

City of Centerton, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF CENTERTON, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
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Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Centerton, 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 Centerton, 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, the related Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis, and the Statement of Revenues, Expenditures, and Changes in Fund Balances – 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 Centerton, Arkansas as of December 31, 2023; the regulatory basis revenues, expenditures, and changes in fund balance; 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 Centerton, Arkansas, as of December 31, 2023, or the revenues, expenditures, and changes in fund balance 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, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
November 22, 2024
LOM119223

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 Centerton, 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 Centerton, 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 November 22, 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

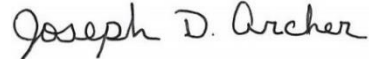
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 November 22, 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



Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 22, 2024

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

MANAGEMENT LETTER

City of Centerton, 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: Bill Edwards
Clerk/Treasurer: Todd Wright
District Court Clerk: Sara Lombard
Police Chief: Cody Harper
Finance Director: Shannon Zappettini (June – December)
Carl Rabey (January - March)

No issues came to our attention that we considered necessary to report to management.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Joseph D. Archer".

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 22, 2024

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 11,188,391	\$ 2,502,578	\$ 2,677,680
Accounts receivable	1,031,169		341,915
Interfund receivables		3,000	
	<u>12,219,560</u>	<u>2,505,578</u>	<u>3,019,595</u>
TOTAL ASSETS	<u>\$ 12,219,560</u>	<u>\$ 2,505,578</u>	<u>\$ 3,019,595</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 550,882	\$ 33,690	\$ 1,741
Interfund payables	3,000		
Settlements pending		11,010	39,958
Total Liabilities	<u>553,882</u>	<u>44,700</u>	<u>41,699</u>
Fund Balances:			
Restricted	248,503	2,460,878	2,977,896
Committed	9,871		
Assigned	53,540		
Unassigned	11,353,764		
Total Fund Balances	<u>11,665,678</u>	<u>2,460,878</u>	<u>2,977,896</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,219,560</u>	<u>\$ 2,505,578</u>	<u>\$ 3,019,595</u>

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

CITY OF CENTERTON, 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	\$ 293,415	\$ 1,500,872	\$ 130,259
Federal aid	40,667		4,000
Property taxes	1,911,162	334,480	
Franchise fees	1,157,624		
Sales taxes	8,552,901		2,970,233
Fines, forfeitures, and costs	286,247		62,840
Interest	398,047	75,591	112,900
Local permits and fees	1,554,491	47,100	10,051
Advertising and promotion taxes	213		290,573
Grant income	213,441		
Donations	35,829		255
Sale of capital assets	39,386		
Other	315,829	15,455	878
TOTAL REVENUES	14,799,252	1,973,498	3,581,989
EXPENDITURES			
Current:			
General government	2,367,832		
Law enforcement	4,443,150		113,788
Highways and streets	486,539	2,019,828	10,001
Public safety	3,523,033		1,046,643
Health	1,800,645		
Recreation and culture	1,392,557		190,189
Advertising and promotion			40,384
Cemetery			2,086
Total Current	14,013,756	2,019,828	1,403,091
Debt Service:			
Bond principal			2,773,666
Bond interest and other charges			203,797
Financed purchases principal	203,050		35,344
Financed purchases interest	11,862		
TOTAL EXPENDITURES	14,228,668	2,019,828	4,415,898

CITY OF CENTERTON, 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	\$ 570,584	\$ (46,330)	\$ (833,909)
OTHER FINANCING SOURCES (USES)			
Transfers in			564,667
Transfers out			(564,667)
TOTAL OTHER FINANCING SOURCES (USES)			0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	570,584	(46,330)	(833,909)
FUND BALANCES - JANUARY 1	11,095,094	2,507,208	3,811,805
FUND BALANCES - DECEMBER 31	\$ 11,665,678	\$ 2,460,878	\$ 2,977,896

