

City of Elkins, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF ELKINS, ARKANSAS
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Arkansas

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



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

Unmodified Opinions on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

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

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

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

Emphases of Matter

As discussed in Note 1 to the financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the City would have included 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 September 8, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
September 8, 2023
LOM119722

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 Elkins, 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 Elkins, Arkansas (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated September 8, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated September 8, 2023.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT



Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
September 8, 2023

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

MANAGEMENT LETTER

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

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

Mayor: Bruce Ledford
City Clerk: Delia Foster
Finance Director: Gayla Stahman
District Court Clerk: Alexis Ward
Police Chief: Bryan Watts

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

Handwritten signature of Timothy R. Jones in black ink.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
September 8, 2023

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

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 597,608	\$ 299,069	\$ 13,716,248
Accounts receivable	218,726		86,106
Interfund receivables	17,775		
	<u>834,109</u>	<u>299,069</u>	<u>13,802,354</u>
TOTAL ASSETS	<u>\$ 834,109</u>	<u>\$ 299,069</u>	<u>\$ 13,802,354</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,412	\$ 1,731	\$ 25,949
Interfund payables		6,248	11,527
Settlements pending			25,832
Total Liabilities	<u>32,412</u>	<u>7,979</u>	<u>63,308</u>
Fund Balances:			
Restricted			13,736,412
Assigned		291,090	2,634
Unassigned	801,697		
Total Fund Balances	<u>801,697</u>	<u>291,090</u>	<u>13,739,046</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 834,109</u>	<u>\$ 299,069</u>	<u>\$ 13,802,354</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 53,736	\$ 310,985	\$ 25,462
Federal aid	27,600		362,218
Property taxes	198,723	27,298	49,681
Franchise fees	113,458		
Sales taxes	1,021,812	75,000	1,557,442
Fines, forfeitures, and costs	44,603		14,534
Interest	539	272	156,661
Local permits and fees	97,476		25,988
County aid	43,593		221,916
School resource officer reimbursement	117,475		
Employee contributions			148,000
Fire dues			35,554
Other	180,526	271	9,484
TOTAL REVENUES	1,899,541	413,826	2,606,940
EXPENDITURES			
Current:			
General government	701,141		
Law enforcement	907,130		102,205
Highways and streets		431,288	
Public safety	29,108		370,411
Recreation and culture	1,675		146,877
Wastewater			1,193,384
Total Current	1,639,054	431,288	1,812,877
Debt Service:			
Bond principal			650,000
Bond interest and other charges			337,278
Financed purchase principal	54,814		67,522
Financed purchase interest	11,230		7,920
TOTAL EXPENDITURES	1,705,098	431,288	2,875,597

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 194,443</u>	<u>\$ (17,462)</u>	<u>\$ (268,657)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			21,000
Transfers out	(21,000)		
Contribution from water department	<u>6,786</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,214)</u>		<u>21,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	180,229	(17,462)	(247,657)
FUND BALANCES - JANUARY 1	<u>621,468</u>	<u>308,552</u>	<u>13,986,703</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 801,697</u></u>	<u><u>\$ 291,090</u></u>	<u><u>\$ 13,739,046</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 53,736	\$ 53,736	\$ 0	\$ 310,985	\$ 310,985	\$ 0
Federal aid		27,600	27,600			
Property taxes	248,404	198,723	(49,681)	27,298	27,298	0
Franchise fees	98,076	113,458	15,382			
Sales taxes	1,533,576	1,021,812	(511,764)	75,000	75,000	0
Fines, forfeitures, and costs	147,828	44,603	(103,225)			
Interest	362,927	539	(362,388)	545	272	(273)
Local permits and fees	119,223	97,476	(21,747)			
County aid		43,593	43,593			
School resource officer reimbursement		117,475	117,475			
Other	265,949	180,526	(85,423)		271	271
TOTAL REVENUES	2,829,719	1,899,541	(930,178)	413,828	413,826	(2)
EXPENDITURES						
Current:						
General government	1,453,474	701,141	752,333			
Law enforcement	1,213,654	907,130	306,524			
Highways and streets				424,682	431,288	(6,606)
Public safety		29,108	(29,108)			
Recreation and culture		1,675	(1,675)			
Total Current	2,667,128	1,639,054	1,028,074	424,682	431,288	(6,606)
Debt Service:						
Financed purchase principal		54,814	(54,814)			
Financed purchase interest		11,230	(11,230)			
TOTAL EXPENDITURES	2,667,128	1,705,098	962,030	424,682	431,288	(6,606)

