

**City of Lonoke, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2022**

LEGISLATIVE JOINT AUDITING COMMITTEE

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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 Lonoke, 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 Lonoke, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the City would have included a 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 September 7, 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  
September 7, 2023  
LOM109722

# 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 Lonoke, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Lonoke, Arkansas (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated September 7, 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 September 7, 2023.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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



Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 7, 2023

# Arkansas

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



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House Chair  
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House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

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

Mayor: Trae Reed  
City Clerk: Jeribeth Edwards  
Treasurer: Vacant (January 1, 2022 – April 10, 2022)  
Craig Blackard (appointed April 11, 2022)  
District Court Clerk: Dick Goodrich  
Police Chief: Matt Edwards

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

#### Other Issue

The City discovered that an employee's payroll direct deposit had been fraudulently diverted to another bank account after the employee contacted the City about not receiving his payroll direct deposit. It was determined that on September 9, 2022, the City made the direct deposit change request after receiving an email from what appeared to be the City employee's email account. This transaction resulted in a \$1,524 loss to the City.

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 that reads "Timothy R. Jones".

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 7, 2023



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

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 572,335	\$ 478,262	\$ 6,304,966
Investments			419,555
Accounts receivable	217,546	38,397	335,399
Interfund receivables	<u>4,122</u>		
<b>TOTAL ASSETS</b>	<u><u>\$ 794,003</u></u>	<u><u>\$ 516,659</u></u>	<u><u>\$ 7,059,920</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 76,064	\$ 32,731	\$ 141,671
Interfund payables			4,122
Settlements pending			<u>35,720</u>
<b>Total Liabilities</b>	<u><u>76,064</u></u>	<u><u>32,731</u></u>	<u><u>181,513</u></u>
Fund Balances:			
Restricted			3,230,166
Committed		52,553	2,850,255
Assigned	1,140	431,375	797,986
Unassigned	<u>716,799</u>		
<b>Total Fund Balances</b>	<u><u>717,939</u></u>	<u><u>483,928</u></u>	<u><u>6,878,407</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 794,003</u></u>	<u><u>\$ 516,659</u></u>	<u><u>\$ 7,059,920</u></u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 148,424	\$ 494,913	\$ 30,898
Federal aid	3,000		433,730
Property taxes	257,043	48,784	20,537
Franchise fees	252,366		
Sales taxes	524,918	325,504	3,537,634
Fines, forfeitures, and costs	73,924		32,608
Interest	3,222	1,134	46,629
Local permits and fees	358,937		147,018
Sanitation fees	250,005	94,691	
Advertising and promotion taxes			396,373
Mosquito fees	62,301		
Reimburse law enforcement	139,430		
Jail fees			19,194
Employer/employee contributions	11,951		15,007
Net increase/(decrease) in fair value of investments			(68,656)
Other	74,395	31,244	38,927
	<u>2,159,916</u>	<u>996,270</u>	<u>4,649,899</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	392,762		1,254,486
Law enforcement	925,502		365,116
Highways and streets	55,120	1,204,290	
Public safety	113,311		176,498
Sanitation	213,622		22,000
Health	62,260		147,000
Recreation and culture	67,504		844,622
Community development	246,091		
Wastewater			3,137,594
Total Current	<u>2,076,172</u>	<u>1,204,290</u>	<u>5,947,316</u>
Debt Service:			
Bond principal			755,000
Bond interest and other charges			715,056
Financed purchases principal	148,028	2,883	86,202
Financed purchases interest	7,021	710	47,792
	<u>2,231,221</u>	<u>1,207,883</u>	<u>7,551,366</u>
TOTAL EXPENDITURES			

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (71,305)</u>	<u>\$ (211,613)</u>	<u>\$ (2,901,467)</u>
OTHER FINANCING SOURCES (USES)			
Contribution from water department	22,000		
Loan proceeds		64,231	
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,000</u>	<u>64,231</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(49,305)	(147,382)	(2,901,467)
FUND BALANCES - JANUARY 1	<u>767,244</u>	<u>631,310</u>	<u>9,779,874</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 717,939</u></u>	<u><u>\$ 483,928</u></u>	<u><u>\$ 6,878,407</u></u>

