

City of Warren, Arkansas

Financial and Compliance Report

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WARREN, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Financial and Compliance Report

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis (Unaudited)	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis (Unaudited)	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis (Unaudited)	C

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	2
Notes to Schedules 1 and 2	
Other General Information	
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	3-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	3-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate - Regulatory Basis (Unaudited)	3-3

Arkansas

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



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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

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

A priority of Arkansas Legislative Audit is to assist local government officials by promoting sound financial management and accountability of government resources. The Legislative Auditor reports on the fiscal affairs of local governments, as well as compliance with relevant state laws and observance of good business practices to provide accountability for tax dollars expended to support government operations.

We have performed certain limited procedures with respect to cash basis financial information and compliance with certain state laws and accepted accounting practices for the City of Warren, Arkansas, as of and for the year ended December 31, 2022, and have issued our report thereon dated September 23, 2024. These procedures were not performed for the Water and Sewer Funds. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The commentary contained in this section relates to the following officials who held office during 2022:

Mayor: Denisa Pennington
Clerk: Helen Boswell
Treasurer: Robert Milton
Police Chief: Shaun Hildreth

We evaluated the City's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

During our evaluation, nothing came to our attention that would warrant disclosure in this report.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight 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 "Kevin White", written over a light blue horizontal line.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
September 23, 2024
LOM109222

CITY OF WARREN, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2022
(UNAUDITED)

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 2,646,611	\$ 505,611	\$ 1,200,076
Investments			326,041
Accounts receivable	319,239		1,037
Interfund receivables	579		
	<u>\$ 2,966,429</u>	<u>\$ 505,611</u>	<u>\$ 1,527,154</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 73,945	\$ 16,094	
Interfund payables		579	
Settlements pending			\$ 34,970
Total Liabilities	<u>73,945</u>	<u>16,673</u>	<u>34,970</u>
Fund Balances:			
Restricted	251,832	283,938	1,455,650
Committed			6,535
Assigned	2,152,855	205,000	29,999
Unassigned	487,797		
Total Fund Balances	<u>2,892,484</u>	<u>488,938</u>	<u>1,492,184</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,966,429</u>	<u>\$ 505,611</u>	<u>\$ 1,527,154</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 180,516	\$ 470,794	\$ 7,281
Federal aid	404,904		841,740
Property taxes	274,109	82,460	
Franchise fees	383,436		
Sales taxes	1,829,891		
Fines, forfeitures, and costs	92,004		23,095
Interest	3,612	157	11,538
Local permits and fees	51,026	2,560	2,315
Sanitation fees	760,452		
Reimburse court expense	18,230		
911 fees	72,700		
Jail fees	12,219		
Donations	10,000		
Employee contributions			44,197
Employer contributions			785
Net increase/(decrease) in fair value of investments			(65,732)
Other	212,058	11,201	12,251
TOTAL REVENUES	4,305,157	567,172	877,470
EXPENDITURES			
Current:			
General government	486,181		1,325
Law enforcement	1,663,464		6,902
Highways and streets		574,555	
Public safety	351,072		108,096
Sanitation	953,112		
Recreation and culture	677,209		18,464
Social services	6,698		
Airport	23,098		288,873
Total Current	4,160,834	574,555	423,660
Debt Service:			
Financed purchases principal	99,449	6,996	
Financed purchases interest	3,956	575	
TOTAL EXPENDITURES	4,264,239	582,126	423,660

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 40,918	\$ (14,954)	\$ 453,810
OTHER FINANCING SOURCES (USES)			
Transfers in			41,463
Transfers out	(41,463)		
TOTAL OTHER FINANCING SOURCES (USES)	(41,463)		41,463
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(545)	(14,954)	495,273
FUND BALANCES - JANUARY 1	2,893,029	503,892	996,911
FUND BALANCES - DECEMBER 31	<u>\$ 2,892,484</u>	<u>\$ 488,938</u>	<u>\$ 1,492,184</u>

