

City of Waldron, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WALDRON, ARKANSAS
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Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

Independent Auditor's Report

City of Waldron, 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 Waldron, 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 Waldron, 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 Waldron, 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 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 February 9, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
February 9, 2023
LOM109021

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Independent Auditor's Report

City of Waldron, 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 the City of Waldron, 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 February 9, 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 February 9, 2023.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Timothy R. Jones". The signature is fluid and cursive, with the first name "Timothy" being the most prominent.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
February 9, 2023

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: David Millard
Finance Director: Amanda Falconer
Clerk/Treasurer: Jasie Atnip
District Court Clerk: DesiRae Hall
Police Chief: Jeremy Hunt

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
February 9, 2023

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 165,922	\$ 121,107	\$ 2,539,718
Investments			252,137
Accounts receivable	104,568		103,925
	<u>270,490</u>	<u>121,107</u>	<u>2,895,780</u>
TOTAL ASSETS	<u>\$ 270,490</u>	<u>\$ 121,107</u>	<u>\$ 2,895,780</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 24,716	\$ 8,711	\$ 20,354
Settlements pending			3,067
Total Liabilities	<u>24,716</u>	<u>8,711</u>	<u>23,421</u>
Fund Balances:			
Restricted	3,721	112,396	2,691,203
Committed			70,940
Assigned			110,216
Unassigned	242,053		
Total Fund Balances	<u>245,774</u>	<u>112,396</u>	<u>2,872,359</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 270,490</u>	<u>\$ 121,107</u>	<u>\$ 2,895,780</u>

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

CITY OF WALDRON, 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	\$ 74,950	\$ 293,570	\$ 2,522
Federal aid	2,550		349,516
Property taxes	146,842		
Franchise fees	158,576		
Sales taxes	637,211		1,061,518
Fines, forfeitures, and costs	84,234		10,654
Interest	242	334	9,473
Local permits and fees	1,055		
Sanitation fees			216,698
Net increase/(decrease) in fair value of investments			11,520
Other	47,241	416	15,972
TOTAL REVENUES	1,152,901	294,320	1,677,873
EXPENDITURES			
Current:			
General government	346,131		
Law enforcement	815,215		6,656
Highways and streets		253,929	10,722
Public safety	61,174		21,662
Sanitation	12,101		537,079
Recreation and culture	19,813		
Social services	13,813		
Airport	8,922		
Wastewater			94,141
Total Current	1,277,169	253,929	670,260
Debt Service:			
Bond principal			605,000
Bond interest and other charges			27,310
Note principal	31,400		11,902
Note interest	983		1,348
TOTAL EXPENDITURES	1,309,552	253,929	1,315,820

CITY OF WALDRON, 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
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (156,651)	\$ 40,391	\$ 362,053
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000		15,392
Transfers out	(15,392)		(60,000)
Contribution from water department	70,000		
TOTAL OTHER FINANCING SOURCES (USES)	114,608		(44,608)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(42,043)	40,391	317,445
FUND BALANCES - JANUARY 1	287,817	72,005	2,554,914
FUND BALANCES - DECEMBER 31	\$ 245,774	\$ 112,396	\$ 2,872,359

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

CITY OF WALDRON, 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	\$ 256,644	\$ 74,950	\$ (181,694)	\$ 293,328	\$ 293,570	\$ 242
Federal aid	181,000	2,550	(178,450)			
Property taxes	145,000	146,842	1,842			
Franchise fees	150,000	158,576	8,576			
Sales taxes	720,300	637,211	(83,089)			
Fines, forfeitures, and costs	99,854	84,234	(15,620)			
Interest	175	242	67	140	334	194
Local permits and fees	4,000	1,055	(2,945)			
Other	74,615	47,241	(27,374)	1,577	416	(1,161)
TOTAL REVENUES	1,631,588	1,152,901	(478,687)	295,045	294,320	(725)
EXPENDITURES						
Current:						
General government	363,974	346,131	17,843			
Law enforcement	779,725	815,215	(35,490)			
Highways and streets				261,344	253,929	7,415
Public safety	100,225	61,174	39,051			
Sanitation		12,101	(12,101)			
Recreation and culture	21,362	19,813	1,549			
Social services		13,813	(13,813)			
Community development	29,915		29,915			
Airport	48,363	8,922	39,441			
Total Current	1,343,564	1,277,169	66,395	261,344	253,929	7,415
Debt Service:						
Note principal		31,400	(31,400)			
Note interest		983	(983)			
TOTAL EXPENDITURES	1,343,564	1,309,552	34,012	261,344	253,929	7,415

