Reports and Financial Statements and Supplementary Information.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,871,148.
- As of the close of the current fiscal year, the City of Prescott's governmental funds reported an unrestricted net position of \$918,905.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$276,870 which is equal to 15% of total general fund expenditures.
- The City of Prescott's total debt increased by \$716,317 during 2023.
- The City had intergovernmental revenues of \$1,428,061, program revenues (charges for services) of \$10,785,773, and program expenses of \$12,819,320 for the year ended December 31, 2023.
- The City's capital outlays for the year were \$531,653.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include General Government, Administrative Services, Police, Fire, Public Works, Community Development, Library and Parks. The business-type activities of the City include Electric, Water, Wastewater, and related support departments which comprise the Utility Fund.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### *Governmental Funds*

Most of City's basic services are included in the governmental fund type. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund and special revenue funds are all governmental type funds.

#### *Proprietary Funds*

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis, and provide additional information in the statement of cash flows.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 38 of this report.

### **GOVERNMENT-WIDE ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,871,148 at the close of the most recent fiscal year.

The largest portion of the City's net assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets of the City may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1 provides a summary comparing the City's Net Position for the years 2023 and 2022.

**Table 1**  
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 2,044,619	\$ 2,822,810	\$ 3,199,929	\$ 2,956,574	\$ 5,244,548	\$ 5,779,384
Capital Assets	6,996,781	7,247,953	6,248,880	6,245,072	13,245,661	13,493,025
<b>TOTAL ASSETS</b>	<b>9,041,400</b>	<b>10,070,763</b>	<b>9,448,809</b>	<b>9,201,646</b>	<b>18,490,209</b>	<b>19,272,409</b>
Deferred Outflows of Resources	412,447	376,146	298,669	250,764	711,116	626,910
Long-term Liabilities						
Outstanding	1,377,919	1,265,162	5,969,357	5,121,546	7,347,276	6,386,708
Other Liabilities	140,318	134,082	808,231	3,132,153	948,549	3,266,235
<b>TOTAL LIABILITIES</b>	<b>1,518,237</b>	<b>1,399,244</b>	<b>6,777,588</b>	<b>8,253,699</b>	<b>8,295,825</b>	<b>9,652,943</b>
Deferred Inflows of Resources	19,924	36,437	14,428	24,291	34,352	60,728
<b>NET POSITION:</b>						
Invested in Capital Assets,						
Net of Related Debt	6,996,781	7,247,953	1,324,773	2,037,342	8,321,554	9,285,295
Restricted	-	247,049	1,116,990	1,782,826	1,116,990	2,029,875
Unrestricted	918,905	1,516,226	513,699	(2,645,748)	1,432,604	(1,129,522)
<b>TOTAL NET POSITION</b>	<b>\$ 7,915,686</b>	<b>\$ 9,011,228</b>	<b>\$ 2,955,462</b>	<b>\$ 1,174,420</b>	<b>\$10,871,148</b>	<b>\$10,185,648</b>

During the current fiscal year, the net position of the City increased by \$685,500. The City's revenues are largely comprised of charges for services through utility revenue and sales tax revenue. The city's intergovernmental revenues and charges for services were sufficient to cover all expenses incurred during the year.

Table 2 shows and compares changes in Net Position for the years 2023 and 2022:

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 112,473	\$ 75,906	\$10,673,300	\$11,563,552	\$10,785,773	\$11,639,458
Capital Grants and Contributions	273,606	267,616	453,799	309,630	727,405	577,246
General Revenues:						
Sales and Use Taxes	1,428,061	1,332,292	-	-	1,428,061	1,332,292
Investment Income	41,725	13,221	3,770	15,561	45,495	28,782
Other	694,024	762,430	42,979	24,281	737,003	786,711
<b>TOTAL REVENUES</b>	<b>2,549,889</b>	<b>2,451,465</b>	<b>11,173,848</b>	<b>11,913,024</b>	<b>13,723,737</b>	<b>14,364,489</b>
<b>EXPENSES:</b>						
General Government	1,382,090	1,365,899	-	-	1,382,090	1,365,899
Public Safety	1,138,680	1,219,324	-	-	1,138,680	1,219,324
Recreation	217,812	195,714	-	-	217,812	195,714
Street Department	394,476	400,701	-	-	394,476	400,701
Municipal Court	63,556	59,140	-	-	63,556	59,140
Community / Economic Development	399,766	556,160	-	-	399,766	556,160
Interest Expense on Long-term Debt	-	-	218,917	163,718	218,917	163,718
Electric	-	-	7,276,447	10,027,126	7,276,447	10,027,126
Water	-	-	1,403,713	1,427,314	1,403,713	1,427,314
Wastewater	-	-	542,780	513,163	542,780	513,163
Transfers	49,051	(317,282)	(49,051)	317,282	-	-
<b>TOTAL EXPENSES</b>	<b>3,645,431</b>	<b>3,479,656</b>	<b>9,392,806</b>	<b>12,448,603</b>	<b>13,038,237</b>	<b>15,928,259</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(1,095,542)</b>	<b>(1,028,191)</b>	<b>1,781,042</b>	<b>(535,579)</b>	<b>685,500</b>	<b>(1,563,770)</b>
<b>NET POSITION - BEGINNING</b>	<b>9,011,228</b>	<b>10,039,419</b>	<b>1,174,420</b>	<b>1,709,999</b>	<b>10,185,648</b>	<b>11,749,418</b>
<b>NET POSITION - ENDING</b>	<b>\$ 7,915,686</b>	<b>\$ 9,011,228</b>	<b>\$ 2,955,462</b>	<b>\$ 1,174,420</b>	<b>\$10,871,148</b>	<b>\$10,185,648</b>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **Governmental Funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending net assets of \$7,915,686. The City's major sources of revenues are sales tax and property tax. The funds balance primarily represents the accumulation of revenues in excess of expenditures not reimbursed by funding sources.

### **Business-type Activities**

Operating revenues of the City's business-type activities decreased 6% to \$11,170,078 and the operating expenses decreased 23% to \$9,222,940.

