



CITY OF Siloam Springs

City of Siloam Springs, Arkansas

**Financial Statements
and
Supplementary Information
December 31, 2023**

(With Independent Auditor's Report Thereon)



City of Siloam Springs, Arkansas

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City of Siloam Springs, Arkansas

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Directors
City of Siloam Springs
Siloam Springs, Arkansas

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 required supplementary information, such as management's discussion and analysis, budgetary comparison and pension plan information on pages 4 through 8 and 52 through 59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Honorable Mayor and Board of Directors
City of Siloam Springs
Siloam Springs, Arkansas

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.

Additional Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, such as the combining schedules of revenues, expenses and changes in net position and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of 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 additional supplementary information is 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 September 12, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Fort Smith, Arkansas
September 12, 2024

City of Siloam Springs, Arkansas

Management's Discussion and Analysis

December 31, 2023

As management of the City of Siloam Springs (the "City"), we offer readers of the City's financial statements this narrative review and analysis of the City's financial activities for the fiscal year ended December 31, 2023. This analysis focuses on the 2023 and 2022 fiscal year activities and should be considered in conjunction with the information contained in the Independent Auditor's Reports and Financial Statements that follow.

Overview of the Financial Statements

In addition to Management's Discussion and Analysis ("MD&A"), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information. The first statements presented are highly condensed and provide a government-wide perspective of the City's finances. In the government-wide perspective, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, court, streets, parks and recreation, library, cemetery, building inspections, community development, animal services and general government administration. Business-type activities include utilities (electric, water, wastewater, and solid waste) and the airport. These government-wide statements are designed to be more corporate-like, in that all activities are consolidated into a total for the City.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets and deferred outflows of resources the City owns, the liabilities and deferred inflows of resources it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. A significant difference from fund financial statements is that governmental activities reflect capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues including internal transfers from the enterprise funds. This statement summarizes and simplifies the user's analysis to determine the extent to which such programs are self-supporting and/or subsidized by general and other revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of government financial statements. The City's major governmental funds are presented in their own column and the remaining non-major governmental fund – Debt Service is presented in its own column on the statements. A budgetary comparison is presented for the general fund and street fund in the required supplementary information. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses, changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

City of Siloam Springs, Arkansas

Management's Discussion and Analysis

December 31, 2023

City as a Whole

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position at a point in time and the changes in net position over a period of time. The City's net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the City's financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating.

A condensed version of the Statements of Net Position at December 31, 2023 and 2022 is as follows:

Net Position (Amounts in Millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Cash and investments	\$ 32.0	\$ 29.3	\$ 5.9	\$ 13.6	\$ 37.9	\$ 42.9
Other assets	20.9	18.6	27.1	18.9	48.0	37.5
Capital assets (net)	57.3	56.6	101.1	102.1	158.4	158.7
Total assets	110.2	104.5	134.1	134.6	244.3	239.1
Deferred outflows of resources	6.9	3.2	0.1	0.1	7.0	3.3
Current liabilities	2.2	2.3	3.3	3.7	5.5	6.0
Long-term liabilities	17.8	10.9	13.8	22.8	31.6	33.7
Total Liabilities	20.0	13.2	17.1	26.5	37.1	39.7
Deferred inflows of resources	1.9	4.9	0.4	0.3	2.3	5.2
Net investment in capital assets	57.0	55.9	88.3	80.3	145.3	136.2
Restricted	16.5	13.3	5.1	4.6	21.6	17.9
Unrestricted	21.7	20.4	23.3	23.0	45.0	43.4
Total net position	\$ 95.2	\$ 89.6	\$ 116.7	\$ 107.9	\$ 211.9	\$ 197.5

The City's combined net position increased from \$197.5 million to \$211.9 million, a 7% increase in 2023. Unrestricted net position for governmental activities, which is the portion of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$1.3 million, from a balance of \$20.4 million to \$21.7 million. The driver for this increase is an increase in tax revenue. Net position of the business-type activities reflects an \$8.8 million or 8% increase (\$116.7 million compared to \$107.9 million).