CITY OF WALDRON, 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)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 288,024	\$ (156,651)	\$ (444,675)	\$ 33,701	\$ 40,391	\$ 6,690
OTHER FINANCING SOURCES (USES)						
Transfers in	152,000	60,000	(92,000)			
Transfers out	(11,000)	(15,392)	(4,392)			
Contribution from water department		70,000	70,000			
TOTAL OTHER FINANCING SOURCES (USES)	141,000	114,608	(26,392)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	429,024	(42,043)	(471,067)	33,701	40,391	6,690
FUND BALANCES - JANUARY 1	(22,952)	287,817	310,769	64,480	72,005	7,525
FUND BALANCES - DECEMBER 31	\$ 406,072	\$ 245,774	\$ (160,298)	\$ 98,181	\$ 112,396	\$ 14,215

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Waldron was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer Department. 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 that is 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 the Capital Projects Fund 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 the Debt Service Fund reported with other funds in the aggregate.

Pension Trust Funds - Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund reported with other funds in the aggregate.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

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

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Property Taxes

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

F. Budget Law

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

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

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

Basis of Accounting

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

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.

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

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)	\$ 389,372	\$ 445,735
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	472,408	516,045
Uncollateralized	1,963,946	1,963,946
 Total Deposits	 <u>\$ 2,825,726</u>	 <u>\$ 2,925,726</u>

The above total deposits do not include cash on hand of \$1,021.

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, \$1,963,946 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 WALDRON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	<u>December 31, 2021</u> Fair Value
Pension Trust	<u>\$ 252,137</u>

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

<u>December 31, 2021</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	<u>\$ 252,137</u>

The fair value of mutual funds is measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources.

NOTE 5: Accounts Receivable

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

Description	General Fund	Other Funds in the Aggregate
State aid	\$ 1,800	
Property taxes	21,026	
Franchise fees	23,562	
Sales taxes	50,981	\$ 85,170
Fines, forfeitures, and costs	54	
Sanitation fees		18,755
Other	<u>7,145</u>	
Totals	<u>\$ 104,568</u>	<u>\$ 103,925</u>

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

NOTE 6: 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	\$ 24,716	\$ 8,711	\$ 20,354

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			\$ 357,199
Law enforcement	\$ 3,721		52,460
Highways and streets		\$ 112,396	
Recreation and culture			1
Pension benefits			266,617
Capital outlay			1,594,100
Debt service			420,826
Total Restricted	3,721	112,396	2,691,203
Committed for:			
Sanitation			70,940
Assigned to:			
Sanitation			110,216
Unassigned	242,053		
Totals	\$ 245,774	\$ 112,396	\$ 2,872,359

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2021, the legal debt limit for the bonded debt was \$5,877,478. 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, 2021, the legal debt limit for short-term financing obligations was \$1,625,485. The amount of short-term financing obligations was \$43,279, leaving a legal debt margin of \$1,582,206.