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

CITY OF CENTERTON, 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	\$ 276,396	\$ 293,415	\$ 17,019	\$ 1,500,872	\$ 1,500,872	\$ 0
Federal aid	37,097	40,667	3,570			
Property taxes	2,045,397	1,911,162	(134,235)	362,019	334,480	(27,539)
Franchise fees	1,174,549	1,157,624	(16,925)			
Sales taxes	8,413,085	8,552,901	139,816			
Fines, forfeitures, and costs	280,892	286,247	5,355			
Interest	423,713	398,047	(25,666)	80,503	75,591	(4,912)
Local permits and fees	1,563,750	1,554,491	(9,259)	58,310	47,100	(11,210)
Advertising and promotion taxes	213	213	0			
Grant income	230,959	213,441	(17,518)			
Donations		35,829	35,829			
Sale of capital assets	39,386	39,386	0			
Other	340,249	315,829	(24,420)	15,455	15,455	0
TOTAL REVENUES	14,825,686	14,799,252	(26,434)	2,017,159	1,973,498	(43,661)
EXPENDITURES						
Current:						
General government	2,607,141	2,367,832	239,309			
Law enforcement	4,381,397	4,443,150	(61,753)			
Highways and streets	461,411	486,539	(25,128)	2,090,489	2,019,828	70,661
Public safety	3,682,676	3,523,033	159,643			
Health	1,863,413	1,800,645	62,768			
Recreation and culture	1,387,514	1,392,557	(5,043)			
Total Current	14,383,552	14,013,756	369,796	2,090,489	2,019,828	70,661
Debt Service:						
Financed purchases principal		203,050	(203,050)			
Financed purchases interest		11,862	(11,862)			
TOTAL EXPENDITURES	14,383,552	14,228,668	154,884	2,090,489	2,019,828	70,661

CITY OF CENTERTON, 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)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 442,134	\$ 570,584	\$ 128,450	\$ (73,330)	\$ (46,330)	\$ 27,000
OTHER FINANCING SOURCES (USES)						
Transfers in	922,087		(922,087)	1,000		(1,000)
Transfers out	(440,000)		440,000			
TOTAL OTHER FINANCING SOURCES (USES)	482,087		(482,087)	1,000		(1,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	924,221	570,584	(353,637)	(72,330)	(46,330)	26,000
FUND BALANCES - JANUARY 1		11,095,094	11,095,094		2,507,208	2,507,208
FUND BALANCES - DECEMBER 31	\$ 924,221	\$ 11,665,678	\$ 10,741,457	\$ (72,330)	\$ 2,460,878	\$ 2,533,208

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Centerton 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 Commission. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

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.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory

Other Funds in the Aggregate (Continued)

Pension Trust Fund – 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 Schedule 2 for the Pension Trust Fund 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.

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 and savings accounts, and treasury bills.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, pool deposits, and street improvement funds that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council’s intent to be used for specific purposes but are neither restricted nor committed.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications (Continued)

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.

G. Fund Balance Classification Policies and Procedures

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

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

CITY OF CENTERTON, 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)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	5,344,773	5,435,005
Uninsured and uncollateralized	10,523,176	10,523,176
Total Deposits	\$ 16,367,949	\$ 16,458,181

The above total deposits do not include cash on hand of \$700.

Custodial credit risk is 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, \$10,523,176 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited into an account consisting of U.S. treasury bills, 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	Other Funds in the Aggregate
Federal aid	\$ 8,971	
Franchise fees	200,578	
Sales taxes	792,366	\$ 308,026
Fines, forfeitures, and costs	22,199	4,811
Local permits and fees	50	
Advertising and promotion taxes		29,078
Other	7,005	
Totals	\$ 1,031,169	\$ 341,915

CITY OF CENTERTON, 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	Other Funds in the Aggregate
Vendor payables	\$ 262,969	\$ 33,690	\$ 1,741
Payroll taxes payable	287,913		
Totals	\$ 550,882	\$ 33,690	\$ 1,741

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2023	
	Interfund Receivables	Interfund Payables
General Fund		\$ 3,000
Street Fund	\$ 3,000	
Totals	\$ 3,000	\$ 3,000

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances were repaid in September 2024.

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

NOTE 7: 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:			
General government	\$ 246,503		\$ 4,402
Law enforcement			223,118
Highways and streets		\$ 2,460,878	6,487
Public safety	2,000		16,063
Recreation and culture			550,613
Advertising and promotion			250,412
Cemetery			31,365
Capital outlay			491,988
Debt service			1,403,448
Total Restricted	<u>248,503</u>	<u>2,460,878</u>	<u>2,977,896</u>
Committed for:			
Law enforcement	<u>9,871</u>		
Assigned to:			
Law enforcement	52,013		
Public safety	<u>1,527</u>		
Total Assigned	<u>53,540</u>		
Unassigned	<u>11,353,764</u>		
Totals	<u>\$ 11,665,678</u>	<u>\$ 2,460,878</u>	<u>\$ 2,977,896</u>

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2023, the legal debt limit for the bonded debt was \$79,095,958. 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 \$20,080,662. The amount of short-term financing obligations was \$683,502 leaving a legal debt margin of \$19,397,160.