### **Budgetary Highlights**

A budget comparison, with actual revenues and expenses, begins on page 43.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2023, the City's investment in capital assets for its governmental and business-type activities was \$13,245,661 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets.

### **Long-term Debt**

The City had \$4,924,107 in revenue bonds and capital lease obligations outstanding as of December 31, 2023, which is an increase of \$716,377 from the previous year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The City is located in southwest Arkansas off Interstate Highway 30. The population is approximately 3,101 people.
- Prescott was home to one *Fortune* 500 Company at the year ended December 31, 2023. Prescott has infrastructure in place to accommodate additional industries.
- The City purchases electricity for the City owned electric distribution system from Arkansas Electric Cooperative Corporation and pays Entergy Corporation rental for the use of their transmission lines.

**Contacting the City's Financial Management**

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office Manager, 421 Main Street, Prescott, Arkansas 71857.

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023

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<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Proprietary- type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>			
Cash, Including Time Deposits	\$ 1,894,039	\$ 581,977	\$ 2,476,016
Accounts Receivable (Net)	-	860,018	860,018
Interest Receivable	3,566	-	3,566
Receivable from Other Funds	25,075	23,686	48,761
Receivable from Other Governments	119,791	-	119,791
Inventories	-	560,605	560,605
Prepaid Expenses	2,148	-	2,148
<b>TOTAL CURRENT ASSETS</b>	<b>2,044,619</b>	<b>2,026,286</b>	<b>4,070,905</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash, Including Time Deposits	-	1,116,990	1,116,990
Unamortized Bond Issue Costs	-	56,653	56,653
Capital Assets (Net)	6,996,781	6,248,880	13,245,661
<b>TOTAL NONCURRENT ASSETS</b>	<b>6,996,781</b>	<b>7,422,523</b>	<b>14,419,304</b>
<b>TOTAL ASSETS</b>	<b>9,041,400</b>	<b>9,448,809</b>	<b>18,490,209</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflows of Resources Related to Pension	412,447	298,669	711,116
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 9,453,847</b>	<b>\$ 9,747,478</b>	<b>\$19,201,325</b>
<u>LIABILITIES</u>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	\$ 66,316	\$ 458,212	\$ 524,528
Accrued Interest Payable	-	31,031	31,031
Payable to Other Funds	56,286	25,075	81,361
Accrued Employee Salaries and Benefits	17,716	63,592	81,308
Bond and Note Payable	-	359,228	359,228
<b>TOTAL CURRENT LIABILITIES</b>	<b>140,318</b>	<b>937,138</b>	<b>1,077,456</b>
<b>NONCURRENT LIABILITIES:</b>			
Customer Deposits Payable	-	277,768	277,768
Bond and Note Payable	-	4,564,879	4,564,879
Net Pension Liability	1,377,919	997,803	2,375,722
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,377,919</b>	<b>5,840,450</b>	<b>7,218,369</b>
<b>TOTAL LIABILITIES</b>	<b>1,518,237</b>	<b>6,777,588</b>	<b>8,295,825</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows of Resources Related to Pension	19,924	14,428	34,352
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,538,161</b>	<b>6,792,016</b>	<b>8,330,177</b>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	6,996,781	1,324,773	8,321,554
Restricted For:			
Debt Service	-	1,116,990	1,116,990
Unrestricted	918,905	513,699	1,432,604
<b>TOTAL NET POSITION</b>	<b>7,915,686</b>	<b>2,955,462</b>	<b>10,871,148</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 9,453,847</b>	<b>\$ 9,747,478</b>	<b>\$19,201,325</b>

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government:					
City Recorder	\$ 6,000	\$ -	\$ -	\$ -	\$ (6,000)
City Mayor	43,398	-	-	-	(43,398)
Aldermen	38,400	-	-	-	(38,400)
General Government	1,294,292	-	-	-	(1,294,292)
<b>Total General Government</b>	<b>1,382,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,382,090)</b>
Public Safety and Judiciary:					
City Attorney	7,524	-	-	-	(7,524)
Police	923,386	74,676	-	-	(848,710)
District Court	63,556	-	-	-	(63,556)
Fire	207,770	-	-	-	(207,770)
<b>Total Public Safety and Judiciary</b>	<b>1,202,236</b>	<b>74,676</b>	<b>-</b>	<b>-</b>	<b>(1,127,560)</b>
Transportation:					
Airport	19,089	-	-	-	(19,089)
Streets	375,387	-	-	273,606	(101,781)
<b>Total Transportation</b>	<b>394,476</b>	<b>-</b>	<b>-</b>	<b>273,606</b>	<b>(120,870)</b>
Cultural, Parks / Recreation:					
Cemetery	8,257	4,850	-	-	(3,407)
Parks / Recreation	209,555	32,947	-	-	(176,608)
<b>Total Cultural, Parks / Recreation</b>	<b>217,812</b>	<b>37,797</b>	<b>-</b>	<b>-</b>	<b>(180,015)</b>
Community / Economic Development:					
Community Development	212,629	-	-	-	(212,629)
Economic Development	187,137	-	-	-	(187,137)
<b>Total Community / Economic Development</b>	<b>399,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(399,766)</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,596,380</b>	<b>112,473</b>	<b>-</b>	<b>273,606</b>	<b>(3,210,301)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Electric	7,276,447	9,125,911	-	-	1,849,464
Water	1,403,713	1,270,864	-	-	(132,849)
Sewer	542,780	276,525	-	-	(266,255)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>9,222,940</b>	<b>10,673,300</b>	<b>-</b>	<b>-</b>	<b>1,450,360</b>
<b>TOTAL FUNCTIONS / PROGRAMS</b>	<b>\$12,819,320</b>	<b>\$10,785,773</b>	<b>\$ -</b>	<b>\$ 273,606</b>	<b>\$(1,759,941)</b>