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

CITY OF WARREN, 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
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 22,000	\$ 180,516	\$ 158,516	\$ 470,794	\$ 470,794	\$ 0
Federal aid		404,904	404,904			
Property taxes	285,000	274,109	(10,891)	82,460	82,460	0
Franchise fees	355,000	383,436	28,436			
Sales taxes		1,829,891	1,829,891			
Fines, forfeitures, and costs	96,000	92,004	(3,996)			
Interest	1,000	3,612	2,612	147	157	10
Local permits and fees	8,500	51,026	42,526	2,560	2,560	0
Sanitation fees	700,000	760,452	60,452			
Reimburse court expense		18,230	18,230			
911 fees	78,000	72,700	(5,300)			
Jail fees	13,050	12,219	(831)			
Donations		10,000	10,000			
Other	129,139	212,058	82,919		11,201	11,201
TOTAL REVENUES	1,687,689	4,305,157	2,617,468	555,961	567,172	11,211
EXPENDITURES						
Current:						
General government	830,849	486,181	344,668			
Law enforcement	1,719,720	1,663,464	56,256			
Highways and streets				505,983	574,555	(68,572)
Public safety	433,147	351,072	82,075			
Sanitation	971,572	953,112	18,460			
Recreation and culture	268,017	677,209	(409,192)			
Social services	6,683	6,698	(15)			
Airport	23,348	23,098	250			
Total Current	4,253,336	4,160,834	92,502	505,983	574,555	(68,572)
Debt Service:						
Financed purchases principal		99,449	(99,449)		6,996	(6,996)
Financed purchases interest		3,956	(3,956)		575	(575)
TOTAL EXPENDITURES	4,253,336	4,264,239	(10,903)	505,983	582,126	(76,143)

CITY OF WARREN, 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
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,565,647)	\$ 40,918	\$ 2,606,565	\$ 49,978	\$ (14,954)	\$ (64,932)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,122,000		(2,122,000)			
Transfers out	(95,400)	(41,463)	53,937			
Sale of equipment	18,000		(18,000)	11,201		(11,201)
TOTAL OTHER FINANCING SOURCES (USES)	2,044,600	(41,463)	(2,086,063)	11,201		(11,201)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(521,047)	(545)	520,502	61,179	(14,954)	(76,133)
FUND BALANCES - JANUARY 1		2,893,029	2,893,029		503,892	503,892
FUND BALANCES - DECEMBER 31	\$ (521,047)	\$ 2,892,484	\$ 3,413,531	\$ 61,179	\$ 488,938	\$ 427,759

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

CITY OF WARREN, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS								
	Local Police and Fire Retirement (LOPFI)	Breathalyzer (Intoxication Detection)	Child Passenger Protection	Municipal Judge and Clerk Retirement	District Court Automation	Emergency Vehicle	Rural Services Wildlife Recreational Facility Project - Shooting Range	American Rescue Plan Act	Townscape
ASSETS									
Cash and cash equivalents	\$ 5,499	\$ 4,011	\$ 4,272	\$ 18,990	\$ 89,998	\$ 35,683	\$ 23,162	\$ 946,340	\$ 6,516
Investments									
Accounts receivable		40		271	284	221	221		
TOTAL ASSETS	\$ 5,499	\$ 4,051	\$ 4,272	\$ 19,261	\$ 90,282	\$ 35,904	\$ 23,383	\$ 946,340	\$ 6,516
LIABILITIES AND FUND BALANCES									
Liabilities:									
Settlements pending									
Total Liabilities									
Fund Balances:									
Restricted	\$ 5,499	\$ 4,051	\$ 4,272	\$ 19,261	\$ 90,282	\$ 29,369		\$ 946,340	
Committed						6,535			
Assigned							\$ 23,383		\$ 6,516
Total Fund Balances	5,499	4,051	4,272	19,261	90,282	35,904	23,383	946,340	6,516
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,499	\$ 4,051	\$ 4,272	\$ 19,261	\$ 90,282	\$ 35,904	\$ 23,383	\$ 946,340	\$ 6,516

CITY OF WARREN, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2022
 (UNAUDITED)

