

**CITY OF OSCEOLA, ARKANSAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

**MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396**

CITY OF OSCEOLA
AUDITED FINANCIAL STATEMENTS
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PO. BOX 1045
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INDEPENDENT AUDITORS' REPORT

To the Honorable Joe Harris, Mayor
And the Members of the City Council
City of Osceola, Arkansas 72370

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Osceola, Arkansas (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the City of Osceola, Arkansas, as of December 31, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Osceola, Arkansas, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Street Fund	Unmodified
Airport Fund	Unmodified
Electric, Water and Sewer Fund	Unmodified
Sanitation Fund	Unmodified
Riverport Authority Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

We conducted our audit in accordance with 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. 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.

Management has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of

employee pensions to be recognized when the accumulated benefit obligation exceeds the fair value of the plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit for 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osceola, Arkansas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the City of Osceola, Arkansas' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Osceola, Arkansas' internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
November 11, 2024

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,961,147	\$ 2,205,274	\$ 6,166,421
Accounts receivable, net	402,252	3,418,417	3,820,669
Inventories		895,437	895,437
Prepaid items	157,306	364,258	521,564
Total Current Assets	<u>4,520,705</u>	<u>6,883,386</u>	<u>11,404,091</u>
Restricted Assets			
Cash and cash equivalents	<u>269,514</u>	<u>20,129,457</u>	<u>20,398,971</u>
Capital Assets			
Land	2,000	373,195	375,195
Utility plant in service		52,345,527	52,345,527
Waste-to-energy		1,444,544	1,444,544
Riverport authority		5,296,179	5,296,179
Improvements	5,217,669		5,217,669
Machinery and equipment	9,110,143	5,192,395	14,302,538
Buildings	9,460,047		9,460,047
Furniture and fixtures		662,365	662,365
Infrastructure - streets	8,978,786		8,978,786
Accumulated depreciation	(27,285,059)	(39,316,589)	(66,601,648)
Total Capital Assets, net	<u>5,483,586</u>	<u>25,997,616</u>	<u>31,481,202</u>
TOTAL ASSETS	<u>10,273,805</u>	<u>53,010,459</u>	<u>63,284,264</u>
LIABILITIES			
Current Liabilities			
Accounts payable	259,057	134,483	393,540
Customer deposits payable		338,064	338,064
Accrued expenses	111,689	1,111,453	1,223,142
Accrued interest payable		524,450	524,450
Due to other funds	85,735		85,735
Due to other agencies	75,430		75,430
Deferred insurance proceeds	2,543,418		2,543,418
Current portion - bonds payable		410,000	410,000
Current portion - capital leases		104,079	104,079
Total Current Liabilities	<u>3,075,329</u>	<u>2,622,529</u>	<u>5,697,858</u>
Noncurrent Liabilities			
Bonds payable		23,093,898	23,093,898
Compensated absences	249,858	38,429	288,287
Total Noncurrent Liabilities	<u>249,858</u>	<u>23,132,327</u>	<u>23,382,185</u>
TOTAL LIABILITIES	<u>\$ 3,325,187</u>	<u>\$ 25,754,856</u>	<u>\$ 29,080,043</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		Total
	Governmental Activities	Business Type Activities	
NET POSITION			
Investment in capital assets, net	5,483,586	2,389,639	7,873,225
Restricted - airport grant	105,142		105,142
Restricted - fire department	164,372		164,372
Restricted - highways and streets	302,531		302,531
Restricted - debt service		20,129,457	20,129,457
Unrestricted	892,987	4,736,507	5,629,494
TOTAL NET POSITION	\$ <u>6,948,618</u>	\$ <u>27,255,603</u>	\$ <u>34,204,221</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2023

FUNCTION/PROGRAM	Program Revenues				Net [Expenses] Revenues and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities							
General government	\$ (1,280,233)	\$ 106,012	\$ 298,449		\$ (875,772)		\$ (875,772)
Law enforcement	(3,090,930)	506,224	130,430		(2,454,276)		(2,454,276)
Public safety	(1,539,551)				(1,539,551)		(1,539,551)
Recreation and culture	(1,178,752)	227,752			(951,000)		(951,000)
Public works	(1,090,513)				(1,090,513)		(1,090,513)
Municipal airport	(177,659)	20,440		\$ 80,376	(76,843)		(76,843)
Total Government Activities	(8,357,638)	860,428	428,879	80,376	(6,987,955)		(6,987,955)
Business type activities							
Electric, water & sewer department	(15,844,392)	17,967,553				\$ 2,123,161	2,123,161
Sanitation department	(989,262)	997,502				8,240	8,240
Riverport authority	(182,111)	142,652		158,700		119,241	119,241
Total Business-Type Activities	(17,015,765)	19,107,707		158,700		2,250,642	2,250,642
Total Primary Government	\$ (25,373,403)	\$ 19,968,135	\$ 428,879	\$ 239,076	\$ (6,987,955)	\$ 2,250,642	\$ (4,737,313)
General Revenues (Expenses)							
Intergovernmental					747,507		
Property taxes					1,643,644		
Franchise taxes					146,008		
Sales tax					4,254,880		
Miscellaneous income					59,835	20,975	
Investment earnings					7,308	360,203	
Interest expenses and other charges					(1,623)	(741,850)	
Insurance proceeds					314,274		
Transfers					1,080,134	(1,080,134)	
Total general revenues and transfers					8,251,967	(1,440,806)	
Change in net position					1,264,012	809,836	
Net position, beginning					5,684,606	26,445,767	
Net position, ending					<u>\$ 6,948,618</u>	<u>\$ 27,255,603</u>	