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

NOTE 9: Commitments

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

	December 31, 2021
Long-term liabilities	\$ 790,096
Noncancellable lease	188,946
Construction contracts	118,645
	<hr/>
Total Commitments	\$ 1,097,687

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 bonds in the amount of \$2,975,000, dated November 15, 2016, with interest rates ranging from 1.625% to 2% with annual payments for 10 years. Payments are due on December 1 of each year. Bonds are subject to an optional redemption on or after December 1, 2021. Payments are to be made from the Debt Service Fund.	\$ 605,000
<u>Direct Borrowings</u>	
Promissory note with Bear State Bank, dated July 26, 2017, in the amount of \$150,203 for the purchase of a 2017 Freightliner Fire Truck. Interest rate of 2.95%. 60 monthly payments of \$2,699 beginning August 26, 2017. Payments are to be made from the General Fund.	15,814
Promissory note with Arvest Bank, dated February 25, 2019, in the amount of \$60,000 for the purchase of a 2010 International Sanitation Truck. Interest rate of 3.97%. 60 monthly payments of \$1,104 beginning March 25, 2019. Payments are to be made from the Sanitation Fund.	27,465
Total Direct Borrowings	43,279
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	141,817
Total Long-term liabilities	\$ 790,096

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 \$605,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding notes from direct borrowings of \$43,279 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 WALDRON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9: Commitments (Continued)

Compensated Absences

Compensated absences do vest or accumulate.

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>					
11/15/16	12/1/26	1.625 - 2%	\$ 2,975,000	\$ 605,000	\$ 2,370,000
<u>Direct Borrow ings</u>					
8/26/17	7/26/22	2.95%	150,203	15,814	134,389
3/25/19	2/25/24	3.97%	60,000	27,465	32,535
Total Direct Borrow ings			210,203	43,279	166,924
Total Long-Term Debt			<u>\$ 3,185,203</u>	<u>\$ 648,279</u>	<u>\$ 2,536,924</u>

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 1,210,000	\$ 0	\$ 605,000	\$ 605,000
<u>Direct Borrow ings</u>				
Notes payable	86,581	0	43,302	43,279
Total Long-Term Debt	<u>\$ 1,296,581</u>	<u>\$ 0</u>	<u>\$ 648,302</u>	<u>\$ 648,279</u>

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrow ings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 310,000	\$ 29,950	\$ 339,950	\$ 28,198	\$ 1,003	\$ 29,201
2023	295,000	24,060	319,060	12,884	366	13,250
2024		17,445	17,445	2,197	11	2,208
2025		10,725	10,725			
2026		5,444	5,444			
Totals	<u>\$ 605,000</u>	<u>\$ 87,624</u>	<u>\$ 692,624</u>	<u>\$ 43,279</u>	<u>\$ 1,380</u>	<u>\$ 44,659</u>

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

NOTE 9: Commitments (Continued)

Noncancellable Lease

The City entered into a noncancellable lease agreement for a Peterbilt 567 Straight Truck on March 16, 2021. Terms of the lease are monthly rental payments of \$3,499 for 60 months. At the end of the lease term the City will return the equipment to the Lessor per the terms of the lease agreement. The City is obligated for the following amounts for the next five years:

Year	December 31, 2021
2022	\$ 41,988
2023	41,988
2024	41,988
2025	41,988
2026	20,994
Total	<u>\$ 188,946</u>

Rental expense for 2021 was \$20,994.

Construction Contracts

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

Project Name	Completed Date	Contract Balance December 31, 2021
De-Chlorination at Water Department - Construction	9/11/2022	\$ 91,846
De-Chlorination at Water Department - Design	9/11/2022	674
De-Chlorination at Water Department - Engineering	6/01/2023 (estimated)	26,125
Total Construction Contracts		<u>\$ 118,645</u>

NOTE 10: Interfund Transfers

The General Fund transferred \$15,392 to the Other Funds in the Aggregate. Of this amount, \$8,100 was transferred to the Firemen's Pension Trust Fund to supplement retirement costs, and \$7,292 was transferred to the Rural Development Grant Fund to fulfill a federal grant requirement. The Other Funds in the Aggregate (Sanitation Fund) transferred \$60,000 to the General Fund to move a portion of sanitation fees to the General Fund.