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>CHANGES IN NET ASSETS:</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
NET (EXPENSE) / REVENUE	\$ (3,210,301)	\$ 1,450,360	\$ (1,759,941)
 GENERAL REVENUES AND TRANSFERS:			
Sales and Use Taxes	1,428,061	-	1,428,061
Investment Earnings	41,725	3,770	45,495
Miscellaneous	694,024	496,778	1,190,802
Interest Expense and Other Charges	-	(218,917)	(218,917)
Transfers	(49,051)	49,051	-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>2,114,759</u>	<u>330,682</u>	<u>2,445,441</u>
 CHANGE IN NET POSITION	 (1,095,542)	 1,781,042	 685,500
 NET POSITION - BEGINNING	 9,011,228	 1,174,420	 10,185,648
 NET POSITION - ENDING	 <u>\$ 7,915,686</u>	 <u>\$ 2,955,462</u>	 <u>\$ 10,871,148</u>

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

CITY OF PRESCOTT, ARKANSAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

		Special Revenue Funds		
<u>ASSETS</u>	General Fund	Police Fund	Fire Fund	Street Fund
Cash, Including Time Deposits	\$ 1,233,170	\$ 44,006	\$ 87,416	\$ 122,726
Interest Receivable	3,566	-	-	-
Accounts Receivable	25,075	-	-	-
Receivables from Governments	98,286	-	-	21,505
Prepaid Expenses	-	-	-	2,148
<b>TOTAL ASSETS</b>	<b>1,360,097</b>	<b>44,006</b>	<b>87,416</b>	<b>146,379</b>
Deferred Outflows of Resources Related to Pension	412,447	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,772,544</b>	<b>\$ 44,006</b>	<b>\$ 87,416</b>	<b>\$ 146,379</b>
<u>LIABILITIES</u>				
Accounts Payable	\$ 87,199	\$ -	\$ -	\$ 34,347
Accrued Expenditures	10,632	-	-	5,573
Net Pension Liability	1,377,919	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,475,750</b>	<b>-</b>	<b>-</b>	<b>39,920</b>
Deferred Inflows of Resources Related to Pension	19,924	-	-	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,495,674</b>	<b>-</b>	<b>-</b>	<b>39,920</b>
<u>FUND BALANCES</u>				
Reserved For:				
Cemetery	-	-	-	-
Airport	-	-	-	-
Other	-	-	-	-
Unreserved	276,870	44,006	87,416	106,459
<b>TOTAL FUND BALANCES</b>	<b>276,870</b>	<b>44,006</b>	<b>87,416</b>	<b>106,459</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,772,544</b>	<b>\$ 44,006</b>	<b>\$ 87,416</b>	<b>\$ 146,379</b>

(Continued on Next Page)

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

CITY OF PRESCOTT, ARKANSAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

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(Continued From Previous Page)

	<u>Parks /</u> Recreation Fund	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
<u>ASSETS</u>			
Cash, Including Time Deposits	\$ 40,237	\$ 366,484	\$ 1,894,039
Interest Receivable	-	-	3,566
Accounts Receivable	-	-	25,075
Receivables from Governments	-	-	119,791
Prepaid Expenses	-	-	2,148
<b>TOTAL ASSETS</b>	<b>40,237</b>	<b>366,484</b>	<b>2,044,619</b>
Deferred Outflows of Resources Related to Pension	-	-	412,447
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 40,237</b>	<b>\$ 366,484</b>	<b>\$ 2,457,066</b>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,056	\$ -	\$ 122,602
Accrued Expenditures	1,511	-	17,716
Net Pension Liability	-	-	1,377,919
<b>TOTAL LIABILITIES</b>	<b>2,567</b>	<b>-</b>	<b>1,518,237</b>
Deferred Inflows of Resources Related to Pension	-	-	19,924
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,567</b>	<b>-</b>	<b>1,538,161</b>
<u>FUND BALANCES</u>			
Reserved For:			
Cemetery	-	237,177	237,177
Airport	-	18,247	18,247
Other	-	111,060	111,060
Unreserved	37,670	-	552,421
<b>TOTAL FUND BALANCES</b>	<b>37,670</b>	<b>366,484</b>	<b>918,905</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 40,237</b>	<b>\$ 366,484</b>	

Amounts reported for Governmental Activities in the  
Statement of Net Assets are different because:

Capital Assets used in Governmental Activities are not  
Financial Resources and, therefore, are not reported  
in the funds.

6,996,781

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 7,915,686**

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds			
	General Fund	Police Fund	Fire Fund	Street Fund
REVENUES:				
Taxes	\$ 1,380,741	\$ -	\$ -	\$ 307,997
Investment Income	35,574	-	-	-
Fines and Forfeitures	-	74,676	-	-
Miscellaneous	617,691	55,515	6,926	14,740
<b>TOTAL REVENUES</b>	<b>2,034,006</b>	<b>130,191</b>	<b>6,926</b>	<b>322,737</b>
EXPENDITURES:				
Current:				
General Government:				
City Mayor / Recorder	49,398	-	-	-
City Aldermen	38,400	-	-	-
General Government	1,294,292	-	-	-
Total General Government	1,382,090	-	-	-
Public Safety and Judiciary	7,524	923,386	207,770	-
Transportation	-	-	-	375,387
Cultural, Parks	-	-	-	-
Community Development	212,629	-	-	-
Economic Development	187,137	-	-	-
Capital Outlay	16,715	-	-	6,843
<b>TOTAL EXPENDITURES</b>	<b>1,806,095</b>	<b>923,386</b>	<b>207,770</b>	<b>382,230</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>227,911</b>	<b>(793,195)</b>	<b>(200,844)</b>	<b>(59,493)</b>
OTHER FINANCIAL SOURCES:				
Net Transfers	(49,051)	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>178,860</b>	<b>(793,195)</b>	<b>(200,844)</b>	<b>(59,493)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>17,864,720</b>	<b>(11,451,860)</b>	<b>(2,936,694)</b>	<b>(326,588)</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 18,043,580</b>	<b>\$(12,245,055)</b>	<b>\$ (3,137,538)</b>	<b>\$ (386,081)</b>

(Continued on Next Page)

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

(Continued From Previous Page)