City of Siloam Springs, Arkansas

Management's Discussion and Analysis

December 31, 2023

A condensed version of the Statements of Activities for the periods ending December 31, 2023 and 2022 is as follows:

Changes in Net Position (Amounts in Millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
<i>Program revenues</i>						
Charges for services	\$ 5.2	\$ 4.7	\$ 47.4	\$ 47.4	\$ 52.6	\$ 52.1
Grants and contributions	1.0	4.1	5.0	4.3	6.0	8.4
<i>General revenues</i>						
Taxes	14.9	13.3	4.9	5.4	19.8	18.7
Investment	0.3	0.1	-	-	0.3	0.1
Intergovernmental	2.7	2.5	-	-	2.7	2.5
Employer contributions	2.7	2.5	-	-	2.7	2.5
Other	1.3	1.2	0.8	0.1	2.1	1.3
Total revenues	<u>28.1</u>	<u>28.4</u>	<u>58.1</u>	<u>57.2</u>	<u>86.2</u>	<u>85.6</u>
Expenses						
General government	12.9	10.0	-	-	12.9	10.0
Public safety and judiciary	13.3	11.4	-	-	13.3	11.4
Transportation	1.8	1.7	-	-	1.8	1.7
Cultural, parks and recreation	2.6	2.2	-	-	2.6	2.2
Community development	1.9	1.9	-	-	1.9	1.9
Utilities	-	-	38.6	37.3	38.6	37.3
Airport	-	-	0.7	0.9	0.7	0.9
Total expenses	<u>32.5</u>	<u>27.2</u>	<u>39.3</u>	<u>38.2</u>	<u>71.8</u>	<u>65.4</u>
Increase in net position						
before transfers	<u>(4.4)</u>	<u>1.2</u>	<u>18.8</u>	<u>19.0</u>	<u>14.4</u>	<u>20.2</u>
Transfers	<u>10.0</u>	<u>9.7</u>	<u>(10.0)</u>	<u>(9.7)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	5.6	10.9	8.8	9.3	14.4	20.2
Net position - beginning of year	<u>89.6</u>	<u>78.7</u>	<u>107.9</u>	<u>98.6</u>	<u>197.5</u>	<u>177.3</u>
Net position - end of year	<u>\$ 95.2</u>	<u>\$ 89.6</u>	<u>\$ 116.7</u>	<u>\$ 107.9</u>	<u>\$ 211.9</u>	<u>\$ 197.5</u>

The City's total revenue of \$86.2 million in 2023 reflects a \$0.6 million, or 1%, increase over total revenue of \$85.6 million in 2022. This increase in total revenue in 2023 is primarily due to an increase in local and county taxes. The total operating expense, or cost of all programs and services provided by the City, increased 10% (to \$71.8 million, from a total cost of \$65.4 million). This increase in total cost was a combination of an increase in public safety expenses and an increase in utilities expense. Our analysis below separately considers the operations of governmental and business-type activities.

City of Siloam Springs, Arkansas

Management's Discussion and Analysis

December 31, 2023

Governmental Activities

Revenue for the City's governmental activities in 2023 came in at \$28.1 million which is approximately a \$0.3 million decrease from 2022. The main driver for the decrease is additional grants and contributions received in 2022. In the context of total revenue versus total expense, the City's governmental activities ran a \$4.4 million deficit before transfers from the business-type activities funds of \$10 million.

Governmental activities total expenses increased \$5.3 million in 2023 from 2022, a 19% increase. The expense included an increase in general governmental and public safety expenses.

Business-type Activities

Revenues of the City's business-type activities or enterprise funds increased by \$0.9 million or 1% (\$58.1 million in 2023 compared to \$57.2 million in 2022). This increase in business activity revenue results from increased grants and contributions in the current year.

