

City of Trumann, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF TRUMANN, ARKANSAS
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Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

Independent Auditor's Report

City of Trumann, 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 Trumann, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Trumann, Arkansas as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Trumann, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included 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 opinion is 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 Regulatory Basis Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being more prominent.

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
September 28, 2022
LOM108721

Arkansas

Sen. Ronald Caldwell
Senate Chair

Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair

Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

City of Trumann, 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 Trumann, Arkansas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated September 28, 2022. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated September 28, 2022.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
September 28, 2022

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

City of Trumann, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

The commentary contained in this letter relate to the following officials who held office during 2021:

Mayor: Barbara Lewallen
Finance Director: Kari Glickert
Clerk: Carol Waleszonia
Treasurer: Ted Walker
District Court Clerk: Stacy Adams (terminated March 29, 2021);
Tasha Jamison (appointed March 29, 2021)
Police Chief: Jonathan Redman

No issues came to our attention that we considered necessary to report to management.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
September 28, 2022

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,169,831	\$ 6,236	\$ 1,959,957
Accounts receivable	225,098	397	154,997
Interfund receivables	739,535	2,271	279,716
	<u>739,535</u>	<u>2,271</u>	<u>279,716</u>
TOTAL ASSETS	<u>\$ 3,134,464</u>	<u>\$ 8,904</u>	<u>\$ 2,394,670</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,557	\$ 21,999	\$ 31,497
Interfund payables	30,174		991,348
Settlements pending			143,249
Total Liabilities	<u>35,731</u>	<u>21,999</u>	<u>1,166,094</u>
Fund Balances:			
Restricted	89,233		433,429
Committed			798,421
Assigned			195,270
Unassigned	3,009,500	(13,095)	(198,544)
Total Fund Balances	<u>3,098,733</u>	<u>(13,095)</u>	<u>1,228,576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,134,464</u>	<u>\$ 8,904</u>	<u>\$ 2,394,670</u>

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

CITY OF TRUMANN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 166,938	\$ 603,469	
Federal aid	7,517		\$ 749,060
Property taxes	289,110	65,469	65,705
Franchise fees	296,633		
Sales taxes	2,197,348		1,200,044
Fines, forfeitures, and costs	155,015		7,146
Interest	3,956	691	6,911
Local permits and fees	57,602		39,180
Sanitation fees			614,401
Principal on notes receivable			1,531
Interest on notes receivable			768
Donations			38,100
Insurance proceeds			37,713
Sale of capital assets	139,120		
Other	214,980	8,800	23,766
TOTAL REVENUES	3,528,219	678,429	2,784,325
EXPENDITURES			
Current:			
General government	556,906		267,373
Law enforcement	1,496,951		446,706
Highways and streets		838,624	29,150
Public safety	208,464		448,048
Sanitation			858,676
Health			39,186
Recreation and culture	303,103		
Social services	9,125		
Industrial development			802
Wastewater			178
Total Current	2,574,549	838,624	2,090,119
Debt Service:			
Bond principal			15,000
Bond interest and other charges			38,598
Lease principal	125,192		118,573
Lease interest	6,005		13,083
TOTAL EXPENDITURES	2,705,746	838,624	2,275,373

CITY OF TRUMANN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 822,473	\$ (160,195)	\$ 508,952
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,078,799	41,841	896,235
Transfers out	(675,119)	(29,788)	(1,311,968)
Contribution to water department	(336,846)		
Proceeds from refunding bond issue			2,315,000
Payment to refunding bond escrow agent			(2,357,514)
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	66,834	12,053	(458,247)
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	889,307	(148,142)	50,705
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - JANUARY 1	2,209,426	135,047	1,177,871
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - DECEMBER 31	<u>\$ 3,098,733</u>	<u>\$ (13,095)</u>	<u>\$ 1,228,576</u>

