

# **City of Gravette, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**December 31, 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
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**Rep. Jimmy Gazaway**  
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**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## **LEGISLATIVE JOINT AUDITING COMMITTEE**

### **ARKANSAS LEGISLATIVE AUDIT**

#### **Independent Auditor's Report**

City of Gravette, 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 Gravette, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

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

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Gravette, Arkansas as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Gravette, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

##### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements. 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 January 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
January 27, 2023  
LOM119621

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### Independent Auditor's Report

City of Gravette, 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 Gravette, Arkansas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated January 27, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also reported to management of the City in a separate letter dated January 27, 2023.

### **Purpose of This Report**

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

ARKANSAS LEGISLATIVE AUDIT

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

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 27, 2023

# Arkansas

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



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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

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

Mayor: Kurt Maddox  
Clerk/Treasurer: Mike Von Ree  
Police Chief: Chuck Skaggs

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments 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. These matters were discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

#### Mayor and Clerk/Treasurer

Street Fund monies totaling \$54,500 were expended on the City Hall Remodel project, in apparent conflict with Ark. Code Ann. §§ 26-79-104 and 27-70-207.

#### Other Issues

On November 2, 2021, an unauthorized withdrawal totaling \$1,992 was made from the City's bank account. The bank discovered the unauthorized withdrawal and refunded the City's bank account.

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, reading "Timothy R. Jones".

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 27, 2023



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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,310,345	\$ 217,035	\$ 1,211,705
Accounts receivable	194,578	7,293	53,559
Interfund receivables		4,400	4,255
	<u>1,504,923</u>	<u>228,728</u>	<u>1,269,519</u>
TOTAL ASSETS	<u>\$ 1,504,923</u>	<u>\$ 228,728</u>	<u>\$ 1,269,519</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 69,770	\$ 2,006	\$ 2,394
Interfund payables	8,655		
Total Liabilities	<u>78,425</u>	<u>2,006</u>	<u>2,394</u>
Fund Balances:			
Restricted	142,935	226,722	1,028,523
Assigned			238,602
Unassigned	1,283,563		
Total Fund Balances	<u>1,426,498</u>	<u>226,722</u>	<u>1,267,125</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,504,923</u>	<u>\$ 228,728</u>	<u>\$ 1,269,519</u>

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

CITY OF GRAVETTE, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 56,285	\$ 265,315	\$ 74,893
Federal aid	1,000		370,554
Property taxes	236,282	48,528	
Franchise fees	213,530		
Sales taxes	1,567,139		611,733
Fines, forfeitures, and costs	76,049		8,591
Interest	2,412	466	2,276
Local permits and fees	190,476		2,220
School resource officer	123,820		
Donations	4,214		275
Sale of cemetery plots			5,500
Ambulance fees	67,746		
Fire dues	32,988		
Grant income	159,858		
Sale of building	398,990		
Other	67,182	1,355	1,351
TOTAL REVENUES	3,197,971	315,664	1,077,393
EXPENDITURES			
Current:			
General government	1,054,130		358,531
Law enforcement	966,162		59,277
Highways and streets		304,297	4,498
Public safety	496,551		33,635
Recreation and culture	501,506		6,612
Total Current	3,018,349	304,297	462,553
Debt Service:			
Bond principal			270,000
Bond interest and other charges			190,166
Note principal	23,617		
Note interest	3,135		
TOTAL EXPENDITURES	3,045,101	304,297	922,719

CITY OF GRAVETTE, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 152,870</u>	<u>\$ 11,367</u>	<u>\$ 154,674</u>
OTHER FINANCING SOURCES (USES) Contribution to water department			<u>(9,071)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	152,870	11,367	145,603
FUND BALANCES - JANUARY 1	<u>1,273,628</u>	<u>215,355</u>	<u>1,121,522</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,426,498</u></u>	<u><u>\$ 226,722</u></u>	<u><u>\$ 1,267,125</u></u>