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

NOTE 9: Commitments

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

	December 31, 2023
Long-term liabilities	\$ 6,059,708
Leases	251,543
Construction contracts	126,010
Total Commitments	\$ 6,437,261

NOTE 9: Commitments (Continued)

Long-term liabilities

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

	December 31, 2023
<u>Bonds</u>	
Centerton Ordinance no. 2017-53 (September 28, 2017) approved the issuance of City of Centerton, Sales and Use Tax Refunding and Improvement Bonds Series 2017A, dated November 1, 2017, in the amount of \$10,000,000, due in annual installments of \$80,000-\$640,000 plus interest at 2.25 - 3.5% per annum due November 1st in the years 2027 - 2035; and Series 2017B, dated November 1, 2017, in the amount of \$2,975,000 due in annual installments of \$275,000 - \$335,000 plus interest at 1.9 - 3.55% per annum due November 1st in the years 2018-2027. Proceeds are to be used to finance City Administrative Facilities, Street Improvements, Parks and Recreation Improvements, and Fire Department Facilities. Payments are to be made from the Debt Service Fund - Series 2017.	\$ 3,490,000
Centerton Ordinance no. 2021-05 (January 12, 2021) approved the issuance of City of Centerton, Sales and Use Tax Improvement Bonds Series 2021, dated February 18, 2021, in the amount of \$1,060,000, due in annual installments of \$37,062 - \$153,290 plus interest at 2.21% per annum with original maturity schedule due November 1st each year through 2027. Proceeds were used to finance all or a portion of the costs of Fire Department Facilities. Payments are to be made from the Debt Service Fund - Series 2021.	387,110
Total Bonds	3,877,110
<u>Direct Borrowings</u>	
Financed purchase dated September 16, 2019, with First Security Bank in the amount of \$309,637 for the purchase of a radio system and related accessories; 59 monthly payments of \$5,554 and the final monthly payment of \$5,535, at 2.89% interest. Payments are to be made from the General Fund.	76,406
Financed purchase dated February 17, 2022, with First Security Bank in the amount of \$407,275 for the purchase of airpicks and related accessories; 59 monthly payments of \$7,290 and the final monthly payment of \$7,121, at 2.81% interest. Payments are to be made from the General Fund.	264,481
Financed purchase dated January 1, 2022, with Axon Enterprises in the amount of \$203,082, with interest of 0.0% for the purchase of 26 Tasers and accessories with 5 annual payments of \$40,616. An additional 4 vehicle cameras and accessories costing \$42,425 was added on February 27, 2023. Yearly payments were increased to \$51,223 for the remainder of the contract. Payments are to be made from the General Fund.	153,668
Financed purchase dated February 27, 2023, with Axon Enterprises in the amount of \$233,838, with interest of 0.0% for the purchase of 24 Police vehicle cameras and accessories. Yearly payments of \$47,237 for 5 years. Payments are to be made from the General Fund.	188,947
Total Direct Borrowings	683,502
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	1,499,096
Total Long-term liabilities	\$ 6,059,708

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

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

NOTE 9: Commitments (Continued)

The City's outstanding bonds payable of \$3,877,110 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 direct borrowings of \$683,502 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.

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>					
11/1/17	11/1/35	2.25 - 3.5%	\$ 10,000,000	\$ 3,325,000	\$ 6,675,000
11/1/17	11/1/27	1.9 - 3.55%	2,975,000	165,000	2,810,000
2/18/21	11/1/27	2.21%	1,060,000	387,110	672,890
Total Bonds			<u>14,035,000</u>	<u>3,877,110</u>	<u>10,157,890</u>
<u>Direct Borrowings</u>					
9/16/19	9/16/24	2.89%	309,637	76,406	233,231
2/17/22	2/17/27	2.81%	407,275	264,481	142,794
1/1/22	1/1/26	0.00%	245,507	153,668	91,839
2/27/23	2/27/27	0.00%	233,838	188,947	44,891
Total Direct Borrowings			<u>1,196,257</u>	<u>683,502</u>	<u>512,755</u>
Total Long-Term Debt			<u>\$ 15,231,257</u>	<u>\$ 4,560,612</u>	<u>\$ 10,670,645</u>

Changes in Long-Term Debt

	Balance January 01, 2023	Issued	Retired	Balance December 31, 2023
Bonds payable	\$ 6,650,776	\$ 0	\$ 2,773,666	\$ 3,877,110
<u>Direct Borrowings</u>				
Financed purchases	645,633	276,263	238,394	683,502
Total Long-Term Debt	<u>\$ 7,296,409</u>	<u>\$ 276,263</u>	<u>\$ 3,012,060</u>	<u>\$ 4,560,612</u>

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

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 71,817	\$ 129,081	\$ 200,898	\$ 244,790	\$ 7,808	\$ 252,598
2025	137,227	127,494	264,721	192,886	4,184	197,070
2026	140,985	124,462	265,447	184,207	1,737	185,944
2027	282,081	121,346	403,427	61,619	52	61,671
2028	360,000	111,869	471,869			
2029 through 2033	1,990,000	361,769	2,351,769			
2034 through 2035	895,000	43,838	938,838			
Totals	\$ 3,877,110	\$ 1,019,859	\$ 4,896,969	\$ 683,502	\$ 13,781	\$ 697,283