Schedule 1

	CAPITAL PROJECTS FUNDS		TRUST FUND	CUSTODIAL FUNDS			Totals
	Warren Bypass Project	FAA Aviation Grant	Firemen's Pension	Police Bond and Fine	Payroll	State Funds (Direct Deposit)	
ASSETS							
Cash and cash equivalents	\$ 19,556	\$ 100	\$ 10,979	\$ 6,657	\$ 17,547	\$ 10,766	\$ 1,200,076
Investments			326,041				326,041
Accounts receivable							1,037
TOTAL ASSETS	\$ 19,556	\$ 100	\$ 337,020	\$ 6,657	\$ 17,547	\$ 10,766	\$ 1,527,154
LIABILITIES AND FUND BALANCES							
Liabilities:							
Settlements pending				\$ 6,657	\$ 17,547	\$ 10,766	\$ 34,970
Total Liabilities				6,657	17,547	10,766	34,970
Fund Balances:							
Restricted	\$ 19,556		\$ 337,020				1,455,650
Committed							6,535
Assigned		\$ 100					29,999
Total Fund Balances	19,556	100	337,020				1,492,184
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,556	\$ 100	\$ 337,020	\$ 6,657	\$ 17,547	\$ 10,766	\$ 1,527,154

CITY OF WARREN, 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
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS						
	Local Police and Fire Retirement (LOPFI)	Breathalyzer (Intoxication Detection)	Child Passenger Protection	Municipal Judge and Clerk Retirement	District Court Automation	Emergency Vehicle	Rural Services Wildlife Recreational Facility Project - Shooting Range
REVENUES							
State aid							
Federal aid						\$ 3,000	
Fines, forfeitures, and costs		\$ 517	\$ 65	\$ 3,247	\$ 11,659	7,607	
Interest							
Local permits and fees						2,315	
Employee contributions	\$ 44,197						
Employer contributions	785						
Net increase/(decrease) in fair value of investments							
Other				271			\$ 11,980
TOTAL REVENUES	44,982	517	65	3,518	11,659	12,922	11,980
EXPENDITURES							
Current:							
General government							
Law enforcement					3,711	3,191	
Public safety	44,297						
Recreation and culture							18,464
Airport							
TOTAL EXPENDITURES	44,297				3,711	3,191	18,464
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	685	517	65	3,518	7,948	9,731	(6,484)
OTHER FINANCING SOURCES (USES)							
Transfers in							
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	685	517	65	3,518	7,948	9,731	(6,484)
FUND BALANCES - JANUARY 1	4,814	3,534	4,207	15,743	82,334	26,173	29,867
FUND BALANCES - DECEMBER 31	<u>\$ 5,499</u>	<u>\$ 4,051</u>	<u>\$ 4,272</u>	<u>\$ 19,261</u>	<u>\$ 90,282</u>	<u>\$ 35,904</u>	<u>\$ 23,383</u>

CITY OF WARREN, 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
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		TRUST FUND	Totals
	American Rescue Plan Act	Townscape	Warren Bypass Project	FAA Aviation Grant	Firemen's Pension	
REVENUES						
State aid					\$ 7,281	\$ 7,281
Federal aid	\$ 578,756			\$ 259,984		841,740
Fines, forfeitures, and costs						23,095
Interest	914	\$ 11			10,613	11,538
Local permits and fees						2,315
Employee contributions						44,197
Employer contributions						785
Net increase/(decrease) in fair value of investments					(65,732)	(65,732)
Other						12,251
TOTAL REVENUES	579,670	11		259,984	(47,838)	877,470
EXPENDITURES						
Current:						
General government		1,325				1,325
Law enforcement						6,902
Public safety					63,799	108,096
Recreation and culture						18,464
Airport				288,873		288,873
TOTAL EXPENDITURES		1,325		288,873	63,799	423,660
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	579,670	(1,314)		(28,889)	(111,637)	453,810
OTHER FINANCING SOURCES (USES)						
Transfers in				24,783	16,680	41,463
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	579,670	(1,314)		(4,106)	(94,957)	495,273
FUND BALANCES - JANUARY 1	366,670	7,830	\$ 19,556	4,206	431,977	996,911
FUND BALANCES - DECEMBER 31	\$ 946,340	\$ 6,516	\$ 19,556	\$ 100	\$ 337,020	\$ 1,492,184