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

CITY OF OSCEOLA, ARKANSAS
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	General Fund	Street Fund	Airport	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,566,207	\$ 299,413	\$ 12,154	\$ 83,373	\$ 3,961,147
Due from other funds		162,502			162,502
Accounts receivable	<u>402,249</u>				<u>402,249</u>
Total Current Assets	<u>3,968,456</u>	<u>461,915</u>	<u>12,154</u>	<u>83,373</u>	<u>4,525,898</u>
Restricted Assets					
Restricted cash and equivalents	<u>164,372</u>		<u>105,142</u>		<u>269,514</u>
TOTAL ASSETS	<u>\$ 4,132,828</u>	<u>\$ 461,915</u>	<u>\$ 117,296</u>	<u>\$ 83,373</u>	<u>\$ 4,795,412</u>
LIABILITIES					
Accounts payable	\$ 239,855	\$ 19,201			\$ 259,056
Accrued expenditures	101,632	10,056			111,688
Deferred insurance proceeds	2,543,418				2,543,418
Due to other funds	248,236				248,236
Due to other agencies	-			75,430	75,430
TOTAL LIABILITIES	<u>3,133,141</u>	<u>29,257</u>		<u>75,430</u>	<u>3,237,828</u>
FUND BALANCES					
Restricted	164,372	432,658	105,142	7,943	710,115
Unassigned	<u>835,315</u>	<u>-</u>	<u>12,154</u>		<u>847,469</u>
TOTAL FUND BALANCES	<u>999,687</u>	<u>432,658</u>	<u>117,296</u>	<u>7,943</u>	<u>1,557,584</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,132,828</u>	<u>\$ 461,915</u>	<u>\$ 117,296</u>	<u>\$ 83,373</u>	<u>\$ 4,795,412</u>

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

CITY OF OSCEOLA, ARKANSAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Total fund balances - governmental funds	\$ 1,557,584
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,483,586
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(249,858)
Prepaid items are not expended from current resources and, therefore, are not reported in the funds.	<u>157,306</u>
Net position of governmental activities	<u>\$ 6,948,618</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total Funds
REVENUES					
Intergovernmental	\$ 159,036	\$ 588,472			\$ 747,508
Property taxes	1,481,143	162,502			1,643,645
Franchise fees	146,008				146,008
Sales taxes	4,254,880				4,254,880
Fines, forfeitures, and costs	455,177				455,177
Interest	6,801	293	\$ 68	\$ 146	7,308
Local permits and fees	253,158				253,158
Golf course fees	42,745				42,745
Jail fees	50,231				50,231
Rental income	38,676		20,440		59,116
Grant income	428,880		80,375		509,255
Other revenues	58,192	1,642			59,834
TOTAL REVENUES	<u>7,374,927</u>	<u>752,909</u>	<u>100,883</u>	<u>146</u>	<u>8,228,865</u>
EXPENDITURES					
Current					
General government	1,194,596				1,194,596
Law enforcement	2,889,371				2,889,371
Highways and streets		1,021,119			1,021,119
Public safety	1,569,910				1,569,910
Recreation and culture	1,029,646				1,029,646
Airport			15,590		15,590
TOTAL CURRENT	<u>6,683,523</u>	<u>1,021,119</u>	<u>15,590</u>		<u>7,720,232</u>
Capital outlays	688,256	130,542			818,798
TOTAL EXPENDITURES	<u>7,371,779</u>	<u>1,151,661</u>	<u>15,590</u>		<u>8,539,030</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,148</u>	<u>(398,752)</u>	<u>85,293</u>	<u>146</u>	<u>(310,165)</u>
OTHER FINANCING SOURCES (USES)					
Capital leases	(26,623)				(26,623)
Insurance proceeds	314,274				314,274
Operating transfers in/(out)	571,472	528,879	(20,217)		1,080,134
TOTAL OTHER FINANCING SOURCES (USES)	<u>859,123</u>	<u>528,879</u>	<u>(20,217)</u>		<u>1,367,785</u>
Net changes in fund balance	862,271	130,127	65,076	146	1,057,620
Fund balance, beginning of year	137,416	302,531	52,220	7,797	499,964
Fund balance, end of year	<u>\$ 999,687</u>	<u>\$ 432,658</u>	<u>\$ 117,296</u>	<u>\$ 7,943</u>	<u>\$ 1,557,584</u>

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

CITY OF OSCEOLA, ARKANSAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2023

