

# **City of Trumann, Arkansas**

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

**December 31, 2022**

LEGISLATIVE JOINT AUDITING COMMITTEE

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**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
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**Rep. Jimmy Gazaway**  
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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, 2022, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Trumann, Arkansas as of December 31, 2022; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Trumann, Arkansas, as of December 31, 2022, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

### ***Emphases of Matter***

As discussed in Note 1 to the financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

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

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

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas  
December 5, 2023  
LOM108722



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



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**Rep. Jimmy Gazaway**  
House Chair  
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House Vice Chair

## **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, 2022, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated December 5, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

##### **Report on Internal Control Over Financial Reporting**

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

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

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

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

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

We also reported to management of the City in a separate letter dated December 5, 2023.

### **Purpose of This Report**

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Timothy R. Jones", is positioned above the printed name.

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
December 5, 2023

# Arkansas



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

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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 relates to the following officials who held office during 2022:

Mayor: Barbara Lewallen  
Finance Director: Kari Glickert  
Clerk: Carol Waleszonia  
Treasurer: Ted Walker (resigned December 14, 2022)  
Bob Sowall (appointed December 14, 2022)  
District Court Clerk: Tasha Jamison  
Police Chief: Jonathan Redman

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

### FINANCE DIRECTOR

Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 – 14-59-119. The City was in noncompliance with these codes as noted below:

- Bank reconciliations were not prepared promptly after the end of each month.
- Cash receipts and disbursements journals were not balanced and totaled on a monthly and year-to date basis in a timely manner.
- The General Fund and Other Funds in the Aggregate cash receipts and disbursements journals were not properly posted.

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

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Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
December 5, 2023



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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 3,363,553	\$ 70,231	\$ 1,150,397
Accounts receivable	311,789	793	107,121
Interfund receivables	35,937	2,271	9,235
	<u>3,711,279</u>	<u>73,295</u>	<u>1,266,753</u>
TOTAL ASSETS	<u>\$ 3,711,279</u>	<u>\$ 73,295</u>	<u>\$ 1,266,753</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 183,842	\$ 20,850	
Interfund payables	9,235		\$ 38,208
Settlements pending			108,194
Total Liabilities	<u>193,077</u>	<u>20,850</u>	<u>146,402</u>
Fund Balances:			
Restricted	96,254	52,445	317,074
Committed			587,182
Assigned			216,095
Unassigned	3,421,948		
Total Fund Balances	<u>3,518,202</u>	<u>52,445</u>	<u>1,120,351</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,711,279</u>	<u>\$ 73,295</u>	<u>\$ 1,266,753</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, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 253,371	\$ 638,805	
Federal aid	3,076		\$ 834,670
Property taxes	278,809	63,032	63,366
Franchise fees	382,674		
Sales taxes	2,437,042		1,286,471
Fines, forfeitures, and costs	145,823		20,871
Interest	5,310	55	5,826
Local permits and fees	63,330		45,805
Sanitation fees			325,230
Principal on notes receivable			2,094
Interest on notes receivable			970
Donations			11,349
Insurance proceeds	1,618,593		32,616
Sales of capital assets			9,650
Rentals	20,200		
Other	199,615	2,095	12,176
TOTAL REVENUES	5,407,843	703,987	2,651,094
EXPENDITURES			
Current:			
General government	736,404		127,745
Law enforcement	1,347,107		611,558
Highways and streets	51,252	638,447	18,819
Public safety	636,909		267,363
Sanitation			412,195
Health			40,381
Recreation and culture	405,069		79,826
Social services	16,761		
Industrial development			20
Total Current	3,193,502	638,447	1,557,907
Debt Service:			
Bond principal			195,000
Bond interest and other charges			53,894
Financed purchase principal	128,159		
Financed purchase interest	3,038		
TOTAL EXPENDITURES	3,324,699	638,447	1,806,801