CITY OF WARREN, 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>
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Breathalyzer (Intoxication Detection)	Ark. Code Ann. § 16-10-308 authorized a portion of district court costs to be used to purchase and maintain alcohol testing devices.
Child Passenger Protection	Ark. Code Ann. § 27-34-108 established fund to receive 25% of the district court fines collected for violations of the Child Passenger Protection Act to be used for promotion of public safety.
Municipal Judge and Clerk Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
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.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for the fine for failure to insure motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles, communication equipment, animals owned or used by law enforcement agencies, life-saving medical apparatus, and law enforcement apparatus.
Rural Services Wildlife Recreational Facility Project - Shooting Range	Established to monitor and account for funds received from the Arkansas Rural Development Commission in order to construct a shooting range and for related expenses. The fund also collects fees for use of the facility.
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.
Townscape	Established to account for donations to improve the City Park.
Warren Bypass Project	Established to monitor and account for funds received from the U.S. Environmental Protection Agency Grant for the Warren Water and Sewer bypass extension.
FAA Aviation Grant	Established to monitor and account for funds received from the U.S. Federal Aeronautics and Aviation Grant for the Warren Airport.

CITY OF WARREN, 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>
Firemen's Pension	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.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
Payroll	Maintained to process payroll for the city's employees.
State Funds (Direct Deposit)	Maintained to receive direct deposits of state funds and sales taxes.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1. **A. 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, property taxes, and local permits and fees 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. The Special Revenue Funds presented on Schedules 1 and 2 are 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. The Capital Projects Funds presented on Schedules 1 and 2 are 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. The Pension Trust Fund presented on Schedules 1 and 2 is 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). The Custodial Funds presented on Schedule 1 are reported with other funds in the aggregate.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1. (Continued)

B. 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.

C. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Investments

Investments are reported at fair market value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll taxes 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 WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

1. (Continued)

D. 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.

E. 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 except for the Townscape Fund.

F. 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 WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

2. 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:			
General government	\$ 70,664		\$ 946,340
Law enforcement	57,187		147,235
Highways and streets		\$ 283,938	
Public safety	32,869		5,499
Sanitation	37,817		
Airport	53,295		
Pension benefits			337,020
Capital outlay			19,556
Total Restricted	<u>251,832</u>	<u>283,938</u>	<u>1,455,650</u>
Committed for:			
Law enforcement			<u>6,535</u>
Assigned to:			
General government	1,979,688		6,516
Law enforcement	49,095		
Highways and streets		205,000	
Public safety	13,841		
Sanitation	9,822		
Recreation and culture	100,409		23,383
Capital outlay			100
Total Assigned	<u>2,152,855</u>	<u>205,000</u>	<u>29,999</u>
Unassigned	<u>487,797</u>		
Totals	<u>\$ 2,892,484</u>	<u>\$ 488,938</u>	<u>\$ 1,492,184</u>

3. Commitments

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

	December 31, 2022
Long-term liabilities	\$ 741,746
Construction contract	<u>227,336</u>
Total Commitments	<u>\$ 969,082</u>

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

3. Commitments (Continued)

Long-term liabilities

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

	December 31, 2022
<u>Direct Borrowings</u>	
Financed purchase dated May 12, 2020, with Warren Bank and Trust in the amount of \$42,942, with interest rate of 1.49% for the purchase of a 2005 Mack garbage truck. Monthly payments of \$743 for 60 months. Payments are to be made from the General Fund.	\$ 21,152
Financed purchase dated September 2, 2020, with Warren Bank and Trust in the amount of \$102,954, with interest rate of 1.25% for the purchase of a 2003 Freightliner ladder truck, equipment, and building modifications for truck. On June 29, 2021, an additional \$16,701 was obtained for building modifications. Monthly payments of \$2,058 for 60 months. Payments are to be made from the Economic Development Fund.	45,960
Financed purchase dated February 23, 2021, with First State Bank in the amount of \$25,859, with interest rate of 1.15% for the purchase of a 2021 Dodge Ram 1500 truck. Monthly payments of \$444 for 60 months. Payments are to be made from the Street Fund.	16,549
Financed purchase dated September 14, 2022, with First State Bank in the amount of \$41,164, with interest rate of 3.49% for the purchase of a Massey Ferguson Tractor. Monthly payments of \$749 for 60 months. Payments are to be made from the Street Fund.	39,271
Financed purchase dated April 1, 2022, with Warren Bank and Trust in the amount of \$336,774, with interest rate of 1.25% for the purchase of a 2022 International Diesel Pumper Truck. Monthly payments of \$5,793 for 60 months. Payments are to be made from the General Fund.	293,092
Total Direct Borrowings	416,024
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	76,917
Landfill closure and postclosure care costs	248,805
Total Long-term liabilities	\$ 741,746