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

CITY OF TRUMANN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 153,396	\$ 166,938	\$ 13,542	\$ 603,469	\$ 603,469	\$ 0
Federal aid	733,028	7,517	(725,511)			
Property taxes	319,274	289,110	(30,164)	65,461	65,469	8
Franchise fees	325,928	296,633	(29,295)			
Sales taxes	2,177,415	2,197,348	19,933			
Fines, forfeitures, and costs	151,982	155,015	3,033			
Interest	3,054	3,956	902	108	691	583
Local permits and fees	57,602	57,602	0			
Sale of capital assets		139,120	139,120			
Other	364,285	214,980	(149,305)	8,800	8,800	
TOTAL REVENUES	4,285,964	3,528,219	(757,745)	677,838	678,429	591
EXPENDITURES						
Current:						
General government	576,713	556,906	19,807			
Law enforcement	1,500,988	1,496,951	4,037			
Highways and streets				836,409	838,624	(2,215)
Public safety	209,203	208,464	739			
Recreation and culture	304,606	303,103	1,503			
Social services	9,125	9,125				
Total Current	2,600,635	2,574,549	26,086	836,409	838,624	(2,215)
Debt Service:						
Lease principal	125,192	125,192				
Lease interest	6,005	6,005				
TOTAL EXPENDITURES	2,731,832	2,705,746	26,086	836,409	838,624	(2,215)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,554,132	822,473	(731,659)	(158,571)	(160,195)	(1,624)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,078,799	1,078,799	0	70,088	41,841	(28,247)
Transfers out	(87,250)	(675,119)	(587,869)	(28,246)	(29,788)	(1,542)
Contribution to water department	(336,846)	(336,846)	0			
TOTAL OTHER FINANCING SOURCES (USES)	654,703	66,834	(587,869)	41,842	12,053	(29,789)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,208,835	889,307	(1,319,528)	(116,729)	(148,142)	(31,413)
FUND BALANCES - JANUARY 1		2,209,426	2,209,426		135,047	135,047
FUND BALANCES - DECEMBER 31	\$ 2,208,835	\$ 3,098,733	\$ 889,898	\$ (116,729)	\$ (13,095)	\$ 103,634

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Trumann 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: Waterworks. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

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

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 TRUMANN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 accounts, certificates of deposit, and short-term U.S. Treasury Securities.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll withholdings 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. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

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

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

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.

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)	\$ 1,848,242	\$ 1,848,241
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,102,763	2,186,914
Uncollateralized	182,366	182,366
Total Deposits	<u>\$ 4,133,371</u>	<u>\$ 4,217,521</u>

The above total deposits do not include cash on hand of \$2,653.

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

NOTE 2: Cash Deposits with Financial Institutions (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. As of December 31, 2021, \$182,366 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.

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 2,153	\$ 397	
Franchise fees	20,953		
Sales taxes	187,776		\$ 101,754
Fines, forfeitures, and costs	14,216		248
Local permits and fees			6,297
Sanitation fees			46,698
Totals	<u>\$ 225,098</u>	<u>\$ 397</u>	<u>\$ 154,997</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 5,557</u>	<u>\$ 21,999</u>	<u>\$ 31,497</u>

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

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
General Fund	\$ 739,535	\$ 30,174
Street Fund	2,271	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Industrial Development	248,040	
Sanitation	1,502	248,040
American Rescue Plan Act		720,038
Capital Projects Funds:		
Capital Equipment	30,174	
Custodial Fund:		
Payroll		23,270
Totals	<u>\$ 1,021,522</u>	<u>\$ 1,021,522</u>

Interfund receivables and payables consist of American Rescue Plan Act expenditure reimbursements, errors in transferring payroll related funds, and interfund loans. These balances are expected to be repaid when funds become available.

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

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government			\$ 39,342
Law enforcement	\$ 86,957		10,643
Public safety	2,054		
Recreation and culture	222		
Industrial development			23,864
Capital outlay			75,460
Debt service			284,120
Total Restricted	<u>89,233</u>		<u>433,429</u>
Committed for:			
Health			19,605
Industrial development			778,816
Total Committed			<u>798,421</u>
Assigned to:			
Public safety			11,980
Capital outlay			183,290
Total Assigned			<u>195,270</u>
Unassigned	<u>3,009,500</u>	<u>\$ (13,095)</u>	<u>(198,544)</u>
Totals	<u><u>\$ 3,098,733</u></u>	<u><u>\$ (13,095)</u></u>	<u><u>\$ 1,228,576</u></u>

NOTE 8: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2021:

	December 31, 2021
Street Fund	\$ (13,095)
Other Funds in the Aggregate:	
Special Revenue Funds:	
Sanitation	<u>(198,544)</u>
Total	<u><u>\$ (211,639)</u></u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2021, the legal debt limit for the bonded debt was \$13,360,222. There were no property tax secured bond issues.

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

NOTE 9: Legal Debt Limit

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2021, the legal debt limit for short-term financing obligations was \$3,512,787. The amount of short-term financing obligations, was \$501,626 leaving a legal debt margin of \$3,011,161.