Business-type activities revenue represents 67% of total City revenues in 2023. Electric revenues are equal to 54% of the business-type charges for services and 36% of the total City revenue.

Budgetary Highlights

Over the course of the year, the City Board of Directors revised the budget once. The City develops their budget on a modified accrual basis. The general fund budget is required to function within the anticipated revenue from all sources.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2023, the City had \$158.4 million invested in capital assets net of depreciation. These assets include police and fire equipment, park and recreation facilities, buildings and utility infrastructure, street infrastructure and land. This balance represents a net decrease of \$0.3 million or 0.1% (\$158.4 million compared to \$158.7 million). Significant capital asset projects and capital asset additions during the year by fund net of accumulated depreciation and adjustments included:

- Street Fund – \$692,909 Lake Francis Rebuild; \$317,398 Sager Creek Drive; \$540,557 Villa View Side Path.
- Utility Fund – \$491,162 North Water Tower; \$429,125 Traffic Signal Detection System; \$940,698 Electric General Line Ext.

Economic Factors and Management Strategies

The City saw an increase in the economy overall. The City issued a total of 317 for all new building permits in 2023 compared to 218 in 2022, 217 issued in 2021, 269 issued in 2020, and 256 issued in 2019.

The City sales tax revenue increased in 2023 by 5.0% after reflecting an increase of 7.0% in 2022. The City's share of County sales tax revenue increased in 2023 with an increase of 12%. This revenue stream is primarily allocated to funding governmental activities operations and, therefore, a critical line item that is closely monitored by City leaders. The City and County sales tax revenue streams were budgeted for a 9% increase and 21% increase in 2024, respectively. Through five months of 2024 the actual receipts appear to be slightly higher than these projections for City and County.

City of Siloam Springs, Arkansas

Management's Discussion and Analysis

December 31, 2023

In 2023, the City continued to execute strategies and plans that have resulted in positive achievements in the areas of City infrastructure condition, planning and preparing for economic development, and strengthening revenue streams and operating efficiencies to improve financial condition and fiscal sustainability. These achievements include:

- Completed work on Fire SCBA Update
- Completed work on Painting the North Water Tower
- Completed work on the Runway Pavement and Lights
- Continued work on Brentwood Drainage
- Completed work on Villa View
- Continued work on Moss Substation
- Continued work on Traffic Signal Detection
- Began work on PD Dispatch Remodel
- Began work on Sager Creek Improvements
- Began work on the WWTP Headworks Upgrade
- Began work on Lake Francis Rebuild
- Began work on Sager Creek Drive

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Allan Gilbert, the City Administrator at 400 N. Broadway, Siloam Springs, Arkansas 72761.