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 2,083,144</u>	<u>\$ 65,540</u>	<u>\$ 844,293</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,033,315		448,000
Transfers out	(418,000)		(1,063,315)
Contributions to water department	(2,278,990)		(360,691)
Contributions from water department			<u>23,488</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,663,675)</u>		<u>(952,518)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	419,469	65,540	(108,225)
FUND BALANCES - JANUARY 1	<u>3,098,733</u>	<u>(13,095)</u>	<u>1,228,576</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 3,518,202</u></u>	<u><u>\$ 52,445</u></u>	<u><u>\$ 1,120,351</u></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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 162,645	\$ 253,371	\$ 90,726	\$ 638,805	\$ 638,805	\$ 0
Federal aid		3,076	3,076			
Property taxes	255,734	278,809	23,075	62,636	63,032	396
Franchise fees	346,769	382,674	35,905			
Sales taxes	3,380,439	2,437,042	(943,397)			
Fines, forfeitures, and costs	151,686	145,823	(5,863)			
Interest	4,655	5,310	655	45	55	10
Local permits and fees	63,330	63,330	0			
Insurance proceeds	1,618,593	1,618,593	0			
Rentals	20,800	20,200	(600)			
Other	734,553	199,615	(534,938)	8,919	2,095	(6,824)
TOTAL REVENUES	6,739,204	5,407,843	(1,331,361)	710,405	703,987	(6,418)
EXPENDITURES						
Current:						
General government	538,920	736,404	(197,484)			
Law enforcement	1,354,056	1,347,107	6,949			
Highways and streets	34,825	51,252	(16,427)	647,481	638,447	9,034
Public safety	533,787	636,909	(103,122)			
Recreation and culture	403,364	405,069	(1,705)			
Social services	15,826	16,761	(935)			
Total Current	2,880,778	3,193,502	(312,724)	647,481	638,447	9,034
Debt Service:						
Financed purchase principal	128,159	128,159	0			
Financed purchase interest	3,038	3,038	0			
TOTAL EXPENDITURES	3,011,975	3,324,699	(312,724)	647,481	638,447	9,034
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,727,229	2,083,144	(1,644,085)	62,924	65,540	2,616
OTHER FINANCING SOURCES (USES)						
Transfers in		1,033,315	1,033,315			
Transfers out		(418,000)	(418,000)			
Contribution to water department	(300,000)	(2,278,990)	(1,978,990)			
TOTAL OTHER FINANCING SOURCES (USES)	(300,000)	(1,663,675)	(1,363,675)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,427,229	419,469	(3,007,760)	62,924	65,540	2,616
FUND BALANCES - JANUARY 1		3,098,733	3,098,733		(13,095)	(13,095)
FUND BALANCES - DECEMBER 31	\$ 3,427,229	\$ 3,518,202	\$ 90,973	\$ 62,924	\$ 52,445	\$ (10,479)

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

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

**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.

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

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

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

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

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 the Debt Service Fund reported with other funds in the aggregate.

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

**C. Basis of Accounting - Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

In 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. The significant/material effect on the Regulatory Basis of Accounting in the current period is that certain items included in debt service in the previous period are included in the expenditure/function code of the applicable opinion unit.

**D. Assets, Liabilities, and Fund Balances**

**Cash and Cash Equivalents**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand, accounts, certificates of deposit, 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.

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

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

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

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. 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.