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 162,591	\$ 194,443	\$ 31,852	\$ (10,854)	\$ (17,462)	\$ (6,608)
OTHER FINANCING SOURCES (USES)						
Transfers out		(21,000)	(21,000)			
Contribution from water department		6,786	6,786			
TOTAL OTHER FINANCING SOURCES (USES)		(14,214)	(14,214)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	162,591	180,229	17,638	(10,854)	(17,462)	(6,608)
FUND BALANCES - JANUARY 1		621,468	621,468		308,552	308,552
FUND BALANCES - DECEMBER 31	\$ 162,591	\$ 801,697	\$ 639,106	\$ (10,854)	\$ 291,090	\$ 301,944

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

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued) - 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: (Continued)

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

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

C. Basis of Accounting - Regulatory

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

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

Settlements Pending

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. 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.

F. Budget Law

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

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

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

Basis of Accounting

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures

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

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

There were no committed 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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,692,621	1,699,648
Uncollateralized	12,670,204	12,670,204
Total Deposits	\$ 14,612,825	\$ 14,619,852

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

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At December 31, 2022, the City had \$12,670,204 of uninsured, uncollateralized bank deposits that were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

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

NOTE 4: Accounts Receivable

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

Description	General Fund	Other Funds in the Aggregate
Franchise fees	\$ 35,687	
Sales taxes	125,337	\$ 85,254
Fines, forfeitures, and costs	13,627	852
Other	44,075	
Totals	<u>\$ 218,726</u>	<u>\$ 86,106</u>

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 32,412</u>	<u>\$ 1,731</u>	<u>\$ 25,949</u>

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 17,775	
Street Fund		\$ 6,248
Other Funds in the Aggregate:		
Special Revenue Funds:		
Fire Department		8,327
Library		3,200
Totals	<u>\$ 17,775</u>	<u>\$ 17,775</u>

Interfund receivables and payables consist of payroll reimbursements. These balances are expected to be repaid January 2023.

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

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 386,632
Law enforcement			219,795
Public safety			300,684
Recreation and culture			73,844
Capital outlay			12,002,266
Debt service			753,191
Total Restricted			13,736,412
Assigned to:			
Highways and streets		\$ 291,090	
Recreation and culture			2,634
Total Assigned		291,090	2,634
Unassigned	\$ 801,697		
Totals	\$ 801,697	\$ 291,090	\$ 13,739,046

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, 2022, the legal debt limit for the bonded debt was \$9,760,784. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022, the legal debt limit for short-term financing obligations was \$2,520,545. The amount of short-term financing obligations was \$383,519 leaving a legal debt margin of \$2,137,026.

NOTE 9: Commitments

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

	December 31, 2022
Long-term liabilities	\$ 13,519,534
Construction contract	48,995
Total Commitments	\$ 13,568,529

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

NOTE 9: Commitments (Continued)