NOTE 11: Subsequent Events

On August 22, 2022, the City entered into a Master Equipment Lease Purchase Agreement with Community First National Bank to purchase one new Rosenbauer Commercial Pumper for \$255,850. A down payment in the amount of \$75,631 was made on September 13, 2022.

NOTE 12: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$2,975,000 in bonds that were issued in 2016 to provide funding for water, sewer, and street improvements. Total principal and interest remaining on the bonds are \$605,000 and \$87,624, respectively, payable through December 31, 2026. For 2021, principal and interest paid were \$605,000 and \$22,710, respectively.

The Debt Service Fund received \$637,211 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds are restricted solely to retire the bonds and related obligations with respect thereto.

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

NOTE 13: Joint Ventures

West River Valley Solid Waste Management District

Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Scott, and Yell Counties and the Cities of Van Buren, Ozark, Atkins, Booneville, Alma, Clarksville, Russellville, Paris, Charleston, Morrilton, Waldron, and Dardanelle entered into an agreement in 1991 to form the River Valley Solid Waste Management District in accordance with Ark. Code Ann. § 8-6-708. The City did not provide any funding for the West River Valley Solid Waste Management District. Separate financial statements may be obtained at 24087 Highway 164, Clarksville, AR 72830.

Fifteenth Judicial District Drug Task Force

The Prosecuting Attorney of the Fifteenth Judicial District, the Sheriff's Department of Yell, Conway, Scott, and Logan Counties, and the Police Departments of Paris, Booneville, Magazine, Waldron, Plainview, Ola, Dardanelle, Danville, Morrilton, Oppelo, Menifee, Mansfield, and Plumerville entered into an agreement to establish the Fifteenth Judicial District Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fifteenth Judicial District. The city did not provide any funding to the Fifteenth Judicial District Drug Task Force. Financial statements of the Fifteenth Judicial District Drug Task Force are not available.

NOTE 14: Interlocal Agreement

Sebastian County Regional Crisis Stabilization Unit

The City entered into an interlocal agreement dated August 14, 2018 with counties and cities in the Sebastian County mental health catchment area, including Sebastian, Crawford, Franklin, Logan, Scott, and Polk counties and all incorporated cities in these counties, concerning the operations of the Sebastian County Regional Crisis Stabilization Unit. This program will be utilized by the counties and cities to divert people who are experiencing a mental health crisis from jail to get treatment they need, as determined by the medical service provider who is trained to recognize and treat behavior-health issues. This program shall be maintained by the Sebastian County Judge. State funding of \$1.6 million annually has been allocated for Sebastian County to operate the crisis stabilization unit based on daily billable services to each individual treated and subject to Medicaid reimbursements and other patient insurance. Sebastian County will initially pay all expenses incurred for operations and management of the program. The counties and cities will participate in a cost sharing agreement based on the cost per day for services for each patient, which will be determined by actual operations expenses. The cost sharing will equitably allocate the unreimbursed cost to each government entity participating in the program, after consideration of grant funding and allowable insurance reimbursements. The cost sharing agreement will be based on the collection of actual operations data in the first year of service, and each year thereafter, as appropriate for annual adjustment. In addition, to defray maintenance and operation costs the counties and cities agree to pay a daily rate of \$5 for services provided each day of care, for the length of the stay. Sebastian County will send a monthly itemized bill to each county and city, beginning August 1, 2018, to receive reimbursement for each county's and city's equitable share of expenses.

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.

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

NOTE 15: Risk Management (Continued)

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 WALDRON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 16: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$8,100 for the year ended December 31, 2021. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2021 actuarial valuation, the plan has no net pension liability.

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least 20 years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed 5 years, except in certain circumstances as allowed by law.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

**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.

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

**NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

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 \$48,401 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$48,860 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 \$585,652.

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 municipal employees whose municipalities have elected coverage under this System. 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 \$137,919 for the year ended June 30, 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 June 30, 2021 (actuarial valuation date and measurement date) was \$346,611.