	Parks / Recreation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ 1,688,738
Investment Income	14	6,137	41,725
Fines and Forfeitures	-	-	74,676
Miscellaneous	45,028	4,850	744,750
TOTAL REVENUES	45,042	10,987	2,549,889
EXPENDITURES:			
Current:			
General Government:			
City Mayor / Recorder	-	-	49,398
City Aldermen	-	-	38,400
General Government	-	-	1,294,292
Total General Government	-	-	1,382,090
Public Safety and Judiciary	-	63,556	1,202,236
Transportation	-	19,089	394,476
Cultural, Parks	209,555	8,257	217,812
Community Development	-	-	212,629
Economic Development	-	-	187,137
Capital Outlay	-	5,500	29,058
TOTAL EXPENDITURES	209,555	96,402	3,625,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(164,513)	(85,415)	(1,075,549)
OTHER FINANCIAL SOURCES:			
Net Transfers	-	-	(49,051)
NET CHANGE IN FUND BALANCE	(164,513)	(85,415)	(1,124,600)
FUND BALANCE - BEGINNING	(2,680,985)	(1,373,471)	(904,878)
FUND BALANCE - ENDING	\$ (2,845,498)	\$ (1,458,886)	\$ (2,029,478)

(Continued on Next Page)

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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Reconciliation of the Change in Fund Balances - Total Governmental  
Funds to the Change in Net Assets of Governmental Activities:

Net Change in Fund Balances - Total Governmental Funds \$ (1,124,600)

Amounts reported for Governmental Activities in the  
Statement of Activities are different because:

Governmental Funds report Capital Outlays as expenditures while  
Governmental Activities report Depreciation Expense to allocate  
those expenditures over the life of the assets. This is the amount  
Capital Outlays exceeded Depreciation Expense in the current period.

29,058

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (1,095,542)

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2023

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Utility  
Enterprise  
Fund

ASSETS

CURRENT ASSETS:

Cash, Including Time Deposits	\$ 581,977
Accounts Receivable (Net)	860,018
Receivables - Other City Funds	23,686
Inventories	560,605
<b>TOTAL CURRENT ASSETS</b>	<b><u>2,026,286</u></b>

NON-CURRENT ASSETS:

Restricted Assets:	
Cash, Including Time Deposits	1,116,990
Unamortized Bond Issue Costs	56,653
Capital Assets (Net)	6,248,880
<b>TOTAL NON-CURRENT ASSETS</b>	<b><u>7,422,523</u></b>

<b>TOTAL ASSETS</b>	<b><u>9,448,809</u></b>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred Outflows of Resources Related to Pension	298,669
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 9,747,478</u></b>
--------------------------------------------------------	----------------------------

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable	\$ 458,212
Accrued Interest Payable	31,031
Payable to Other City Funds	25,075
Accrued Employee Salaries and Benefits	63,592
Bond and Note Payable	359,228
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>937,138</u></b>

NON-CURRENT LIABILITIES:

Customer Deposits Payable	277,768
Bond and Note Payable	4,564,879
Net Pension Liability	997,803
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>5,840,450</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>6,777,588</u></b>
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DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows of Resources Related to Pension	14,428
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<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>6,792,016</u></b>
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NET POSITION

Invested in Capital Assets, Net of Related Debt	1,324,773
Restricted for Debt Service	1,116,990
Unrestricted	513,699
<b>TOTAL NET POSITION</b>	<b><u>2,955,462</u></b>

<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 9,747,478</u></b>
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The accompanying notes are an integral part of these financial statements.

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Utility Enterprise Fund
OPERATING REVENUES:	
Charges for Services:	
Electric Charges	\$ 9,125,911
Water Charges	1,270,864
Sewer Charges	276,525
Miscellaneous	496,778
TOTAL OPERATING REVENUES	11,170,078
OPERATING EXPENSES:	
Electricity Costs	5,373,141
Salaries and Benefits	1,321,397
Plant Operating Expenses	1,756,330
Administrative Costs	216,152
Bad Debts	57,135
Depreciation	498,785
TOTAL OPERATING EXPENSES	9,222,940
NET OPERATING INCOME (LOSS)	1,947,138
NONOPERATING REVENUE (EXPENSE):	
Investment Earnings	3,770
Interest Expense and Other Charges	(218,917)
TOTAL NONOPERATING REVENUE (EXPENSE)	(215,147)
NET INCOME (LOSS) BEFORE TRANSFERS	1,731,991
OPERATING TRANSFERS IN	49,051
NET INCOME (LOSS)	1,781,042
NET POSITION - BEGINNING OF YEAR	1,174,420
NET POSITION - END OF YEAR	\$ 2,955,462

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Utility Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 10,322,275
Cash Received from Operating Grants	453,799
Cash Payments for Goods and Services	(7,459,910)
Cash Payments to Employees	(1,305,065)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	2,011,099
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers	49,051
Increase in Meter Deposits	1,720
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	50,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
Acquisition and Construction of Capital Assets	(502,595)
Principal Paid on Debt	(1,445,152)
Interest and Agent's Fees Paid on Debt	(211,957)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	(2,159,704)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received on Investments	3,838
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(93,996)
CASH AND RESTRICTED CASH - BEGINNING:	1,792,963
CASH AND RESTRICTED CASH - ENDING:	\$ 1,698,967

(Continued)

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Utility Enterprise Fund
(Continued From Previous Page)	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
OPERATING INCOME (LOSS)	\$ 1,947,138
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	498,785
Pension Related Adjustments	96,593
Bad Debts	57,135
Changes in Assets and Liabilities:	
Change in Accounts Receivable	(394,004)
Change in Inventories	(5,613)
Change in Accounts Payable	(205,267)
Change in Accrued Liabilities	16,332
TOTAL ADJUSTMENTS	63,961
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,011,099
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
None	

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2023

<u>ASSETS</u>	<u>Pension Trust</u>	<u>Agency Funds</u>
Cash, Including Time Deposits	\$ 111,061	\$ 29,199
Due from Other Governmental Agencies	-	93
<b>TOTAL ASSETS</b>	<b><u>\$ 111,061</u></b>	<b><u>\$ 29,292</u></b>
<u>LIABILITIES</u>		
Due to Other Governmental Agencies	\$ -	\$ 251
Accounts Payable	-	5,986
Refundable Court Bonds	-	23,055
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>	<b><u>\$ 29,292</u></b>
<u>NET POSITION</u>		
Held in Trust for Pension Benefits	<b><u>\$ 111,061</u></b>	

