

City of Farmington, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF FARMINGTON, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Independent Auditor's Report
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*
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

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

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

OTHER INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	4-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	4-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	4-3

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

Independent Auditor's Report

City of Farmington, 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 Farmington, 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, 2023, 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 Farmington, Arkansas as of December 31, 2023; 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 Farmington, Arkansas, as of December 31, 2023, 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.

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 July 3, 2024, 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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 3, 2024
LOM110223

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

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 Farmington, 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 Farmington, Arkansas (City), as of and for the year ended December 31, 2023, 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 July 3, 2024. 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

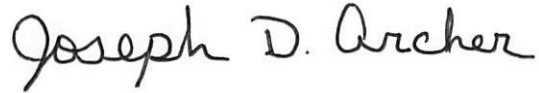
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 July 3, 2024.

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

A handwritten signature in black ink that reads "Joseph D. Archer". The signature is written in a cursive style with a large initial "J".

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 3, 2024

Arkansas

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



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House Chair
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2023:

Mayor: Ernie Penn
Business Manager: Melissa McCarville
City Clerk: Kelly Penn
District Court Clerk: Kim Bentley
Police Chief: Brian Hubbard

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

On September 14, 2023, an unauthorized withdrawal, in the form of twelve (12) separate cashier's checks, totaling \$123,271 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon notification from the banking institution the same day. Funds were recovered from the bank on September 15, 2023.

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 "Joseph D. Archer".

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 3, 2024

CITY OF FARMINGTON, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2023

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 11,426,979	\$ 601,980	\$ 668,515
Accounts receivable	<u>753,658</u>	<u>8,698</u>	<u>57,162</u>
TOTAL ASSETS	<u>\$ 12,180,637</u>	<u>\$ 610,678</u>	<u>\$ 725,677</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 186,362	\$ 10,947	
Settlements pending			\$ 73,601
Total Liabilities	<u>186,362</u>	<u>10,947</u>	<u>73,601</u>
Fund Balances:			
Restricted		74,998	652,076
Assigned	5,632,527	524,733	
Unassigned	<u>6,361,748</u>		
Total Fund Balances	<u>11,994,275</u>	<u>599,731</u>	<u>652,076</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,180,637</u>	<u>\$ 610,678</u>	<u>\$ 725,677</u>

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

CITY OF FARMINGTON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 190,849	\$ 639,760	\$ 1,350
Federal aid	17,000		
Property taxes	786,943	86,436	
Franchise fees	585,642		
Sales taxes	5,185,511		361,079
Fines, forfeitures, and costs	141,927		11,748
Interest	265,135	7,667	19,032
Local permits and fees	587,393		4,425
County aid			239,932
Sewer surcharge			302,891
Other	137,604	959	2,877
TOTAL REVENUES	7,898,004	734,822	943,334
EXPENDITURES			
Current:			
General government	1,696,359		950
Law enforcement	2,842,243		4,999
Highways and streets		659,824	
Public safety	1,518,632		
Recreation and culture	560,613		281,166
Sewer			11,994
Total Current	6,617,847	659,824	299,109
Debt Service:			
Bond principal			462,941
Bond interest and other charges			177,840
TOTAL EXPENDITURES	6,617,847	659,824	939,890

CITY OF FARMINGTON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,280,157	\$ 74,998	\$ 3,444
OTHER FINANCING SOURCES (USES)			
Transfers in			62,000
Transfers out	(62,000)		
TOTAL OTHER FINANCING SOURCES (USES)	(62,000)		62,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,218,157	74,998	65,444
FUND BALANCES - JANUARY 1	10,776,118	524,733	586,632
FUND BALANCES - DECEMBER 31	\$ 11,994,275	\$ 599,731	\$ 652,076