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

CITY OF LONOKE, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 169,303	\$ 148,424	\$ (20,879)	\$ 512,078	\$ 494,913	\$ (17,165)
Federal aid	436,731	3,000	(433,731)			
Property taxes	262,098	257,043	(5,055)	49,815	48,784	(1,031)
Franchise fees	235,203	252,366	17,163	55,120		(55,120)
Sales taxes	523,116	524,918	1,802	324,458	325,504	1,046
Fines, forfeitures, and costs	73,004	73,924	920			
Interest	859	3,222	2,363	1,134	1,134	0
Local permits and fees	359,998	358,937	(1,061)			
Sanitation fees	248,855	250,005	1,150	94,654	94,691	37
Mosquito fees	62,277	62,301	24			
Reimburse law enforcement	140,873	139,430	(1,443)			
Employer/employee contributions	11,951	11,951	0			
Other	77,018	74,395	(2,623)	95,476	31,244	(64,232)
<b>TOTAL REVENUES</b>	<b>2,601,286</b>	<b>2,159,916</b>	<b>(441,370)</b>	<b>1,132,735</b>	<b>996,270</b>	<b>(136,465)</b>
EXPENDITURES						
Current:						
General government	384,638	392,762	(8,124)			
Law enforcement	930,006	925,502	4,504			
Highways and streets	55,120	55,120	0	1,267,117	1,204,290	62,827
Public safety	122,537	113,311	9,226			
Sanitation	226,855	213,622	13,233			
Health	62,260	62,260	0			
Recreation and culture	77,595	67,504	10,091			
Community development	250,215	246,091	4,124			
Total Current	2,109,226	2,076,172	33,054	1,267,117	1,204,290	62,827
Debt Service:						
Financed purchases principal		148,028	(148,028)		2,883	(2,883)
Financed purchases interest		7,021	(7,021)		710	(710)
Note principal	155,049		155,049			
<b>TOTAL EXPENDITURES</b>	<b>2,264,275</b>	<b>2,231,221</b>	<b>33,054</b>	<b>1,267,117</b>	<b>1,207,883</b>	<b>59,234</b>

CITY OF LONOKE, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 337,011	\$ (71,305)	\$ (408,316)	\$ (134,382)	\$ (211,613)	\$ (77,231)
OTHER FINANCING SOURCES (USES)						
Contribution from water department		22,000	22,000			
Loan proceeds					64,231	64,231
TOTAL OTHER FINANCING SOURCES (USES)		22,000	22,000		64,231	64,231
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	337,011	(49,305)	(386,316)	(134,382)	(147,382)	(13,000)
FUND BALANCES - JANUARY 1		767,244	767,244	478,262	631,310	153,048
FUND BALANCES - DECEMBER 31	\$ 337,011	\$ 717,939	\$ 380,928	\$ 343,880	\$ 483,928	\$ 140,048

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

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

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Lonoke was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Water and Sewer. 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, property taxes, sales taxes, and sanitation 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. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

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

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

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

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

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

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

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

**C. Basis of Accounting - Regulatory**

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

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

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

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

**Cash and Cash Equivalents**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

**Investments**

Investments are reported at fair value.

**Settlements Pending**

Settlements pending are considered fines, forfeitures, and costs, that have not been transferred to the appropriate entities.

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

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

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

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**E. Property Taxes**

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

**F. Budget Law**

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

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

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

Basis of Accounting

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



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

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

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

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

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

**NOTE 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 653,361	\$ 653,361
Collateralized:		
Collateral held by the City’s agent, pledging bank or pledging bank’s trust department or agent in the City’s name	6,119,719	6,205,875
Uncollateralized	582,238	582,238
Total Deposits	\$ 7,355,318	\$ 7,441,474

The above total deposits do not include cash on hand of \$245.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. A formal policy for custodial risk has not been adopted by the City. As of December 31, 2022, \$582,238 of the City’s cash 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 LONOKE, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

**NOTE 4: Public Fund Investments**

A summary of investments by fund types is as follows:

Fund Type	<u>December 31, 2022</u> Fair Value
Pension Trust - Firemen's Pension and Relief	\$ 419,555

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, 2022</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	\$ 362,696
Exchange traded funds	56,859
Total	\$ 419,555

The fair value of mutual funds are based on quoted marked prices obtained from independent pricing sources and are classified as Level I inputs.

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

**NOTE 5: Accounts Receivable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 16,560	\$ 3,076	\$ 1,297
Franchise fees	113,290		
Sales taxes	47,486	27,410	296,548
Fines, forfeitures, and costs	4,496		2,504
Local permits and fees	4,881		2,483
Sanitation fees	21,019	7,911	
Advertising and promotion taxes			31,823
Mosquito fees	5,205		
Reimburse law enforcement	4,609		
Other			744
<b>Totals</b>	<b>\$ 217,546</b>	<b>\$ 38,397</b>	<b>\$ 335,399</b>

**NOTE 6: Accounts Payable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 25,366	\$ 24,079	\$ 132,334
Salaries payable	38,420	6,475	7,349
Payroll taxes payable	12,278	2,177	1,988
<b>Totals</b>	<b>\$ 76,064</b>	<b>\$ 32,731</b>	<b>\$ 141,671</b>

**NOTE 7: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 4,122	
Other Funds in the Aggregate:		
Trust Funds:		
Tax Clearing		\$ 4,122
<b>Totals</b>	<b>\$ 4,122</b>	<b>\$ 4,122</b>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances were repaid on January 10, 2023.

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

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

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government			\$ 879,872
Law enforcement			938,720
Public safety			349,483
Pension benefits			458,469
Capital outlay			46,471
Debt service			557,151
Total Restricted			<u>3,230,166</u>
Committed for:			
General government			2,055,886
Law enforcement			338,350
Highways and streets		\$ 52,553	
Public safety			102,490
Health			158,688
Recreation and culture			194,841
Total Committed		<u>52,553</u>	<u>2,850,255</u>
Assigned to:			
Law enforcement	\$ 245		229
Highways and streets		431,375	
Public safety	895		
Recreation and culture			797,757
Total Assigned	<u>1,140</u>	<u>431,375</u>	<u>797,986</u>
Unassigned	<u>716,799</u>		
Totals	<u>\$ 717,939</u>	<u>\$ 483,928</u>	<u>\$ 6,878,407</u>

**NOTE 9: Legal Debt Limit**

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2022, the legal debt limit for the bonded debt was \$10,291,195. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022, the legal debt limit for short-term financing obligations was \$2,721,559. The amount of short-term financing obligations was \$184,294 leaving a legal debt margin of \$2,537,265.