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

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Pension Trust</u>
ADDITIONS:	
Contributions	\$ -
Investment Earnings	554
TOTAL ADDITIONS	<u>554</u>
 DEDUCTIONS:	
Benefit Payments	-
Bank Fees and Expenses	-
Transfer to LOPFI	-
TOTAL DEDUCTIONS	<u>-</u>
 CHANGE IN NET POSITION	 <u>554</u>
 NET POSITION - BEGINNING OF YEAR	 110,507
 NET POSITION - END OF YEAR	 <u><u>\$ 111,061</u></u>

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

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

Note 1. Summary of Significant Accounting Policies:

Reporting Entity: The City of Prescott is organized as a political subdivision of the State of Arkansas and is governed by an elected council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

Basis of Accounting and Financial Statement Presentation: The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Assets, Liabilities, and Equity:

Cash and Investments: The City's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police funds, etc. Business-type activities report utilities and interest earnings as their major receivables.

Inventories: Inventories of the City's enterprise fund are stated at the lower of cost or market on a first-in, first-out basis and are reported as expenditures when used (consumption method).

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

Note 1. Summary of Significant Accounting Policies: (Continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Infrastructures are long-lived assets that are stationary in nature, such as streets, bridges, street lighting, and sidewalks. As provided in the Governmental Accounting Standards Board Statement No. 34, the City elected to record infrastructures beginning January 1, 2004. The City has no plans for the retroactive reporting of infrastructures.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings / Improvements	10 – 39 years
Machinery and Equipment	5 – 10 years
Utility System	25 – 30 years
Infrastructure	15 – 39 years

Restricted Assets: Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note and bonded debt trustee accounts and utility meter deposits.

Compensated Absences: In the government-wide and proprietary fund statements, vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In the fund financial statements, governmental funds recognize a liability for compensated absences only when the underlying event (i.e., retirement) takes place and remains unpaid at balance sheet date.

Long-term debt: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debts and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Note 1. Summary of Significant Accounting Policies: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt-service expenditures.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a special purpose. Designations of fund balances represent tentative management plans that are subject to change.

Note 2. Stewardship, Compliance, and Accountability:

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. Governmental operating funds include the General Fund, District Court Fund, Police Fund, Fire Fund, Street Fund, and Parks and Recreation Fund. Budgets are also adopted for all business-type funds. Enterprise funds include the Electric, Water, and Sewer Funds. The board of directors approved appropriations for the 2023 budget presented by the City office manager and the City's accountant as required by Arkansas statutes. The annual budget is used as a revenue and expenditure control feature in the City's management and accountability systems.

Note 3. FDIC Coverage:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the City, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of the City of Prescott, Arkansas in financial institutions permitted by law.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City of Prescott, Arkansas does not have a policy for custodial credit risk. The carrying value of the Systems' accounts and investments at December 31, 2023 was \$3,593,006. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of \$4,505,114 before reduction of outstanding items. Financial institutions pledged securities with a fair market value of \$6,043,984 to collateralize deposits.

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

Note 3. FDIC Coverage: (Continued)

The securities held as collateral are classified as to credit risk under three categories, as follows:

- Category 1 - Collateralized with securities held by the Systems' or by its agent in the Systems' name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Systems' name.
- Category 3 - Uncollateralized - this includes held by the pledging financial institution's trust department or agent but not in the Systems' name.

All securities are classified under category 3, above.

Federal Deposit Insurance Corporation coverage allows for \$250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. FDIC coverage is provided on an entity level to be shared jointly by all City accounts and investments at a financial institution.

Investment Interest Rate Risk: The City of Prescott, Arkansas does not have an investment interest rate risk. All investments are fixed-term certificates of deposit and the City is under no obligation to renew upon maturity.

Investment Credit Risk: The City of Prescott, Arkansas does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the City has a collateral agreement.

Foreign Currency Risk: The City of Prescott, Arkansas has no exposure to foreign currency risk.

Note 4. Accounts Receivable:

Receivables of the business-type activities consist of utilities receivable. Receivables of the governmental activities consist primarily of sales tax, property taxes, and franchise taxes. Receivables at December 31, 2023 were as follows:

	Governmental Activities	Business-type Activities	Total
Receivables (Net)	\$144,866	\$883,704	\$1,028,570

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

## Note 5. Capital Assets:

Capital Assets: Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Land	\$ 595,007	\$ -	\$ -	\$ -	\$ 595,007
Buildings and Improvements	4,000,324	-	-	-	4,000,324
Machinery and Equipment	2,592,202	29,058	-	-	2,621,260
Infrastructure	6,088,134	-	-	-	6,088,134
Construction in Progress	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>13,288,036</b>	<b>29,058</b>	<b>-</b>	<b>-</b>	<b>13,304,725</b>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	(577,450)	(64,293)	-	-	(641,743)
Machinery and Equipment	(1,177,762)	(118,797)	-	-	(1,296,559)
Infrastructure	(4,279,606)	(90,036)	-	-	(4,369,642)
<b>Total Depreciation</b>	<b>(6,034,818)</b>	<b>(273,126)</b>	<b>-</b>	<b>-</b>	<b>(6,307,944)</b>
<b>Net Capital Assets</b>	<b>\$ 7,253,218</b>	<b>\$ (244,068)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,996,781</b>
<b>Business-type Activities:</b>					
Utility System	\$ 20,524,640	\$ 485,285	\$ -	\$ -	\$ 21,009,925
Buildings and Improvements	451,021	-	-	-	451,021
Machinery and Equipment	2,929,929	17,310	-	-	2,947,239
Construction in Progress	-	-	-	-	-
<b>Total Business-type Activities</b>	<b>23,905,590</b>	<b>502,595</b>	<b>-</b>	<b>-</b>	<b>24,408,185</b>
<b>Less Accumulated Depreciation:</b>					
Utility System	(14,903,478)	(470,010)	-	-	(15,373,488)
Buildings and Improvements	(208,045)	(7,234)	-	-	(215,279)
Machinery and Equipment	(2,548,995)	(21,543)	-	-	(2,570,538)
<b>Total Depreciation</b>	<b>(17,660,518)</b>	<b>(498,787)</b>	<b>-</b>	<b>-</b>	<b>(18,159,305)</b>
<b>Net Capital Assets</b>	<b>\$ 6,245,072</b>	<b>\$ 3,808</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,248,880</b>

## Note 6. Long-Term Debt:

Long-term Debt: The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

In 2021, the State of Arkansas passed Amendment No. 78 and Act No. 1808, providing a method for cities and counties to obtain short-term financing. The law requires permissible items to have an expected useful life of over one year and requires that the financing not exceed five years and that interest and principal repayments be made from general revenues.