Leases

The City entered into lease agreements for a hydraulic excavator, a backhoe loader, and a motor grader on February 9, 2023, February 16, 2023, and March 2, 2023, respectively. Terms of the leases are monthly rental payments of \$1,692, \$2,379, and \$5,603, respectively for 36 months. At the end of the lease term, the City will return the equipment. The City is obligated for the following amounts for the next three years:

Year	December 31, 2023
2024	\$ 116,097
2025	116,097
2026	19,349
Total	\$ 251,543

Lease expense for 2023, were \$96,747.

Construction Contracts

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

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2023
Pump Track and Bike Trail	March 2024	\$ 47,500
Main Street Flood Plain Improvements	December 2024	11,859
Sidewalks on Gamble and Bliss	December 2025	13,916
Mckissic Creek Park and Allen Road	December 2025	40,425
Safe Routes to School	December 2025	12,310
Total Construction Contracts		\$ 126,010

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

NOTE 10: Interfund Transfers

Within the Other Funds in the Aggregate, the City transferred \$228,967 from the Advertising and Promotion Fund to the Parks and Recreation Fund for operations, \$53,252 from the Series 2017 Refunding and Improvement Bonds – Debt Service Fund to the Series 2020 Improvement Bonds – Debt Service Fund for debt service payments, and \$282,448 from the Series 2017 Refunding and Improvement Bonds – Debt Service Fund to the Series 2021 Improvement Bonds – Debt Service Fund for debt service payments.

NOTE 11: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$14,035,000 in bonds that were issued in 2017 and 2021 to provide funding for Street and Parks and Recreation improvements, City Administrative Facilities, Fire Department Facilities, and refunding 2015 bond issues. Total principal and interest remaining on the bonds are \$3,877,110 and \$1,019,859, respectively, payable through November 1, 2035. For 2023, principal and interest paid were \$2,773,666 and \$194,398, respectively.

The Debt Service Fund received \$2,970,233 in sales taxes in 2023. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for retirement of future bond principal.

NOTE 12: Jointly Governed Organization – Benton County Solid Waste District

Benton County and the Cities of Benton County entered into an interlocal agreement, pursuant to Ark. Code Ann. § 8-6-723, creating the Benton County Solid Waste District (BCSWD). BCSWD was established in an effort to adequately, reliably, and economically dispose of the Cities' and County's solid waste. Payments totaling \$17,792 were made to the BCSWD during 2023 and future funding is to be at the rate of \$1 per capita of the City. Financial statements may be obtained at: Benton County Solid Waste District, 5702 Brookshire Road, Bentonville, Arkansas, 72712.

NOTE 13: 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.

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

NOTE 13: Risk Management (Continued)

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.

**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. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

On December 13, 2022, administration of the City of Centerton Firemen'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 \$739,214 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$280,487 for the year ended December 31, 2023.

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

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

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 \$9,080,322.

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.

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 \$370,957.

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 \$3,183,696.

NOTE 16: Subsequent Events

On November 14, 2024, the City issued \$38,175,000 of Sales and Use Tax Improvement Bonds with interest rates ranging from 4.00 to 5.00 percent. The bond proceeds will be used to fund a Multi-Use Community Center, Street Improvements, Parks Improvements, and Facility and Rolling Stock Improvements for the Police Department, fund the required debt service reserve, and pay costs of issuing the Series 2024 Bonds.

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

Schedule 1

	SPECIAL REVENUE FUNDS									
	Fire Equipment and Training (Act 833)	Emergency Vehicle (Act 988)	District Court Automation	Parks and Recreation	Advertising and Promotion	Law Enforcement Grant	Highway Improvement (Act 1949)	Incarceration Fee	Cemetery Operation and Maintenance	American Rescue Plan Act
ASSETS										
Cash and cash equivalents	\$ 17,804	\$ 11,814	\$ 72,725	\$ 550,613	\$ 221,334	\$ 100	\$ 5,946	\$ 134,209	\$ 31,365	\$ 4,402
Accounts receivable		1,033	1,310		29,078		541	1,927		
TOTAL ASSETS	\$ 17,804	\$ 12,847	\$ 74,035	\$ 550,613	\$ 250,412	\$ 100	\$ 6,487	\$ 136,136	\$ 31,365	\$ 4,402
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 1,741									
Settlements pending										
Total Liabilities	1,741									
Fund Balances:										
Restricted	16,063	\$ 12,847	\$ 74,035	\$ 550,613	\$ 250,412	\$ 100	\$ 6,487	\$ 136,136	\$ 31,365	\$ 4,402
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,804	\$ 12,847	\$ 74,035	\$ 550,613	\$ 250,412	\$ 100	\$ 6,487	\$ 136,136	\$ 31,365	\$ 4,402