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

CITY OF GRAVETTE, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 51,894	\$ 56,285	\$ 4,391	\$ 265,315	\$ 265,315	\$ 0
Federal aid	2,000	1,000	(1,000)			
Property taxes	238,926	236,282	(2,644)	47,796	48,528	732
Franchise fees	215,174	213,530	(1,644)			
Sales taxes	1,560,533	1,567,139	6,606			
Fines, forfeitures, and costs	70,589	76,049	5,460			
Interest	2,413	2,412	(1)	466	466	0
Local permits and fees	176,834	190,476	13,642			
School resource officer	123,820	123,820	0			
Donations	3,115	4,214	1,099			
Ambulance fees	67,746	67,746	0			
Fire dues	32,988	32,988	0			
Grant income	160,958	159,858	(1,100)			
Sale of building	398,990	398,990	0			
Other	67,024	67,182	158	355	1,355	1,000
TOTAL REVENUES	3,173,004	3,197,971	24,967	313,932	315,664	1,732
EXPENDITURES						
Current:						
General government	1,011,911	1,054,130	(42,219)			
Law enforcement	992,589	966,162	26,427			
Highways and streets				309,559	304,297	5,262
Public safety	495,885	496,551	(666)			
Recreation and culture	503,398	501,506	1,892			
Total Current	3,003,783	3,018,349	(14,566)	309,559	304,297	5,262
Debt Service:						
Note principal	29,014	23,617	5,397			
Note interest	13,674	3,135	10,539			
TOTAL EXPENDITURES	3,046,471	3,045,101	1,370	309,559	304,297	5,262
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	126,533	152,870	26,337	4,373	11,367	6,994
FUND BALANCES - JANUARY 1	46,533	1,273,628	1,227,095	54,500	215,355	160,855
FUND BALANCES - DECEMBER 31	\$ 173,066	\$ 1,426,498	\$ 1,253,432	\$ 58,873	\$ 226,722	\$ 167,849

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

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

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

**A. Financial Reporting Entity**

The City of Gravette was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

**B. Basis of Presentation – Regulatory**

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

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

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

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

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

**Street Fund** - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback 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 Fund** - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for the Debt Service Fund reported with other funds in the aggregate.

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

**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 and money market accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

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.

**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.

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

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

**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.

There were no committed fund balances at year-end.

**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)	\$ 750,000	\$ 750,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,452,704	1,481,672
Uncollateralized	536,281	536,281
Total Deposits	<u>\$ 2,738,985</u>	<u>\$ 2,767,953</u>

The above total deposits do not include cash on hand of \$100.

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

**NOTE 2: Cash Deposits with Financial Institutions (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of December 31, 2021, \$536,281 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 U. S. Treasury Reserves, 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, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 4,391		
Property taxes	25,172	\$ 6,293	
Franchise fees	26,137		
Sales taxes	127,505		\$ 52,879
Fines, forfeitures, and costs	8,470		680
Local permits and fees	2,896		
Other	7	1,000	
Totals	<u>\$ 194,578</u>	<u>\$ 7,293</u>	<u>\$ 53,559</u>



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

**NOTE 5: Accounts Payable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 16,891	\$ 2,006	\$ 2,394
Retirement contributions payable	21,243		
Payroll taxes payable	20,158		
Benefits payable	2,478		
Due to water and sewer	9,000		
Totals	<u>\$ 69,770</u>	<u>\$ 2,006</u>	<u>\$ 2,394</u>

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
General Fund		\$ 8,655
Street Fund	\$ 4,400	
Other Funds in the Aggregate:		
Special Revenue Funds:		
Cemetery	4,255	
Totals	<u>\$ 8,655</u>	<u>\$ 8,655</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances were repaid by February 2023.