NOTE 19: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The City was awarded \$699,028 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$699,028 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

	SPECIAL REVENUE FUNDS					
	District Court Automation	Drug Control	Sanitation	Arkansas Economic Development Community Grant	American Rescue Plan Act	Rural Development Grant
ASSETS						
Cash and cash equivalents	\$ 40,799	\$ 11,661	\$ 148,565	\$ 1	\$ 349,907	\$ 7,292
Investments						
Accounts receivable			52,945			
TOTAL ASSETS	<u>\$ 40,799</u>	<u>\$ 11,661</u>	<u>\$ 201,510</u>	<u>\$ 1</u>	<u>\$ 349,907</u>	<u>\$ 7,292</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable			\$ 20,354			
Settlements pending						
Total Liabilities			<u>20,354</u>			
Fund Balances:						
Restricted	\$ 40,799	\$ 11,661		\$ 1	\$ 349,907	\$ 7,292
Committed			70,940			
Assigned			110,216			
Total Fund Balances	<u>40,799</u>	<u>11,661</u>	<u>181,156</u>	<u>1</u>	<u>349,907</u>	<u>7,292</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,799</u>	<u>\$ 11,661</u>	<u>\$ 201,510</u>	<u>\$ 1</u>	<u>\$ 349,907</u>	<u>\$ 7,292</u>

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

Schedule 1

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUND	CUSTODIAL FUNDS		
	Sales and Use Tax Bonds, Series 2016 - Capital Projects	Sales and Use Tax Bonds, Series 2016 - Debt Service	Firemen's Pension and Relief	Administration of Justice	Payroll	Totals
ASSETS						
Cash and cash equivalents	\$ 1,594,100	\$ 369,846	\$ 14,480	\$ 63	\$ 3,004	\$ 2,539,718
Investments			252,137			252,137
Accounts receivable		50,980				103,925
TOTAL ASSETS	<u>\$ 1,594,100</u>	<u>\$ 420,826</u>	<u>\$ 266,617</u>	<u>\$ 63</u>	<u>\$ 3,004</u>	<u>\$ 2,895,780</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable						\$ 20,354
Settlements pending				\$ 63	\$ 3,004	3,067
Total Liabilities				<u>63</u>	<u>3,004</u>	<u>23,421</u>
Fund Balances:						
Restricted	\$ 1,594,100	\$ 420,826	\$ 266,617			2,691,203
Committed						70,940
Assigned						110,216
Total Fund Balances	<u>1,594,100</u>	<u>420,826</u>	<u>266,617</u>			<u>2,872,359</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,594,100</u>	<u>\$ 420,826</u>	<u>\$ 266,617</u>	<u>\$ 63</u>	<u>\$ 3,004</u>	<u>\$ 2,895,780</u>

CITY OF WALDRON, 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						CAPITAL PROJECTS FUND
	District Court Automation	Drug Control	Sanitation	Arkansas Economic Development Community Grant	American Rescue Plan Act	Rural Development Grant	Sales and Use Tax Bonds, Series 2016 - Capital Projects
REVENUES							
State aid							
Federal aid					\$ 349,516		
Sales taxes			\$ 424,307				
Fines, forfeitures, and costs	\$ 10,654						
Interest	19		144		391		\$ 128
Sanitation fees			216,698				
Net increase/(decrease) in fair value of investments							
Other		\$ 3,131	12,841				
TOTAL REVENUES	10,673	3,131	653,990		349,907		128
EXPENDITURES							
Current:							
Law enforcement	6,656						
Highways and streets							10,722
Public safety							
Sanitation			537,079				
Wastewater							94,141
Total Current	6,656		537,079				104,863
Debt Service:							
Bond principal							
Bond interest and other charges							
Note principal			11,902				
Note interest			1,348				
TOTAL EXPENDITURES	6,656		550,329				104,863
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,017	3,131	103,661		349,907		(104,735)
OTHER FINANCING SOURCES (USES)							
Transfers in						\$ 7,292	
Transfers out			(60,000)				
TOTAL OTHER FINANCING SOURCES (USES)			(60,000)			7,292	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,017	3,131	43,661		349,907	7,292	(104,735)
FUND BALANCES - JANUARY 1	36,782	8,530	137,495	\$ 1			1,698,835
FUND BALANCES - DECEMBER 31	\$ 40,799	\$ 11,661	\$ 181,156	\$ 1	\$ 349,907	\$ 7,292	\$ 1,594,100