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

CITY OF FARMINGTON, 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, 2023

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 145,891	\$ 190,849	\$ 44,958	\$ 639,760	\$ 639,760	\$ 0
Federal aid	61,899	17,000	(44,899)			
Property taxes	756,540	786,943	30,403	83,092	86,436	3,344
Franchise fees	576,280	585,642	9,362			
Sales taxes	5,081,860	5,185,511	103,651			
Fines, forfeitures, and costs	134,862	141,927	7,065			
Interest	254,053	265,135	11,082	7,667	7,667	0
Local permits and fees	592,495	587,393	(5,102)			
Other	136,818	137,604	786	959	959	0
TOTAL REVENUES	7,740,698	7,898,004	157,306	731,478	734,822	3,344
EXPENDITURES						
Current:						
General government	3,720,110	1,696,359	2,023,751			
Law enforcement	2,709,690	2,842,243	(132,553)			
Highways and streets				663,805	659,824	3,981
Public safety	1,561,303	1,518,632	42,671			
Recreation and culture	528,982	560,613	(31,631)			
TOTAL EXPENDITURES	8,520,085	6,617,847	1,902,238	663,805	659,824	3,981
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(779,387)	1,280,157	2,059,544	67,673	74,998	7,325
OTHER FINANCING SOURCES (USES)						
Transfers in	2,000,000		(2,000,000)			
Transfers out	(57,000)	(62,000)	(5,000)			
TOTAL OTHER FINANCING SOURCES (USES)	1,943,000	(62,000)	(2,005,000)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,163,613	1,218,157	54,544	67,673	74,998	7,325
FUND BALANCES - JANUARY 1		10,776,118	10,776,118		524,733	524,733
FUND BALANCES - DECEMBER 31	\$ 1,163,613	\$ 11,994,275	\$ 10,830,662	\$ 67,673	\$ 599,731	\$ 532,058

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

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Farmington 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.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

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

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll liabilities 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. 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.
3. 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 FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Property Taxes

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

F. Budget Law

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

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

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

Basis of Accounting

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

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.

There were no committed fund balances at year end.

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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)	\$ 798,962	\$ 798,963
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	11,595,683	11,733,908
Uncollateralized	302,339	302,339
Total Deposits	\$ 12,696,984	\$ 12,835,210

The above total deposits do not include cash on hand of \$490.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2023, \$302,339 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 44,958		
Property taxes	79,093	\$ 8,698	
Franchise fees	71,909		
Sales taxes	509,168		\$ 30,038
Fines, forfeitures, and costs	19,225		1,133
Interest	8,822		
Sewer surcharge			25,991
Other	20,483		
Totals	\$ 753,658	\$ 8,698	\$ 57,162

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund
Vendor payables	\$ 186,362	\$ 10,947

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2023, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 58,972
Highways and streets		\$ 74,998	
Recreation and culture			149,798
Debt service			443,306
Total Restricted		<u>74,998</u>	<u>652,076</u>
Assigned to:			
General government	\$ 197,836		
Law enforcement	2,907,208		
Highways and streets		524,733	
Public safety	1,370,623		
Recreation and culture	1,156,860		
Total Assigned	<u>5,632,527</u>	<u>524,733</u>	
Unassigned	<u>6,361,748</u>		
Totals	<u>\$ 11,994,275</u>	<u>\$ 599,731</u>	<u>\$ 652,076</u>

NOTE 7: 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, 2023, the legal debt limit for the bonded debt was \$30,562,742. 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, 2023, the legal debt limit for short-term financing obligations was \$7,897,837. There were no short-term financing obligations.

CITY OF FARMINGTON, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2023:

	December 31, 2023
Long-term liabilities	\$ 6,099,087
Construction contract	135,175
Total Commitments	\$ 6,234,262

Long-term liabilities

Long-term liabilities at December 31, 2023, are comprised of the following:

	December 31, 2023
<u>Bonds</u>	
Sewer Revenue Bond Series 2007, issued December 21, 2007, for Sewer System improvements, principal amount of \$4,500,000, due in semi annual installments of \$141,788 through October 15, 2029, and include Interest of 1.75% and a service fee of 1%. Payments are to be made from the Debt Service Fund. Note: Sewer services for Farmington are provided by the City of Fayetteville. These bond proceeds were used for sewer system improvements within the City of Farmington.	\$ 1,480,596
Sales and Use Tax Bond - Series 2017, issued September 26, 2017, for street and park improvements, principal amount of \$5,090,000, due in annual installments of \$115,000 to \$345,000 plus interest through October 1, 2037. Interest of 2% to 3.65%. Payments are to be made from the Sales and Use Tax Bond - Series 2017 Fund.	3,900,000
Total Bonds	5,380,596
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	718,491
Total Long-term liabilities	\$ 6,099,087

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 \$1,480,596 contain a provision that in an event of default, bondholders may, by proper suit, compel the performance of duties of the officials of the City under the laws of the State.

The City's outstanding bonds payable of \$3,900,000 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.