Basic Financial Statements

City of Siloam Springs, Arkansas

Statement of Net Position December 31, 2023

	Governmental Activities	Primary Government Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 19,915,179	\$ 4,274,907	\$ 24,190,086
Certificates of deposit	4,323,322	1,627,624	5,950,946
Investments	7,714,592	-	7,714,592
Accounts receivable, net of allowance	6,124,245	6,543,076	12,667,321
Accrued income	-	3,881	3,881
Inventories	261,846	12,771,599	13,033,445
Prepays	261,365	173,581	434,946
Restricted assets			
Restricted cash and certificates of deposit	16,711,528	5,084,964	21,796,492
Internal balances	(2,497,475)	2,497,671	196
Capital assets, <i>non-depreciable</i>	9,740,234	1,209,271	10,949,505
Capital assets, <i>net of accumulated depreciation</i>	47,599,106	99,874,937	147,474,043
Total Assets	110,153,942	134,061,511	244,215,453
Deferred Outflows of Resources			
Deferred outflows - benefit plans	5,299,917	67,627	5,367,544
Deferred outflows - benefit plan contributions	1,562,272	-	1,562,272
Total Deferred Outflows of Resources	6,862,189	67,627	6,929,816
Liabilities			
Accounts payable	1,039,094	2,080,043	3,119,137
Accrued liabilities	630,757	100,198	730,955
Accrued interest payable	-	68,288	68,288
Customer deposits	21,147	1,010,689	1,031,836
Unearned revenues	478,413	-	478,413
Noncurrent liabilities			
Due within one year	1,434,102	2,188,773	3,622,875
Due in more than one year	16,312,514	11,605,124	27,917,638
Total Liabilities	19,916,027	17,053,115	36,969,142
Deferred Inflows of Resources			
Deferred inflows - benefit plans	1,905,486	438,906	2,344,392
Total Deferred Inflows of Resources	1,905,486	438,906	2,344,392
Net Position			
Net investment in capital assets	57,015,610	88,293,913	145,309,523
Restricted			
Expendable			
Capital projects	8,732,993	1,236,414	9,969,407
Debt service	5,168	1,628,818	1,633,986
Other	7,771,751	2,219,732	9,991,483
Unrestricted	21,669,096	23,258,240	44,927,336
Total Net Position	\$ 95,194,618	\$ 116,637,117	\$ 211,831,735

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Activities Year ended December 31, 2023

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Government Grants	Governmental Activities	Business-type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
General government	\$ 12,709,618	\$ 5,190,592	\$ -	\$ (7,519,026)	\$ -	\$ (7,519,026)
Public safety	13,309,664	-	404,603	(12,905,061)	-	(12,905,061)
Culture, parks and recreation	2,554,295	-	-	(2,554,295)	-	(2,554,295)
Community development	1,939,663	-	-	(1,939,663)	-	(1,939,663)
Street department	1,784,913	-	533,143	(1,251,770)	-	(1,251,770)
Interest on long-term debt	11,372	-	-	(11,372)	-	(11,372)
Total Governmental Activities	32,309,525	5,190,592	937,746	(26,181,187)	-	(26,181,187)
<i>Business-Type Activities</i>						
Utilities	37,948,465	46,349,571	4,883,069	-	13,284,175	13,284,175
Airport	1,338,273	1,008,826	123,680	-	(205,767)	(205,767)
Total Business-Type Activities	39,286,738	47,358,397	5,006,749	-	13,078,408	13,078,408
Total Primary Government	\$ 71,596,263	\$ 52,548,989	\$ 5,944,495	(26,181,187)	13,078,408	(13,102,779)
General Revenues						
Property taxes				1,479,210	-	1,479,210
Sales and use taxes				12,805,814	4,911,447	17,717,261
Private grants and contributions				14,303	-	14,303
Intergovernmental				2,667,038	-	2,667,038
Investment income				338,836	764,177	1,103,013
Employer contributions				2,705,291	-	2,705,291
Miscellaneous				1,384,924	-	1,384,924
Gain on sale of capital assets				305,726	-	305,726
Transfers				10,048,792	(10,048,792)	-
Total General Revenues and Transfers				31,749,934	(4,373,168)	27,376,766
Change in Net Position				5,568,747	8,705,240	14,273,987
Net Position, Beginning of year				89,625,871	107,931,877	197,557,748
Net Position, End of year				\$ 95,194,618	\$ 116,637,117	\$ 211,831,735

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Balance Sheet – Governmental Funds December 31, 2023