CITY OF WALDRON, 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

	DEBT SERVICE FUND	TRUST FUND	
	Sales and Use Tax Bonds, Series 2016 - Debt Service	Firemen's Pension and Relief	Totals
REVENUES			
State aid		\$ 2,522	\$ 2,522
Federal aid			349,516
Sales taxes	\$ 637,211		1,061,518
Fines, forfeitures, and costs			10,654
Interest	39	8,752	9,473
Sanitation fees			216,698
Net increase/(decrease) in fair value of investments		11,520	11,520
Other			15,972
TOTAL REVENUES	637,250	22,794	1,677,873
EXPENDITURES			
Current:			
Law enforcement			6,656
Highways and streets			10,722
Public safety		21,662	21,662
Sanitation			537,079
Wastewater			94,141
Total Current		21,662	670,260
Debt Service:			
Bond principal	605,000		605,000
Bond interest and other charges	27,310		27,310
Note principal			11,902
Note interest			1,348
TOTAL EXPENDITURES	632,310	21,662	1,315,820
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,940	1,132	362,053
OTHER FINANCING SOURCES (USES)			
Transfers in		8,100	15,392
Transfers out			(60,000)
TOTAL OTHER FINANCING SOURCES (USES)		8,100	(44,608)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,940	9,232	317,445
FUND BALANCES - JANUARY 1	415,886	257,385	2,554,914
FUND BALANCES - DECEMBER 31	\$ 420,826	\$ 266,617	\$ 2,872,359

CITY OF WALDRON, 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>
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Drug Control	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.
Sanitation	A special election on September 11, 2001 established fund to receive a one percent county-wide sales and use tax for solid waste purposes.
Arkansas Economic Development Community Grant	Established to account for grants from the Arkansas Department of Economic Development Commission.
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.
Rural Development Grant	The City of Waldron established fund to account for rural development grants.
Sales and Use Tax Bonds, Series 2016 Capital Projects	Waldron Ordinance No. 2016-06 (October 4, 2016) established fund to account for water, sewer, and street projects funded by Sales and Use Tax Bonds dated November 15, 2016.
Sales and Use Tax Bonds, Series 2016 Debt Service	Waldron Ordinance No. 2016-06 (October 4, 2016) established fund to receive sales and use tax levied in 2016 and for the purpose of maintaining the bond reserve and payment of principal and interest/fees on the Sales and Use Tax Bonds dated November 15, 2016.
Firemen's Pension and Relief	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Administration of Justice	Ark. Code. Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Payroll	The City of Waldron established fund to account for all payroll transactions of the City.