NOTE 10: Commitments

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

	December 31, 2021
Long-term liabilities	\$ 3,035,573
Construction contract	106,400
Total Commitments	<u>\$ 3,141,973</u>

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

NOTE 10: Commitments (Continued)

Long-term liabilities

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

	December 31, 2021
<u>Bonds</u>	
Sales and Use Tax Refunding Bonds (2021) dated January 19, 2021, in the amount of \$2,315,000, due in annual installments of \$15,000 - \$365,000 plus interest through October 2031; interest of 1.625% - 2.875%. Payments are to be made from the 2021 Sales and Use Tax Refunding Bond Debt Service Fund.	\$ 2,300,000
<u>Direct Borrowings</u>	
Lease-purchase agreement with PNC Equipment Finance dated January 12, 2017, in the amount of \$611,805, with an interest rate of 2.37% for the purchase of a Pierce fire truck. Annual installments due of \$131,197 for 5 years. Payments are to be made from the General Fund.	128,159
Lease-purchase agreement with Bancorp South dated March 16, 2020, in the amount of \$291,373, with an interest rate of 3.356% for the purchase of a Peterbilt garbage truck. Monthly installments due of \$5,659 for 24 months and a final payment of \$171,774. Payments are to be made from the Sanitation Fund.	186,749
Lease-purchase agreement with Bancorp South dated May 22, 2020, in the amount of \$164,006, with an interest rate of 2.59% for the purchase of a Freightliner garbage truck. Monthly installments due of \$2,896 for 24 months and a final payment of \$101,680. Payments are to be made from the Sanitation Fund.	114,759
Lease-purchase agreement with Bancorp South dated June 23, 2021, in the amount of \$88,000, with an interest rate of 2.59% for the purchase of a Freightliner garbage truck. Monthly installments due of \$2,849 for 32 months. Payments are to be made from the Sanitation Fund.	71,959
Total Direct Borrowings	501,626
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	233,947
Total Long-term liabilities	\$ 3,035,573

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

The City's outstanding bonds payable of \$2,300,000 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 lease-purchases from direct borrowings of \$501,626 contain 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.

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

NOTE 10: Commitments (Continued)

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
1/19/21	10/1/31	1.625 - 2.875%	\$ 2,315,000	\$ 2,300,000	\$ 15,000
<u>Direct Borrowings</u>					
1/12/17	1/12/22	2.37%	611,805	128,159	483,646
3/16/20	4/16/22	3.356%	291,373	186,749	104,624
5/22/20	6/22/22	2.59%	164,006	114,759	49,247
6/23/21	2/23/24	2.59%	88,000	71,959	16,041
Total Direct Borrowings			1,155,184	501,626	653,558
Total Long-Term Debt			\$ 3,470,184	\$ 2,801,626	\$ 668,558

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 2,320,000	\$ 2,315,000	\$ 2,335,000 *	\$ 2,300,000
<u>Direct Borrowings</u>				
Capital leases	745,102	88,000	331,476 **	501,626
Total Long-Term Debt	\$ 3,065,102	\$ 2,403,000	\$ 2,666,476	\$ 2,801,626

* Includes \$2,320,000 early retirement of debt – See Note 11 for bonds payable portion.

**Includes \$87,711 early retirement of debt for Capital leases.

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 195,000	\$ 51,194	\$ 246,194	\$ 462,378	\$ 7,918	\$ 470,296
2023	200,000	45,588	245,588	33,568	620	34,188
2024	205,000	39,837	244,837	5,680	18	5,698
2025	210,000	33,944	243,944			
2026	220,000	27,906	247,906			
2027 through 2031	1,270,000	74,931	1,344,931			
Totals	\$ 2,300,000	\$ 273,400	\$ 2,573,400	\$ 501,626	\$ 8,556	\$ 510,182

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

NOTE 10: Commitments (Continued)

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2021:

Project Name	Completed	Contract Balance December 31, 2021
Public Works Equipment Building	July 20, 2022	\$ 106,400

NOTE 11: Debt Refunding

On January 19, 2021, the City issued \$2,315,000 in Sales and Use Tax Refunding Bonds with interest rates from 1.625 to 2.875 percent to advance refund \$2,320,000 of outstanding bonds dated November 1, 2015, with interest rates of 1.55 to 3.5 percent. Bond proceeds of \$2,167,427, plus debt service reserves of \$190,087 (after net bond issuance cost of \$27,573) were deposited with an escrow agent to pay future debt payments of the bonds refunded. Proceeds of \$120,000 were utilized to establish a debt service fund. The 2015 bonds were called on April 1, 2021.