	General	Street Funds	Non-Major Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 19,887,347	\$ -	\$ 27,832	\$ 19,915,179
Certificates of deposit	4,323,322	-	-	4,323,322
Investments	7,714,592	-	-	7,714,592
Tax and other receivables, net of allowance of \$152,462 and \$29,788, respectively	4,313,492	1,398,850	-	5,712,342
Ambulance fees receivable, net of allowance of \$142,608	411,903	-	-	411,903
Inventories	261,846	-	-	261,846
Due from other funds	540,884	-	-	540,884
Prepaid items	216,110	18,871	-	234,981
Restricted cash and cash equivalents	6,100,398	8,732,993	5,168	14,838,559
	\$ 43,769,894	\$ 10,150,714	\$ 33,000	\$ 53,953,608
Liabilities				
Accounts payable	\$ 707,292	\$ 331,802	\$ -	\$ 1,039,094
Due to other funds	2,721,748	12,932	-	2,734,680
Accrued liabilities	636,744	15,160	-	651,904
Unearned revenues - grants	478,413	-	-	478,413
	4,544,197	359,894	-	4,904,091
Deferred Inflows of Resources				
Unavailable revenues - property taxes	2,698,393	925,399	-	3,623,792
	2,698,393	925,399	-	3,623,792
Fund Balance				
Nonspendable	477,956	18,871	-	496,827
Restricted	6,100,398	8,732,993	5,168	14,838,559
Assigned	1,933	113,557	-	115,490
Unassigned	29,947,017	-	27,832	29,974,849
	36,527,304	8,865,421	33,000	45,425,725
Total Fund Balance	36,527,304	8,865,421	33,000	45,425,725
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 43,769,894	\$ 10,150,714	\$ 33,000	\$ 53,953,608

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Reconciliation of the Balance Sheet – Governmental Funds With the Statement of Net Position December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total fund balance of the governmental fund.	\$ 45,425,725
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	57,339,340
Certain tax revenues are deferred and unavailable to pay current fund liabilities.	3,623,792
Amounts reported as deferred inflows of resources related to pensions and OPEB are not received and receivable in the current period and, therefore, are not reported in the funds.	(1,905,486)
Amounts reported as deferred outflows of resources related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.	6,862,189
Internal service funds are used by management to change the costs of risk management activities to individual funds. The assets, deferred outflow of resources, liabilities and deferred inflows of the internal service funds are included in governmental activities in the statement of net position.	1,595,674
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Capital lease payable	(323,730)
Post-employment benefits liability	(1,804,655)
Accrued compensated absences	(1,310,127)
Net pension liability	<u>(14,308,104)</u>
Total Net Position - Governmental Activities	<u>\$ 95,194,618</u>

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds Year ended December 31, 2023

	General	Street Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,563,297	\$ 539,962	\$ -	\$ 2,103,259
Sales taxes	10,382,488	2,423,326	-	12,805,814
Licenses and permits	478,185	214,775	-	692,960
Intergovernmental	1,208,766	1,458,272	-	2,667,038
Charges for services	5,190,592	-	-	5,190,592
Fines and forfeitures	271,823	-	-	271,823
Government grants	404,603	533,143	-	937,746
Private grants and contributions	14,303	-	-	14,303
Gain on disposal of capital assets	305,726	-	-	305,726
Investment income	250,269	47,688	231	298,188
Miscellaneous	117,978	1,779	-	119,757
Total Revenues	20,188,030	5,218,945	231	25,407,206
Expenditures				
General government				
Administration	1,815,740	-	-	1,815,740
Finance	2,073,504	-	-	2,073,504
Construction	627,457	-	-	627,457
Contracted services	7,333	-	-	7,333
Maintenance	454,166	-	-	454,166
Total General Government	4,978,200	-	-	4,978,200
Public safety and judiciary				
Police	6,495,425	-	-	6,495,425
Fire	6,535,445	-	-	6,535,445
Municipal court	278,794	-	-	278,794
Total Public Safety and Judiciary	13,309,664	-	-	13,309,664
Transportation				
Streets	-	1,784,913	-	1,784,913
Cultural, parks and recreation				
Library	593,506	-	-	593,506
Parks	1,907,233	-	-	1,907,233
Golf course	53,556	-	-	53,556
Total Cultural, Parks and Recreation	2,554,295	-	-	2,554,295
Community development				
Building inspections	1,939,663	-	-	1,939,663
Debt service				
Principal retirement	-	-	336,262	336,262
Interest and other charges	-	-	11,372	11,372
Total Debt Service	-	-	347,634	347,634
Capital outlay				
	2,212,083	3,165,708	-	5,377,791
Total Expenditures	24,993,905	4,950,621	347,634	30,292,160
Excess Revenues Over (Under) Expenditures	(4,805,875)	268,324	(347,403)	(4,884,954)
Other Financing Sources (Uses)				
Transfers in	10,137,706	349,928	347,634	10,835,268
Transfers out	(709,476)	(77,000)	-	(786,476)
Total Other Financing Sources	9,428,230	272,928	347,634	10,048,792
Net Change in Fund Balance	4,622,355	541,252	231	5,163,838
Fund Balance, Beginning of Year	31,904,949	8,324,169	32,769	40,261,887
Fund Balance, End of Year	\$ 36,527,304	\$ 8,865,421	\$ 33,000	\$ 45,425,725