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8: Commitments (Continued)

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2023	Maturities to December 31, 2023
<u>Bonds</u>					
12/21/07	10/15/29	2.75%	\$ 4,500,000	\$ 1,480,596	\$ 3,019,404
9/26/17	10/1/37	2 - 3.65%	5,090,000	3,900,000	1,190,000
Total Bonds			<u>\$ 9,590,000</u>	<u>\$ 5,380,596</u>	<u>\$ 4,209,404</u>

Changes in Long-Term Debt

	Balance January 01, 2023	Issued	Retired	Balance December 31, 2023
Bonds payable	<u>\$ 5,843,537</u>	<u>\$ 0</u>	<u>\$ 462,941</u>	<u>\$ 5,380,596</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2023:

Years Ending December 31,	Bonds		
	Principal	Interest	Total
2024	\$ 474,528	\$ 166,109	\$ 640,637
2025	486,299	154,738	641,037
2026	498,258	141,612	639,870
2027	510,409	128,161	638,570
2028	522,757	114,380	637,137
2029 through 2033	1,583,345	387,766	1,971,111
2034 through 2037	<u>1,305,000</u>	<u>120,350</u>	<u>1,425,350</u>
Totals	<u>\$ 5,380,596</u>	<u>\$ 1,213,116</u>	<u>\$ 6,593,712</u>

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2023:

Project Name	Completed	Contract Balance December 31, 2023
Fire Training Facility	May 8, 2024	<u>\$ 135,175</u>

NOTE 9: Interfund Transfers

The City transferred \$62,000 from the General Fund to Other Funds in the Aggregate as follows: \$57,000 to supplement operations in the Library and \$5,000 for debt service related payments.

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10: Pledged Revenues

The City pledged future sewer surcharges to repay \$4,500,000 in bonds that were issued in 2007 to provide funding for improvements to the sewer system. Revenues from the pledged sewer surcharge for 2023 was \$302,891. Total principal and interest remaining on the bonds are \$1,480,596 and \$128,891, respectively, payable through October 15, 2029. For 2023, principal and interest paid were \$237,941 and \$43,415, respectively.

Note: Sewer services to Farmington are provided by the City of Fayetteville. Proceeds from these bonds were used for sewer system improvements within the City of Farmington.

The City pledged future 1% sales and use taxes to repay \$5,090,000 in bonds that were issued in 2017 to provide funding for street and park improvements. Total principal and interest remaining on the bonds are \$3,900,000 and \$1,084,225, respectively, payable through October 1, 2037. For 2023, principal and interest paid were \$225,000 and \$131,563, respectively.

The Debt Service Fund received \$361,079 in sales taxes in 2023. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any lawful purpose for which tax collections may be used.

NOTE 11: Joint Ventures

Washington County Ambulance Authority

The City of Farmington, Washington County, and the Cities of Elkins, Elms Springs, Fayetteville, Goshen, Greenland, Johnson, Lincoln, Prairie Grove, Tontitown, West Fork, and Winslow entered into an agreement on March 21, 2008, pursuant to Ark Code Ann. §§14-14-910, 14-266-102, and 25-20-101 to establish the Washington County Ambulance Authority (Authority). The purpose of the Authority is to provide emergency and non-emergency medical services. Terms of the agreement call for each city to pay a minimum contribution of \$9.94 per capita based on the prior year's population projection by Northwest Arkansas Council for 2023. The City paid the Authority \$79,834 during 2023.

Washington County / City Library System

The Cities of Farmington, Springdale, Elkins, Lincoln, Prairie Grove, West Fork, and Washington County entered into an interlocal agreement dated September 14, 2004, in accordance with Ark. Code Ann. §§ 14-14-910 and 25-20-201, and County Ordinance No. 2001-8 to operate a joint County/City library system within Washington County. The purpose of this agreement is for constructing, operating, and maintaining a public library system for Washington County and will offer library services to the public within the communities of each of the participating cities. Funding for this agreement will be derived from the County library millage and will be distributed in a manner deemed fair and proper by the board. Washington County's millage rate for this purpose will be 1 mill. The Washington County Library Board shall be composed of seven appointed and confirmed members of the County with one each from the Cities of Springdale, Prairie Grove, Lincoln, Westfork, Farmington and Elkins; and one remaining members from the unincorporated areas of the County. Washington County paid the City of Farmington \$239,932 during 2023.