NOTE 12: Interfund Transfers

The General Fund transferred \$41,841 to the Street Fund to supplement operations. The General Fund transferred \$250,000, \$113,287, \$10,000, \$9,991, and \$100,000 to the Other Funds in the Aggregate (Disaster Recovery Fund, Sanitation Fund, United States Department of Agriculture (USDA) Fund, Capital Equipment Fund, and Delta Regional Authority (DRA) Fund, respectively) to supplement operations and \$150,000 to Other Funds in the aggregate (Industrial Development Fund) to reimburse for prior year expenditure. The Street Fund transferred \$29,788 to the Other Funds in the Aggregate (Capital Equipment Fund) to supplement highway and street expenditures. Other Funds in the Aggregate (2015 Sales and Use Tax Bond Debt Service Fund and 2021 Sales and Use Tax Refunding Bond Debt Service Fund) transferred \$155,122 and \$923,677, respectively, to the General Fund for city sales tax collected in excess of debt service requirements. Within Other Funds in the Aggregate, the 2015 Sales and Use Tax Bond Debt Service Fund transferred \$233,169 to the 2021 Sales and Use Tax Refunding Bond Debt Service Fund to pay principal and interest on bonds.

NOTE 13: Subsequent Events

In January and February 2022, the City received a total of \$1,597,412 in insurance proceeds from Arkansas Municipal League for damages to city buildings, building contents, structures, equipment, and vehicles from the tornado that occurred on December 10, 2021.

On March 8, 2022 and April 12, 2022, the City executed change orders 1 and 2 on a contract with Osment Construction for the Public Works Equipment Building, increasing the price from \$124,900 to \$305,897.

On August 3, 2022, the City entered into a lease-purchase agreement with Bancorp South in the amount of \$181,942 for a 2022 Western Star garbage truck. Monthly installments due of \$3,470 for 24 months with an interest rate of 3.72%. Payments are to be made from the Sanitation Fund.

NOTE 14: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$2,315,000 in bonds that were issued in 2021 to refund bonds issued in 2015. Total principal and interest remaining on the bonds are \$2,300,000 and \$273,400, respectively, payable through October 1, 2031. For 2021, principal and interest and other charges paid were \$15,000 and \$38,598, respectively.

The Debt Service Funds received \$1,200,044 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for other City expenditures.

NOTE 15: Job Stimulus

The City obtained funds in prior years from the Federal and State Government to be used to issue loans to area industries to increase jobs under the Job Stimulus Program and for other purposes. The balance of notes receivable from these loans at December 31, 2021, is \$33,469. The notes receivable are not recorded in financial statements due to the City's regulatory basis of accounting.

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

NOTE 16: Risk Management

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

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

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

Municipal Vehicle Program

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

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

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

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

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

**NOTE 17: 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 November 4, 2003, administration of the City of Trumann's 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 \$148,896 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$112,431 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$1,331,523.

NOTE 18: Arkansas 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 the District Court Judge and District Court Clerk. APERS, administered by a Board of Trustees, 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 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, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$4,246 for the year ended June 30, 2021.

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

NOTE 18: Arkansas Public Employees Retirement System (Continued)

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 June 30, 2021 (actuarial valuation date and measurement date) was \$10,672.

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

Plan Description

The City maintains a pension plan for all non-uniformed employees. The trustee is First Mercantile Trust Company. Plan provisions were established in accordance with Employees Retirement Security Act of 1974. All non-uniformed, regular, fulltime employees are eligible to become members of the plan after meeting certain age and service requirements. Participation in the plan is compulsory. Normal retirement age is 65. Funding is provided by contributions of 5% by the employee and 5% by the City of the employee's total annual compensation. Additionally, voluntary contributions are allowed by payroll deductions. Upon retirement the employee will receive a monthly retirement income based upon various options in the plan. The employees are entitled only to the funds deposited by them and on their behalf; therefore there is no unfunded liability.

On October 22, 2020, the Trumann City Council approved resolution no. 1093-2020 to freeze and terminate the Nonuniformed Employee's Defined Contribution Pension Plan. No further contributions are intended to be made after the effective date (October 30, 2020). For participants with an outstanding loan, loan repayments may still be made until a reasonable amount of time prior to the date of final liquidation of the Participant's account balance in the plan. No eligible employees shall become participants after such date and participants shall be fully vested in their accounts as of October 30, 2020. The City desires to maintain this frozen and terminated plan so that distributions of benefits may be made as provided under the terms of the Plan and directs that the Trust be continued and that distribution of benefits to Participants be made at such time and manner as though the Plan had not been frozen and terminated.

NOTE 20: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer Marlene Hancock \$23,125 for the year ended December 31, 2021.

NOTE 21: Retirement System

Plan Description

The City contributes to the Arkansas Diamond Deferred compensation Plan. The plan is a 457(b) program as defined by the Internal Revenue Service and is administered by the Executive Director, Employee Benefits Division, Department of Finance and Administration of the State of Arkansas.