**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.

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

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

**G. Fund Balance Classification Policies and Procedures**

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

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

**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)	\$ 1,181,707	\$ 1,181,401
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	3,215,725	3,243,545
Uncollateralized	184,026	184,026
Total Deposits	<u>\$ 4,581,458</u>	<u>\$ 4,608,972</u>

The above total deposits do not include cash on hand of \$2,723.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. As of December 31, 2022, \$184,026 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of federated treasury obligations, which are not insured or collateralized.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**Pension Trust Funds**

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



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

**NOTE 4: Accounts Receivable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 4,177		
Property taxes	4,291	\$ 793	
Franchise fees	56,858		
Sales taxes	201,909		\$ 106,686
Fines, forfeitures, and costs	15,034		435
Other	29,520		
Totals	<u>\$ 311,789</u>	<u>\$ 793</u>	<u>\$ 107,121</u>

**NOTE 5: Accounts Payable**

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

Description	General Fund	Street Fund
Vendor payables	<u>\$ 183,842</u>	<u>\$ 20,850</u>

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 35,937	\$ 9,235
Street Fund	2,271	
Other Funds in the Aggregate:		
Capital Equipment	9,235	
Custodial Fund:		
Payroll		38,208
Totals	<u>\$ 47,443</u>	<u>\$ 47,443</u>

Interfund receivables and payables consist of errors in transferring payroll related funds and depositing restricted revenues. These balances are expected to be repaid when funds become available.

**NOTE 7: Federal Funds Program Compliance**

The grant of the American Rescue Plan Act of 2021 and the Delta Regional Authority was not examined in accordance with the specified federal compliance requirements described in Part IV of the applicable OMB Compliance Supplement and therefore, any instances of noncompliance with these requirements have not been determined. Disbursements that are not in accordance with these requirements are subject to reimbursement by the City. The City is in the process of obtaining a federal compliance audit.

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

**NOTE 8: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2022, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement	\$ 91,952		\$ 2,498
Highways and streets		\$ 52,445	
Public safety	4,302		
Industrial development			23,864
Debt service			290,712
Total Restricted	<u>96,254</u>	<u>52,445</u>	<u>317,074</u>
Committed for:			
Industrial development			<u>587,182</u>
Assigned to:			
General government			30,021
Capital outlay			<u>186,074</u>
Total Assigned			<u>216,095</u>
Unassigned	<u>3,421,948</u>		
Totals	<u>\$ 3,518,202</u>	<u>\$ 52,445</u>	<u>\$ 1,120,351</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, 2022, the legal debt limit for the bonded debt was \$13,796,003. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022, the legal debt limit for short-term financing obligations was \$3,633,032. There were no short-term financing obligations.

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

**NOTE 10: Commitments**

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

	December 31, 2022
Long-term liabilities	\$ 2,266,949
Construction contract	93,600
	<hr/>
Total Commitments	<u>\$ 2,360,549</u>

Long-term liabilities

Long-term liabilities at December 31, 2022, are comprised of the following:

	December 31, 2022
	<hr/>
<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.	\$ 2,105,000
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	161,949
	<hr/>
Total Long-term liabilities	<u>\$ 2,266,949</u>

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

The City's outstanding bonds payable of \$2,105,000 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.

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, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
1/19/21	10/1/31	1.625 - 2.875%	<u>\$ 2,315,000</u>	<u>\$ 2,105,000</u>	<u>\$ 210,000</u>

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

**NOTE 10: Commitments (Continued)**

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 2,300,000	\$ 0	\$ 195,000	\$ 2,105,000
<u>Direct Borrowings</u>				
Financed purchases	128,159	0	128,159	0
Total Long-Term Debt	<u>\$ 2,428,159</u>	<u>\$ 0</u>	<u>\$ 323,159</u>	<u>\$ 2,105,000</u>

Debt Service Requirements to Maturity

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

Years Ending December 31,	Principal	Bonds Interest	Total
2023	\$ 200,000	\$ 45,588	\$ 245,588
2024	205,000	39,837	244,837
2025	210,000	33,944	243,944
2026	220,000	27,906	247,906
2027	220,000	23,506	243,506
2028 through 2031	1,050,000	51,425	1,101,425
Totals	<u>\$ 2,105,000</u>	<u>\$ 222,206</u>	<u>\$ 2,327,206</u>

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2022:

Project Name	Completion Date	Contract Balance December 31, 2022
Re-conditioning of Four Tennis Courts	October 2023	<u>\$ 93,600</u>