Long-term liabilities

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

	December 31, 2022
<u>Bonds</u>	
Sales and Use Tax Refunding and Improvement Bonds - Series 2021A , issued July 14, 2021, for \$5,670,000; 20 annual installments beginning September 1, 2022, with the final settlement due September 1, 2037, interest at 1.125% - 3.000%. Payments are to be made from the Debt Service Fund.	\$ 5,350,000
Sales and Use Tax Improvement Bonds - Series 2021B, issued July 14, 2021 , for \$8,020,000; 25 annual installments beginning September 1, 2022, with the final settlement due September 1, 2046, Interest at 1.125% - 3.000%. Payments are to be made from the Debt Service Fund.	7,690,000
Total Bonds	13,040,000
<u>Direct Borrowings</u>	
Financed purchase, dated March 15, 2013, in the amount of \$160,891, with Arvest Bank to finance the purchase of the City Hall. Monthly payments of \$1,568 for 60 months with interest rate of 3.25%. On March 15, 2018, the bank loan was extended for an additional 60 months with payments of \$1,690 due monthly with interest rate of 4.72%. Payments are to be made from General Fund.	93,822
Financed purchase, dated January 24, 2020, with Arvest Bank in the amount of \$293,250 to finance the purchase of a Fire Truck. Monthly payments of \$2,926 for 60 months with interest rate of 3.61%. An additional payment of \$100,000 was made on September 22, 2021. Payments are to be made from the Fire Fund.	116,508
Financed purchase, dated September 20, 2012, in the amount of \$182,332 with Arvest Bank to finance the purchase of the Library building. Monthly payments were \$1,878 for 60 months with interest rate of 2.95%. On July 20, 2017, loan was renewed for additional 60 months with same payments at an interest rate of 4.16%. On January 21, 2021, remaining loan balance of \$91,390 was modified for additional 18 months with \$1,022 payments at an interest rate of 3.5%. Payments are to be made from the Library Fund.	45,810
Financed purchase, dated June 4, 2020, with Government Capital Corporation (Southside Bank) in the amount of \$204,641 with an interest rate of 3.84% for the purchase of four police vehicles. Annual payments of \$45,762 for 5 years with the first payment due on June 4, 2021. Payments are to be made from the General Fund.	127,379
Total Direct Borrowings	383,519
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	96,015
Total Long-term liabilities	\$ 13,519,534

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 \$13,040,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

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

NOTE 9: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding financed purchases from direct borrowings of \$383,519 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.

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
7/14/21	9/1/37	1.125-3.00%	\$ 5,670,000	\$ 5,350,000	\$ 320,000
7/14/21	9/1/46	1.125-3.00%	8,020,000	7,690,000	330,000
Total Bonds			<u>13,690,000</u>	<u>13,040,000</u>	<u>650,000</u>
<u>Direct Borrowings</u>					
3/15/18	3/15/23	4.72%	160,891	93,822	67,069
1/24/20	2/25/25	3.61%	293,250	116,508	176,742
1/21/21	7/20/22	3.50%	182,332	45,810	136,522
6/4/20	6/4/25	3.84%	204,641	127,379	77,262
Total Direct Borrowings			<u>841,114</u>	<u>383,519</u>	<u>457,595</u>
Total Long-Term Debt			<u>\$ 14,531,114</u>	<u>\$ 13,423,519</u>	<u>\$ 1,107,595</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 13,690,000	\$ 0	\$ 650,000	\$ 13,040,000
<u>Direct Borrowings</u>				
Financed purchases	505,855	0	122,336	383,519
Total Long-Term Debt	<u>\$ 14,195,855</u>	<u>\$ 0</u>	<u>\$ 772,336</u>	<u>\$ 13,423,519</u>

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

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 420,000	\$ 277,471	\$ 697,471	\$ 98,780	\$ 14,613	\$ 113,393
2024	435,000	264,871	699,871	102,772	10,641	113,413
2025	445,000	251,821	696,821	125,844	5,405	131,249
2026	460,000	238,471	698,471	31,947	1,904	33,851
2027	475,000	224,671	699,671	19,560	721	20,281
2028 through 2032	2,500,000	986,788	3,486,788	4,616	35	4,651
2033 through 2037	2,790,000	694,950	3,484,950			
2038 through 2042	3,090,000	398,434	3,488,434			
2043 through 2046	2,425,000	88,195	2,513,195			
Totals	<u>\$ 13,040,000</u>	<u>\$ 3,425,672</u>	<u>\$ 16,465,672</u>	<u>\$ 383,519</u>	<u>\$ 33,319</u>	<u>\$ 416,838</u>

Construction Contract

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

Project Name	Estimated Completion Date	Contract Balance December 31, 2022
Wastewater Improvement Project	June 1, 2024	<u>\$ 48,995</u>

NOTE 10: Interfund Transfers

The General Fund transferred \$12,000 and \$9,000 to the Other Funds in the Aggregate's Library and Fire Department Funds, respectively, to supplement operations.