Funding Policy

The City's contribution rate is five percent. Participants are eligible for contributions after one year. The City's contribution to the plan was \$18,563 for the year ended June 30, 2021.

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

NOTE 22: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The City was awarded \$1,443,843 in federal aid from the American Rescue Plan Act of 2021. In 2021 and 2022, the City received funds in the amount of \$721,926 and \$721,917, respectively. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

	SPECIAL REVENUE FUNDS							
	Mosquito Control	Disaster Recovery	Police Equitable Sharing	Special Enforcement	Industrial Development	Sanitation	United States Department of Agriculture (USDA) Grant	American Rescue Plan Act
ASSETS								
Cash and cash equivalents	\$ 13,308	\$ 39,342	\$ 38	\$ 10,605	\$ 554,640	\$ 17,623	\$ 11,980	\$ 720,038
Accounts receivable	6,297					46,698		
Interfund receivables					248,040	1,502		
TOTAL ASSETS	<u>\$ 19,605</u>	<u>\$ 39,342</u>	<u>\$ 38</u>	<u>\$ 10,605</u>	<u>\$ 802,680</u>	<u>\$ 65,823</u>	<u>\$ 11,980</u>	<u>\$ 720,038</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable						\$ 16,327		
Interfund payables						248,040		\$ 720,038
Settlements pending								
Total Liabilities						<u>264,367</u>		<u>720,038</u>
Fund Balances:								
Restricted		\$ 39,342	\$ 38	\$ 10,605	\$ 23,864			
Committed	\$ 19,605				778,816			
Assigned							\$ 11,980	
Unassigned						(198,544)		
Total Fund Balances	<u>19,605</u>	<u>39,342</u>	<u>38</u>	<u>10,605</u>	<u>802,680</u>	<u>(198,544)</u>	<u>11,980</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,605</u>	<u>\$ 39,342</u>	<u>\$ 38</u>	<u>\$ 10,605</u>	<u>\$ 802,680</u>	<u>\$ 65,823</u>	<u>\$ 11,980</u>	<u>\$ 720,038</u>

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

Schedule 1

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	CUSTODIAL FUNDS		
	Capital Equipment	Delta Regional Authority (DRA) Grant	2021 Sales and Use Tax Refunding Bond	Payroll	District Court	Totals
ASSETS						
Cash and cash equivalents	\$ 43,676	\$ 199,822	\$ 182,366	\$ 117,822	\$ 48,697	\$ 1,959,957
Accounts receivable	248		101,754			154,997
Interfund receivables	30,174					279,716
TOTAL ASSETS	<u>\$ 74,098</u>	<u>\$ 199,822</u>	<u>\$ 284,120</u>	<u>\$ 117,822</u>	<u>\$ 48,697</u>	<u>\$ 2,394,670</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 15,170					\$ 31,497
Interfund payables				\$ 23,270		991,348
Settlements pending				94,552	\$ 48,697	143,249
Total Liabilities	<u>15,170</u>			<u>117,822</u>	<u>48,697</u>	<u>1,166,094</u>
Fund Balances:						
Restricted	638	\$ 74,822	\$ 284,120			433,429
Committed						798,421
Assigned	58,290	125,000				195,270
Unassigned						(198,544)
Total Fund Balances	<u>58,928</u>	<u>199,822</u>	<u>284,120</u>			<u>1,228,576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 74,098</u>	<u>\$ 199,822</u>	<u>\$ 284,120</u>	<u>\$ 117,822</u>	<u>\$ 48,697</u>	<u>\$ 2,394,670</u>

CITY OF TRUMANN, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	SPECIAL REVENUE FUNDS						United States Department of Agriculture (USDA) Grant	American Rescue Plan Act
	Mosquito Control	Disaster Recovery	Police Equitable Sharing	Special Enforcement	Industrial Development	Sanitation		
REVENUES								
Federal aid							\$ 20,999	\$ 721,926
Property taxes								
Sales taxes								
Fines, forfeitures, and costs				\$ 4,011				
Interest	\$ 34	\$ 30			\$ 6,717			
Local permits and fees	39,180							
Sanitation fees						\$ 614,401		
Principal on notes receivable					1,531			
Interest on notes receivable					768			
Donations								
Insurance proceeds								
Other			\$ 1		1,555	17,161		
TOTAL REVENUES	39,214	30	1	4,011	10,571	631,562	20,999	721,926
EXPENDITURES								
Current:								
General government		239,800						
Law enforcement				1,973				408,569
Highways and streets							19,084	313,357
Public safety								
Sanitation						858,676		
Health	39,186							
Industrial development					802			
Wastewater								
Total Current	39,186	239,800		1,973	802	858,676	19,084	721,926
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal						118,573		
Lease interest						13,083		
TOTAL EXPENDITURES	39,186	239,800		1,973	802	990,332	19,084	721,926
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28	(239,770)	1	2,038	9,769	(358,770)	1,915	
OTHER FINANCING SOURCES (USES)								
Transfers in		250,000			150,000	113,287	10,000	
Transfers out								
Proceeds from refunding bond issue								
Payment to refunding bond escrow agent								
TOTAL OTHER FINANCING SOURCES (USES)		250,000			150,000	113,287	10,000	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	28	10,230	1	2,038	159,769	(245,483)	11,915	
FUND BALANCES - JANUARY 1	19,577	29,112	37	8,567	642,911	46,939	65	
FUND BALANCES - DECEMBER 31	\$ 19,605	\$ 39,342	\$ 38	\$ 10,605	\$ 802,680	\$ (198,544)	\$ 11,980	\$ 0