Net change in fund balances - total governmental funds	\$ 1,057,620
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	74,810
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal or long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	12,024
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>119,558</u>
Change in net position of governmental activities	\$ <u><u>1,264,012</u></u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,989,923	\$ 13,023	\$ 202,328	\$ 2,205,274
Accounts receivable, net	3,418,417			3,418,417
Inventories	895,437			895,437
Prepaid items	348,035	16,223		364,258
Total Current Assets	<u>6,651,812</u>	<u>29,246</u>	<u>202,328</u>	<u>6,883,386</u>
Restricted Assets				
Cash and cash equivalents	<u>20,129,457</u>			<u>20,129,457</u>
Capital Assets				
Land	275,887	47,258	50,050	373,195
Utility plant in service	52,345,527			52,345,527
Waste-to-energy		1,444,544		1,444,544
Riverport authority			5,296,179	5,296,179
Machinery and equipment	2,804,837	2,387,558		5,192,395
Furniture and fixtures	662,365			662,365
Accumulated depreciation	<u>(34,260,939)</u>	<u>(2,877,735)</u>	<u>(2,177,915)</u>	<u>(39,316,589)</u>
Total Capital Assets, net	<u>21,827,677</u>	<u>1,001,625</u>	<u>3,168,314</u>	<u>25,997,616</u>
TOTAL ASSETS	<u>\$ 48,608,946</u>	<u>\$ 1,030,871</u>	<u>\$ 3,370,642</u>	<u>\$ 53,010,459</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 109,786	\$ 24,697		\$ 134,483
Customer deposits payable	338,064			338,064
Accrued expenses	1,104,141	7,312		1,111,453
Accrued interest payable	524,384	66		524,450
Current portion - bonds payable	410,000			410,000
Current portion - capital leases		104,079		104,079
Total Current Liabilities	<u>2,486,375</u>	<u>136,154</u>		<u>2,622,529</u>
Noncurrent Liabilities				
Bonds payable	23,093,898			23,093,898
Compensated absences	30,506	7,923		38,429
Total Noncurrent Liabilities	<u>23,124,404</u>	<u>7,923</u>		<u>23,132,327</u>
TOTAL LIABILITIES	<u>25,610,779</u>	<u>144,077</u>		<u>25,754,856</u>
NET POSITION				
Investment in capital assets, net	(1,676,221)	897,546	\$ 3,168,314	2,389,639
Restricted	20,129,457			20,129,457
Unrestricted	4,544,931	(10,752)	202,328	4,736,507
TOTAL NET POSITION	<u>\$ 22,998,167</u>	<u>\$ 886,794</u>	<u>\$ 3,370,642</u>	<u>\$ 27,255,603</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
OPERATING REVENUES				
Electric meter sales	\$ 15,046,640			\$ 15,046,640
Water meter sales	1,777,939			1,777,939
Sewer collections	1,062,074			1,062,074
Reconnection fees	44,450			44,450
Miscellaneous income	36,450	\$ 2,976		39,426
Rental income			\$ 142,652	142,652
Pest control		116,223		116,223
Trash collections		878,303		878,303
TOTAL OPERATING REVENUES	<u>17,967,553</u>	<u>997,502</u>	<u>142,652</u>	<u>19,107,707</u>
OPERATING EXPENSES				
Salaries and benefits	2,188,578	450,767		2,639,345
Utilities	148,687	3,641		152,328
Administrative costs	557,038	21,676	117	578,831
Electric power purchased	11,454,633			11,454,633
Operating expenses	90,810	84,512		175,322
Supplies	294,274	101,210		395,484
Repairs	196,417	17,004		213,421
Depreciation	946,014	159,561	181,994	1,287,569
Bad debts	(32,059)			(32,059)
Dumping		143,973		143,973
Garbage bags		6,918		6,918
TOTAL OPERATING EXPENSES	<u>15,844,392</u>	<u>989,262</u>	<u>182,111</u>	<u>17,015,765</u>
OPERATING INCOME (LOSS)	<u>2,123,161</u>	<u>8,240</u>	<u>(39,459)</u>	<u>2,091,942</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	360,112	91		360,203
Interest expense	(658,594)	(4,477)		(663,071)
Capital contributions	20,975		158,700	179,675
Bond costs and other	(78,779)			(78,779)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(356,286)</u>	<u>(4,386)</u>	<u>158,700</u>	<u>(201,972)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>\$ 1,766,875</u>	<u>\$ 3,854</u>	<u>\$ 119,241</u>	<u>\$ 1,889,970</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
OPERATING TRANSFERS				
Transfers in			\$ 12,181	\$ 12,181
Transfers out	\$ (1,018,396)	\$ (73,919)		(1,092,315)
NET OPERATING TRANSFERS	<u>(1,018,396)</u>	<u>(73,919)</u>	<u>12,181</u>	<u>(1,080,134)</u>
CHANGE IN NET POSITION	<u>748,479</u>	<u>(70,065)</u>	<u>131,422</u>	<u>809,836</u>
Total net position - beginning	<u>22,249,688</u>	<u>956,859</u>	<u>3,239,220</u>	<u>26,445,767</u>
Total net position - ending	<u>\$ 22,998,167</u>	<u>\$ 886,794</u>	<u>\$ 3,370,642</u>	<u>\$ 27,255,603</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 17,747,691	\$ 998,659	\$ 159,691	\$ 18,906,041
Payments to suppliers	(12,942,978)	(398,897)	(117)	(13,341,992)
Payments to employees	(2,188,838)	(451,261)		(2,640,099)
Net cash provided by (used in) operating activities	<u>2,615,875</u>	<u>148,501</u>	<u>159,574</u>	<u>2,923,950</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	(1,018,396)	(73,919)	12,181	(1,080,134)
Net cash provided by (used in) noncapital financing activities	<u>(1,018,396)</u>	<u>(73,919)</u>	<u>12,181</u>	<u>(1,080,134)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,847,547)		(532,289)	(2,379,836)
Proceeds from capital debt	24,000,000			24,000,000
Principal paid on capital debt	(5,678,870)	(150,230)		(5,829,100)
Interest paid on capital debt	(210,901)	(4,636)		(215,537)
Payment of related debt costs	(574,881)			(574,881)
Insurance proceeds				
Capital contributions	20,975		158,700	179,675
Net cash provided by (used in) capital and related financing activities	<u>15,708,776</u>	<u>(154,866)</u>	<u>(373,589)</u>	<u>15,180,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	360,112	91		360,203
Net cash provided by investing activities	<u>360,112</u>	<u>91</u>		<u>360,203</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,666,367	(80,193)	(201,834)	17,384,340
Cash and Cash Equivalents, January 1	4,453,013	93,216	404,162	4,950,391
Cash and Cash Equivalents, December 31	<u>\$ 22,119,380</u>	<u>\$ 13,023</u>	<u>\$ 202,328</u>	<u>\$ 22,334,731</u>
Presented on the Statement of Net Position - Proprietary Funds as follows:				
Current Assets				
Cash and Cash Equivalents	\$ 1,989,923	\$ 13,023	\$ 202,328	\$ 2,205,274
Restricted Assets				
Cash and Cash Equivalents	20,129,457			20,129,457
Total Cash and Cash Equivalents	<u>\$ 22,119,380</u>	<u>\$ 13,023</u>	<u>\$ 202,328</u>	<u>\$ 22,334,731</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 2,123,161	\$ 8,240	\$ (39,459)	\$ 2,091,942
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	946,014	159,561	181,994	1,287,569
Decrease (increase) in accounts receivable	91,692		17,039	108,731
Decrease (increase) in inventories	70,854			70,854
Decrease (increase) in prepaid items	(330,564)	(12,999)		(343,563)
Increase (decrease) in accounts payable	(1,622)	(6,964)		(8,586)
Increase (decrease) in compensated absences	(260)	1,157		897
Increase (decrease) in customer deposits payable	14,408			14,408
Increase (decrease) in deferred insurance proceeds	(216,031)			(216,031)
Increase (decrease) in accrued expenses	(81,777)	(494)		(82,271)
Total adjustments	<u>492,714</u>	<u>140,261</u>	<u>199,033</u>	<u>832,008</u>
Net cash provided by (used in) operating activities	<u>\$ 2,615,875</u>	<u>\$ 148,501</u>	<u>\$ 159,574</u>	<u>\$ 2,923,950</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF FIDICUIARY NET POSITION
DECEMBER 31, 2023

	<u>Firemen's Pension and Relief</u>
ASSETS	
Cash	\$ 36,136
Due from other funds	85,734
Investments	<u>2,661,850</u>
TOTAL ASSETS	<u>\$ 2,783,720</u>
LIABILITIES	
Accrued expenses	\$ 1,692
NET POSITION	
Reserved for retirement benefits	<u>2,782,028</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 2,783,720</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT IN CHANGES OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Firemen's Pension and Relief</u>
ADDITIONS	
Contributions from state	\$ 19,366
Local contributions	86,083
Earnings on investments	123,751
Net appreciation (depreciation) in fair value of investments	<u>139,703</u>
TOTAL ADDITIONS	<u>368,903</u>
DEDUCTIONS	
Benefit payments	296,938
Administrative	<u>28,386</u>
TOTAL DEDUCTIONS	<u>325,324</u>
CHANGE IN PLAN NET POSITION	<u>43,579</u>
Net position, beginning of year	<u>2,738,449</u>
Net position, end of year	<u><u>\$ 2,782,028</u></u>

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

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Osceola, Arkansas (the “City”) is a municipal corporation operating under the authority of Arkansas state statute. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. A description of the more significant accounting and financial reporting policies and practices of the City follows.