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

**NOTE 10: Commitments**

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

	December 31, 2022
Long-term liabilities	\$ 20,381,636
Construction contract	45,000
 Total Commitments	 \$ 20,426,636

Long-term liabilities

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

	December 31, 2022
<u>Bonds</u>	
2018 Sales and Use Tax Bonds, dated March 12, 2018, in the amount of \$20,270,000, due in annual installments of \$205,000 to \$3,905,000 due June 1 beginning in 2018 through June 2048; interest rate from 2.0% to 5.0%. Payments are to be made from the 2018 Debt Service Bond Fund.	\$ 18,010,000
<u>Direct Borrowings</u>	
Financed purchases agreement dated March 10, 2020, to First State Bank, in the amount of \$450,000, for construction of ballpark concession and restroom building, 59 monthly payments of \$8,123 and a final payment of \$8,262; 3.15% interest rate. Payments are to be made from the General Fund.	122,946
Financed purchase agreement dated April 15, 2021, to Bank OZK, in the amount of \$2,143,137, for the acquisition, installation, and construction of certain energy efficiently equipment, improvements, and renovations, 20 annual payment of \$133,994; 2.23% interest rate. Payments are to be made from the Escrow Account - Energy Savings Project Fund.	2,056,935
Financed purchase agreement dated September 14, 2022, to Bank of England, in the amount of \$64,231, for a custom built 2022 Ford F-550, 60 monthly payments of \$1,198; 4.50% interest rate. Payments are to be made from the Street Fund.	61,348
Total Direct Borrowings	2,241,229
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	130,407
Total Long-term liabilities	\$ 20,381,636

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 \$18,010,000 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 financed purchases from direct borrowings of \$2,241,229 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 LONOKE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 10: Commitments (Continued)**

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
03/12/18	06/01/48	2.00 - 5.00%	\$ 20,270,000	\$ 18,010,000	\$ 2,260,000
<u>Direct Borrowings</u>					
03/10/20	03/10/25	3.15%	450,000	122,946	327,054
04/15/21	04/15/41	2.23%	2,143,137	2,056,935	86,202
9/14/22	9/15/27	4.50%	64,231	61,348	2,883
Total Direct Borrowings			<u>2,657,368</u>	<u>2,241,229</u>	<u>416,139</u>
Total Long-Term Debt			<u>\$ 22,927,368</u>	<u>\$ 20,251,229</u>	<u>\$ 2,676,139</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 18,765,000	\$ 0	\$ 755,000	\$ 18,010,000
<u>Direct Borrowings</u>				
Financed purchases	2,414,111	64,231	237,113	2,241,229
Total Long-Term Debt	<u>\$ 21,179,111</u>	<u>\$ 64,231</u>	<u>\$ 992,113</u>	<u>\$ 20,251,229</u>

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

**NOTE 10: Commitments (Continued)**

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 695,000	\$ 678,581	\$ 1,373,581	\$ 193,349	\$ 52,496	\$ 245,845
2024	445,000	651,600	1,096,600	132,058	46,595	178,653
2025	470,000	628,725	1,098,725	105,067	43,299	148,366
2026	495,000	607,075	1,102,075	107,716	40,650	148,366
2027		597,175	597,175	106,822	37,941	144,763
2028 through 2032	3,375,000	2,688,500	6,063,500	514,431	155,540	669,971
2033 through 2037	2,700,000	2,112,063	4,812,063	574,406	95,565	669,971
2038 through 2042	4,875,000	1,494,188	6,369,188	507,380	28,598	535,978
2043 through 2047	3,905,000	715,968	4,620,968			
2048	1,050,000	20,344	1,070,344			
Totals	<u>\$ 18,010,000</u>	<u>\$ 10,194,219</u>	<u>\$ 28,204,219</u>	<u>\$ 2,241,229</u>	<u>\$ 500,684</u>	<u>\$ 2,741,913</u>

Construction Contract

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

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2022
Water and Sewer Improvements	September 2023	<u>\$ 45,000</u>

**NOTE 11: Pledged Revenues**

The City pledged two separate sales and use taxes (1.25% and 0.25%) to repay \$20,270,000 in bonds that were issued in 2018 to provide funding for various capital improvements for the City. Total principal and interest remaining on the bonds are \$18,010,000 and \$10,194,219, respectively, payable through June 1, 2048. For 2022, principal and interest paid were \$755,000 and \$712,906, respectively.

The Debt Service Fund received \$1,552,276 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds may be expended to provide financial support for the operation of the City Police and Fire Departments.

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

**NOTE 12: Risk Management**

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

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

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

**Municipal Vehicle Program**

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

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

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

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



CITY OF LONOKE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13: 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 \$0 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 \$53,506.