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

**NOTE 7: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government	\$ 10,448		\$ 302,504
Law enforcement	15,307		10,756
Highways and streets	18,146	\$ 226,722	
Public safety	16,002		31,891
Recreation and culture	83,032		36,897
Cemetery			70,535
Capital outlay			197,818
Debt service			378,122
Total Restricted	<u>142,935</u>	<u>226,722</u>	<u>1,028,523</u>
Assigned to:			
Public safety			9,034
Capital outlay			229,568
Total Assigned			<u>238,602</u>
Unassigned	<u>1,283,563</u>		
Totals	<u>\$ 1,426,498</u>	<u>\$ 226,722</u>	<u>\$ 1,267,125</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, 2021, the legal debt limit for the bonded debt was \$9,663,816. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2021, the legal debt limit for short-term financing obligations was \$2,588,525. The amount of short-term financing obligations, was \$82,349 leaving a legal debt margin of \$2,506,176.

**NOTE 9: Commitments**

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

	December 31, 2021
Long-term liabilities	\$ 5,096,216
Construction contract	<u>458,269</u>
Total Commitments	<u>\$ 5,554,485</u>

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

**NOTE 9: Commitments (Continued)**

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	<u>December 31,</u> <u>2021</u>
<u>Bonds</u>	
Sales and Use Tax Construction Bonds, dated March 7, 2017, in the amount of \$5,185,000, due in annual installments of \$125,000 to \$295,000 plus interest through September 1, 2043, interest rates of 2.375% to 4.00%. Proceeds were used for various construction projects. Sales Tax Bonds may be called early, if sufficient funds from Debt Service sales tax collections have accumulated. Payments are to be made from the Bond Fund.	\$ 3,975,000
Sales and Use Tax Construction Bonds, dated November 13, 2018, in the amount of \$1,065,000, due in annual installments of \$15,000 to \$250,000 plus interest through September 1, 2043, interest rate of 4.375%. Proceeds were used for various construction projects. Sales Tax Bonds may be called early, if sufficient funds from Debt Service sales tax collections have accumulated. Payments are to be made from the Bond Fund.	<u>875,000</u>
Total Bonds	<u>4,850,000</u>
<u>Direct Borrowings</u>	
Promissory note payable with Bank of Gravette, dated April 28, 2020, in the amount of \$123,162, for the purchase of radios for the Police and Fire Departments to be paid in 60 monthly installments of \$2,229 beginning May 28, 2020 at 3.25% interest. Payments are to be made from the General Fund. Radios purchased are pledged as collateral.	<u>82,349</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	<u>163,867</u>
Total Long-term liabilities	<u>\$ 5,096,216</u>

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 \$4,850,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 25% 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, under the Authorizing Ordinance, to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding notes from direct borrowings of \$82,349 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

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

**NOTE 9: 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, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
3/7/17	9/1/42	2.375% - 4.00%	\$ 5,185,000	\$ 3,975,000	\$ 1,210,000
11/13/18	9/1/43	4.375%	1,065,000	875,000	190,000
Total Bonds			6,250,000	4,850,000	1,400,000
<u>Direct Borrowings</u>					
4/28/20	4/8/25	3.25%	123,162	82,349	40,813
Total Long-Term Debt			\$ 6,373,162	\$ 4,932,349	\$ 1,440,813

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 5,120,000	\$ 0	\$ 270,000	\$ 4,850,000
<u>Direct Borrowings</u>				
Notes payable	105,966	0	23,617	82,349
Total Long-Term Debt	\$ 5,225,966	\$ 0	\$ 293,617	\$ 4,932,349

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 165,000	\$ 178,419	\$ 343,419	\$ 22,346	\$ 2,177	\$ 24,523
2023	170,000	173,825	343,825	25,154	1,599	26,753
2024	175,000	169,012	344,012	25,992	760	26,752
2025	180,000	163,794	343,794	8,857	61	8,918
2026	185,000	157,981	342,981			
2027 through 2031	1,030,000	684,338	1,714,338			
2032 through 2036	1,250,000	471,456	1,721,456			
2037 through 2041	1,515,000	203,125	1,718,125			
2042 through 2043	180,000	11,969	191,969			
Totals	\$ 4,850,000	\$ 2,213,919	\$ 7,063,919	\$ 82,349	\$ 4,597	\$ 86,946