The City of Osceola, Arkansas was incorporated in 1875 and operates under an elected Mayor/Council form of government. The City provides the following services: public safety (police and fire), planning and zoning, street maintenance, sanitation, pest control, animal shelter, municipal airport, public golf course, health, parks, recreation, electric, water and sewer, riverport authority and general administrative services. In addition, the City exercises sufficient control over other governmental agencies and authorities that are included as part of the City’s reporting entity. The funds and entities related to the City of Osceola, Arkansas included in this report are controlled by or dependent on the City’s governing body.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results differ from these estimates.

Related Organization: The City’s Mayor and City Council are also responsible for appointing members of the boards of other organizations, but the City’s accountability for these organizations does not extend beyond making the appointments. The Mayor and Council Members appoint the members of the Osceola Housing Authority; however, the city cannot impose its will upon the Housing Authority as stated in GASB 14; therefore, the financial operations of these related organizations have not been included in the City’s general purpose financial statements.

Complete financial statements for the Housing Authority may be obtained directly from its administrative office: Osceola Housing Authority; 501 Coston; Osceola, Arkansas 72370.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, they report all of the assets (including general infrastructure assets), deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses (rather than expenditures), and gains and losses of the entire government. They do not report fund information but rather focus on two types of activities carried out by governments – governmental activities and business-type activities. Each statement distinguishes between the governmental and business-type activities of the primary government. Fiduciary activities (such as pension trusts) are excluded from the statements because their resources are not available to support the government’s own programs.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Government-wide financial statements include the following:

Statement of Net Position - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense in the statement of activities.

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Investment in capital assets, net – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment of capital assets, net. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net position.

Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "investment in capital assets, net."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Program revenues include 1) charges to customers or applicants who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. Taxes and other items not identifiable with a program are reported as general revenues. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, property taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

The City reports the following major governmental funds:

The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement cost that are not paid through other funds.

The Street Fund is reported as a special revenue fund to account for all activities associated with maintaining and constructing streets and drainage improvements. Arkansas statutes that provide funding for street and drainage projects require that these activities be accounted for separately.

The Airport Fund is used to account for rents received from hangers. These hangers are rented to various crop dusters, corporate planes, and commercial pilots.

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

- 1) Nonspendable – includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories and prepaid items are classified as non-spendable fund balances.
- 2) Restricted – includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legalization.
- 3) Committed – includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purpose for which committed funds can be used should have the consent of both the legislative and executive branches of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify, or rescind fund balance commitments. (The City does not have any committed balances.)
- 4) Assigned – includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision-making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances, and resolutions.
- 5) Unassigned – includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

Proprietary Fund Financial Statements - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

The City reports the following major proprietary funds:

The Electric, Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing electric, water and sewer services to the citizens of the City. This fund also accounts for the activities of maintaining sanitary sewer and storm drain systems within the City.

The Sanitation Fund is an enterprise fund which accounts for the activities of providing solid waste collection and disposal and pest control.

The Riverport Authority Fund is an enterprise fund. The City leases rights to the river port to an independent grain company. The lessee is responsible for the day-to-day operations and general upkeep of the property.

Additionally, the City reports the following fund types:

Fiduciary Fund Financial Statements – Fiduciary fund financial statements are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The city has one pension trust fund: The Firemen's Pension and Relief Fund.

As a general rule, the effect of inter fund activity has been eliminated from the government-wide financial statements. Exception to this general rule is changes among the City's sanitation, sewer, water, electric functions, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Receivables and Payables: Activity among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter fund loans). All other outstanding balances among funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The City's property tax is levied by May 31 of each year based on property value assessments established no later than the third Monday in January by Mississippi County. Taxes are due on the establishment of the tax rolls on March 1 and become delinquent if not collected by October 16 of each year succeeding the year in which the levy was made. A tax lien is attached and becomes enforceable on October 11 of each year. Mississippi County is the collection agent for the levy and remits the collections to the City, net of a collection fee.

The amount of property taxes the City can levy is subject to a statutory limitation by the state of Arkansas. The tax levy cannot be increased except by amendment to the state constitution.

Inventories and Prepaid items: Expenditures relating to inventory usage are recognized at the time of use. Inventories are recorded in the proprietary fund types at cost or first-in-first-out method of valuation. All obsolete or unusable items are excluded from inventory valuations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

CITY OF OSCEOLA, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Restricted Assets: The proprietary fund types restrict assets on the statement of net position in accordance with requirements of bond obligation agreements, donor and membership restrictions, and support obligations made by the City. Assets are also restricted to finance capital asset renewals and replacements. Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenant. The assets consist primarily of cash and short-term investment funds.

Governmental fund types restrict assets on the statement of net position in accordance with state law and various grant agreements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructures are long-lived assets that are stationary in nature such as streets, bridges, street lighting and sidewalks. The City's recorded infrastructure is included in the statement of net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets being constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following, estimated useful lives:

Assets	Primary Government Years
Buildings	40
Buildings improvements	20
Public domain infrastructures	50
System infrastructures	33
Vehicles	5-10
Office equipment	5-10
Computer equipment	3

Compensated Absences: The City allows non-uniformed employees to be compensated for unused vacation days up to 80 hours at year end. Uniformed employees are compensated for unused vacation days only if approved by the Mayor. Upon retirement both uniformed and non-uniformed employees are paid for unused vacation days. Generally, non-uniformed City employees are allowed to accumulate unused sick days up to 480 hours and police officers and firefighters are allowed to accumulate unused sick days up to 480 hours. Upon retirement, police officers and fire fighters shall be paid for any unused sick leave to a maximum of 480 hours. In the government-wide and proprietary fund statements vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees.

In the governmental fund financial statements, government funds recognize a liability for compensated absences only when the underlying event (i.e., retirement) takes place and remains unpaid at the balance sheet date.

CITY OF OSCEOLA, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Long-term Obligations: In the government-wide financial statements and proprietary fund financial statements, long-term debts and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt-service expenditures.