**NOTE 14: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

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

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 \$124,131 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$61,277 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 \$1,515,535.

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

**NOTE 15: 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](http://www.apers.org).

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.25% as of July 1, 2022. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$6,483 for the year ended June 30, 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 June 30, 2022, (actuarial valuation date and measurement date) was \$54,585.

**NOTE 16: Mayor's Retirement Benefits**

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 (65 for second class cities) with a minimum of ten (sixteen for second class cities) years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayor Wayne McGee \$15,000, for the year ended December 31, 2022.

**NOTE 17: Employee Retirement Program (Defined Contribution Pension Plan)**

The Lonoke City Council has contracted with Nationwide Retirement Solutions to provide a 457 –(b) governmental plan and trust to every eligible employee. Eligible employees include all full-time employees with the exception of police officers and the District Court Clerk and Judge. Employer contributions are determined by a vote of the City Council. The current contribution rate is 2% more than the employee contribution with a cap of 7%. Benefits are distributed upon attainment of retirement age (as designated by the City, but not earlier than age 65), death, or disability. Benefits are limited to contributions made for the employees and the earnings on those contributions. Therefore, the plan will have no unfunded liabilities. The City's contributions to the plan were \$37,222 for the year ended December 31, 2022.

**NOTE 18: 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 \$867,472 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$867,472 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 LONOKE, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2022

Schedule 1

SPECIAL REVENUE FUNDS										
	District Court Cost	Criminal Justice	Fire Sales Tax	General/Court/ Sanitation Sales Tax	Mosquito Control Sales Tax	Park Sales Tax	Police Sales Tax	Retail Economic Development Sales Tax	Local Police and Fire Retirement (LOPFI)	Community Center Operating
ASSETS										
Cash and cash equivalents	\$ 5,109	\$ 434,866	\$ 92,393	\$ 125,757	\$ 148,591	\$ 184,744	\$ 313,107	\$ 224,868	\$ 234,039	\$ 774,745
Investments										
Accounts receivable	95	1,457	10,097	10,097	10,097	10,097	25,243	5,793	43	54,532
TOTAL ASSETS	\$ 5,204	\$ 436,323	\$ 102,490	\$ 135,854	\$ 158,688	\$ 194,841	\$ 338,350	\$ 230,661	\$ 234,082	\$ 829,277
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable							\$ 1,392			\$ 31,520
Interfund payables										
Settlements pending										
Total Liabilities							1,392			31,520
Fund Balances:										
Restricted	\$ 5,204	\$ 436,094							\$ 234,082	
Committed			\$ 102,490	\$ 135,854	\$ 158,688	\$ 194,841	\$ 338,350	229,269		
Assigned		229								797,757
Total Fund Balances	5,204	436,323	102,490	135,854	158,688	194,841	338,350	229,269	234,082	797,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,204	\$ 436,323	\$ 102,490	\$ 135,854	\$ 158,688	\$ 194,841	\$ 338,350	\$ 230,661	\$ 234,082	\$ 829,277

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

Schedule 1

SPECIAL REVENUE FUNDS

	District Court Automation	Seizure	Industrial Development Sales Tax	Advertising and Promotion Tax	Municipal Judge's and Clerk's Retirement	Police and Fire Sales Tax	Arkansas Economic Development Commission Grant	Federal Forfeiture	American Rescue Plan Act
ASSETS									
Cash and cash equivalents	\$ 12,655	\$ 2,463	\$ 1,673,111	\$ 243,631	\$ 26,527	\$ 544,239	\$ 1	\$ 5	\$ 604,418
Investments									
Accounts receivable	677		17,671	31,823	232	26,025			
<b>TOTAL ASSETS</b>	<b>\$ 13,332</b>	<b>\$ 2,463</b>	<b>\$ 1,690,782</b>	<b>\$ 275,454</b>	<b>\$ 26,759</b>	<b>\$ 570,264</b>	<b>\$ 1</b>	<b>\$ 5</b>	<b>\$ 604,418</b>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable			\$ 20						
Interfund payables									
Settlements pending									
<b>Total Liabilities</b>			<b>20</b>						
Fund Balances:									
Restricted	\$ 13,332	\$ 2,463		\$ 275,454	\$ 26,759	\$ 570,264		\$ 5	\$ 604,418
Committed			1,690,762				\$ 1		
Assigned									
<b>Total Fund Balances</b>	<b>13,332</b>	<b>2,463</b>	<b>1,690,762</b>	<b>275,454</b>	<b>26,759</b>	<b>570,264</b>	<b>1</b>	<b>5</b>	<b>604,418</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,332</b>	<b>\$ 2,463</b>	<b>\$ 1,690,782</b>	<b>\$ 275,454</b>	<b>\$ 26,759</b>	<b>\$ 570,264</b>	<b>\$ 1</b>	<b>\$ 5</b>	<b>\$ 604,418</b>