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds With the Statement of Activities Year ended December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net change in fund balance of the governmental fund	\$ 5,163,838
Government funds report capital outlays 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:	
Capital outlay	5,716,974
Depreciation expense	(4,605,885)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities. This is the change in the amount of unavailable revenues reported in the governmental fund statements.	(624,049)
Deferred inflows/outflows related to the net pension liabilities not due and payable in the current period that are not reported in the funds. These amounts are amortized into pension expense in future periods. This is the amount by which the deferred inflows/outflows changed during the current year.	6,637,143
Expenses that do not require the use of current financial resources, such as net pension liabilities, other postemployment benefits ("OPEB") liabilities, and long-term compensated absences are not reported as expenditures in the governmental fund financial statements in the current year, but are reported as expenses in the statement of activities.	
Increase in net pension liabilities	(6,962,520)
Increase in OPEB liabilities	(37,913)
Increase in accrued long-term compensated absences	(164,560)
Internal service funds are used by management to charge the cost of insurance services to individual funds. The net loss of the internal service fund is reported with governmental activities.	<u>445,719</u>
Change in Net Position of Governmental Activities	<u>\$ 5,568,747</u>

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Net Position – Proprietary Funds December 31, 2023

	Enterprise Funds			Governmental Activities
	Airport			Internal Service Fund
	Utilities	Non-major	Totals	
Assets				
<i>Current Assets</i>				
Cash	\$ 4,226,423	\$ 48,484	\$ 4,274,907	\$ -
Certificates of deposit	1,627,624	-	1,627,624	-
Receivables				
Accounts receivable, net of allowance	5,823,030	18,099	5,841,129	-
Taxes	315,217	-	315,217	-
Lease receivable	9,845	7,527	17,372	-
Grants receivable	-	45,261	45,261	-
Accrued income	3,881	-	3,881	-
Inventory	12,702,453	69,146	12,771,599	-
Due from other funds	2,574,390	-	2,574,390	236,780
Prepaid items	158,068	15,513	173,581	26,384
Total Current Assets	27,440,931	204,030	27,644,961	263,164
<i>Noncurrent Assets</i>				
Restricted cash	5,084,964	-	5,084,964	1,872,969
Lease receivable	74,866	249,231	324,097	-
Capital assets, net of accumulated depreciation				
Land	859,216	350,055	1,209,271	-
Construction in progress	671,708	10,644	682,352	-
Distribution and collection systems	90,421,773	-	90,421,773	-
Buildings, improvements, and equipment	6,235,902	2,534,910	8,770,812	-
Total Noncurrent Assets	103,348,429	3,144,840	106,493,269	1,872,969
Deferred Outflows of Resources				
Deferred outflows - benefit plans	66,688	939	67,627	-
Total Deferred Outflows of Resources	66,688	939	67,627	-
Total Assets	130,856,048	3,349,809	134,205,857	2,136,133
Liabilities				
<i>Current Liabilities</i>				
Accounts payable	1,981,536	98,507	2,080,043	-
Accrued expenses	98,261	1,937	100,198	-
Customer deposits	1,009,239	1,450	1,010,689	-
Due to other funds	76,719	-	76,719	540,459
Current maturities of long-term debt	1,702,842	-	1,702,842	-
Compensated absences	478,205	7,726	485,931	-
Accrued interest payable	68,288	-	68,288	-
Total Current Liabilities	5,415,090	109,620	5,524,710	540,459
<i>Noncurrent Liabilities</i>				
Other postemployment benefits	510,481	7,190	517,671	-
Long-term debt	11,087,453	-	11,087,453	-
Total Noncurrent Liabilities	11,597,934	7,190	11,605,124	-
Deferred Inflows of Resources				
Deferred inflows - benefit plans	98,123	1,382	99,505	-
Deferred inflows - leases	83,149	256,252	339,401	-
Total Deferred Inflows of Resources	181,272	257,634	438,906	-
Total Liabilities	17,194,296	374,444	17,568,740	540,459
Net Position				
Net Investment in Capital Assets	85,398,304	2,895,609	88,293,913	-
Restricted				
Capital projects	1,236,414	-	1,236,414	-
Debt service	1,628,818	-	1,628,818	-
Other	2,219,732	-	2,219,732	1,671,353
Unrestricted	23,178,484	79,756	23,258,240	(75,679)
Total Net Position	\$ 113,661,752	\$ 2,975,365	\$ 116,637,117	\$ 1,595,674