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

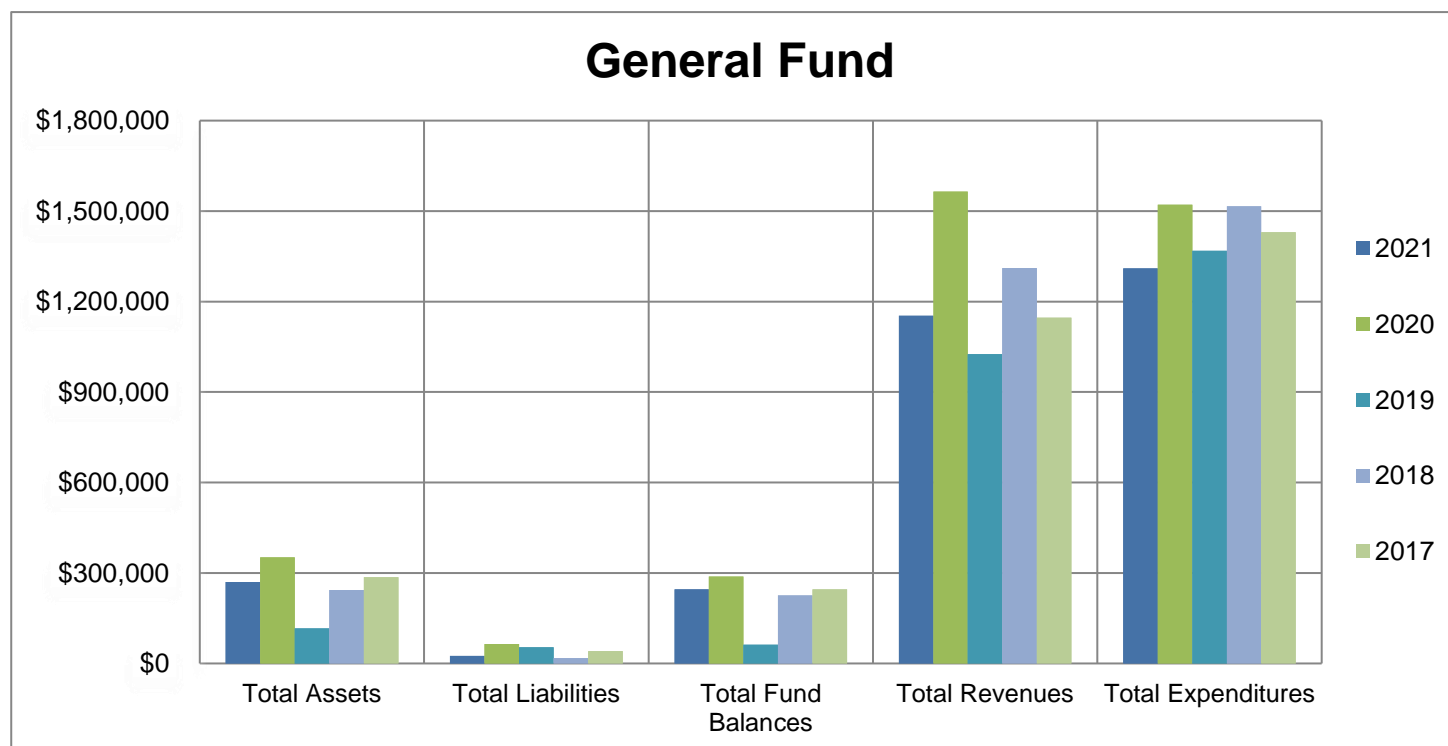
Schedule 3

	December 31, 2021
Land	\$ 272,308
Buildings	1,757,517
Equipment	<u>2,187,973</u>
Total	<u><u>\$ 4,217,798</u></u>