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

Schedule 1

	<u>CAPITAL PROJECTS FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>TRUST FUND</u>	<u>CUSTODIAL FUNDS</u>		
	Sales and Use Tax Bonds, Series 2018 Project	Escrow Account - Energy Saving Project	Sales and Use Tax Bonds, Series 2018 Debt Service	Firemen's Pension and Relief	Tax Clearing	District Court	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 46,017	\$ 109,193	\$ 427,028	\$ 37,617	\$ 9,506	\$ 30,336	\$ 6,304,966
Investments				419,555			419,555
Accounts receivable			130,123	1,297			335,399
<b>TOTAL ASSETS</b>	<u>\$ 46,017</u>	<u>\$ 109,193</u>	<u>\$ 557,151</u>	<u>\$ 458,469</u>	<u>\$ 9,506</u>	<u>\$ 30,336</u>	<u>\$ 7,059,920</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable		\$ 108,739					\$ 141,671
Interfund payables					\$ 4,122		4,122
Settlements pending					5,384	\$ 30,336	35,720
Total Liabilities		<u>108,739</u>			<u>9,506</u>	<u>30,336</u>	<u>181,513</u>
Fund Balances:							
Restricted	\$ 46,017	454	\$ 557,151	\$ 458,469			3,230,166
Committed							2,850,255
Assigned							797,986
Total Fund Balances	<u>46,017</u>	<u>454</u>	<u>557,151</u>	<u>458,469</u>			<u>6,878,407</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 46,017</u>	<u>\$ 109,193</u>	<u>\$ 557,151</u>	<u>\$ 458,469</u>	<u>\$ 9,506</u>	<u>\$ 30,336</u>	<u>\$ 7,059,920</u>

CITY OF LONOKE, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

SPECIAL REVENUE FUNDS								
	District Court Cost	Criminal Justice	Fire Sales Tax	General/Court/ Sanitation Sales Tax	Mosquito Control Sales Tax	Park Sales Tax	Police Sales Tax	Retail Economic Development Sales Tax
REVENUES								
State aid								\$ 27,667
Federal aid								
Property taxes								
Sales taxes			\$ 120,456	\$ 120,456	\$ 120,456	\$ 120,456	\$ 301,141	60,229
Fines, forfeitures, and costs	\$ 1,665	\$ 18,604						
Interest		713	191	327	447	412	567	409
Local permits and fees								
Advertising and promotion taxes								
Jail fees		19,194						
Employer/employee contributions								
Net increase/(decrease) in fair value of investments								
Other		940						16,474
<b>TOTAL REVENUES</b>	<b>1,665</b>	<b>39,451</b>	<b>120,647</b>	<b>120,783</b>	<b>120,903</b>	<b>120,868</b>	<b>301,708</b>	<b>104,779</b>
EXPENDITURES								
Current:								
General government				13,750				104,421
Law enforcement		37,318		80,000			210,000	
Public safety			100,000					
Sanitation				22,000				
Health					147,000			
Recreation and culture						115,159		6,590
Wastewater								
Total Current		37,318	100,000	115,750	147,000	115,159	210,000	111,011
Debt Service:								
Bond principal								
Bond interest and other charges								
Financed purchases principal								
Financed purchases interest								
<b>TOTAL EXPENDITURES</b>		<b>37,318</b>	<b>100,000</b>	<b>115,750</b>	<b>147,000</b>	<b>115,159</b>	<b>210,000</b>	<b>111,011</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,665</b>	<b>2,133</b>	<b>20,647</b>	<b>5,033</b>	<b>(26,097)</b>	<b>5,709</b>	<b>91,708</b>	<b>(6,232)</b>
FUND BALANCES - JANUARY 1	3,539	434,190	81,843	130,821	184,785	189,132	246,642	235,501
FUND BALANCES - DECEMBER 31	<u>\$ 5,204</u>	<u>\$ 436,323</u>	<u>\$ 102,490</u>	<u>\$ 135,854</u>	<u>\$ 158,688</u>	<u>\$ 194,841</u>	<u>\$ 338,350</u>	<u>\$ 229,269</u>

CITY OF LONOKE, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

	SPECIAL REVENUE FUNDS							
	Local Police and Fire Retirement (LOPFI)	Community Center Operating	District Court Automation	Seizure	Industrial Development Sales Tax	Advertising and Promotion Tax	Municipal Judge's and Clerk's Retirement	Police and Fire Sales Tax
REVENUES								
State aid								
Federal aid								
Property taxes								
Sales taxes		\$ 620,909			\$ 210,800			\$ 310,455
Fines, forfeitures, and costs	\$ 514		\$ 9,046				\$ 2,779	
Interest	1,719	4,369	27	\$ 5	3,389	\$ 570	226	1,480
Local permits and fees		147,018						
Advertising and promotion taxes						396,373		
Jail fees								
Employer/employee contributions	13,044						1,963	
Net increase/(decrease) in fair value of investments								
Other	11,800	3,830			2,500	3,383		
<b>TOTAL REVENUES</b>	<b>27,077</b>	<b>776,126</b>	<b>9,073</b>	<b>5</b>	<b>216,689</b>	<b>400,326</b>	<b>4,968</b>	<b>311,935</b>
EXPENDITURES								
Current:								
General government					27,404	363,751		142,200
Law enforcement	21,200		8,772				7,826	
Public safety	1,528							
Sanitation								
Health								
Recreation and culture		722,873						
Wastewater								
Total Current	22,728	722,873	8,772		27,404	363,751	7,826	142,200
Debt Service:								
Bond principal								
Bond interest and other charges								
Financed purchases principal								
Financed purchases interest								
<b>TOTAL EXPENDITURES</b>	<b>22,728</b>	<b>722,873</b>	<b>8,772</b>		<b>27,404</b>	<b>363,751</b>	<b>7,826</b>	<b>142,200</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,349	53,253	301	5	189,285	36,575	(2,858)	169,735
FUND BALANCES - JANUARY 1	229,733	744,504	13,031	2,458	1,501,477	238,879	29,617	400,529
FUND BALANCES - DECEMBER 31	<u>\$ 234,082</u>	<u>\$ 797,757</u>	<u>\$ 13,332</u>	<u>\$ 2,463</u>	<u>\$ 1,690,762</u>	<u>\$ 275,454</u>	<u>\$ 26,759</u>	<u>\$ 570,264</u>