NOTE 11: Subsequent Events

The City was named as a defendant in Washington County Circuit Court Case No. 72CV-17-709. On February 4, 2023, the City Council approved a settlement of \$362,500 to be paid as follows: \$100,000 from the General Fund; \$50,000 from the General Fund Reserve; \$62,500 will be paid by the Arkansas Municipal League; and the remaining \$150,000 will be financed with terms to be decided at a later date paid in four annual payments of \$37,500 beginning April 3, 2024.

NOTE 12: Pledged Revenues

The City pledged future 0.75% sales and use taxes to repay \$5,670,000 in bonds that were issued in 2021 (Series 2021A) to provide funding to finance a portion of the costs of extensions, betterments, and improvements to the sewer facilities and to advance refund Series 2014 bonds. Total principal and interest remaining on the bonds are \$5,350,000 and \$1,380,612, respectively, payable through September 1, 2037. For 2022, principal and interest paid were \$320,000 and \$136,804, respectively.

The 2021A Sales and Use Tax Bonds (Debt Service Fund) received \$492,379 in sales tax in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for early retirement of the bonds until they are repaid.

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

NOTE 12: Pledged Revenues (Continued)

The City also pledged future 1% sales and use taxes to repay \$8,020,000 in bonds that were issued in 2021 (Series 2021B) to provide funding to finance a portion of the costs of extensions, betterments, and improvements to the sewer facilities. Total principal and interest remaining on the bonds are \$7,690,000 and \$2,045,060, respectively, payable through September 1, 2046. For 2022, principal and interest paid were \$330,000 and \$194,275, respectively.

The 2021B Sales and Use Tax Bonds (Debt Service Fund) received \$629,804 in sales tax in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for early retirement of the bonds until they are repaid.

NOTE 13: Joint Venture

Washington County Ambulance Authority

Washington County and the Cities of Elkins, Fayetteville, Farmington, Goshen, Lincoln, Prairie Grove, West Fork, Winslow, and Johnson entered into an agreement, on March 21, 2008, pursuant to Ark Code Ann. §§ 14-14-910, 14-266-102, and 25-20-101 to establish the Washington County Ambulance Authority (Authority). The purpose of the Authority is to provide emergency and non-emergency medical services. The City paid the authority \$32,785 for the year ended December 31, 2022.

NOTE 14: Jointly Governed Organization

Fourth Judicial District Drug Task Force

The Prosecuting Attorney of the Fourth Judicial District, the Washington County Sheriff's Department, Madison County Sheriff's Department, and the Police Departments of the University of Arkansas, Fayetteville, Springdale, Prairie Grove, Lincoln, Farmington, Johnson, Elkins, Greenland, West Fork, Elm Springs, Tontitown, Huntsville, and Goshen entered into an agreement to establish the Fourth Judicial District Drug Task Force. Funding was provided through Justice Assistance Grants and local funding provided by the Prosecuting Attorney's Office, Washington County Sheriff's Department, and local police departments. Separate financial statements for the Fourth Judicial District Task Force were not available. The City did not contribute any funding to the Task Force during 2022.

NOTE 15: 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.

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

NOTE 15: Risk Management (Continued)

Municipal Vehicle Program

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

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

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

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

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

**NOTE 16: 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 2, 2021, administration of the City of Elkins 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 \$67,629 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$67,307 for the year ended December 31, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022, (actuarial valuation date and measurement date) was \$1,643,765.

NOTE 17: Arkansas Public Employees Retirement System

Plan Description

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

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

NOTE 17: Arkansas Public Employees Retirement System (Continued)

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$6,725 for the year ended June 30, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$56,627.

NOTE 18: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$722,440 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$722,440 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