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

**NOTE 9: Commitments (Continued)**

Construction Contract

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

<u>Project Name</u>	<u>Completed</u>	<u>Contract Balance December 31, 2021</u>
New City Hall Remodel	January 2022	\$ 458,269

**NOTE 10: Pledged Revenues**

The City pledged future 0.75% sales and use taxes to repay \$6,250,000 in bonds that were issued in 2017 and 2018 to provide funding for improvements to streets, parks and recreation facilities, sewer, and sidewalks. Total principal and interest remaining on the bonds are \$4,850,000 and \$2,213,919, respectively, payable through September 1, 2043. For 2021, principal and interest paid were \$270,000 and \$186,856, respectively.

The Debt Service Fund received \$458,800 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used to call bonds early.

**NOTE 11: 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.

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

**NOTE 11: Risk Management (Continued)**

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

Plan Description

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

On July 31, 2019, administration of the City of Gravette 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 \$126,976 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$84,399 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$1,135,967.

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

**NOTE 13: Arkansas Public Employees Retirement System**

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$98,189 for the year ended June 30, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2021 (actuarial valuation date and measurement date) was \$246,763.

**NOTE 14: Corona Virus (COVID-19)**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The City was awarded \$728,448 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$728,448 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

**NOTE 15: Subsequent Events**

On December 8, 2022, the City signed a contract with 81 Construction in the amount of \$1,152,551 for Phase II of the Trail Project.

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

Schedule 1

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	
	Rural Fire Protection (Act 833)	Cemetery	Museum	Emergency Vehicle	American Rescue Plan Act	Capital Improvements	Sales and Use Tax Bonds	Sales and Use Tax	Totals
ASSETS									
Cash and cash equivalents	\$ 41,199	\$ 66,280	\$ 37,297	\$ 10,076	\$ 302,504	\$ 218,068	\$ 197,818	\$ 338,463	\$ 1,211,705
Accounts receivable				680		13,220		39,659	53,559
Interfund receivables		4,255							4,255
TOTAL ASSETS	<u>\$ 41,199</u>	<u>\$ 70,535</u>	<u>\$ 37,297</u>	<u>\$ 10,756</u>	<u>\$ 302,504</u>	<u>\$ 231,288</u>	<u>\$ 197,818</u>	<u>\$ 378,122</u>	<u>\$ 1,269,519</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 274		\$ 400			\$ 1,720			\$ 2,394
Fund Balances:									
Restricted	31,891	\$ 70,535	36,897	\$ 10,756	\$ 302,504		\$ 197,818	\$ 378,122	1,028,523
Assigned	9,034					229,568			238,602
Total Fund Balances	<u>40,925</u>	<u>70,535</u>	<u>36,897</u>	<u>10,756</u>	<u>302,504</u>	<u>229,568</u>	<u>197,818</u>	<u>378,122</u>	<u>1,267,125</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 41,199</u>	<u>\$ 70,535</u>	<u>\$ 37,297</u>	<u>\$ 10,756</u>	<u>\$ 302,504</u>	<u>\$ 231,288</u>	<u>\$ 197,818</u>	<u>\$ 378,122</u>	<u>\$ 1,269,519</u>