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

The City's outstanding direct borrowings of \$416,024 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 WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

3. Commitments (Continued)

Landfill Closure and Postclosure Care Costs

The City of Warren is the owner of permit #0126-S4 to operate a Class IV solid waste landfill. State and federal regulations require a final cover to be placed on the landfill site when it stops accepting waste and performance of certain maintenance and monitoring functions at the site for two years after closure. Although closure and postclosure care cost will be paid only near or after the date of the landfill stops accepting waste, a portion of these closure and postclosure care cost are being recognized as a commitment each year based on the landfill capacity used as of the balance sheet date. The estimated liability for the landfill closure and postclosure care cost has a balance of \$248,805 as of December 31, 2022.

Estimated cost are based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2022. However, the actual cost of closure and postclosure may be higher due to inflations, changes in technology, or changes in landfill laws and regulations.

In accordance with Ark. Code Ann. § 8-6-1603, the City has provided assurance of \$182,175 in the form of contracts of obligation. These contracts of obligation authorize the State Treasurer to withhold from any funds being distributed from the State of Arkansas to the City of Warren the sum of \$182,175 upon receiving notice from the Director of the Arkansas Department of Environmental quality of the City of Warren's failure to properly disclose operations.

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>Direct Borrowings</u>					
5/12/20	5/12/25	1.49%	\$ 42,942	\$ 21,152	\$ 21,790
9/2/20	9/2/25	1.25%	119,655	45,960	73,695
2/23/21	2/23/26	1.15%	25,859	16,549	9,310
9/14/22	9/14/27	3.49%	41,164	39,271	1,893
4/1/22	4/1/27	1.25%	336,774	293,092	43,682
Total Direct Borrowings			<u>\$ 566,394</u>	<u>\$ 416,024</u>	<u>\$ 150,370</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
<u>Direct Borrowings</u>				
Financed purchases	<u>\$ 144,531</u>	<u>\$ 377,938</u>	<u>\$ 106,445</u>	<u>\$ 416,024</u>

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

3. Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2023	\$ 112,061	\$ 5,387	\$ 117,448
2024	110,780	3,798	114,578
2025	85,186	2,355	87,541
2026	78,242	1,151	79,393
2027	29,755	157	29,912
Totals	<u>\$ 416,024</u>	<u>\$ 12,848</u>	<u>\$ 428,872</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
Warren Municipal Airport Apron Reconstructon	November 29, 2023	<u>\$ 227,336</u>

4. Interfund Transfers

The General Fund transferred \$41,463 to Other Funds in the Aggregate (\$24,783 to FAA Aviation Grant for operations and \$16,680 to Firemen's Pension Fund to supplement retirement expenditures).

5. Subsequent Events

On July 9, 2024, the City issued a \$625,000 Capital Improvement Revenue Bond with an interest rate of 6.75 percent. The bond proceeds will be used to construct a solar power plant.

6. Jointly Governed Organization

Drew and Bradley Counties and the Cities of Monticello and Warren entered into an agreement on May 14, 1998, to establish The Southeast Arkansas Regional Intermodal Facilities Authority pursuant to Ark. Code Ann. § 14-143-101 – 14-143-129. The Southeast Arkansas Regional Intermodal Facilities Authority should be governed by a board of directors consisting of 12 members appointed by the participant's mayors and County Judges. Each participating City and County will appoint three board members. No payments were made to the Southeast Arkansas Regional Intermodal Facilities Authority in 2022. Separate financial statements may be obtained at 101 Myrtle, Warren, Arkansas 71671.

7. 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.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

7. Firemen's Pension and Relief Plan (Continued)

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. 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 \$18,070 for the year ended December 31, 2022. 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, 2022, actuarial valuation, the plan has a net pension liability of \$36,628.

**8. 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.

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 \$28,245 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$32,388 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 \$659,850.

9. 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.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2022

9. Arkansas Public Employees Retirement System (Continued)

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 \$264,251.

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 \$2,225,017.