SPECIAL REVENUE FUNDS

	Local Police and Fire Retirement (LOPFI)	District Court Automation	Fire Department	Library	Jail Fees	Sports Complex	American Rescue Plan Act	Police Impact Fees	Fire Impact Fees
ASSETS									
Cash and cash equivalents	\$ 212,854	\$ 14,472	\$ 313,360	\$ 77,728	\$ 396	\$ 7,547	\$ 386,632	\$ 3,612	\$ 3,612
Accounts receivable		852							
TOTAL ASSETS	\$ 212,854	\$ 15,324	\$ 313,360	\$ 77,728	\$ 396	\$ 7,547	\$ 386,632	\$ 3,612	\$ 3,612
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 12,243	\$ 148	\$ 7,961	\$ 684		\$ 4,913			
Interfund payables			8,327	3,200					
Settlements pending									
Total Liabilities	12,243	148	16,288	3,884		4,913			
Fund Balances:									
Restricted	200,611	15,176	297,072	73,844	\$ 396		\$ 386,632	\$ 3,612	3,612
Assigned						2,634			
Total Fund Balances	200,611	15,176	297,072	73,844	396	2,634	386,632	3,612	3,612
TOTAL LIABILITIES AND FUND BALANCES	\$ 212,854	\$ 15,324	\$ 313,360	\$ 77,728	\$ 396	\$ 7,547	\$ 386,632	\$ 3,612	\$ 3,612

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

Schedule 1

	CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS		CUSTODIAL FUNDS		
	Sales and Use Tax Refunding and Improvement Series 2021A	Sales and Use Tax Capital Improvement Series 2021B	Sales and Use Tax Bonds Series 2021A	Sales and Use Tax Bonds Series 2021B	District Court	Administration of Justice	Totals
ASSETS							
Cash and cash equivalents	\$ 4,028,906	\$ 7,973,360	\$ 280,426	\$ 387,511	\$ 25,730	\$ 102	\$ 13,716,248
Accounts receivable			36,537	48,717			86,106
TOTAL ASSETS	\$ 4,028,906	\$ 7,973,360	\$ 316,963	\$ 436,228	\$ 25,730	\$ 102	\$ 13,802,354
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 25,949
Interfund payables							11,527
Settlements pending					\$ 25,730	\$ 102	25,832
Total Liabilities					25,730	102	63,308
Fund Balances:							
Restricted	\$ 4,028,906	\$ 7,973,360	\$ 316,963	\$ 436,228			13,736,412
Assigned							2,634
Total Fund Balances	4,028,906	7,973,360	316,963	436,228			13,739,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,028,906	\$ 7,973,360	\$ 316,963	\$ 436,228	\$ 25,730	\$ 102	\$ 13,802,354

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

Schedule 2

SPECIAL REVENUE FUNDS							
	Local Police and Fire Retirement (LOPFI)	District Court Automation	Fire Department	Library	Jail Fees	Sports Complex	American Rescue Plan Act
REVENUES							
State aid			\$ 25,462				
Federal aid			1,000				\$ 361,218
Property taxes	\$ 49,681						
Sales taxes			435,259				
Fines, forfeitures, and costs	4,927	\$ 9,607					
Interest	159		238	\$ 69		\$ 9	345
Local permits and fees						18,488	
County aid			60,000	161,916			
Employee contributions	148,000						
Fire dues			35,554				
Other			311	6,834		2,339	
TOTAL REVENUES	202,767	9,607	557,824	168,819		20,836	361,563
EXPENDITURES							
Current:							
Law enforcement	99,567	2,498					
Public safety			370,271				
Recreation and culture				120,887		25,990	
Wastewater							285,599
Total Current	99,567	2,498	370,271	120,887		25,990	285,599
Debt Service:							
Bond principal							
Bond interest and other charges							
Financed purchase principal			30,250	37,272			
Financed purchase interest			4,855	3,065			
TOTAL EXPENDITURES	99,567	2,498	405,376	161,224		25,990	285,599
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	103,200	7,109	152,448	7,595		(5,154)	75,964
OTHER FINANCING SOURCES (USES)							
Transfers in			9,000	12,000			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	103,200	7,109	161,448	19,595		(5,154)	75,964
FUND BALANCES - JANUARY 1	97,411	8,067	135,624	54,249	\$ 396	7,788	310,668
FUND BALANCES - DECEMBER 31	\$ 200,611	\$ 15,176	\$ 297,072	\$ 73,844	\$ 396	\$ 2,634	\$ 386,632