CITY OF GRAVETTE, ARKANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		DEBT SERVICE FUND	
	Rural Fire Protection (Act 833)	Cemetery	Museum	Emergency Vehicle	American Rescue Plan Act	Capital Improvements	Sales and Use Tax Bonds	Sales and Use Tax	Totals
REVENUES									
State aid	\$ 25,245					\$ 49,648			\$ 74,893
Federal aid				\$ 2,550	\$ 368,004				370,554
Sales taxes						152,933		\$ 458,800	611,733
Fines, forfeitures, and costs				8,591					8,591
Interest		\$ 315	\$ 18	5		1,892	\$ 18	28	2,276
Local permits and fees		5	2,215						2,220
Donations		250	25						275
Sale of cemetery plots		5,500							5,500
Other		75	1,276						1,351
<b>TOTAL REVENUES</b>	<b>25,245</b>	<b>6,145</b>	<b>3,534</b>	<b>11,146</b>	<b>368,004</b>	<b>204,473</b>	<b>18</b>	<b>458,828</b>	<b>1,077,393</b>
EXPENDITURES									
Current:									
General government		560			9,400	264,186	84,385		358,531
Law enforcement				10,061	24,700	24,516			59,277
Highways and streets					4,400		98		4,498
Public safety	21,635				12,000				33,635
Recreation and culture			612		6,000				6,612
Total Current	21,635	560	612	10,061	56,500	288,702	84,483		462,553
Debt Service:									
Bond principal								270,000	270,000
Bond interest and other charges								190,166	190,166
<b>TOTAL EXPENDITURES</b>	<b>21,635</b>	<b>560</b>	<b>612</b>	<b>10,061</b>	<b>56,500</b>	<b>288,702</b>	<b>84,483</b>	<b>460,166</b>	<b>922,719</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,610	5,585	2,922	1,085	311,504	(84,229)	(84,465)	(1,338)	154,674
OTHER FINANCING SOURCES (USES)									
Contribution to water department					(9,000)		(71)		(9,071)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,610	5,585	2,922	1,085	302,504	(84,229)	(84,536)	(1,338)	145,603
FUND BALANCES - JANUARY 1	37,315	64,950	33,975	9,671		313,797	282,354	379,460	1,121,522
FUND BALANCES - DECEMBER 31	\$ 40,925	\$ 70,535	\$ 36,897	\$ 10,756	\$ 302,504	\$ 229,568	\$ 197,818	\$ 378,122	\$ 1,267,125

CITY OF GRAVETTE, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
Rural Fire Protection (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.
Cemetery	Gravette Ordinance no. 12-08 (February 23, 2012) established a fund to account for donations, grants and other funds received for the operation of the City Cemetery.
Museum	Gravette Ordinance no. 08-05 (April 24, 2008) established a fund to account for donations, grants and other funds collected for the operation of the City Museum.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for the fine for failure to insure motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles, communication equipment, animals owned or used by law enforcement agencies, life-saving medical apparatus, and law enforcement apparatus.
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.
Capital Improvements	Gravette Ordinance no. 03-08 (April 3, 2003) established to account for the collection of the .25% sales and use tax to be used to finance the operation and maintenance of capital improvements.
Sales and Use Tax Bonds	Gravette Ordinance nos. 17-01 (January 26, 2017) and 18-19 (September 27, 2018) authorized the issuance and sale of sales and use tax bonds for the purpose of street, park, and recreational facilities, sewer, and sidewalk improvements.
Sales and Use Tax	Gravette Ordinance no. 15-26 (April 3, 2015) established a fund to account for .75% sales tax collections to be used for principal and interest payments on bonded indebtedness.