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

Note 6. Long-Term Debt: (Continued)

Business-type Activities: As of December 31, 2023, the long-term debt payable from proprietary fund resources consisted of the following:

	12/31/2023
City of Prescott, Arkansas Public Utility Refunding and Construction Revenue Bond, original issue amount of \$1,370,000, dated November 1, 2009, secured by a pledge of the utility revenues; interest rate of 2.0% to 4.375%, current portion \$75,000 and a final maturity of November 1, 2030.	580,000
Lease-purchase agreement with Arkansas Soil and Water Conservation Commission - 1997A issue original issue amount of \$751,500; interest rate 4.9%; - 1997B issue original issue amount of \$780,000; interest rate of 5.90%, current portion \$58,523 and a final maturity of December, 2034.	868,879
Arkansas Natural Resources Commission - Arkansas Drinking Water State Revolving Loan Program - original issue amount of \$3,000,000; interest rate 3.0%, first payment due April 15, 2021, current portion \$61,828 and a final maturity of October, 2050.	2,444,819
Wells Fargo Equipment Finance, Inc. - original issue amount of \$213,525; secured by utility equipment; interest rate 3.25%, current portion \$34,971 and a final maturity of January 2026.	108,359
Southwestern Electric Power - original amount of \$2,161,531; secured by pledge of utility revenues; \$1,200,000 one-time payment in April 2023; interest rate 5.0%, current portion \$128,906 and a final maturity of March 2028.	922,050
	4,924,107
Less portion considered current	(359,228)
Total long-term debt	\$ 4,564,879

The annual debt service requirements for debt as of December 31, 2023 are as follows:

Years Ending December 31:

	Principal	Interest	Total
2024	\$ 359,228	\$ 184,229	\$ 543,457
2025	371,611	168,848	540,459
2026	389,556	152,809	542,365
2027	364,598	135,974	500,572
2028	382,499	118,629	501,128
Thereafter	3,056,615	881,578	3,938,193
	\$ 4,924,107	\$ 1,642,067	\$ 6,566,174

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

Note 7. Other Information:

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; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Major Customers and Suppliers – Proprietary Fund: The City provides electric, water and sewer service to one local industrial customer that accounts for approximately 39% (\$4,184,390) of total service revenues of the electric, water and sewer utility fund.

The City purchases all of its electric power from Southwestern Electric Power Company, a subsidiary of American Electric Power.

Joint Venture – Nevada County/Prescott Solid Waste Management Authority: The City, on November 15, 1993, entered into an Interlocal Cooperative agreement with Nevada County, Arkansas for the operation of a compaction station and Class IV landfill in response to the closing of the Nevada County landfill that the City had used for several years on a fee basis. Operations began in 1994. The agreement outlines the terms of a joint venture with the County to collect, transport and dispose of their solid waste in the upper Southwest Regional Solid Waste Management District landfill.

The City and County agree to jointly own and operate the compaction station structure only with no real estate involved and to jointly operate the County's Class IV landfill through an independent board made up of the Nevada County Judge, three Quorum Court members appointed by the Nevada County Judge, and three City Council members appointed by the Mayor, or the Mayor and two City Council members appointed by the Mayor.

The City remains responsible for collection of solid waste within the City limits and expenses pertaining to the same. The County will be responsible for collection outside the City limits of Prescott along with other cities in the County. Each entity must deliver their respective wastes to the County-City compaction station and Class IV landfill.

During the first year of operation, the City and County each paid 50% of capital outlays and operating expenses of the compaction station and Class IV landfill. Thereafter, the City and County will each bear a portion of the capital and operating expenses based on the share of each to the total solid waste brought to the compaction station and Class IV landfill during the preceding year.

Tipping fees/hauling fees for the City and County are paid by the City and County based on the volume of each delivered to the Regional landfill and charged by the Regional landfill to each entity. These fees are in addition to capital outlays and ordinary operating expenses covered by the Agreement.

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

Note 7. Other Information: (Continued)

The City expects that its share of the 1% sales tax now in effect for the County will be sufficient to cover its share of expenses and costs under the Agreement.

In 2023, the City paid \$137,953 to the joint venture and received \$407,351 in sales tax collections for this purpose. Separately issued compiled financial statements for the year ended December 31, 2023 are available for the Solid Waste Management Authority.

Note 8. Retirement Plans:

Employee Retirement Systems and Pension Plans:

Pension Plans – Primary Government: The City participates in retirement plans that cover all full-time employees. The City's municipal judges and clerks participate in a pension and retirement plan maintained in the Arkansas District Judges Retirement System. The City's uniformed police and fire personnel participate in the Local Police and Fire Retirement System (LOPFI). All other City employees are covered under the Arkansas Public Employees Retirement System (APERS).

District Judge's and Clerk's Retirement Plan: Prior to 2006, the District Judge's and Clerk's Retirement Plan was a single employer defined benefit pension plan that covered the district judge and clerk of the City. The plan was administered by the City, provided retirement, disability and death benefits to plan members and their beneficiaries.

Effective January 1, 2006, the government agency that established a local district judge's retirement fund was required to contribute an amount, not to exceed an actuarially determined liability, to the Arkansas District Judges Retirement System for those district court personnel who were covered by the local fund on December 31, 2004.