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

Schedule 2

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS		Totals
	Police Impact Fees	Fire Impact Fees	Sales and Use Tax Refunding and Improvement Series 2021A	Sales and Use Tax Capital Improvement Series 2021B	Sales and Use Tax Bonds Series 2021A	Sales and Use Tax Bonds Series 2021B	
REVENUES							
State aid							\$ 25,462
Federal aid							362,218
Property taxes							49,681
Sales taxes					\$ 492,379	\$ 629,804	1,557,442
Fines, forfeitures, and costs							14,534
Interest	\$ 2	\$ 2	\$ 53,053	\$ 95,772	3,127	3,885	156,661
Local permits and fees	3,750	3,750					25,988
County aid							221,916
Employee contributions							148,000
Fire dues							35,554
Other							9,484
TOTAL REVENUES	3,752	3,752	53,053	95,772	495,506	633,689	2,606,940
EXPENDITURES							
Current:							
Law enforcement	140						102,205
Public safety		140					370,411
Recreation and culture							146,877
Wastewater			907,785				1,193,384
Total Current	140	140	907,785				1,812,877
Debt Service:							
Bond principal					320,000	330,000	650,000
Bond interest and other charges					139,904	197,374	337,278
Financed purchase principal							67,522
Financed purchase interest							7,920
TOTAL EXPENDITURES	140	140	907,785		459,904	527,374	2,875,597
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,612	3,612	(854,732)	95,772	35,602	106,315	(268,657)
OTHER FINANCING SOURCES (USES)							
Transfers in							21,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,612	3,612	(854,732)	95,772	35,602	106,315	(247,657)
FUND BALANCES - JANUARY 1			4,883,638	7,877,588	281,361	329,913	13,986,703
FUND BALANCES - DECEMBER 31	\$ 3,612	\$ 3,612	\$ 4,028,906	\$ 7,973,360	\$ 316,963	\$ 436,228	\$ 13,739,046

CITY OF ELKINS, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
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.
Fire Department	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.
Library	Created to establish a city library and a Library Fund to account for all monies received for library purposes.
Jail Fees	Elkins Resolution no. 2011-6 (January 20, 2011) established a City Jail Fee Fund to defray the costs of housing city jail prisoners.
Sports Complex	Elkins Resolution no. 2014-01 (January 16, 2014) established a Sports Complex Fund to pay the expenses and costs of developing the Elkins Sports Complex.
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.
Police Impact Fees	Elkins Ordinance 2022-3 (March 17, 2022) established a Police Impact fee Fund to expand Police & Fire Protection facilities and acquire additional equipment to meet the needs of the City as the population grows.
Fire Impact Fees	Elkins Ordinance 2022-3 (March 17, 2022) established a Fire Impact fee Fund to expand Police & Fire Protection facilities and acquire additional equipment to meet the needs of the City as the population grows.
Sales and Use Tax Refunding and Improvement Series 2021A	Elkins Ordinance no. 2021-6A (June 10, 2021) authorized the issuance of sales and use tax refunding and improvement bonds. Trustee established fund to account for the disbursement of debt proceeds for capital improvements.
Sales and Use Tax Capital Improvement Series 2021B	Elkins Ordinance no. 2021-6B (June 10, 2021) authorized the issuance of sales and use tax improvement bonds. Trustee established fund to account for the disbursement of debt proceeds for capital improvements.

CITY OF ELKINS, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Bonds Series 2021A	Elkins Ordinance no. 2021-6A (June 10, 2021) authorized the issuance of sales and use tax refunding and improvement bonds. Established to account for the accumulation of resources to retire bonded debt secured by a pledge of future sales and use taxes.
Sales and Use Tax Bonds Series 2021B	Elkins Ordinance no. 2021-6B (June 10, 2021) authorized the issuance of sales and use tax improvement bonds. Established to account for the accumulation of resources to retire bonded debt secured by a pledge of future sales and use taxes.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
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.