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

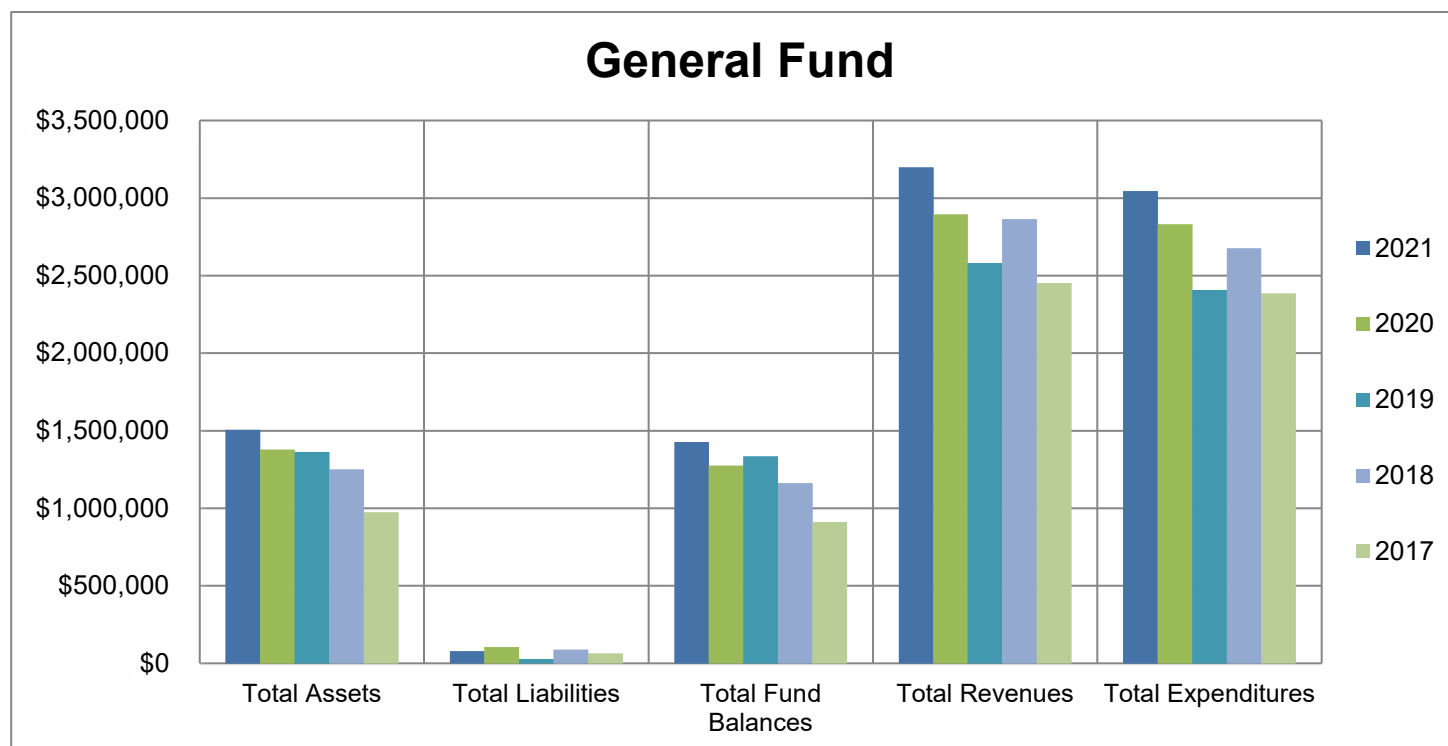
Schedule 3

	December 31, 2021
Land	\$ 795,197
Buildings and Improvements	3,023,948
Construction in Progress	210,032
Equipment	<u>3,128,111</u>
Total	<u><u>\$ 7,157,288</u></u>