CITY OF LONOKE, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	TRUST FUND	Totals
	Arkansas Economic Development Commission Grant	Federal Forfeiture	American Rescue Plan Act	Sales and Use Tax Bonds, Series 2018 Project	Escrow Account - Energy Saving Project	Sales and Use Tax Bonds, Series 2018 Debt Service	Firemen's Pension and Relief	
REVENUES								
State aid							\$ 3,231	\$ 30,898
Federal aid			\$ 433,730					433,730
Property taxes							20,537	20,537
Sales taxes						\$ 1,552,276		3,537,634
Fines, forfeitures, and costs								32,608
Interest			858	\$ 11,899	\$ 1,807	5,210	12,004	46,629
Local permits and fees								147,018
Advertising and promotion taxes								396,373
Jail fees								19,194
Employer/employee contributions								15,007
Net increase/(decrease) in fair value of investments							(68,656)	(68,656)
Other								38,927
<b>TOTAL REVENUES</b>			<u>434,588</u>	<u>11,899</u>	<u>1,807</u>	<u>1,557,486</u>	<u>(32,884)</u>	<u>4,649,899</u>
EXPENDITURES								
Current:								
General government			605		599,355	3,000		1,254,486
Law enforcement								365,116
Public safety							74,970	176,498
Sanitation								22,000
Health								147,000
Recreation and culture								844,622
Wastewater				3,137,594				3,137,594
Total Current			<u>605</u>	<u>3,137,594</u>	<u>599,355</u>	<u>3,000</u>	<u>74,970</u>	<u>5,947,316</u>
Debt Service:								
Bond principal						755,000		755,000
Bond interest and other charges						715,056		715,056
Financed purchases principal					86,202			86,202
Financed purchases interest					47,792			47,792
<b>TOTAL EXPENDITURES</b>			<u>605</u>	<u>3,137,594</u>	<u>733,349</u>	<u>1,473,056</u>	<u>74,970</u>	<u>7,551,366</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			<u>433,983</u>	<u>(3,125,695)</u>	<u>(731,542)</u>	<u>84,430</u>	<u>(107,854)</u>	<u>(2,901,467)</u>
FUND BALANCES - JANUARY 1	\$ 1	\$ 5	170,435	3,171,712	731,996	472,721	566,323	9,779,874
FUND BALANCES - DECEMBER 31	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 604,418</u>	<u>\$ 46,017</u>	<u>\$ 454</u>	<u>\$ 557,151</u>	<u>\$ 458,469</u>	<u>\$ 6,878,407</u>



CITY OF LONOKE, 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>
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Criminal 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.
Fire Sales Tax	Lonoke Ordinance No. 361 (January 7, 1993) designated 10% of the City's one percent sales and use tax to be used for fire department disbursements.
General/Court/Sanitation Sales Tax	Lonoke Ordinance No. 361 (January 7, 1993) designated 10% of the City's one percent sales and use tax to be used for general, district court, and sanitation disbursements.
Mosquito Control Sales Tax	Lonoke Ordinance No. 361 (January 7, 1993) designated 10% of the City's one percent sales and use tax to be used for mosquito control disbursements.
Park Sales Tax	Lonoke Ordinance no. 361 (January 7, 1993) designated 10% of the City's one percent sales and use tax to be used for parks and recreation disbursements.
Police Sales Tax	Lonoke Ordinance no. 361 (January 7, 1993) designated 25% of the City's one percent sales and use tax to be used for police department disbursements.
Retail Economic Development Sales Tax	Lonoke Ordinance no. 361 (January 7, 1993) designated 5% of the City's one percent sales and use tax to be used for retail economic development efforts.
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.
Community Center Operating	On April 18, 2000, voters passed a 0.5% sales and use tax for the purpose of operating and maintaining the community center.
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.