Statements of Cash Flows: For purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying statement of net assets.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Government Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities: The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total government funds and changes in net position of governmental activities as reported in the government - wide statement of activities. One element of the reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$12,024 difference are as follows:

Payment of debt principal and interest	<u>\$ 12,024</u>
Net adjustment to reduce net changes in fund balances - total government funds to arrive at changes in net assets of government activities	<u>\$ 12,024</u>

Another element of that reconciliation explains, "Governmental funds report capital outlays as expenditures." However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$74,810 difference are as follows:

Capital outlays	\$ 818,798
Depreciation expense	<u>(743,988)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 74,810</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (CONT'D)

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$119,555 difference are as follows:

Compensated absences	\$ 74,255
Prepaid expense	<u>45,300</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 119,555</u>

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. Governmental operating funds include the general Fund and street Fund. Budgets are also adopted for all business-type funds. Enterprise funds include Electric, Water and Sewer and Sanitation Fund. On January 16, 2023, the City Council approved the appropriations for the 2023 budget presented by the finance director as required by Arkansas statutes. The annual budget is used as a revenue and expenditure control feature in the City’s management and accountability systems.

The budget process begins with an informal work session held between the mayor and finance director to obtain direction for the next year’s budget. The finance director meets with department heads to discuss the budget process and provide direction for budget development. Department heads explain their requests for changes in the level of services currently provided and prioritize new projects they want to include. Department heads submit their budget requests, and the finance department produces a working document. Work sessions are held with each department head to discuss and adjust budget submissions. The city council then discusses the budget at a public council meeting and any discussion is held before the budget is adopted.

The appropriated budget is prepared by fund, function and department. The legal level of control is the fund level. The budget is presented at the major-category level. Department heads may make transfers of appropriations in a major category. The finance director may approve transfers between major categories in the same fund. The City Council must approve any changes beyond the fund level.

NOTE D – 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 no 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 determine by the repurchase agreement.

CITY OF OSCEOLA, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE D – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS – (CONT'D)

State law generally requires that pension trust funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in the state. State law provides that if the total assets of the pension trust exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restriction imposed by law upon the Arkansas Local Police and Fire Retirement System.

The City's deposits are categorized to give an indication of the level of risk assumed by the city. The categories are described as follows:

Category 1 – Insured or collateralized by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

Category 3 – Uncollateralized.

At December 31, 2023, cash deposits categorized by level of risks are as follows:

	Category 1	Category 2	Category 3
Deposits per Bank			
26,601,528	\$ 1,602,528	\$24,999,000	

NOTE E – INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as described below:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets.

Level 2 – Other than quoted prices that are observable for an asset.

Level 3 – Unobservable inputs for an asset.

The City's Firemen's Pension and Relief Fund had the following investments at level 1 fair value measurements as of December 31, 2023.

Equities	\$	2,647,897
Money Market		13,953
		\$ 2,661,850

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE F – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS

Restricted assets as of December 31, 2023, consisted of the following:

General - Fire Department	\$	164,372
Airport - Grant Funds		105,142
Electric, Water and Sewer - Bond proceeds		20,094,132
Electric, Water and Sewer - Debt Service		35,325
	<u>\$</u>	<u>20,398,971</u>

NOTE G – ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2023, for the City's individual, major funds and non-major, internal service and fiduciary funds, taken together, including applicable allowances for uncollectible accounts were as follows:

Description	Electric. Water, and Sewer Fund	Riverport Authority Fund	General Fund	Airport Fund	Total
Accounts	\$ 3,418,417				\$ 3,418,417
Property taxes			\$ 55,179		55,179
Sales taxes			347,073		347,073
Reimbursements					
Rental income					
Total	<u>\$ 3,418,417</u>	<u>\$ -</u>	<u>\$ 402,252</u>	<u>\$ -</u>	<u>\$ 3,820,669</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE H – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets being depreciated:				
Infrastructure - streets	8,978,786	-		8,978,786
Buildings	9,215,133	244,914		9,460,047
Improvements	5,217,669			5,217,669
Machinery and equipment	8,536,259	573,884		9,110,143
Total capital assets being depreciated	<u>31,947,847</u>	<u>818,798</u>	<u>-</u>	<u>32,766,645</u>
Less accumulated depreciation for:				
Infrastructure - streets	8,691,605	32,450		8,724,055
Buildings	7,117,376	179,854		7,297,230
Improvements	2,734,766	277,997		3,012,763
Machinery and equipment	7,997,324	253,687		8,251,011
Total accumulated depreciation	<u>26,541,071</u>	<u>743,988</u>	<u>-</u>	<u>27,285,059</u>
Net Capital Assets Being Depreciated	<u>5,406,776</u>	<u>74,810</u>	<u>-</u>	<u>5,481,586</u>
Net Governmental Capital Assets	<u>\$ 5,408,776</u>	<u>\$ 74,810</u>	<u>\$ -</u>	<u>\$ 5,483,586</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE H – CAPITAL ASSETS – CONT'D

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land and right-of-way	\$ 301,279	\$ 71,916	-	\$ 373,195
Capital assets being depreciated				
Utility plant in service	50,569,897	1,775,631	-	52,345,528
Riverport authority	4,763,890	532,289	-	5,296,179
Waste-to-energy conversion facility	1,444,532	-	-	1,444,532
Furniture and fixtures	662,365	-	-	662,365
Machinery and equipment	5,192,406	-	-	5,192,406
Total capital assets being depreciated	<u>62,633,090</u>	<u>2,307,920</u>	-	<u>64,941,010</u>
Less accumulated depreciation for				
Utility plant in service	30,206,096	835,061	-	31,041,157
Riverport authority	1,995,921	181,994	-	2,177,915
Waste-to-energy conversion facility	753,408	36,113	-	789,521
Furniture and fixtures	659,971	1,112	-	661,083
Machinery and equipment	4,413,624	233,289	-	4,646,913
Total accumulated depreciation	<u>38,029,020</u>	<u>1,287,569</u>	-	<u>39,316,589</u>
Net Capital Assets Being Depreciated	<u>24,604,070</u>	<u>1,020,351</u>	-	<u>25,624,421</u>
Net Business-Type Capital Assets	<u>\$ 24,905,349</u>	<u>\$ 1,092,267</u>	<u>\$ -</u>	<u>\$ 25,997,616</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE H – CAPITAL ASSETS – (CONT'D)