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

Schedule 1

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS			CUSTODIAL FUNDS		
	Series 2017 Refunding and Improvement Bonds	Series 2021 Improvement Bonds	Series 2017 Refunding and Improvement Bonds - Debt Service	Series 2020 Improvement Bonds - Debt Service	Series 2021 Improvement Bonds - Debt Service	Administration of Justice	District Court	Totals
ASSETS								
Cash and cash equivalents	\$ 489,773	\$ 2,215	\$ 1,035,551	\$ 38,004	\$ 21,867	\$ 50	\$ 39,908	\$ 2,677,680
Accounts receivable			308,026					341,915
TOTAL ASSETS	\$ 489,773	\$ 2,215	\$ 1,343,577	\$ 38,004	\$ 21,867	\$ 50	\$ 39,908	\$ 3,019,595
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								\$ 1,741
Settlements pending						\$ 50	\$ 39,908	39,958
Total Liabilities						50	39,908	41,699
Fund Balances:								
Restricted	\$ 489,773	\$ 2,215	\$ 1,343,577	\$ 38,004	\$ 21,867			2,977,896
TOTAL LIABILITIES AND FUND BALANCES	\$ 489,773	\$ 2,215	\$ 1,343,577	\$ 38,004	\$ 21,867	\$ 50	\$ 39,908	\$ 3,019,595

CITY OF CENTERTON, 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

SPECIAL REVENUE FUNDS									
	Fire Equipment and Training (Act 833)	Emergency Vehicle (Act 988)	District Court Automation	Parks and Recreation	Advertising and Promotion	Law Enforcement Grant	Highway Improvement (Act 1949)	Incarceration Fee	Cemetery Operation and Maintenance
REVENUES									
State aid	\$ 30,259								
Federal aid						\$ 4,000			
Sales taxes									
Fines, forfeitures, and costs		\$ 12,435	\$ 18,020				\$ 7,525	\$ 24,860	
Interest	157	315	665		\$ 2,354		56		\$ 321
Local permits and fees				\$ 10,051					
Advertising and promotion taxes					290,573				
Donations									255
Other					878				
TOTAL REVENUES	30,416	12,750	18,685	10,051	293,805	4,000	7,581	24,860	576
EXPENDITURES									
Current:									
Law enforcement		27,767	5,355			4,000		12,010	
Highways and streets							10,001		
Public safety	45,208								
Recreation and culture				190,189					
Advertising and promotion					40,384				
Cemetery									2,086
Total Current	45,208	27,767	5,355	190,189	40,384	4,000	10,001	12,010	2,086
Debt Service:									
Bond principal									
Bond interest and other charges									
Financed purchases principal									
TOTAL EXPENDITURES	45,208	27,767	5,355	190,189	40,384	4,000	10,001	12,010	2,086
EXCESS OF REVENUES OVER (UNDER)									
EXPENDITURES	(14,792)	(15,017)	13,330	(180,138)	253,421		(2,420)	12,850	(1,510)
OTHER FINANCING SOURCES (USES)									
Transfers in				228,967					
Transfers out					(228,967)				
TOTAL OTHER FINANCING SOURCES (USES)				228,967	(228,967)				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)									
EXPENDITURES AND OTHER USES	(14,792)	(15,017)	13,330	48,829	24,454		(2,420)	12,850	(1,510)
FUND BALANCES - JANUARY 1	30,855	27,864	60,705	501,784	225,958	100	8,907	123,286	32,875
FUND BALANCES - DECEMBER 31	<u>\$ 16,063</u>	<u>\$ 12,847</u>	<u>\$ 74,035</u>	<u>\$ 550,613</u>	<u>\$ 250,412</u>	<u>\$ 100</u>	<u>\$ 6,487</u>	<u>\$ 136,136</u>	<u>\$ 31,365</u>