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

Schedule 4-1

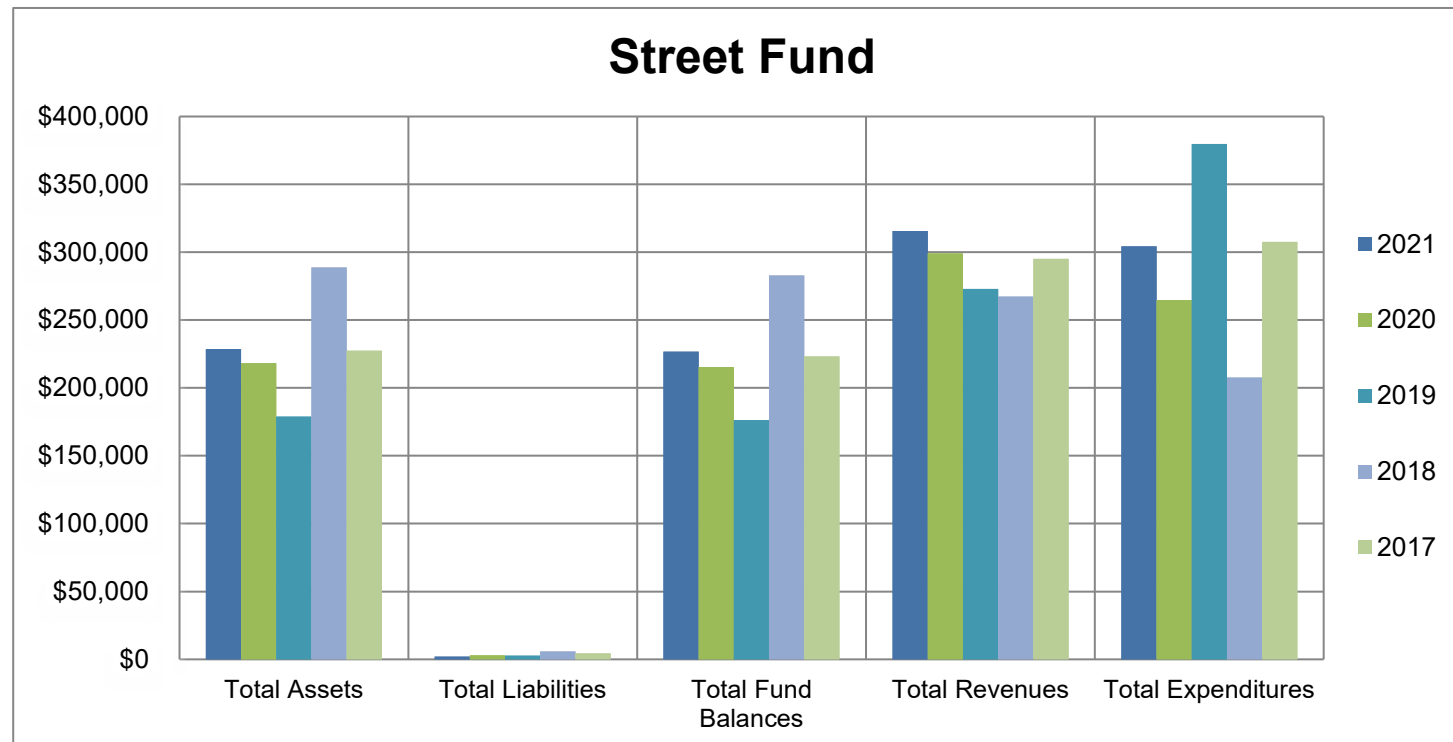
<b>General</b>	2021	2020	2019	2018	2017
Total Assets	\$ 1,504,923	\$ 1,377,433	\$ 1,362,562	\$ 1,249,527	\$ 973,435
Total Liabilities	78,425	103,805	27,632	88,241	62,187
Total Fund Balances	1,426,498	1,273,628	1,334,930	1,161,286	911,248
Total Revenues	3,197,971	2,894,088	2,579,810	2,863,468	2,452,694
Total Expenditures	3,045,101	2,829,879	2,406,166	2,676,063	2,383,698
Total Other Financing Sources/Uses		(125,511)		252	(76,255)



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

Schedule 4-2

<b>Street</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Assets	\$ 228,728	\$ 218,222	\$ 178,916	\$ 288,670	\$ 227,539
Total Liabilities	2,006	2,867	2,720	5,725	4,259
Total Fund Balances	226,722	215,355	176,196	282,945	223,280
Total Revenues	315,664	299,123	272,967	267,256	295,134
Total Expenditures	304,297	264,729	379,716	207,591	307,641
Total Other Financing Sources/Uses		4,765			43,448



CITY OF GRAVETTE, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
DECEMBER 31, 2021  
(Unaudited)

Schedule 4-3

<b>Other Funds in the Aggregate</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Assets	\$ 1,269,519	\$ 1,124,737	\$ 1,406,339	\$ 2,155,772	\$ 3,350,466
Total Liabilities	2,394	3,215	14,816	31,606	
Total Fund Balances	1,267,125	1,121,522	1,391,523	2,124,166	3,350,466
Total Revenues	1,077,393	827,256	945,415	1,034,736	711,769
Total Expenditures	922,719	1,242,580	1,552,844	3,172,984	2,646,251
Total Other Financing Sources/Uses	(9,071)	145,323	(125,214)	974,329	4,694,941