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

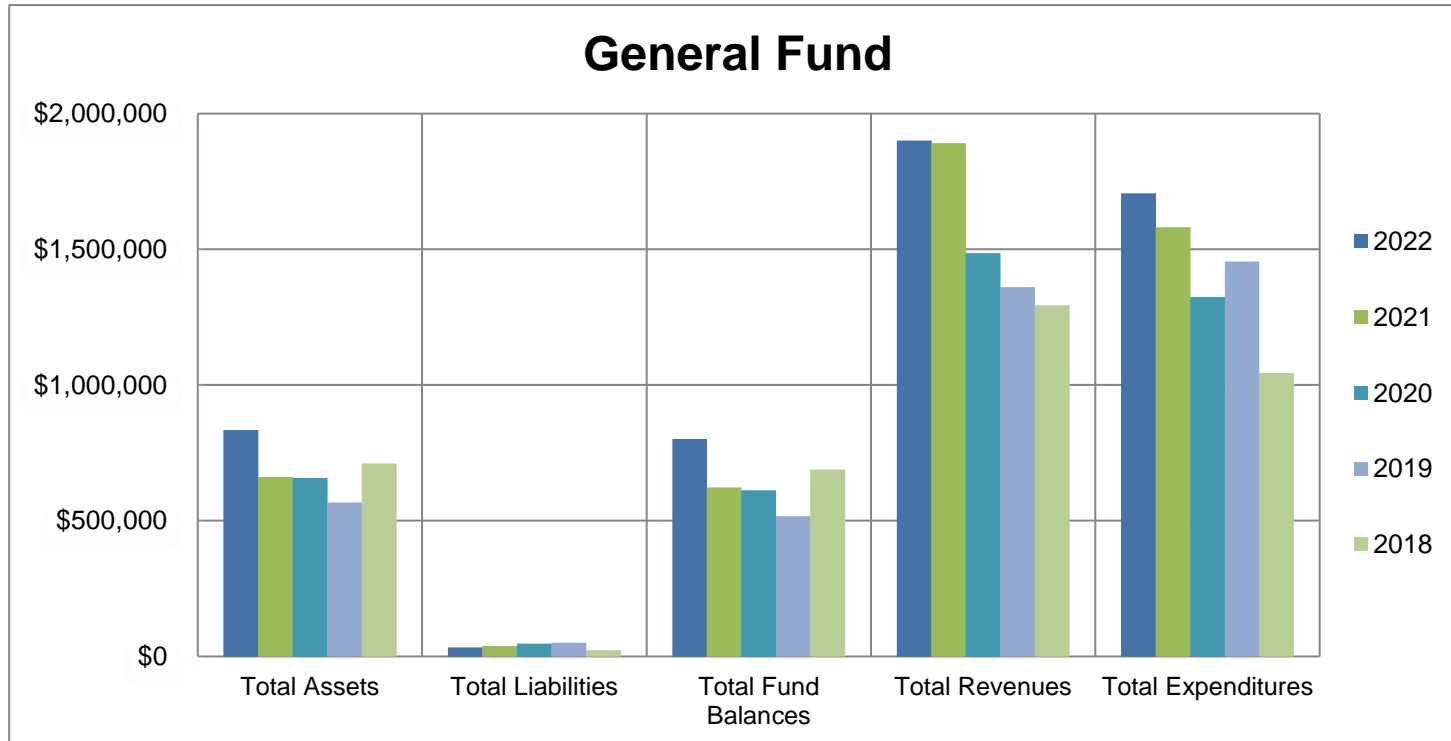
Schedule 3

	<u>December 31, 2022</u>
Land	\$ 585,650
Construction in progress	1,281,405
Buildings	3,667,098
Equipment	<u>2,213,457</u>
Total	<u><u>\$ 7,747,610</u></u>