NOTE 12: Jointly Governed Organizations

Boston Mountain Solid Waste District

The City is a member of the Boston Mountain Solid Waste District. The Boston Mountain Solid Waste District is a jointly governed organization comprised of representatives from Madison and Washington Counties and participating cities within the aforementioned counties. Representatives are the respective county judges and mayors. The City paid \$3,792 to the Boston Mountain Solid Waste District during 2023. Separate financial statements of the district may be obtained at 11398 Bond Road, Prairie Grove, Arkansas 72752.

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12: Jointly Governed Organizations (Continued)

Fourth Judicial District Drug Task Force

The Prosecuting Attorney of the Fourth Judicial District, the Washington County Sheriff's Department, Madison County Sheriff's Department, and the Police Departments of the University of Arkansas, Fayetteville, Springdale, Prairie Grove, Lincoln, Farmington, Johnson, Elkins, Greenland, West Fork, Elm Springs, Tontitown, Huntsville, and Goshen entered into an agreement to establish the Fourth Judicial District Drug Task Force. Funding was provided through Justice Assistance Grants and local funding provided by the Prosecuting Attorney's Office, Washington County Sheriff's Department, and local police departments. Separate financial statements for the Fourth Judicial District Drug Task Force were not available. The City paid \$1,500 to the Fourth Judicial Drug Task Force during 2023.

NOTE 13: Interlocal Agreements

City of Fayetteville – Wastewater Collection and Treatment System Service

The City of Farmington and the City of Fayetteville entered into an interlocal agreement in 1994 concerning capacity, management, operations and maintenance services for the Farmington Wastewater Collection System. The City of Fayetteville agrees to accept, transport, and treat all domestic and commercial wastewater produced by Farmington Customers by utilizing Fayetteville's sewer collection system and treatment plants for a term of fifteen (15) years. The City of Fayetteville will administer and collect the Farmington utility customer surcharge and collect the Farmington Sewer Impact fee for a fee of 4% annual of the amount collected for both charges. The City paid \$11,994 to the City of Fayetteville during 2023.

Washington County – Per Capita Jail Fee

The City of Farmington and Washington County entered into an interlocal agreement on February 12, 2021, which established an amount to be charged for the keeping of municipal prisoners at the County Jail in lieu of paying a daily rate. The per capita fee amount paid each year by the Municipality shall be calculated based upon the projected shortfall in the Washington County maintenance and operations budget of the County Jail provided by the County Treasurer during the previous year, as published and provided to the Municipality. The City paid \$6,169 to Washington County during 2023.

Farmington Public Schools – School Resource Officer

The City of Farmington and the Farmington Public School District entered into an agreement concerning the collaborative efforts to provide a safe and healthy school environment for the students, staff, faculty, and visitors. Effective upon this agreement, the salaries of the School Resource Officers are partially funded by the Farmington Public School District. The City received \$89,366 in reimbursements from the Farmington Public School District for the salaries of the School Resource Officers during 2023.

Washington County – Animal Shelter

The City of Farmington and Washington County entered into an interlocal agreement on March 21, 2023, to provide sheltering services for animals delivered to Lester C. Howick Animal Shelter by a designated animal control officer, or any citizen who has a letter from a Farmington, Arkansas City Official authorizing the County Shelter to accept the animal. Sheltering fees for 2023 shall be at a rate of \$150 per animal admitted, with additional fees of \$40 per day for any animal requiring quarantine. This agreement is subject to annual renewal on such terms as are agreeable by the parties. The City paid \$13,320 to Lester C. Howick Animal Shelter during 2023.

CITY OF FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 14: 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 FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

**NOTE 15: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

On June 9, 2008, administration of the City of Farmington Firemen's Pension and Relief Fund and the City of Farmington Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$297,027 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$163,575 for the year ended December 31, 2023.

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, 2023, (actuarial valuation date and measurement date) was \$4,138,601.

NOTE 16: 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 FARMINGTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 16: 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 5.5% as of July 1, 2023. 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, 2023, (date of APERS Employer Allocation Report) was \$162,290.

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, 2023, (actuarial valuation date and measurement date) was \$1,392,833.

NOTE 17: Subsequent Events

On March 18, 2024, the City entered into a contract with Sweetster Construction, Inc. for Garland McKee Road Improvements, in the amount of \$429,982.

On April 17, 2024, the City entered into a contract with Emery Sapp & Sons, Inc. for Highway 170 Improvements, in the amount of \$15,047,315.