CITY OF CENTERTON, 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

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS			TRUST FUND	Totals
	Public Safety Equipment Grant	American Rescue Plan Act	Series 2017 Refunding and Improvement Bonds	Series 2021 Improvement Bonds	Series 2017 Refunding and Improvement Bonds - Debt Service	Series 2020 Improvement Bonds - Debt Service	Series 2021 Improvement Bonds - Debt Service	Firemen's Pension	
REVENUES									
State aid	\$ 100,000								\$ 130,259
Federal aid									4,000
Sales taxes					\$ 2,970,233				2,970,233
Fines, forfeitures, and costs									62,840
Interest			\$ 21,696	\$ 25,656	59,000	\$ 1,718	\$ 962		112,900
Local permits and fees									10,051
Advertising and promotion taxes									290,573
Donations									255
Other									878
TOTAL REVENUES	100,000		21,696	25,656	3,029,233	1,718	962		3,581,989
EXPENDITURES									
Current:									
Law enforcement	64,656								113,788
Highways and streets									10,001
Public safety				990,358				\$ 11,077	1,046,643
Recreation and culture									190,189
Advertising and promotion									40,384
Cemetery									2,086
Total Current	64,656			990,358				11,077	1,403,091
Debt Service:									
Bond principal					2,455,000	51,604	267,062		2,773,666
Bond interest and other charges					185,226	3,185	15,386		203,797
Financed purchases principal	35,344								35,344
TOTAL EXPENDITURES	100,000			990,358	2,640,226	54,789	282,448	11,077	4,415,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			21,696	(964,702)	389,007	(53,071)	(281,486)	(11,077)	(833,909)
OTHER FINANCING SOURCES (USES)									
Transfers in						53,252	282,448		564,667
Transfers out					(335,700)				(564,667)
TOTAL OTHER FINANCING SOURCES (USES)					(335,700)	53,252	282,448		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			21,696	(964,702)	53,307	181	962	(11,077)	(833,909)
FUND BALANCES - JANUARY 1		\$ 4,402	468,077	966,917	1,290,270	37,823	20,905	11,077	3,811,805
FUND BALANCES - DECEMBER 31	\$ 0	\$ 4,402	\$ 489,773	\$ 2,215	\$ 1,343,577	\$ 38,004	\$ 21,867	\$ 0	\$ 2,977,896

CITY OF CENTERTON, 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>
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Emergency Vehicle (Act 988)	Ark. Code Ann. § 27-22-103 established fund for the fine for failure to insure motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles, communication equipment, animals owned or used by law enforcement agencies, life-saving medical apparatus, and law enforcement apparatus.
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.
Parks and Recreation	Ark. Code Ann. § 26-75-606 and Centerton Ordinance no. 07-02 (May 8, 2007) amended by no. 09-27 (December 8, 2009) established fund allowing the City to allocate 80% of advertising and promotion tax for the purpose of parks and other facilities.
Advertising and Promotion	Ark. Code Ann. § 26-75-606 and Centerton Ordinance no. 07-02 (May 8, 2007) amended by no. 09-27 (December 8, 2009) established and amended the fund to receive no more than 3% of gross proceeds from restaurants, cafés, etc., that are to be used for parks and to promote the City.
Law Enforcement Grant	Established to account for Local Law Enforcement Block Grants (LLEBG) and Justice Assistance Grants (JAG) to be used for police department operations.
Highway Improvement (Act 1949)	Ark. Code Ann. § 27-14-313 established the fund to receive fines for failure to properly register vehicles to be used for the construction, maintenance or repair of public highway or highway structures, or for the installation and maintenance of traffic control devices.
Incarceration Fee	Ark. Code Ann. § 16-17-129 and Centerton Ordinance no. 05-49 (June 14, 2005) established fund to receive District Court additional fines not to exceed twenty dollars (\$20) to be deposited into the fund to be used exclusively to defray the cost of incarcerating city prisoners, including construction and maintenance of the city jail.
Cemetery Operation and Maintenance	Centerton Resolution no. 2014-08 (May 6, 2014) established fund to be used for the general grounds keeping and management of the Centerton Cemetery.
Public Safety Equipment Grant	Centerton Resolution 2023-02 (January 10, 2023) Established to account for Public Safety Equipment Grant to be used for police equipment.

CITY OF CENTERTON, 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>
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Series 2017 Refunding and Improvement Bonds	Centerton Ordinance no. 2017-53 (September 28, 2017) authorized the issuance of Sales and Use Tax Refunding and Improvement Bonds for the purpose of refunding prior sales tax indebtedness and financing City Administrative Facilities, Street Improvements, and Parks and Recreational Improvements and pledging collections of a 1% sales and use tax to pay the principal and interest on the bonds.
Series 2021 Improvement Bonds	Centerton Ordinance no. 2021-05 (January 12, 2021) authorized the issuance of Sales and Use Tax Improvement Bonds for the purpose of financing the cost of capital improvements and pledging collections of a 1% sales and use tax to pay the principal and interest on the bonds.
Series 2017 Refunding and Improvement Bonds - Debt Service	Centerton Ordinance no. 2017-53 (September 28, 2017) authorized the issuance of Sales and Use Tax Refunding and Improvement Bonds for the purpose of refunding prior sales tax indebtedness and financing City Administrative Facilities, Street Improvements, and Parks and Recreational Improvements and pledging collections of a 1% sales and use tax to pay the principal and interest on the bonds.
Series 2020 Improvement Bonds - Debt Service	Centerton Ordinance no. 2020-02 (January 14, 2020) authorized the issuance of Sales and Use Tax Improvement Bonds for the purpose of financing the cost of capital improvements and pledging collections of a 1% sales and use tax to pay the principal of and interest on the bonds.
Series 2021 Improvement Bonds - Debt Service	Centerton Ordinance no. 2021-05 (January 12, 2021) authorized the issuance of Sales and Use Tax Improvement Bonds for the purpose of financing the cost of capital improvements and pledging collections of a 1% sales and use tax to pay the principal and interest on the bonds.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