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

Schedule 4-1

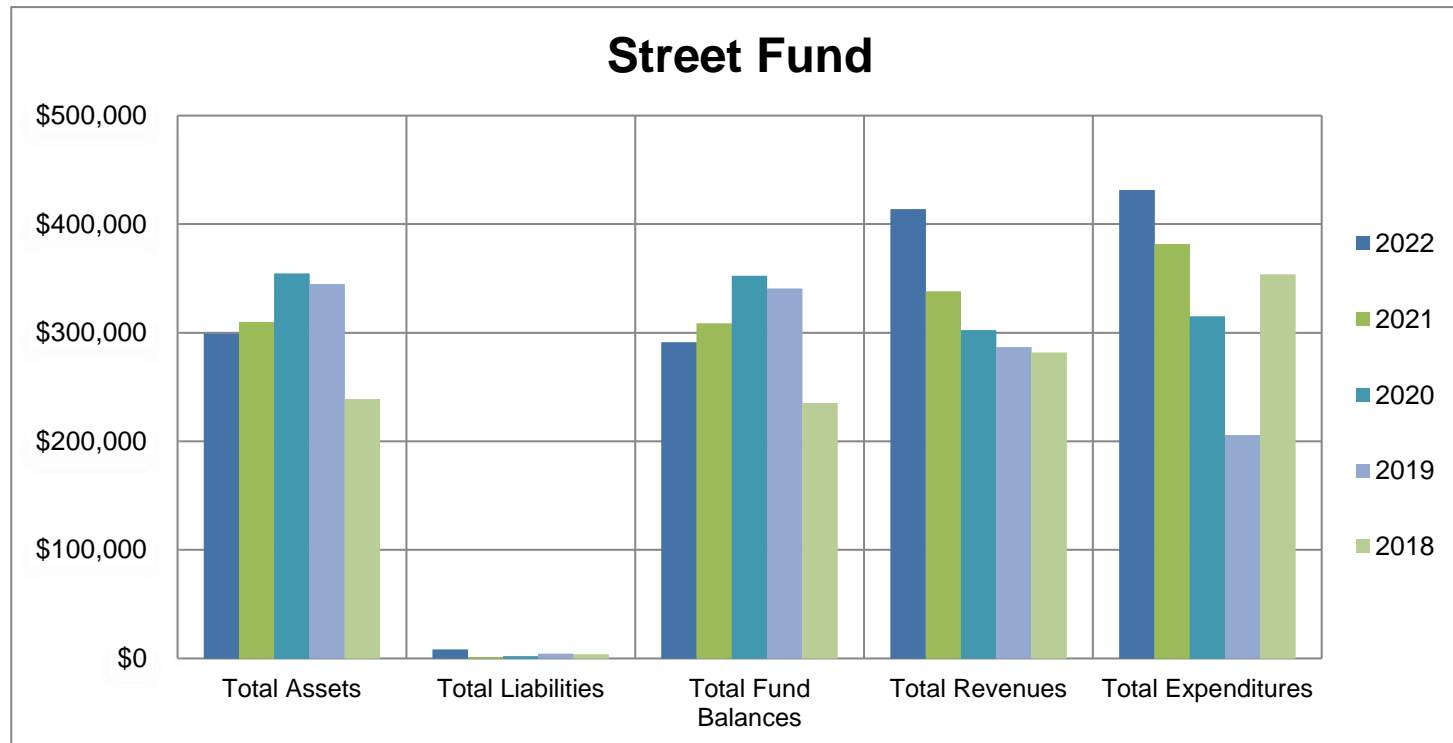
<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 834,109	\$ 660,342	\$ 657,664	\$ 566,150	\$ 710,452
Total Liabilities	32,412	38,874	46,518	50,371	22,297
Total Fund Balances	801,697	621,468	611,146	515,779	688,155
Total Revenues	1,899,541	1,890,254	1,484,837	1,359,723	1,292,968
Total Expenditures	1,705,098	1,580,982	1,323,010	1,453,746	1,043,959
Total Other Financing Sources/Uses	(14,214)	(298,950)	(66,460)	(78,353)	(49,460)



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

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 299,069	\$ 309,944	\$ 354,395	\$ 344,844	\$ 238,922
Total Liabilities	7,979	1,392	2,058	4,212	3,822
Total Fund Balances	291,090	308,552	352,337	340,632	235,100
Total Revenues	413,826	337,864	302,234	286,765	281,509
Total Expenditures	431,288	381,649	314,989	205,693	353,569
Total Other Financing Sources/Uses			24,460	24,460	24,460



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 13,802,354	\$ 14,035,053	\$ 1,088,725	\$ 1,516,784	\$ 1,431,514
Total Liabilities	63,308	48,350	48,104	36,331	20,861
Total Fund Balances	13,739,046	13,986,703	1,040,621	1,480,453	1,410,653
Total Revenues	2,606,940	1,981,551	1,539,151	1,449,562	1,416,963
Total Expenditures	2,875,597	1,231,694	2,020,983	1,433,655	1,481,721
Total Other Financing Sources/Uses	21,000	12,196,225	42,000	58,893	25,000