CITY OF FARMINGTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2023

Schedule 1

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>		<u>CUSTODIAL FUNDS</u>		
	<u>Court Automation</u>	<u>Library</u>	<u>Debt Service</u>	<u>Sales and Use Tax Bond - Series 2017</u>	<u>District Court</u>	<u>Payroll</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ 57,839	\$ 149,798	\$ 84,938	\$ 302,339	\$ 44,360	\$ 29,241	\$ 668,515
Accounts receivable	1,133		25,991	30,038			57,162
TOTAL ASSETS	<u>\$ 58,972</u>	<u>\$ 149,798</u>	<u>\$ 110,929</u>	<u>\$ 332,377</u>	<u>\$ 44,360</u>	<u>\$ 29,241</u>	<u>\$ 725,677</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Settlements pending					\$ 44,360	\$ 29,241	\$ 73,601
Fund Balances:							
Restricted	\$ 58,972	\$ 149,798	\$ 110,929	\$ 332,377			652,076
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,972</u>	<u>\$ 149,798</u>	<u>\$ 110,929</u>	<u>\$ 332,377</u>	<u>\$ 44,360</u>	<u>\$ 29,241</u>	<u>\$ 725,677</u>

CITY OF FARMINGTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 2

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>		<u>Totals</u>
	<u>Court Automation</u>	<u>Library</u>	<u>Debt Service</u>	<u>Sales and Use Tax Bond - Series 2017</u>	
REVENUES					
State aid		\$ 1,350			\$ 1,350
Sales taxes				\$ 361,079	361,079
Fines, forfeitures, and costs	\$ 11,748				11,748
Interest	779	2,090	\$ 411	15,752	19,032
Local permits and fees		4,425			4,425
County aid		239,932			239,932
Sewer surcharge			302,891		302,891
Other		1,879	998		2,877
TOTAL REVENUES	<u>12,527</u>	<u>249,676</u>	<u>304,300</u>	<u>376,831</u>	<u>943,334</u>
EXPENDITURES					
Current:					
General government				950	950
Law enforcement	4,999				4,999
Recreation and culture		281,166			281,166
Sewer			11,994		11,994
Total Current	<u>4,999</u>	<u>281,166</u>	<u>11,994</u>	<u>950</u>	<u>299,109</u>
Debt Service:					
Bond principal			237,941	225,000	462,941
Bond interest and other charges			43,415	134,425	177,840
TOTAL EXPENDITURES	<u>4,999</u>	<u>281,166</u>	<u>293,350</u>	<u>360,375</u>	<u>939,890</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,528</u>	<u>(31,490)</u>	<u>10,950</u>	<u>16,456</u>	<u>3,444</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		57,000	5,000		62,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>7,528</u>	<u>25,510</u>	<u>15,950</u>	<u>16,456</u>	<u>65,444</u>
FUND BALANCES - JANUARY 1	<u>51,444</u>	<u>124,288</u>	<u>94,979</u>	<u>315,921</u>	<u>586,632</u>
FUND BALANCES - DECEMBER 31	<u>\$ 58,972</u>	<u>\$ 149,798</u>	<u>\$ 110,929</u>	<u>\$ 332,377</u>	<u>\$ 652,076</u>

CITY OF FARMINGTON, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2023

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
Library	Created to establish a city library and a library fund to account for all monies received for library purposes.
Debt Service	Farmington Ordinance no. 2007-15 (July 30, 2007) authorized the issuance of system revenue bonds for the purpose of financing the costs of sewer system improvements.
Sales and Use Tax Bond - Series 2017	Farmington Ordinance no. 2017-12 (August 14, 2017) authorized the issuance of sales and use tax bonds for the purpose of financing all or a portion of the costs of capital improvements; pledging a one percent sales and use tax to pay the principal of and interest on the bonds.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Established to facilitate payment of payroll expenditures and related tax liabilities.