If the local district judge retirement fund does not have sufficient money available to pay the actuarially determined liability, the remaining liability shall be paid before December 31 each year after, for up to the next thirty (30) years based on a thirty-year amortization period. If the amount in the district judge retirement fund is greater than the actuarially determined amount of the liability, the excess may be retained by the sponsoring government agency for the sole purpose of paying the employer contribution for the district court personnel.

The actuarially determined liability was determined to be \$105,387. This amount was transferred to the Arkansas District Judges Retirement System during 2008.

At December 31, 2023, \$111,061 remained available for future contributions. If the accumulated balance ever becomes deficient to pay the required contribution, the deficiency shall be met by payments from the City's General Fund for 40% and the County's General Fund for 60%.

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

## Note 8. Retirement Plans: (Continued)

Public Employees Retirement System:

Plan Description: The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Little Rock, Arkansas 72201, or by calling (800) 682-7377.

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. The contribution rate for the fiscal year beginning July 1, 2023 is 15.32%. The City's contributions to APERS for the year ended December 31, 2023 was \$236,995, equal to the required contributions for the year.

Firemen's Pension and Relief Plan (A Defined Benefit Plan):

Plan Description: The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits.

The Plan was closed to new entrants on January 31, 1983. The Plan does not issue a stand-alone financial report.

Contributions: Active participants of the Plan are required to make contributions of not less than six percent (6%) of their salary to the plan. Active volunteer firemen are required to make contributions of twelve dollars (\$12) per year. The City is required by state law to contribute an amount equal to, but not less than, six percent (6%) of the participant's salary and an amount equal to the contribution paid by any volunteer firemen. The Plan is also funded with state insurance tax. If the funds in the plan should be insufficient to make full payment

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

Note 8. Retirement Plans: (Continued)

Contributions (continued): of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable.

Net Pension Obligation: The employers' contribution to the plan for 2023 was \$24. Any difference between the annual pension cost and the employer's contributions made are not reflected in the City's general-purpose financial statements because the City is not obligated to pay the statutorily required benefits if the plan's assets are not sufficient.

Local Police and Fire Retirement System (LOPFI):

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, P.O. Box 34164, Little Rock, Arkansas 72203, or by calling 501-682-1745.

As of December 31, 2008, all fire plan assets have been transferred to LOPFI.

Note 9. Subsequent Events:

Management has evaluated subsequent events through December 10, 2024, the date the financial statements were available for issuance.

Note 10. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position:

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which became effective for fiscal years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers.

Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the

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

Note 10. Arkansas Public Employees Retirement System: (Continued)

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position: (continued)

collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

Plan Description:

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (The Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

**Funding Policy:** The City contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the fiscal year ending June 30, 2023, and 15.32% for the fiscal year beginning July 1, 2023. Contributions made by the City were \$236,995 for the year ended December 31, 2023.

Benefits Provided:

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 07/01/2005	2.07%
Contributory, on or after 07/01/2005, but prior to 07/01/2007	2.03%
Contributory, on or after 07/01/2007	2.00%
Non-Contributory	1.72%

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

Note 10. Public Employees Retirement System: (Continued)

Benefits Provided: (Continued)

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service.
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjusting of 3% of the current benefit is added each year.

Contributions:

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-703(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. Effective July 1, 2023, state law requires employers to contribute 15.32% of annual covered payroll.

APERS Fiduciary Net Position:

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

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

Note 10. Public Employees Retirement System: (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

The collective Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers

Actuarial Assumptions:

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.0%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Mortality Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 are summarized in the table below:

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

Note 10. Public Employees Retirement System: (Continued)

Actuarial Assumptions: (Continued)

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domesic Fixed	18%	1.79%
Total	100%	

Discount Rate:

A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 10. Public Employees Retirement System: (Continued)

Discount Rate: (Continued)

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	2023	2022	2021	2020	2019
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 134,105	\$ 50,814	\$ 14,043	\$ 30,633	\$ 52,382
Changes in proportion and differences between employer contributions and proportionate share of contribution	51,133	10,730	57,212	111,628	151,522
Changes in assumptions	111,688	-	-	28,912	104,467
Utility contributions subsequent to measurement date	118,498	120,753	120,533	122,246	121,530
Net difference between projected and actual earnings on pension plan investments	295,692	444,813	-	244,168	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(13,051)	(25,458)	(39,553)	(1,528)	(2,860)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(21,201)	(35,270)	(14,670)	-	(4,431)
Changes in assumptions	-	-	(4,298)	(39,537)	(73,989)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	(1,077,080)	-	(14,619)
Totals	<u>\$ 676,864</u>	<u>\$ 566,382</u>	<u>\$ (943,813)</u>	<u>\$ 496,522</u>	<u>\$ 334,002</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2024	\$ 26,329	\$ 24,292	\$ 64,313	\$ 6,510	\$ 121,444
2025	26,329	24,292	64,313	6,510	121,444
2026	26,329	24,292	64,313	6,510	121,444
2027	26,329	24,292	64,313	6,510	121,444
2028	15,738	14,520	38,440	3,892	72,590
	<u>\$ 121,054</u>	<u>\$ 111,688</u>	<u>\$ 295,692</u>	<u>\$ 29,932</u>	<u>\$ 558,366</u>

INDEPENDENT AUDITORS' 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*

To the City Council  
City of Prescott, Arkansas

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Prescott, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Prescott, Arkansas's basic financial statements, and have issued our report thereon dated December 10, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Prescott, Arkansas' internal control over financial reporting (internal control) as a basis for designing the 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 of Prescott, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Prescott, Arkansas' 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 may exist that have not been identified.

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Office: 870.234.7611  
Fax: 870.234.8529

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Prescott, Arkansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to 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.

*Turner, Rodgers, Manning & Plyler, PLLC*

Arkadelphia, Arkansas

December 10, 2024

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH ARKANSAS STATE REQUIREMENTS

To the City Council  
City of Prescott, Arkansas

We have examined management's assertions that the City of Prescott, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2023.