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

Schedule 4-1

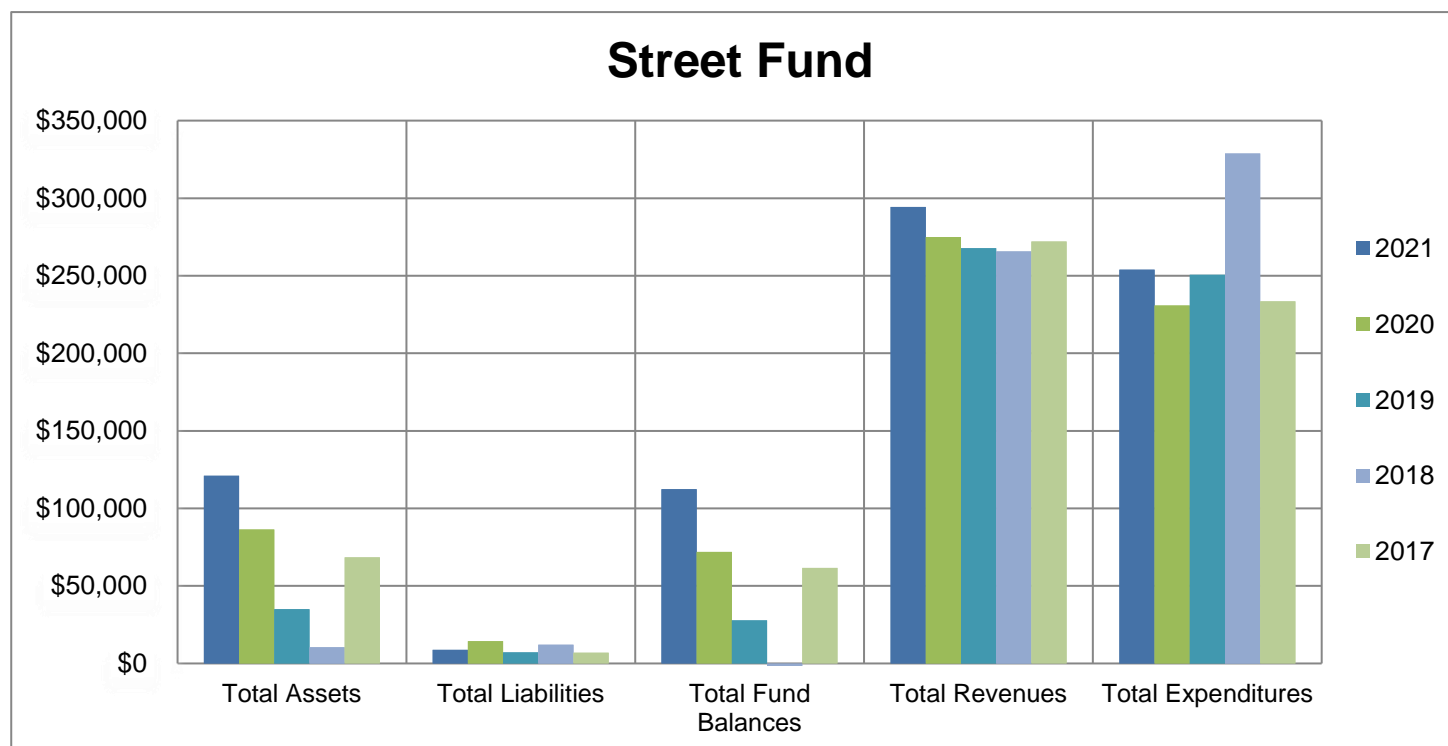
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 270,490	\$ 351,722	\$ 116,166	\$ 243,783	\$ 286,254
Total Liabilities	24,716	63,905	53,520	17,932	40,734
Total Fund Balances	245,774	287,817	62,646	225,851	245,520
Total Revenues	1,152,901	1,564,406	1,025,465	1,310,860	1,146,114
Total Expenditures	1,309,552	1,521,235	1,368,520	1,515,529	1,430,092
Total Other Financing Sources/Uses	114,608	182,000	179,850	185,000	244,720



CITY OF WALDRON, 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	\$ 121,107	\$ 86,389	\$ 34,970	\$ 10,331	\$ 68,406
Total Liabilities	8,711	14,384	7,122	12,019	6,852
Total Fund Balances	112,396	72,005	27,848	(1,688)	61,554
Total Revenues	294,320	275,013	267,654	265,555	272,003
Total Expenditures	253,929	230,856	250,618	328,797	233,471
Total Other Financing Sources/Uses			12,500		



CITY OF WALDRON, 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	\$ 2,895,780	\$ 2,605,195	\$ 2,665,348	\$ 3,075,151	\$ 3,462,526
Total Liabilities	23,421	50,281	36,949	131,996	25,093
Total Fund Balances	2,872,359	2,554,914	2,628,399	2,943,155	3,437,433
Total Revenues	1,677,873	1,221,786	1,228,752	1,176,035	1,094,276
Total Expenditures	1,315,820	1,243,271	1,510,235	1,610,313	967,208
Total Other Financing Sources/Uses	(44,608)	(52,000)	(33,273)	(60,000)	(60,000)