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

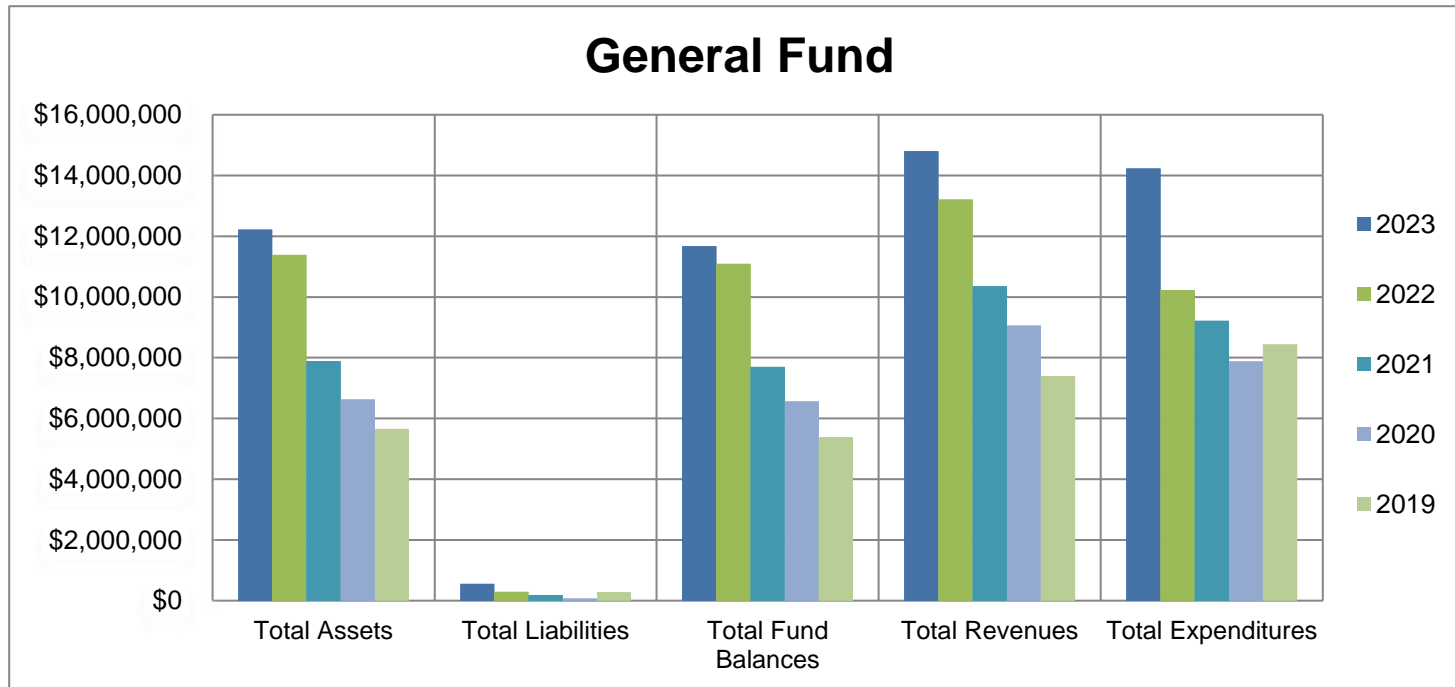
Schedule 3

	<u>December 31, 2023</u>
Land	\$ 2,094,111
Buildings and improvements	12,656,998
Construction in progress	381,395
Equipment	<u>10,047,070</u>
Total	<u><u>\$ 25,179,574</u></u>