Depreciation expense was charged to functions/programs of the City as follows:

<u>Government Activities</u>	
General government	\$ 91,392
Law enforcement	115,324
Highways and streets	75,839
Public safety	157,442
Recreation and culture	141,915
Airport	162,076
Total Depreciation Expense - Governmental Activities	<u>\$ 743,988</u>
<u>Business-Type Activities</u>	
Electric, water & sewer	\$ 946,014
Sanitation	159,561
Riverport authority	181,994
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,287,569</u>

NOTE I – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2023, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Type Activities					
Capital leases	\$ 12,027	\$ -	\$ 12,027	\$ -	\$ -
Total Governmental Activity Long-term Liabilities	<u>\$ 12,027</u>	<u>\$ -</u>	<u>\$ 12,027</u>	<u>\$ -</u>	<u>\$ -</u>
Business Type Activities					
Revenue Bond Series	\$ 5,680,465	\$ 24,000,000	\$ 5,680,465	\$ 24,000,000	\$ 410,000
Unamortized Bond Discount		(505,281)	(9,179)	(496,102)	
Capital leases	254,309	-	150,230	104,079	104,079
Total Business Activity Long-term Liabilities	<u>\$ 5,934,774</u>	<u>\$ 23,494,719</u>	<u>\$ 5,821,516</u>	<u>\$ 23,607,977</u>	<u>\$ 514,079</u>

Finance Leases - Primary Government: At December 31, 2023, the City had lease agreements for financing capital equipment. Governmental type leases are for golf carts.

These lease agreements qualify as a finance lease for accounting purposes and, therefore, are recorded at the present value of future minimum lease payments as of the inception dates.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE I – LONG-TERM DEBT – (CONT'D)

As of December 31, 2023, the future minimum lease obligations and the net present value of these minimum lease payments were as follows:

	Governmental Activities	Business-Type Activities
Year ended December 31, 2024		105,262
		-
Total minimum lease payments		105,262
Less interest		(1,183)
Present value of minimum lease payments	\$ -	\$ 104,079

As of December 31, 2023, bonds payable consisted of the following:

2023 Utility Revenue Refunding and Improvement Bond Series 2023A issue - Issued at fixed interest rates ranging from 5% to 4%, Interest only payments beginning August 2024 to August August 2028, matures August 2053.	\$ 21,400,000
2023 Utility Revenue Refunding and Improvement Bond Series 2023B issue - interest rates ranging from 5.25% to 5.5%, varying principal and interest payments due annually beginning August 2024, matures August 2029.	2,600,000
	24,000,000
Less: unamortized bond discount	(496,102)
	23,503,898
Less: current portion of bonds payable	(410,000)
Bonds payable, net	\$ 23,093,898

Revenue bonds debt service requirements to maturity are as follows:

	Principal	Interest	Total
2024	\$ 410,000	\$ 1,009,288	\$ 1,419,288
2025	415,000	1,006,752	1,421,752
2026	435,000	984,443	1,419,443
2027	460,000	961,505	1,421,505
2028	480,000	937,125	1,417,125
Thereafter	21,800,000	13,744,525	35,544,525
Total	\$ 24,000,000	\$ 18,643,638	\$ 42,643,638

Interest expense for bonds payable totaled \$656,998 in 2023.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE I – LONG-TERM DEBT – (CONT'D)

Total Business-Type Activity Long-term Liabilities: The long-term liabilities other than bonds (capital leases) will be retired with current financial resources (operating revenues) annually. The capital leases will be paid from the General Fund or Sanitation Fund (i.e., the fund that uses the asset acquired). The electric, water and sewer's improvement district improvements will be paid from the Electric, Water and Sewer Fund. Compensated absences will be liquidated by the fund that pays the employees. These funds include the General Fund, Street Fund, and Electric, Water and Sewer Fund and Sanitation Fund.

NOTE J – FUND BALANCE

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

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total
Restricted					
Public safety	\$ 164,372				\$ 164,372
Highways and streets		\$ 432,658			432,658
Grants			\$ 105,142		105,142
Total restricted	<u>164,372</u>	<u>432,658</u>	<u>105,142</u>		<u>702,172</u>
Assigned					
Recreation and culture				7,943	7,943
Unassigned					
General government	<u>835,315</u>		<u>12,154</u>		<u>847,469</u>
 Total Fund Balances	 <u><u>\$ 999,687</u></u>	 <u><u>\$ 432,658</u></u>	 <u><u>\$ 117,296</u></u>	 <u><u>\$ 7,943</u></u>	 <u><u>\$ 1,557,584</u></u>

CITY OF OSCEOLA, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE K – TRANSFERS BETWEEN FUNDS

Operating transfers recorded in the statement of revenues, expenditures, and changes in fund balances - governmental funds are as follows:

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total
Operating transfers in	\$ 571,472	\$ 528,879			\$ 1,100,351
Operating transfers out			\$ 20,217		\$ 20,217

Operating transfers recorded in the statement of revenues, expenses and changes in fund net position proprietary funds as follows:

	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority	Total
Operating transfers in			\$ 12,181	\$ 12,181
Operating transfers out	\$ 1,018,396	\$ 73,919		\$ 1,092,315

Reconciliation of operating transfers governmental funds and business-type funds:

	Governmental- Type Funds	Enterprise Funds	Total
Operating transfers in	\$ 1,100,351	\$ 12,181	\$ 1,112,532
Operating transfers out	20,217	1,092,315	1,112,532
Difference			\$ -

NOTE L – PENSION PLANS

Osceola Police and Fire (LOPFI): The following brief description of the Arkansas Local Police and Fire Retirement System (“LOPFI”) is provided for general information purposes only.

LOPFI is a cost-sharing, multi-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan consists of police officers and firefighters of political subdivisions of the State of Arkansas hired by the respective local government unit after January 1, 1983. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 364 of 1981. LOPFI also maintains an agent multiple employer defined benefit pension plan for Political subdivisions that had a local pension and relief fund (local plan) for its firefighters and police officers prior to the establishment of LOPFI. LOPFI policy is established by a seven member Board of Trustees (Board): two trustees who are active members of the system, one police officer and one firefighter, nominated by their respected employee groups, and appointed by the Governor; two employer representatives from governing bodies of participating political subdivisions and appointed by the Governor from a list submitted by the Arkansas Municipal League; two retired members, one police officer and one firefighter, appointed by the Governor from a list provided by the Joint Committee on Public Retirement and Social Security Programs; and one citizen who is neither an employee nor employer of the system appointed by the Governor from a list submitted by the Joint Committee on Public Retirement and Social Security Programs. An Executive Director is appointed by the Board and administers the System in a manner consistent with law and Board policy.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE L – PENSION PLANS (CONT'D)

Benefits Provided: Benefit provisions are set forth in the Arkansas Code. LOPFI provides retirement, disability, and death benefits. There are two (2) benefit programs offered by LOPFI for the firefighters and police officers.