CITY OF TRUMANN, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS		
	Capital Equipment	Delta Regional Authority (DRA) Grant	2015 Sales and Use Tax Bond	2021 Sales and Use Tax Refunding Bond	Totals
REVENUES					
Federal aid	\$ 6,135				\$ 749,060
Property taxes	65,705				65,705
Sales taxes			\$ 101,740	\$ 1,098,304	1,200,044
Fines, forfeitures, and costs	3,135				7,146
Interest	118		3	9	6,911
Local permits and fees					39,180
Sanitation fees					614,401
Principal on notes receivable					1,531
Interest on notes receivable					768
Donations	38,100				38,100
Insurance proceeds	37,713				37,713
Other	5,049				23,766
TOTAL REVENUES	155,955		101,743	1,098,313	2,784,325
EXPENDITURES					
Current:					
General government				27,573	267,373
Law enforcement	36,164				446,706
Highways and streets	29,150				29,150
Public safety	115,607				448,048
Sanitation					858,676
Health					39,186
Industrial development					802
Wastewater		\$ 178			178
Total Current	180,921	178		27,573	2,090,119
Debt Service:					
Bond principal				15,000	15,000
Bond interest and other charges				38,598	38,598
Lease principal					118,573
Lease interest					13,083
TOTAL EXPENDITURES	180,921	178		81,171	2,275,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,966)	(178)	101,743	1,017,142	508,952
OTHER FINANCING SOURCES (USES)					
Transfers in	39,779	100,000		233,169	896,235
Transfers out			(388,291)	(923,677)	(1,311,968)
Proceeds from refunding bond issue				2,315,000	2,315,000
Payment to refunding bond escrow agent				(2,357,514)	(2,357,514)
TOTAL OTHER FINANCING SOURCES (USES)	39,779	100,000	(388,291)	(733,022)	(458,247)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	14,813	99,822	(286,548)	284,120	50,705
FUND BALANCES - JANUARY 1	44,115	100,000	286,548		1,177,871
FUND BALANCES - DECEMBER 31	\$ 58,928	\$ 199,822	\$ 0	\$ 284,120	\$ 1,228,576

CITY OF TRUMANN, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
Mosquito Control	Trumann Ordinance no. 363 (April 13, 1992) established fund to account for mosquito control fees.
Disaster Recovery	Established to account for grants received for relief of natural disasters.
Police Equitable Sharing	Established to account for federal confiscation funds.
Special Enforcement	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Industrial Development	Trumann Resolution no. 526 (December 10, 1992) and Ordinance no. 592 (July 8, 2014) established fund to account for reuse plan and funds from the Urban Development Grant programs.
Sanitation	Trumann Ordinance no. 363 (April 13, 1992) established fund to account for sanitation fees.
United States Department of Agriculture (USDA) Grant	Established to account for restricted grant from the United States Department of Agriculture for acquiring, constructing, enlarging, improving, and/or extending the City's early storm warning system.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Capital Equipment	Trumann Ordinance nos. 329 (March 14, 1988) and 492 (November 9, 2004) established fund to account for property taxes to be used for capital expenditures and fines resulting from inattentive driving offences to be used for police department equipment.
Delta Regional Authority (DRA) Grant	Established to account for restricted grant from the Delta Regional Authority.
2015 Sales and Use Tax Bond	Trumann Ordinance nos. 602 and 603 (May 19, 2015) authorized the issue of refunding and capital improvement bonds for the purpose of refunding prior sales and use tax indebtedness and financing capital improvements, pledging a one percent sales and use tax for the repayment of bond principal and interest.
2021 Sales and Use Tax Refunding Bond	Trumann Ordinance no. 675 (December 8, 2020) authorized the issue of sales and use tax refunding bonds for the purpose of refunding prior sales and use tax indebtedness, pledging a one percent sales and use tax for the repayment of bond principal and interest.
Payroll	Established to process the payroll of City's employees.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