10. Capital Assets

The Municipality's capital assets records are summarized below:

	December 31, 2022
Land	\$ 492,419
Buildings and improvements	8,279,991
Equipment	<u>3,525,321</u>
Total	<u>\$ 12,297,731</u>

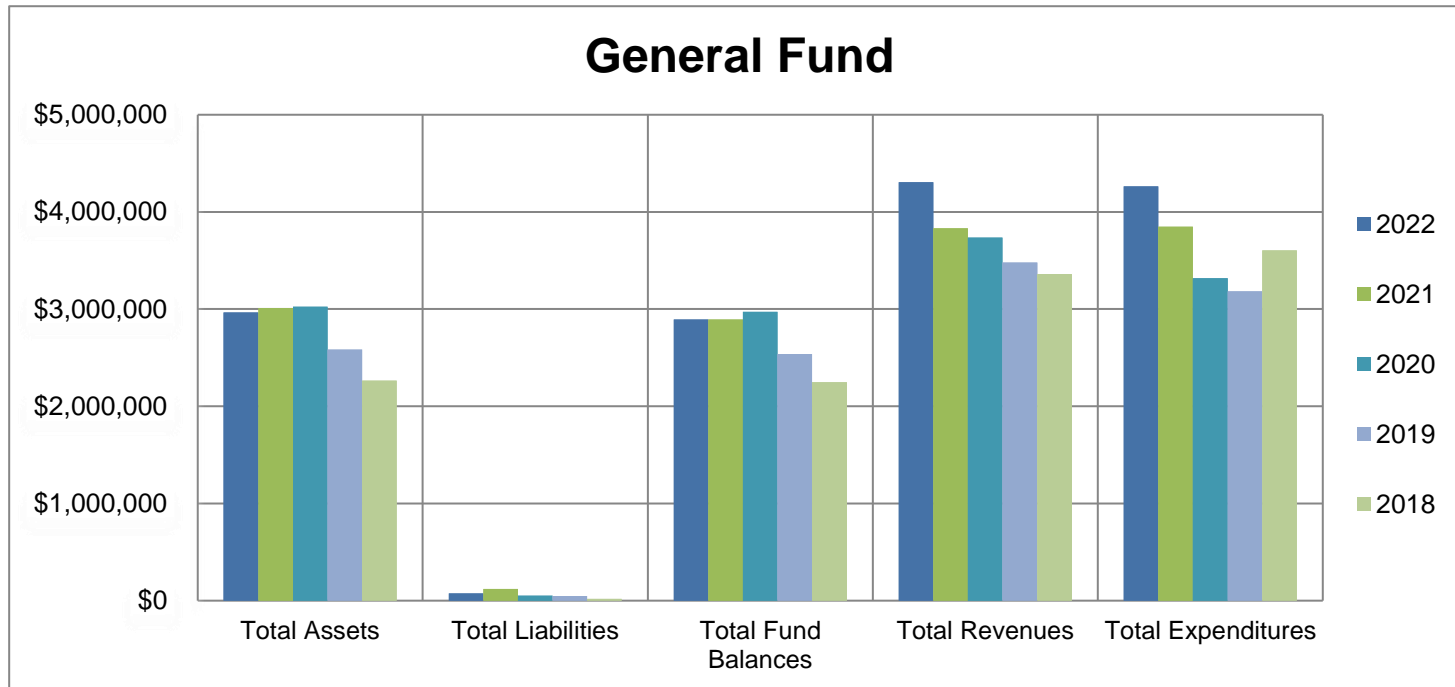
11. Corona Virus (COVID-19)

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 \$1,157,526 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$1,157,526 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 3-1