Benefit Program 1: Pension benefits to a member with five or more years (10 or more years for members hired after July 1, 2013) of credited service in force who has attained his or her normal retirement age consist of an annuity equal to the following:

- a. For each year of paid service resulting from employment in a position not also covered by social security, 2.94% of his or her final average pay (2.7% for those with retirement date prior to July 1, 2009); plus
- b. For each year of paid service resulting from employment in a position also covered by social security, 1.94% of his or her final average pay (1.7% for those with retirement date prior to July 1, 2009). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his or her final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his or her attainment of such social security minimum age for unreduced benefits.
- c. In no event will the total of a. plus b. exceed, at time of retirement, 100% of such final average pay; plus
- d. Effective July 1, 2014, for each year of volunteer service, \$6.37 per month, to a maximum of \$254.80 monthly.
- e. Before the date that the first payment of his or her annuity becomes due, but not thereafter, a member may elect in writing to receive his or her annuity as a life annuity or he or she may elect to have his or her life annuity reduced but not any temporary annuity which may be payable, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his or her annuity shall be paid to him as a life annuity.

Benefit Program 2: For each year of paid service rendered on or after the election date of Benefit 2 and resulting from employment in a position not also covered by social security, 3.28% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by social security, 2.94% of his or her final average pay.

Members are eligible for disability benefits with 5 years of service (or 10 years of actual service if hired on or after July 1, 2013) and terminates employment because of becoming totally and permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit would be 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

Contributions: The employer contribution rate is adjusted every year to reflect changes in the composition of the employee group and other factors with affect cost. Contributions are determined on an actuarial basis in order to ensure that the individual system employers can honor their benefit commitments to covered employees. An individual entry age actuarial cost method of valuation is used in determining normal cost.

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 are as follows:

- a. Paid service not covered by social security: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date.
- b. Paid service also covered by social security: 2.5% of gross pay beginning July 1, 2009; no employee contributions prior to that date.
- c. Paid service-benefit program 2: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date.
- d. Volunteer service: no employee contribution

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE L – PENSION PLANS (CONT'D)

The City's contributions for the year ended December 31, 2023, was \$343,138.

Osceola Fire (Old Plan): Osceola Firefighters Pension Fund is a single employer plan.

Benefits Provided: Members are eligible to retire at any age with 20 years of service while receiving 63% of the employee's final salary, but not less than \$4,200.

For members whose service exceeds 20 years, the annual benefit is increased by \$240 for each year over twenty, up to \$1,200 per year extra.

For members who have 25 years or more of service, the member receives an extra 1.25% (for each year over 25) of final salary, payable once the retiree reaches age 60. The benefit cannot exceed 100% of the final salary.

Members are eligible for disability benefits with permanent physical or mental disability not acquired while performing work in gainful employment outside the fire department.

- For Full Paid Non-duty disability, the employee will be paid a retirement benefit but not less than \$4,200 per year.
- For Full Paid Duty-related disability, the employee will receive a retirement benefit of no less than 65% of final salary of \$4,200 per year.

Contributions: The employer contributes a matching contribution dollar for dollar equal to the employee contribution. The employee contributes 6% of the salary. Volunteers contribute \$12 per year. The contributions are refundable if the member terminates employment before they are eligible to retire.

The City's contributions for the year ended December 31, 2023, was \$117,240.

Defined Contribution Plan: The City maintains a 457b retirement plan for electrical, water and sewer, and sanitation department employees. The plan allows for elective salary deferrals by participating employees. The City's matching expenses for the plan for the year ended December 31, 2023 was \$ 81,017.

NOTE M - OTHER INFORMATION

Risk Management: During the course of daily operations, the City is exposed to various risks of loss relating to theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City manages these risks by the following coverage procedures:

The City participates in the Arkansas Municipal League insurance program (Program) for coverage in the following areas:

Municipal League Defense Program: This insurance program provides coverage for legal defense, expenses, and damages in suits against City officials and employees and civil-rights suits against the municipal government. The Program is a participant in a funded trust with pooled risk involving approximately five hundred cities in Arkansas. The coverage of each case is at the sole discretion of the Program's administrator. The maximum coverage of any one loss cannot exceed 25% of the Programs' fund reserve; therefore, the City could be at risk if any suit against the City exceeds 25% of the Program's reserve. For the year ended December 31, 2023, and for the prior three fiscal years, there were no settlements that exceeded insurance coverage.

Municipal Property Program: This insurance program provides coverage for insurable property and equipment exclusive of motor vehicles that belong to the participating municipality and for which coverage has been applied and approved. The limit of the Program's liability is 1) actual cash value, or 2) the cost to repair or replace the property of like kind and quality, or 3) the applicable limit of liability stated on the enumeration schedule, or 4) 25%

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

of the Program's available funds at the time of settlement. For the year ended December 31, 2023, and for the prior three fiscal years, there were no claims that exceeded insurance coverage.

NOTE M - OTHER INFORMATION (CONT'D)

Municipal Vehicle Program: This insurance program provides coverage in the event that the City legally must pay for damages due to bodily injury, death or property damage involving a covered City vehicle and for which the City is liable under Act 165 of 1969. Coverage under this insurance program meets the current, statutory liability limits, and the City's risk of loss is effectively transferred.

Arkansas Fidelity Bond Trust Fund: Coverage is provided for losses incurred by the municipality as a result of fraudulent or dishonest acts committed by municipal employees or officials. Municipal public official or municipal public employee means any elected officer of the municipalities and the employees or deputies of any elected officer, specifically including salaried municipal employees of municipally owned utilities, members of the city council including the mayor and the members of the various municipal boards and commissions, but excluding officials and employees of municipal hospitals, nursing homes and improvement districts.

Workers' Compensation: This insurance program provides compensation to employees in the event of injury suffered while conducting City business. The Program covers all statutory requirements, and the City's risk of loss is effectively transferred.