**NOTE 11: Interfund Transfers**

The General Fund transferred \$150,000, \$57,000, and \$211,000 to the Other Funds in the Aggregate (Disaster Recovery Fund, Sanitation Fund, and Capital Equipment Fund, respectively) to supplement operations. In Other Funds in the Aggregate, the City transferred \$30,000 from Sanitation to Industrial Development Fund to reimburse for prior year expenditure and \$1,033,315 from 2021 Sales and Use Tax Refunding Bond Debt Service Fund to General Fund for city sales tax collected in excess of debt service requirements.

**NOTE 12: Subsequent Events**

On March 27, 2023, the City issued \$1,635,000 of Capital Improvement Revenue Bonds with interest rates ranging from 3.250 to 4.875 percent. The bond proceeds will be used to finance all or a portion of the costs of acquiring, constructing and equipping a new fire station and will be repaid with franchise fees from public utilities.

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

**NOTE 13: 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 \$2,105,000 and \$222,206, respectively, payable through October 1, 2031. For 2022, principal and interest and other charges paid were \$195,000 and \$53,894, respectively.

The Debt Service Fund received \$1,286,471 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for other City expenditures.

**NOTE 14: 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, 2022, is \$31,375. The notes receivable are not recorded in financial statements due to the City's regulatory basis of accounting.

**NOTE 15: 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.

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

**NOTE 15: Risk Management (Continued)**

Municipal Vehicle Program (Continued)

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

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

**NOTE 16: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

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

On 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 \$139,062 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$114,598 for the year ended December 31, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022, (actuarial valuation date and measurement date) was \$2,604,007.

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

**NOTE 17: 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 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](http://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. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.25% as of July 1, 2022. 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 for the year ended June 30, 2022, (date of APERS Employer Allocation Report) was \$6,591.

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, 2022, (actuarial valuation date and measurement date) was \$55,496.

**NOTE 18: 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.

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

**NOTE 19: 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 Merlene Hancock \$23,125 for the year ended December 31, 2022.

**NOTE 20: 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 \$20,490 for the year ended June 30, 2022.

**NOTE 21: Corona Virus (COVID-19)**

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

**NOTE 22: Insurance Proceeds**

The City received insurance proceeds in General and Capital Equipment (Other Funds in the Aggregate) Funds of \$1,618,593 and \$32,616, respectively, due to the destruction of property from a tornado on December 10, 2021.

**NOTE 23: Contributions To Water Department**

The City passed ordinances 641-2018 (September 11, 2018) and 695-2022 (March 8, 2022) creating the Trumann Infrastructure fund to be used on major infrastructure improvements or repairs to the water and sewer systems, the street and drainage structures, and sanitation equipment and to appropriate annually not less than \$300,000 from the General Fund to this Fund.

For the year ending December 31, 2022, total General Fund contributions to the Trumann Water Works Fund were \$2,278,990. Of this amount, \$1,504,451 was remitted to the Waterworks infrastructure Fund. Based on a review of expenditures, these contributions were primarily for the construction of a multipurpose building utilized by various city departments including water, street, and Sanitation departments and for a water meter project.

For the year ending December 31, 2022, total Other Funds in the Aggregate contributions to the Trumann Water Works Fund were \$360,691 primarily for pump station improvements funded in part by a Delta Regional Authority federal grant.