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds Year ended December 31, 2023

	Enterprise Funds			Governmental Funds
	Utilities	Airport Non-major	Totals	Internal Service Funds
Operating Revenues				
Charges for Services				
Electric	\$ 31,223,941	\$ -	\$ 31,223,941	\$ -
Water	5,477,446	-	5,477,446	-
Wastewater	4,862,817	-	4,862,817	-
Sanitation	3,723,042	-	3,723,042	-
Fiber	4,792	-	4,792	-
Fuel sales	-	921,819	921,819	-
Rent income	-	80,751	80,751	-
Penalties	464,357	-	464,357	-
Employer contributions	-	-	-	2,705,291
Miscellaneous	593,176	6,256	599,432	300,384
Total Operating Revenues	46,349,571	1,008,826	47,358,397	3,005,675
Operating Expenses				
Cost of goods sold				
Cost of power	18,808,652	-	18,808,652	-
Cost of fuel	-	727,365	727,365	-
Personal services	5,651,996	151,536	5,803,532	3,015
Contracted services	277,391	8,182	285,573	-
Maintenance and operating expenses	6,313,181	164,528	6,477,709	-
Other services and charges	483,101	10,554	493,655	-
Utilities	651,604	20,392	671,996	-
Benefits paid	-	-	-	2,597,589
Depreciation and amortization	5,368,893	255,716	5,624,609	-
Total Operating Expenses	37,554,818	1,338,273	38,893,091	2,600,604
Net Operating Income (Loss)	8,794,753	(329,447)	8,465,306	405,071
Nonoperating Revenues (Expenses)				
Sales tax revenue	4,911,447	-	4,911,447	-
Government grants	4,883,069	123,680	5,006,749	-
Interest income	764,177	-	764,177	40,648
Interest expense	(393,647)	-	(393,647)	-
Net Nonoperating Revenues	10,165,046	123,680	10,288,726	40,648
Income (Loss) Before Transfers	18,959,799	(205,767)	18,754,032	445,719
Transfers In	11,913	-	11,913	-
Transfers Out	(10,060,705)	-	(10,060,705)	-
Net Transfers	(10,048,792)	-	(10,048,792)	-
Change in Net Position	8,911,007	(205,767)	8,705,240	445,719
Net Position, Beginning of Year	104,750,745	3,181,132	107,931,877	1,149,955
Net Position, End of Year	\$ 113,661,752	\$ 2,975,365	\$ 116,637,117	\$ 1,595,674