Contingent Liabilities: Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, mainly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time. The City expects any disallowed claims, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material, adverse effect on the financial condition of the City.

Post-Employment Benefits: Post-employment benefits for City employees are limited to health insurance continuation coverage under federal law (COBRA) with all costs associated with the benefits borne by the electing participant.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2024, the date which the financial statements were available to be issued.

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 115,000	\$ 159,036	\$ 44,036
Property taxes	1,588,315	1,481,143	(107,172)
Franchise fees	125,000	146,008	21,008
Sales taxes	2,550,000	4,254,880	1,704,880
Fines, forfeitures, and costs	302,000	455,177	153,177
Interest	500	6,801	6,301
Local permits and fees	135,850	253,158	117,308
Golf course fees	55,465	42,745	(12,720)
Jail fees	100,000	50,231	(49,769)
Rental income	25,000	38,676	13,676
Grant income	375,000	428,880	53,880
Other revenues	-	58,192	58,192
TOTAL REVENUES	5,372,130	7,374,927	2,002,797
EXPENDITURES			
Current			
General government	970,250	1,194,596	(224,346)
Law enforcement	2,783,858	2,889,371	(105,513)
Public safety	1,456,350	1,569,910	(113,560)
Recreation and culture	1,083,010	1,029,646	53,364
TOTAL CURRENT	6,293,468	6,683,523	(390,055)
Capital outlays	653,885	688,256	(34,371)
TOTAL EXPENDITURES	6,947,353	7,371,779	(424,426)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,575,223)	3,148	1,578,371
OTHER FINANCING SOURCES (USES)			
Capital leases	(50,000)	(26,623)	23,377
Insurance proceeds		314,274	314,274
Operating transfers in		571,472	571,472
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	859,123	909,123
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (1,625,223)	862,271	\$ 2,487,494
Fund balance, beginning of year		137,416	
Fund balance, end of year		\$ 999,687	

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 600,000	\$ 588,472	\$ (11,528)
Property taxes		162,502	162,502
Interest	40	293	253
Other revenues		1,642	1,642
TOTAL REVENUES	<u>600,040</u>	<u>752,909</u>	<u>152,869</u>
EXPENDITURES			
Current			
Highways and streets	955,650	1,021,119	(65,469)
TOTAL CURRENT	<u>955,650</u>	<u>1,021,119</u>	<u>(65,469)</u>
Capital outlays	56,000	130,542	(74,542)
TOTAL EXPENDITURES	<u>1,011,650</u>	<u>1,151,661</u>	<u>(140,011)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(411,610)	(398,752)	12,858
OTHER FINANCING SOURCES(USES)			
Operating transfers in		528,879	528,879
TOTAL OTHER FINANCING SOURCES(USES)		<u>528,879</u>	<u>528,879</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ <u>(411,610)</u>	130,127	\$ <u>541,737</u>
Fund balance, beginning of year		302,531	
Fund balance, end of year		<u>\$ 432,658</u>	

CITY OF OSCEOLA, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	<u>Bicentennial Fund</u>	<u>Bonds and Fines Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 7,943	\$ 75,430	\$ 83,373
Total Assets	<u>\$ 7,943</u>	<u>\$ 75,430</u>	<u>\$ 83,373</u>
LIABILITIES			
Due to other agencies	\$ -	\$ 75,430	\$ 75,430
Total Liabilities	<u>-</u>	<u>75,430</u>	<u>75,430</u>
FUND BALANCES			
Assigned	7,943		7,943
Total Fund Balances	<u>7,943</u>	<u>-</u>	<u>7,943</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,943</u>	<u>\$ 75,430</u>	<u>\$ 83,373</u>

CITY OF OSCEOLA, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	Bicentennial Fund	Bonds and Fines Fund	Total Nonmajor Governmental Funds
INCOME			
Interest Income	\$ 146	\$	\$ 146
	<u>146</u>		<u>146</u>
EXPENDITURES			
Total Expenditures	<u>-</u>		<u>-</u>
Excess (deficiency) of revenues over expenditures	146		146
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>		<u>-</u>
Net Change in Fund Balance	146		146
Fund Balance, beginning of year	<u>7,797</u>		<u>7,797</u>
Fund Balance, end of year	<u>\$ 7,943</u>	<u>\$</u>	<u>\$ 7,943</u>

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

INDEPENDENT AUDITORS' 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*

To the Honorable Joe Harris, Mayor
And the Members of the City Council
City of Osceola, Arkansas

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 financial statements of the City of Osceola, Arkansas (the "City") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2024.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2023-1, that we consider to be a material weakness.

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

The City of Osceola, Arkansas' Response to Findings

Management's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, AR 72396
November 11, 2024

**CITY OF OSCEOLA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report: Qualified

Internal control over financial reporting			
Material weakness identified ?	<u> x </u>	Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses ?	<u> </u>	Yes	<u> x </u> No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> x </u> No

Part 1 - Findings – Financial Statements

#2023-001 - Internal control

Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – The Organization does not have enough employees for effective segregation of accounting duties.

Effect – Misstated financial statements could occur and not be prevented or detected in a timely manner.

Cause – The City does not have enough employees to achieve appropriate segregation of duties.

Recommendation – We recommend that employee duties be segregated to the extent possible.

Views of Responsible Officials and Planned Corrective Actions – Management will segregate duties to the extent possible when new staff members are added.

CITY OF OSCEOLA
Corrective Action Plan
Year Ended December 31, 2023

City of Osceola respectfully submits the following corrective action plan for the year ended December 31, 2023.

The findings from the December 31, 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#2023-001 - Internal control –Segregation of duties – The Organization will continue to evaluate segregation of duties issues.

Accountable Official’s Name and Phone Number: Joe Harris, Mayor
870-563-5245

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 1045
Wynne, AR 72396

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS – STATE OF ARKANSAS**

To the Honorable Joe Harris, Mayor
And the Members of the City Council
City of Osceola, Arkansas

We have audited the financial statements of the City of Osceola, Arkansas, as of and for the year ended December 31, 2023, and have issued our report thereon dated November 11, 2024.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations of Arkansas applicable to the City of Osceola, Arkansas, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain laws and regulations. However, the objective of our audit of the basic financial statements was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements under Arkansas laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those requirements. Also the results of our procedures did not disclose any immaterial instance of noncompliance with those requirements.

This report is intended solely for the information and use of management and State regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, AR 72396
November 11, 2024