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

Schedule 1

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUND	CUSTODIAL FUNDS		
	Disaster Recovery	Police Equitable Sharing	Special Enforcement	Industrial Development	Capital Equipment	2021 Sales and Use Tax Refunding Bond	Payroll	District Court	Totals
ASSETS									
Cash and cash equivalents	\$ 30,021	\$ 38	\$ 2,460	\$ 611,046	\$ 176,404	\$ 184,026	\$ 96,419	\$ 49,983	\$ 1,150,397
Accounts receivable					435	106,686			107,121
Interfund receivables					9,235				9,235
<b>TOTAL ASSETS</b>	<b>\$ 30,021</b>	<b>\$ 38</b>	<b>\$ 2,460</b>	<b>\$ 611,046</b>	<b>\$ 186,074</b>	<b>\$ 290,712</b>	<b>\$ 96,419</b>	<b>\$ 49,983</b>	<b>\$ 1,266,753</b>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Interfund payables							\$ 38,208		\$ 38,208
Settlements pending							58,211	\$ 49,983	108,194
Total Liabilities							96,419	49,983	146,402
Fund Balances:									
Restricted		\$ 38	\$ 2,460	\$ 23,864		\$ 290,712			317,074
Committed				587,182					587,182
Assigned	\$ 30,021				\$ 186,074				216,095
Total Fund Balances	30,021	38	2,460	611,046	186,074	290,712			1,120,351
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,021</b>	<b>\$ 38</b>	<b>\$ 2,460</b>	<b>\$ 611,046</b>	<b>\$ 186,074</b>	<b>\$ 290,712</b>	<b>\$ 96,419</b>	<b>\$ 49,983</b>	<b>\$ 1,266,753</b>

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, 2022

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								\$ 721,917
Property taxes								
Sales taxes								
Fines, forfeitures, and costs				\$ 17,294				
Interest	\$ 26	\$ 29			\$ 3,362			
Local permits and fees	45,805							
Sanitation fees						\$ 325,230		
Principal on notes receivable					2,094			
Interest on notes receivable					970			
Donations				3,450				
Insurance proceeds								
Sales of capital assets								
Other						6,981		
<b>TOTAL REVENUES</b>	<b>45,831</b>	<b>29</b>		<b>20,744</b>	<b>6,426</b>	<b>332,211</b>		<b>721,917</b>
EXPENDITURES								
Current:								
General government		127,745						
Law enforcement		1,588		28,889				543,700
Highways and streets								
Public safety		6,956					\$ 11,980	178,217
Sanitation						412,195		
Health	40,381							
Recreation and culture								
Industrial development					20			
<b>Total Current</b>	<b>40,381</b>	<b>136,289</b>		<b>28,889</b>	<b>20</b>	<b>412,195</b>	<b>11,980</b>	<b>721,917</b>
Debt Service:								
Bond principal								
Bond interest and other charges								
<b>TOTAL EXPENDITURES</b>	<b>40,381</b>	<b>136,289</b>		<b>28,889</b>	<b>20</b>	<b>412,195</b>	<b>11,980</b>	<b>721,917</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>								
<b>EXPENDITURES</b>	<b>5,450</b>	<b>(136,260)</b>		<b>(8,145)</b>	<b>6,406</b>	<b>(79,984)</b>	<b>(11,980)</b>	
OTHER FINANCING SOURCES (USES)								
Transfers in		150,000			30,000	57,000		
Transfers out						(30,000)		
Contribution to water department	(25,055)	(23,061)						
Contribution from water department					20,000	3,488		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,055)</b>	<b>126,939</b>			<b>50,000</b>	<b>30,488</b>		
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)</b>								
<b>EXPENDITURES AND OTHER USES</b>	<b>(19,605)</b>	<b>(9,321)</b>		<b>(8,145)</b>	<b>56,406</b>	<b>(49,496)</b>	<b>(11,980)</b>	
<b>FUND BALANCES - JANUARY 1</b>	<b>19,605</b>	<b>39,342</b>	<b>\$ 38</b>	<b>10,605</b>	<b>554,640</b>	<b>49,496</b>	<b>11,980</b>	
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 0</b>	<b>\$ 30,021</b>	<b>\$ 38</b>	<b>\$ 2,460</b>	<b>\$ 611,046</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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, 2022