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

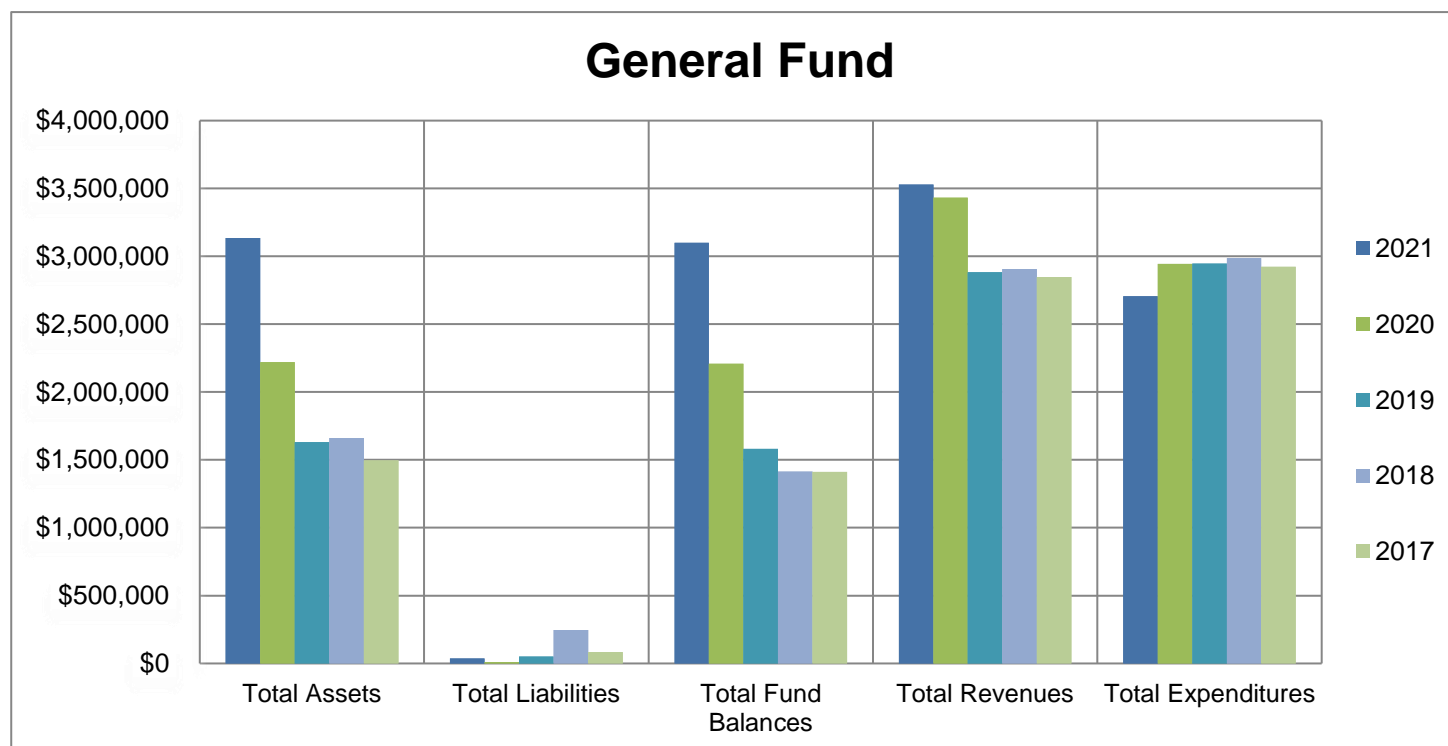
Schedule 3

	December 31, 2021
Land	\$ 1,629,029
Buildings	3,539,208
Equipment	4,853,059
Construction in progress	<u>18,500</u>
Total	<u><u>\$ 10,039,796</u></u>