CITY OF LONOKE, 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>
Seizure	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Industrial Development Sales Tax	Lonoke Ordinance no. 361 (January 7, 1993) designated 17.5% of the City's one percent sales and use tax to be used for industrial development efforts.
Advertising and Promotion Tax	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued. Lonoke Ordinance no. 532 (October 10, 2005) levied a two percent gross receipts tax on hotels, motels, and restaurants to be used for the development, construction, and maintenance of city parks.
Municipal Judge's and Clerk's 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.
Police and Fire Sales Tax	Lonoke Ordinance no. 735 (March 12, 2018) established a Police and Fire Sales Tax Fund to provide financial support for the operation of the City's Police and Fire Departments.
Arkansas Economic Development Commission Grant	Arkansas Economic Development Commission grant for upgrade of internet technology infrastructure to support expansion of manufacturing system for MKE Fastening, LLC.
Federal Forfeiture	Established fund to receive asset forfeitures from the Department of Justice, Drug Enforcement Administration's Little Rock Task Force 2.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLFR), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Sales and Use Tax Bonds, Series 2018 Project	Lonoke Ordinance no. 735 (March 12, 2018) established a capital projects fund for improvements, betterment and extensions to the waterworks and sewage systems.

CITY OF LONOKE, 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>
Escrow Account - Energy Saving Project	Lonoke Ordinance no. 777 (March 8, 2021) established fund to receive proceeds from the lease purchase agreement for energy savings and allowing the escrow agent to pay cost associated with the project.
Sales and Use Tax Bonds, Series 2018 Debt Service	Lonoke Ordinance no. 735 (March 12, 2018) established a debt service fund to maintain principal and interest payment of bonds and a debt service reserve fund equal to one-half of the maximum annual debt service requirements on the bonds.
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.
Tax Clearing	Established to receive state funds and payroll tax withholdings from other city funds which are then redistributed to the appropriate city fund and payroll entity.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

CITY OF LONOKE, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2022  
(Unaudited)

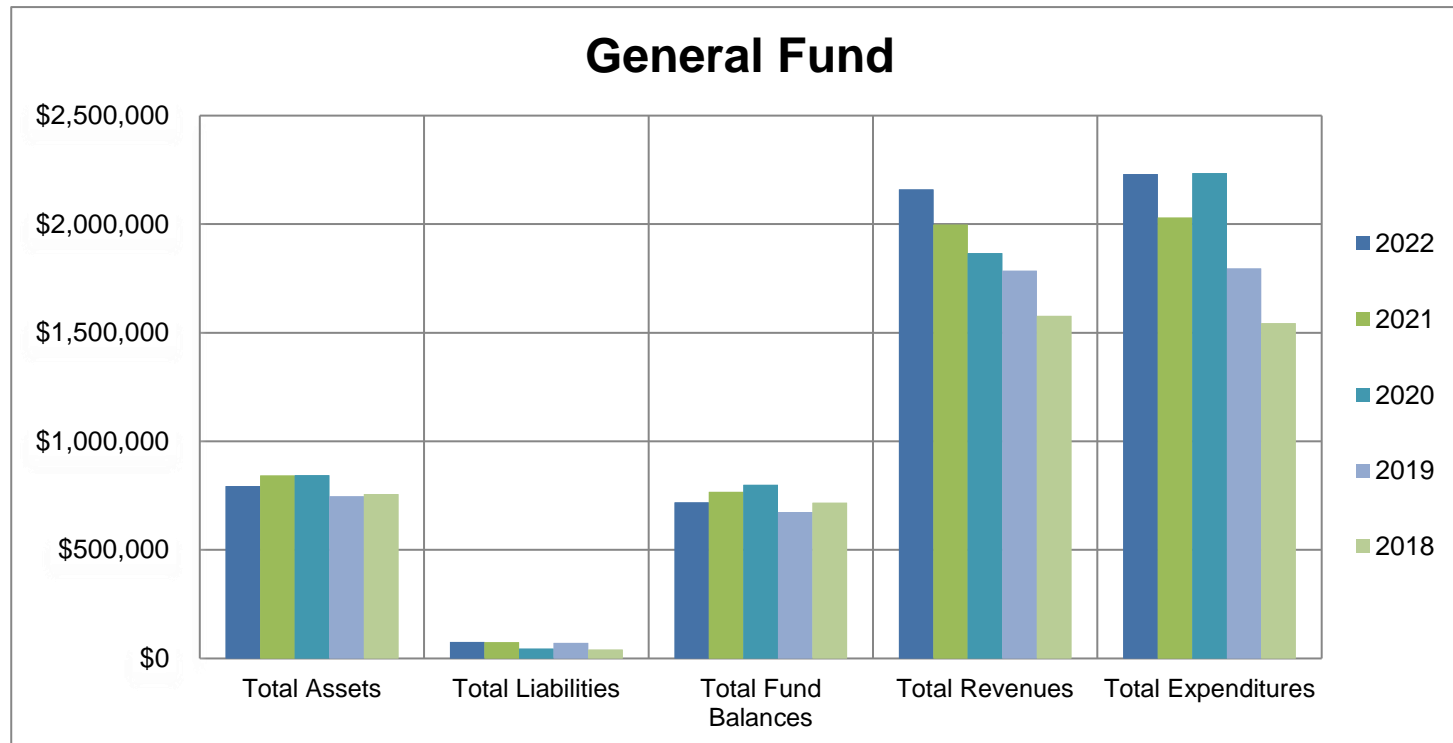
Schedule 3

	<u>December 31, 2022</u>
Land	\$ 1,009,306
Buildings and Improvements	5,793,667
Equipment	<u>4,331,093</u>
Total	<u><u>\$ 11,134,066</u></u>