Schedule 2

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	
	Capital Equipment	Delta Regional Authority (DRA) Grant	2021 Sales and Use Tax Refunding Bond	Totals
REVENUES				
Federal aid		\$ 112,753		\$ 834,670
Property taxes	\$ 63,366			63,366
Sales taxes			\$ 1,286,471	1,286,471
Fines, forfeitures, and costs	3,577			20,871
Interest	79		2,330	5,826
Local permits and fees				45,805
Sanitation fees				325,230
Principal on notes receivable				2,094
Interest on notes receivable				970
Donations	7,899			11,349
Insurance proceeds	32,616			32,616
Sales of capital assets	9,650			9,650
Other	5,195			12,176
<b>TOTAL REVENUES</b>	<b>122,382</b>	<b>112,753</b>	<b>1,288,801</b>	<b>2,651,094</b>
EXPENDITURES				
Current:				
General government				127,745
Law enforcement	37,381			611,558
Highways and streets	18,819			18,819
Public safety	70,210			267,363
Sanitation				412,195
Health				40,381
Recreation and culture	79,826			79,826
Industrial development				20
<b>Total Current</b>	<b>206,236</b>			<b>1,557,907</b>
Debt Service:				
Bond principal			195,000	195,000
Bond interest and other charges			53,894	53,894
<b>TOTAL EXPENDITURES</b>	<b>206,236</b>		<b>248,894</b>	<b>1,806,801</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(83,854)</b>	<b>112,753</b>	<b>1,039,907</b>	<b>844,293</b>
OTHER FINANCING SOURCES (USES)				
Transfers in	211,000			448,000
Transfers out			(1,033,315)	(1,063,315)
Contribution to water department		(312,575)		(360,691)
Contribution from water department				23,488
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>211,000</b>	<b>(312,575)</b>	<b>(1,033,315)</b>	<b>(952,518)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>127,146</b>	<b>(199,822)</b>	<b>6,592</b>	<b>(108,225)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>58,928</b>	<b>199,822</b>	<b>284,120</b>	<b>1,228,576</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 186,074</b>	<b>\$ 0</b>	<b>\$ 290,712</b>	<b>\$ 1,120,351</b>

CITY OF TRUMANN, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
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, 2022  
(Unaudited)