- 1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- 2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- 3) Improvement contracts, §§ 29-9-202 – 22-9-204;
- 4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and § 14-58-301 et seq.;
- 5) Investment of public funds, § 19-1-501 et seq.; and
- 6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Prescott, Arkansas complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2023.

This report is intended solely for the information and use of the Mayor, City Council, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

*Turner, Rodgers, Manning & Plyler, PLLC*  
Arkadelphia, Arkansas  
December 10, 2024

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CITY OF PRESCOTT, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED DECEMBER 31, 2023

**Summary of Auditor's Results**

The auditor's report expresses an unqualified opinion on the financial statements of the City of Prescott, Arkansas.

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

**Findings - Financial Statement Audit**

None

**Findings and Questioned Costs - Major Federal Award Programs Audit**

N/A

SUPPLEMENTAL INFORMATION

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amount		Actual Amounts	Variance
	Original	Final		Final Budget Over(Under)
<b>REVENUES:</b>				
Taxes	\$ 1,108,719	\$ 1,059,500	\$ 1,380,741	\$ 321,241
Franchise Fees	12,200	12,200	9,715	(2,485)
Fines and Forfeitures	35,000	35,000	74,676	39,676
Investment Income	28,931	21,931	41,725	19,794
Miscellaneous	1,064,936	1,296,755	720,295	(576,460)
<b>TOTAL REVENUES</b>	<u>2,249,786</u>	<u>2,425,386</u>	<u>2,227,152</u>	<u>(198,234)</u>
<b>EXPENDITURES:</b>				
General Government	974,721	1,543,868	1,382,090	161,778
Public Safety and Judiciary	959,165	1,113,436	1,202,236	(88,800)
Cultural and Parks	265,586	140,800	217,812	(77,012)
Community / Economic Development	517,025	685,139	399,766	285,373
Capital Outlay	18,000	18,505	22,215	(3,710)
Depreciation	-	-	154,539	(154,539)
<b>TOTAL EXPENDITURES</b>	<u>2,734,497</u>	<u>3,501,748</u>	<u>3,378,658</u>	<u>123,090</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(484,711)</u>	<u>(1,076,362)</u>	<u>(1,151,506)</u>	<u>(75,144)</u>
<b>OTHER FINANCIAL SOURCES:</b>				
Transfers Out	-	-	(49,051)	(49,051)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (484,711)</u>	<u>\$ (1,076,362)</u>	<u>\$ (1,200,557)</u>	<u>\$ (124,195)</u>

See Independent Auditors' Report.

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amount		Actual Amounts	Variance
	Original	Final		Final Budget Over(Under)
<b>REVENUES:</b>				
Taxes - State of Arkansas	\$ 257,000	\$ 270,000	\$ 260,677	\$ (9,323)
Taxes - Nevada County	51,000	61,000	47,320	(13,680)
Sales of Materials	4,000	4,000	14,740	10,740
<b>TOTAL REVENUES</b>	<b>312,000</b>	<b>335,000</b>	<b>322,737</b>	<b>(12,263)</b>
<b>EXPENDITURES:</b>				
Salaries and Benefits	148,800	210,421	206,463	3,958
Materials and Supplies	44,000	22,500	17,785	4,715
Shop Expenses	14,566	19,470	22,453	(2,983)
Other Expenses	77,781	54,700	38,945	15,755
Capital Outlay	-	-	6,843	(6,843)
Depreciation	-	-	89,741	(89,741)
<b>TOTAL EXPENDITURES</b>	<b>285,147</b>	<b>307,091</b>	<b>382,230</b>	<b>(75,139)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>26,853</b>	<b>27,909</b>	<b>(59,493)</b>	<b>(87,402)</b>

See Independent Auditors' Report.

CITY OF PRESCOTT, ARKANSAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amount		Actual Amounts	Variance
	Original	Final		Final Budget Over(Under)
REVENUES:				
Charges for Services	\$11,392,500	\$10,839,650	\$10,673,300	\$ (166,350)
OPERATING EXPENSES:				
Electricity Costs	6,968,000	5,994,870	5,373,141	621,729
Salaries and Benefits	1,148,553	1,164,941	1,321,397	(156,456)
Plant Operating Expenses	1,467,816	1,426,382	1,756,330	(329,948)
Administrative Costs	136,459	123,956	216,152	(92,196)
Bad Debts	-	-	57,135	(57,135)
Depreciation	277,720	379,812	498,785	(118,973)
TOTAL OPERATING EXPENSES	9,998,548	9,089,961	9,222,940	(132,979)
NET OPERATING INCOME	1,393,952	1,749,689	1,450,360	(299,329)
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	1,200	1,315	3,770	2,455
Miscellaneous Income	338,100	465,240	496,778	31,538
Interest Expense and Other Charges	(155,000)	(200,336)	(218,917)	(18,581)
Transfers In/(Out)	-	-	49,051	49,051
TOTAL NON-OPERATING REVENUES (EXPENSES)	184,300	266,219	330,682	64,463
NET CHANGE IN FUND BALANCE	\$ 1,578,252	\$ 2,015,908	\$ 1,781,042	\$ (234,866)

See Independent Auditors' Report.

CITY OF PRESCOTT, ARKANSAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 FOR COST-SHARING PLANS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
System's proportion of the net pension liability (asset) per APERS	0.08152265%	0.07820121%	0.07980959%	0.08058249%	0.07977931%
System's proportionate share of the net pension liability - per APERS	\$ 2,375,722	\$ 2,108,604	\$ 613,602	\$ 2,307,548	\$ 1,924,699
System's covered-employee payroll	\$ 1,546,965	\$ 1,576,410	\$ 1,573,534	\$ 1,595,907	\$ 1,586,554
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.57%	133.76%	39.00%	144.59%	121.31%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 236,995	\$ 241,506	\$ 241,065	\$ 244,493	\$ 243,060
Contributions in relation to the contractually required contribution	(241,506)	(241,506)	(241,065)	(244,493)	(243,060)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	\$ 1,546,965	\$ 1,576,410	\$ 1,573,534	\$ 1,595,907	\$ 1,586,554
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%

See Independent Auditors' Report.