CITY OF FARMINGTON, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2023
(Unaudited)

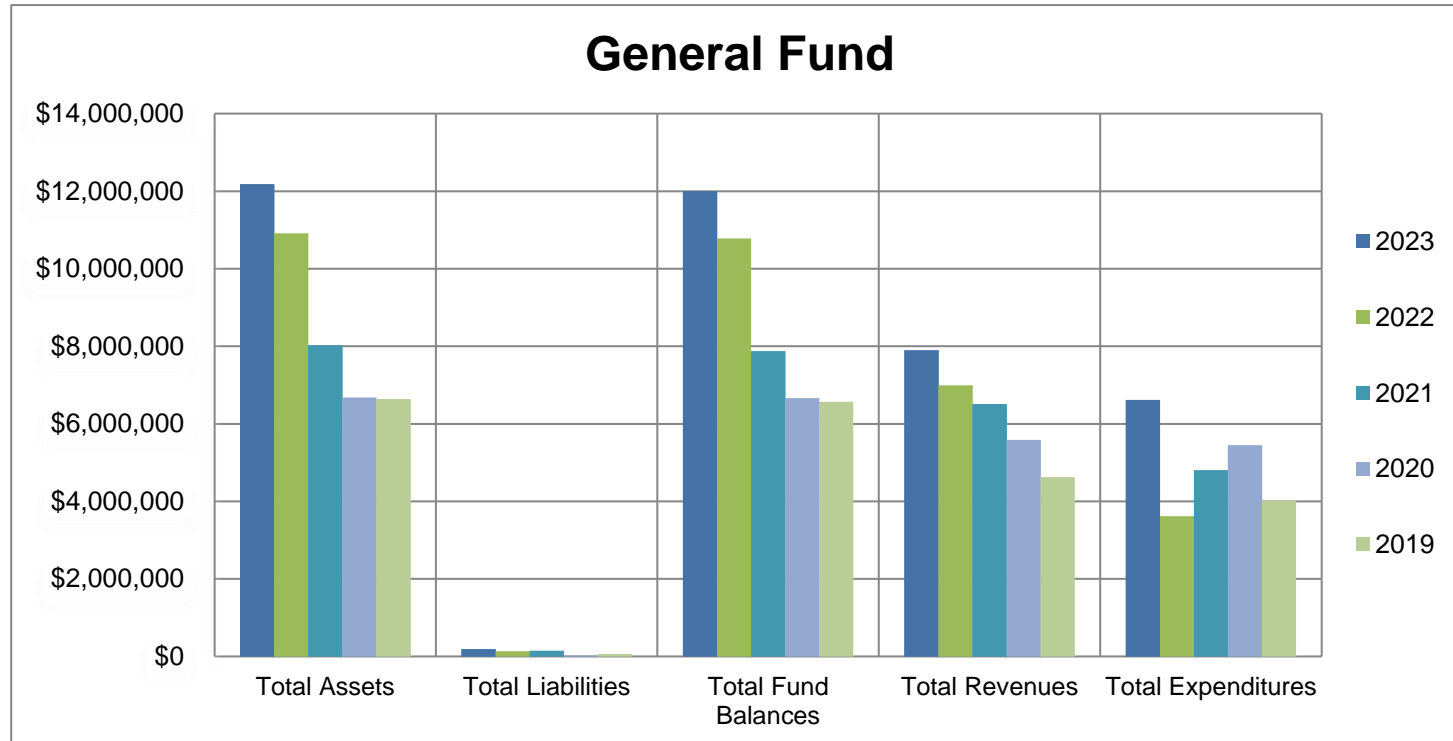
Schedule 3

	<u>December 31, 2023</u>
Land	\$ 6,490,033
Construction in progress	135,175
Buildings	3,862,175
Equipment	<u>4,911,170</u>
Total	<u>\$ 15,398,553</u>