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

Schedule 4-1

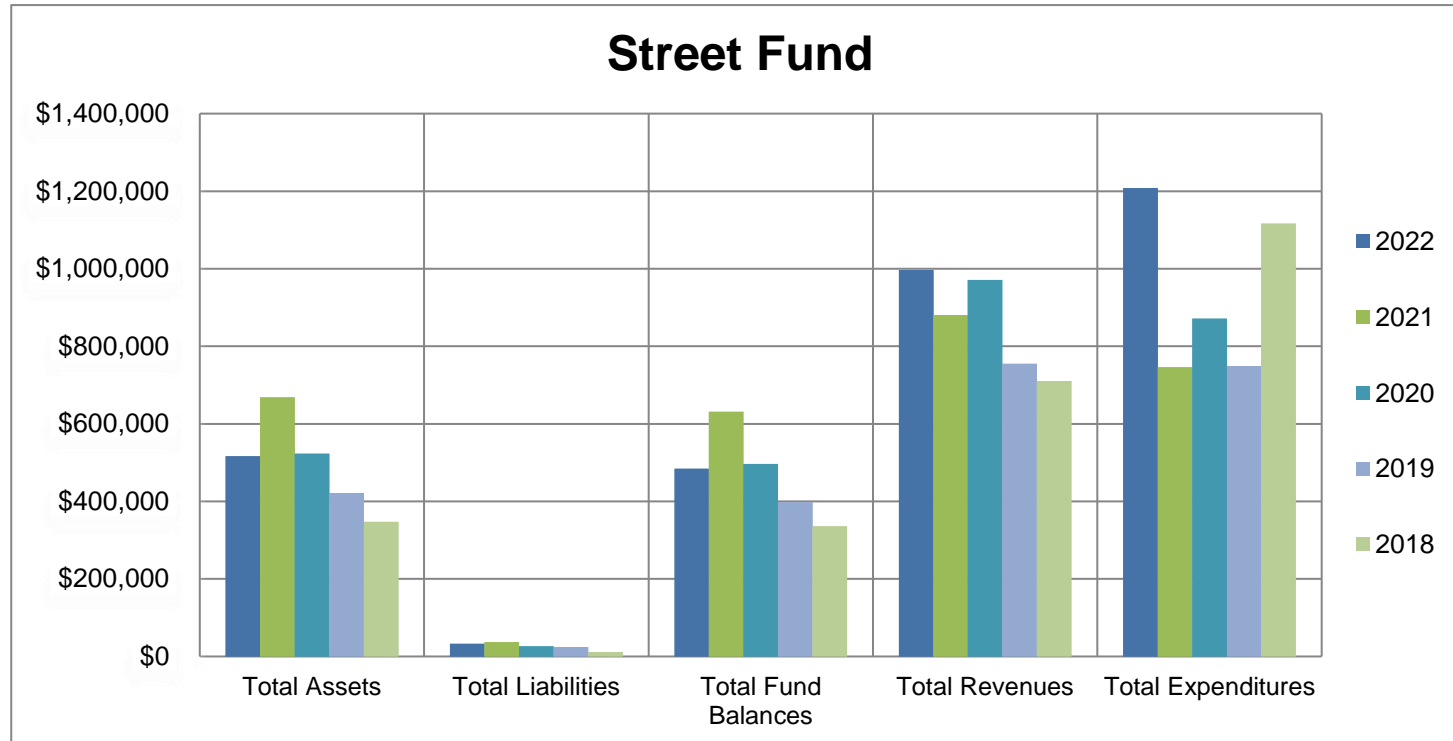
<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 794,003	\$ 842,034	\$ 843,652	\$ 746,359	\$ 757,275
Total Liabilities	76,064	74,790	44,641	71,346	40,285
Total Fund Balances	717,939	767,244	799,011	675,013	716,990
Total Revenues	2,159,916	1,998,209	1,866,433	1,785,911	1,578,020
Total Expenditures	2,231,221	2,029,976	2,234,435	1,795,168	1,544,510
Total Other Financing Sources/Uses	22,000		492,000	(33,120)	(33,120)



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

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 516,659	\$ 667,986	\$ 522,825	\$ 421,377	\$ 346,886
Total Liabilities	32,731	36,676	26,251	24,189	11,129
Total Fund Balances	483,928	631,310	496,574	397,188	335,757
Total Revenues	996,270	880,122	970,640	754,935	710,487
Total Expenditures	1,207,883	745,386	871,254	748,624	1,116,399
Total Other Financing Sources/Uses	64,231			55,120	55,120



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 7,059,920	\$ 9,966,678	\$ 13,062,569	\$ 17,333,853	\$ 23,287,164
Total Liabilities	181,513	186,804	597,542	687,674	154,784
Total Fund Balances	6,878,407	9,779,874	12,465,027	16,646,179	23,132,380
Total Revenues	4,649,899	4,726,461	3,731,883	3,950,404	3,029,182
Total Expenditures	7,551,366	9,554,751	7,913,035	10,436,205	4,097,427
Total Other Financing Sources/Uses		2,143,137			20,270,000