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

Schedule 4-1

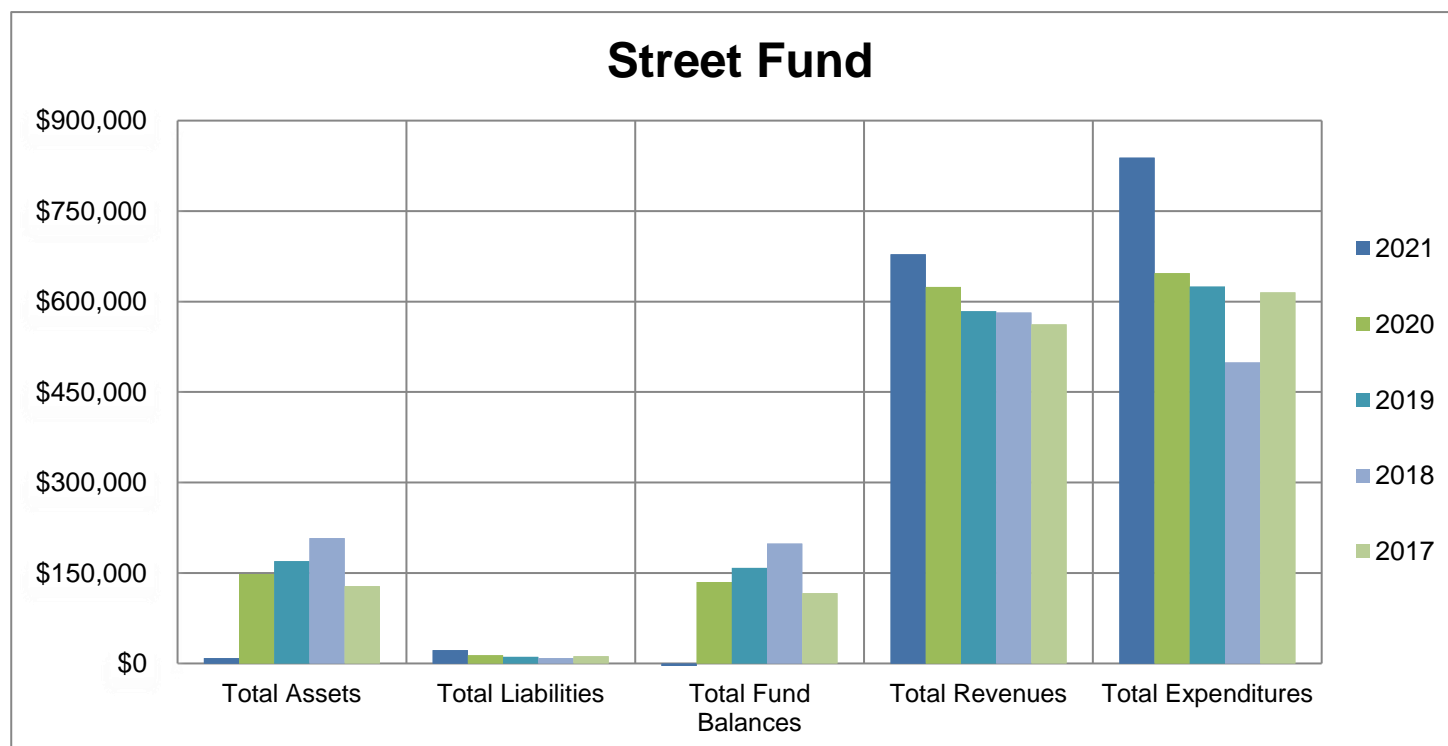
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 3,134,464	\$ 2,220,381	\$ 1,630,536	\$ 1,660,598	\$ 1,495,497
Total Liabilities	35,731	10,955	50,264	246,993	84,465
Total Fund Balances	3,098,733	2,209,426	1,580,272	1,413,665	1,411,032
Total Revenues	3,528,219	3,432,790	2,882,594	2,907,307	2,846,808
Total Expenditures	2,705,746	2,943,550	2,947,257	2,986,662	2,923,927
Total Other Financing Sources/Uses	66,834	139,914	231,270	81,988	637,481



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

Schedule 4-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 8,904	\$ 148,410	\$ 169,291	\$ 207,588	\$ 128,184
Total Liabilities	21,999	13,363	11,123	8,636	11,766
Total Fund Balances	(13,095)	135,047	158,168	198,952	116,418
Total Revenues	678,429	624,072	584,116	581,684	562,080
Total Expenditures	838,624	647,193	624,900	499,150	614,941
Total Other Financing Sources/Uses	12,053				



CITY OF TRUMANN, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2021	2020	2019	2018	2017
Total Assets	\$ 2,394,670	\$ 1,255,466	\$ 1,288,522	\$ 1,433,083	\$ 1,674,969
Total Liabilities	1,166,094	77,595	101,466	92,295	71,249
Total Fund Balances	1,228,576	1,177,871	1,187,056	1,340,788	1,603,720
Total Revenues	2,784,325	1,761,191	1,699,059	1,868,423	1,610,237
Total Expenditures	2,275,373	1,080,462	1,221,521	1,436,773	1,316,703
Total Other Financing Sources/Uses	(458,247)	(689,914)	(631,270)	(694,582)	(933,680)