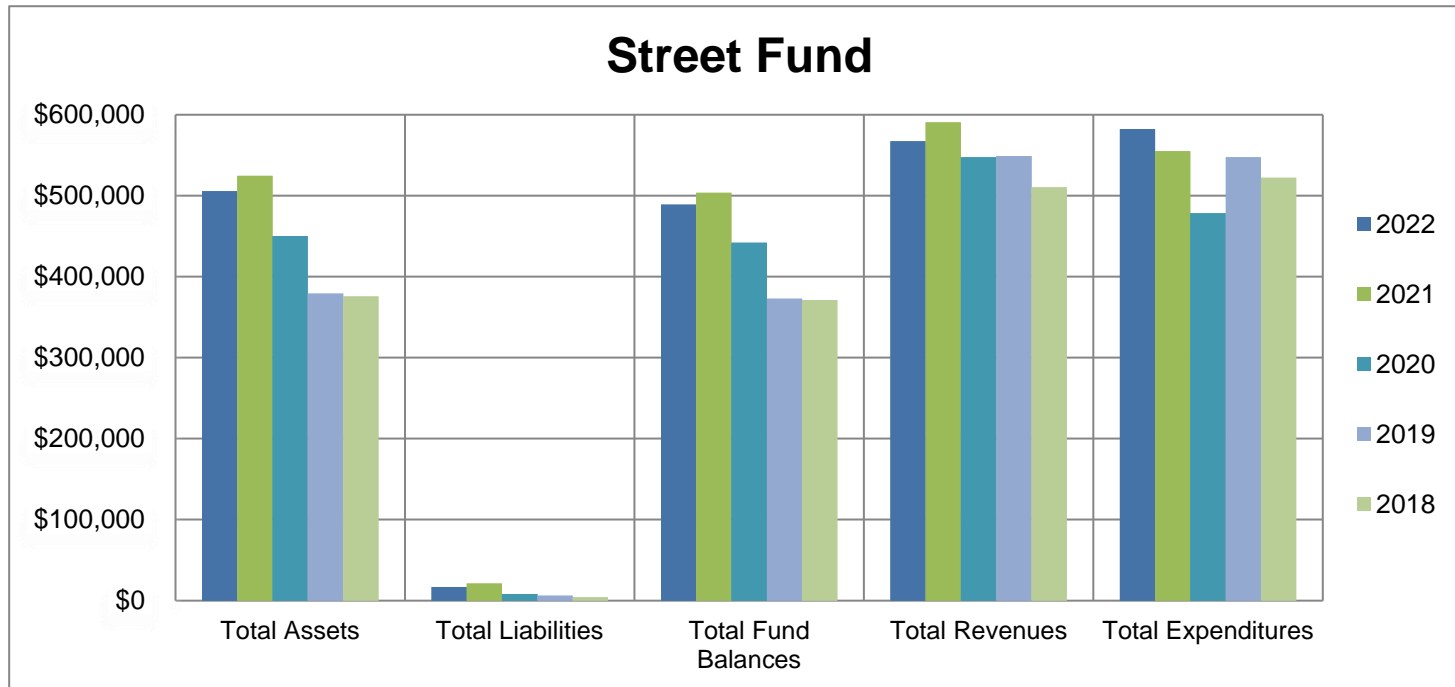
General	2022	2021	2020	2019	2018
Total Assets	\$ 2,966,429	\$ 3,011,677	\$ 3,024,542	\$ 2,582,411	\$ 2,264,421
Total Liabilities	73,945	118,946	51,107	46,439	17,793
Total Fund Balances	2,892,484	2,892,731	2,973,435	2,535,972	2,246,628
Total Revenues	4,305,157	3,832,935	3,736,097	3,478,390	3,362,030
Total Expenditures	4,264,239	3,846,708	3,319,147	3,183,012	3,604,936
Total Other Financing Sources/Uses	(41,463)	(64,041)	20,513	(22,396)	12,703



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

Schedule 3-2

Street	2022	2021	2020	2019	2018
Total Assets	\$ 505,611	\$ 524,742	\$ 450,252	\$ 379,199	\$ 375,471
Total Liabilities	16,673	21,153	8,103	6,242	4,038
Total Fund Balances	488,938	503,589	442,149	372,957	371,433
Total Revenues	567,172	590,380	547,664	549,038	510,468
Total Expenditures	582,126	554,799	478,472	547,514	522,238
Total Other Financing Sources/Uses		25,859			58,000



CITY OF WARREN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2022
 (Unaudited)

Schedule 3-3

Other Funds in the Aggregate	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 1,527,154	\$ 1,024,574	\$ 628,380	\$ 551,094	\$ 657,775
Total Liabilities	34,970	27,663	108,898	27,370	132,936
Total Fund Balances	1,492,184	996,911	519,482	523,724	524,839
Total Revenues	877,470	771,515	156,800	195,178	108,486
Total Expenditures	423,660	347,377	178,374	202,327	170,653
Total Other Financing Sources/Uses	41,463	53,291	17,332	22,396	15,297