CITY OF FARMINGTON, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-1

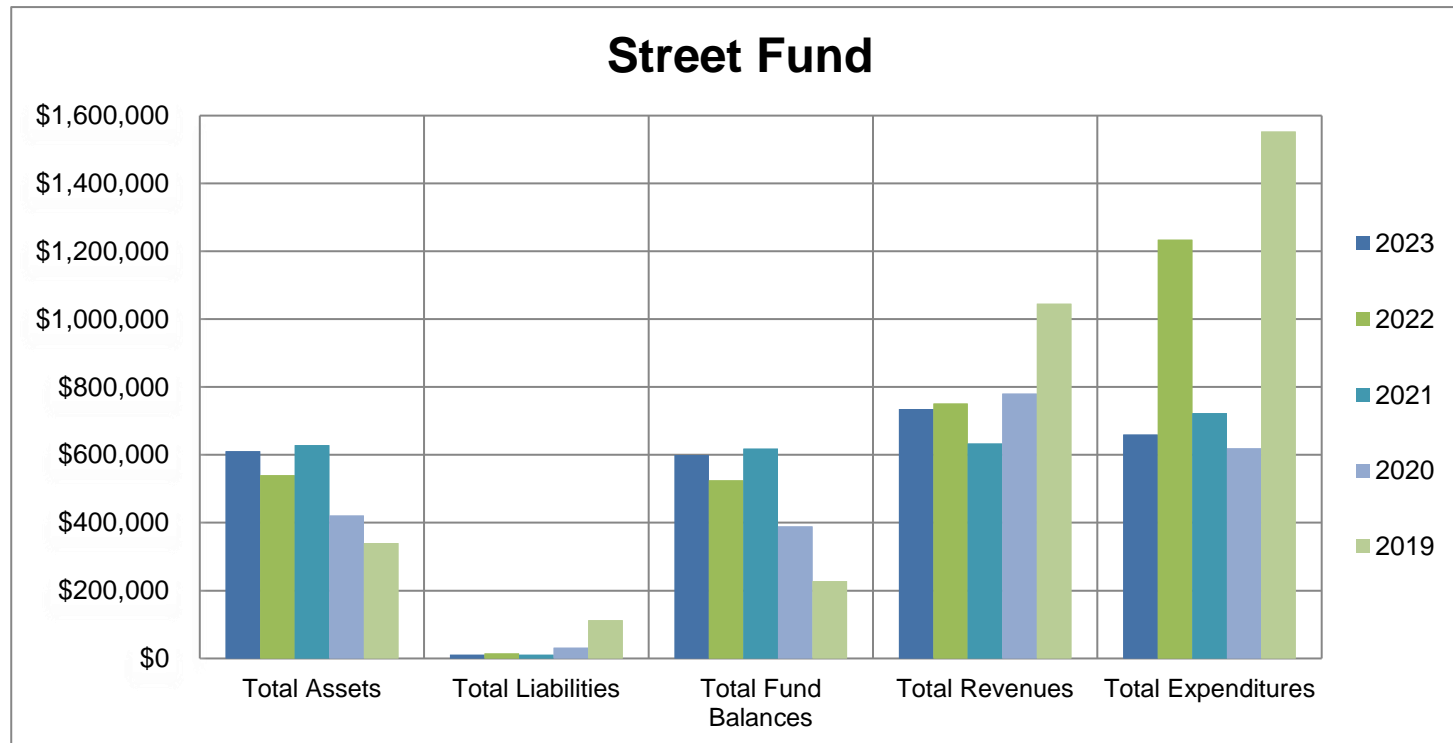
<u>General</u>	2023	2022	2021	2020	2019
Total Assets	\$ 12,180,637	\$ 10,902,833	\$ 8,019,615	\$ 6,676,280	\$ 6,630,629
Total Liabilities	186,362	126,715	146,459	20,503	62,651
Total Fund Balances	11,994,275	10,776,118	7,873,156	6,655,777	6,567,978
Total Revenues	7,898,004	6,983,367	6,503,916	5,583,550	4,620,748
Total Expenditures	6,617,847	3,609,063	4,802,878	5,445,761	4,012,308
Total Other Financing Sources/Uses	(62,000)	(471,342)	(423,054)	(50,000)	(50,000)



CITY OF FARMINGTON, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-2

<u>Street</u>	2023	2022	2021	2020	2019
Total Assets	\$ 610,678	\$ 539,662	\$ 629,137	\$ 421,190	\$ 339,783
Total Liabilities	10,947	14,929	10,945	31,831	112,413
Total Fund Balances	599,731	524,733	618,192	389,359	227,370
Total Revenues	734,822	751,330	633,586	780,834	1,045,547
Total Expenditures	659,824	1,234,131	722,807	618,845	1,552,602
Total Other Financing Sources/Uses		389,342	318,054		



CITY OF FARMINGTON, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2023
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 725,677	\$ 2,047,949	\$ 1,243,375	\$ 487,245	\$ 1,142,314
Total Liabilities	73,601	1,461,317	59,439	36,193	143,946
Total Fund Balances	652,076	586,632	1,183,936	451,052	998,368
Total Revenues	943,334	1,656,255	1,606,718	555,084	641,915
Total Expenditures	939,890	2,335,559	1,039,439	1,152,400	3,335,251
Total Other Financing Sources/Uses	62,000	82,000	105,000	50,000	50,000