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

Schedule 4-1

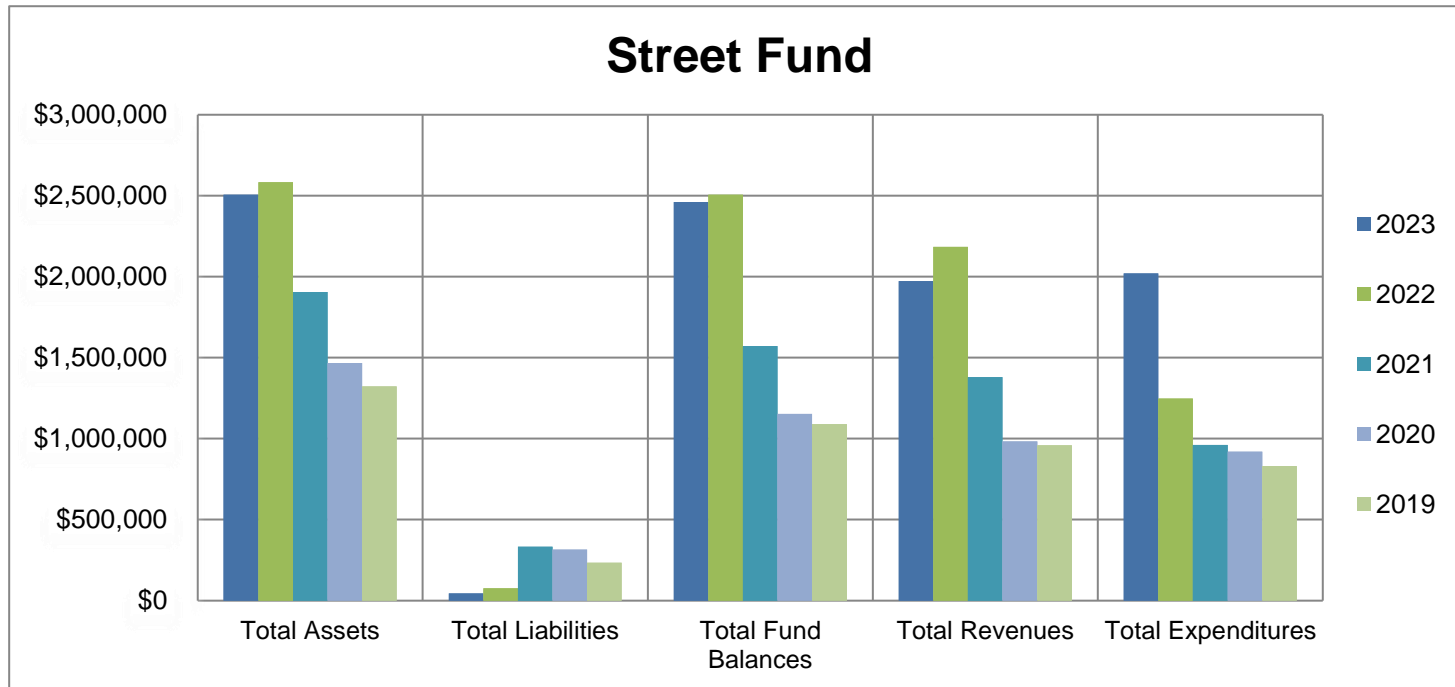
General	2023	2022	2021	2020	2019
Total Assets	\$ 12,219,560	\$ 11,382,873	\$ 7,886,875	\$ 6,627,558	\$ 5,651,839
Total Liabilities	553,882	287,779	190,197	71,438	275,103
Total Fund Balances	11,665,678	11,095,094	7,696,678	6,556,120	5,376,736
Total Revenues	14,799,252	13,213,070	10,352,182	9,056,985	7,390,820
Total Expenditures	14,228,668	10,221,929	9,211,624	7,877,601	8,437,696
Total Other Financing Sources/Uses		407,275			



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

Schedule 4-2

Street	2023	2022	2021	2020	2019
Total Assets	\$ 2,505,578	\$ 2,583,242	\$ 1,905,043	\$ 1,467,606	\$ 1,323,298
Total Liabilities	44,700	76,034	333,913	315,046	234,078
Total Fund Balances	2,460,878	2,507,208	1,571,130	1,152,560	1,089,220
Total Revenues	1,973,498	2,183,986	1,379,727	983,596	959,702
Total Expenditures	2,019,828	1,247,908	961,157	920,256	831,740
Total Other Financing Sources/Uses					



CITY OF CENTERTON, 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>	2023	2022	2021	2020	2019
Total Assets	\$ 3,019,595	\$ 3,841,342	\$ 6,452,327	\$ 8,630,836	\$ 8,563,923
Total Liabilities	41,699	29,537	50,092	467,017	145,385
Total Fund Balances	2,977,896	3,811,805	6,402,235	8,163,819	8,418,538
Total Revenues	3,581,989	4,774,814	4,742,079	2,680,484	2,248,143
Total Expenditures	4,415,898	4,726,127	7,430,667	3,398,403	3,153,781
Total Other Financing Sources/Uses		(2,639,117)	927,004	463,200	