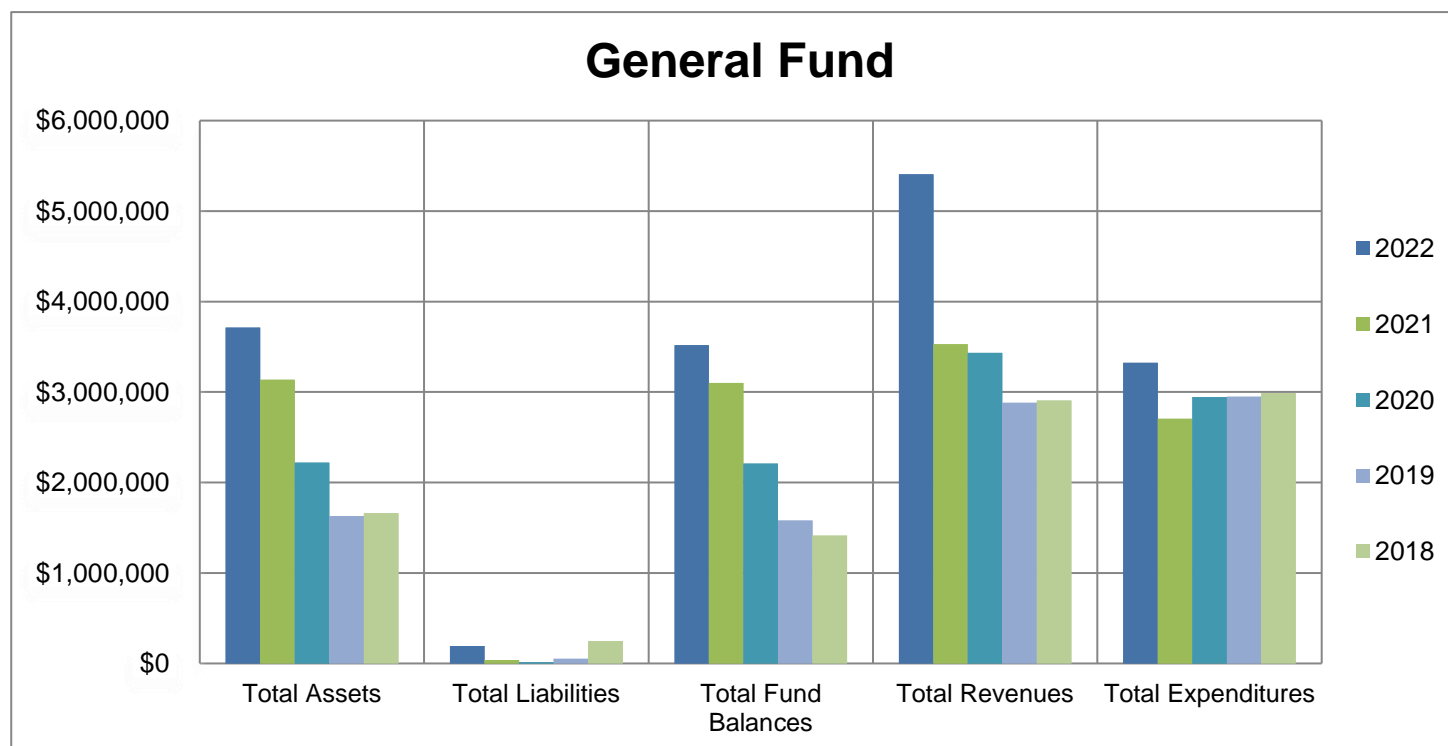
Schedule 3

	December 31, 2022
	<hr/>
Land	\$ 1,629,029
Buildings	3,850,407
Equipment	2,155,033
Construction in progress	<hr/> 50,400
	<hr/>
Total	<u><u>\$ 7,634,469</u></u>

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

Schedule 4-1

<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 3,711,279	\$ 3,134,464	\$ 2,220,381	\$ 1,630,536	\$ 1,660,598
Total Liabilities	193,077	35,731	10,955	50,264	246,993
Total Fund Balances	3,518,202	3,098,733	2,209,426	1,580,272	1,413,665
Total Revenues	5,407,843	3,528,219	3,432,790	2,882,594	2,907,307
Total Expenditures	3,324,699	2,705,746	2,943,550	2,947,257	2,986,662
Total Other Financing Sources/Uses	(1,663,675)	66,834	139,914	231,270	81,988



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

Schedule 4-2

<b><u>Street</u></b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Assets	\$ 73,295	\$ 8,904	\$ 148,410	\$ 169,291	\$ 207,588
Total Liabilities	20,850	21,999	13,363	11,123	8,636
Total Fund Balances	52,445	(13,095)	135,047	158,168	198,952
Total Revenues	703,987	678,429	624,072	584,116	581,684
Total Expenditures	638,447	838,624	647,193	624,900	499,150
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, 2022  
(Unaudited)

Schedule 4-3

<b>Other Funds in the Aggregate</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Assets	\$ 1,266,753	\$ 2,394,670	\$ 1,255,466	\$ 1,288,522	\$ 1,433,083
Total Liabilities	146,402	1,166,094	77,595	101,466	92,295
Total Fund Balances	1,120,351	1,228,576	1,177,871	1,187,056	1,340,788
Total Revenues	2,651,094	2,784,325	1,761,191	1,699,059	1,868,423
Total Expenditures	1,806,801	2,275,373	1,080,462	1,221,521	1,436,773
Total Other Financing Sources/Uses	(952,518)	(458,247)	(689,914)	(631,270)	(694,582)