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Cash Flows – Proprietary Funds Year ended December 31, 2023

	Enterprise Funds			Governmental Funds
	Airport			Internal Service Funds
	Utilities	Non-major	Totals	
Cash Flows From Operating Activities				
Cash received from customers	\$ 46,002,997	\$ 853,041	\$ 46,856,038	\$ -
Cash received from internal customers	-	-	-	2,778,741
Cash payments to suppliers for goods and services	(34,915,217)	(963,670)	(35,878,887)	(2,595,360)
Cash payments to employees for services	(5,648,840)	(151,905)	(5,800,745)	(3,015)
Other operating receipts	593,176	6,256	599,432	300,384
Net Cash Provided (Used) by Operating Activities	<u>6,032,116</u>	<u>(256,278)</u>	<u>5,775,838</u>	<u>480,750</u>
Cash Flows From Noncapital and Related Financing Activities				
Interfund transfers	(10,048,792)	-	(10,048,792)	-
Net Cash (Used) by Noncapital and Related Financing Activities	<u>(10,048,792)</u>	<u>-</u>	<u>(10,048,792)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Sales tax revenue	4,901,759	-	4,901,759	-
Governmental grants	4,841,509	67,552	4,909,061	-
Acquisition and construction of capital assets	(4,515,858)	(86,430)	(4,602,288)	-
Proceeds from issuance of long-term debt	565,010	-	565,010	-
Deferred inflows on lease liability	31,680	133,740	165,420	-
Principal paid on long-term debt	(9,575,561)	-	(9,575,561)	-
Interest and fees paid on debt	(462,144)	-	(462,144)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,213,605)</u>	<u>114,862</u>	<u>(4,098,743)</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest on cash and certificates of deposit	764,177	-	764,177	40,648
Net Cash Provided by Investing Activities	<u>764,177</u>	<u>-</u>	<u>764,177</u>	<u>40,648</u>
Net Change in Cash	<u>(7,466,104)</u>	<u>(141,416)</u>	<u>(7,607,520)</u>	<u>521,398</u>
Cash, Beginning of Year	<u>18,405,115</u>	<u>189,900</u>	<u>18,595,015</u>	<u>1,351,571</u>
Cash, End of Year	<u>\$ 10,939,011</u>	<u>\$ 48,484</u>	<u>\$ 10,987,495</u>	<u>\$ 1,872,969</u>
Presented on the Statement of Net Position - Proprietary Funds as follows:				
Cash and certificates of deposit	\$ 5,854,047	\$ 48,484	\$ 5,902,531	\$ -
Restricted cash - noncurrent	5,084,964	-	5,084,964	1,872,969
Total Cash and Cash Equivalent	<u>\$ 10,939,011</u>	<u>\$ 48,484</u>	<u>\$ 10,987,495</u>	<u>\$ 1,872,969</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 8,794,753	\$ (329,447)	\$ 8,465,306	\$ 405,071
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	5,368,893	255,716	5,624,609	-
Allowance for doubtful accounts	295,883	(9,278)	286,605	-
Changes in:				
Accounts receivable	(103,141)	(6,385)	(109,526)	-
Lease receivable	(28,546)	(134,016)	(162,562)	-
Accrued income	(3,881)	-	(3,881)	-
Inventory	(7,140,455)	7,276	(7,133,179)	-
Due from other funds	(798,800)	-	(798,800)	73,450
Prepaid expenses	(30,162)	(3,226)	(33,388)	(3,760)
Accounts payable	(365,346)	(36,994)	(402,340)	-
Accrued expenses	25,510	295	25,805	-
Customer deposits	82,406	150	82,556	-
Due to other funds	(68,154)	-	(68,154)	5,989
Compensated absences	24,932	539	25,471	-
Decrease in employee benefit plans	(21,776)	(908)	(22,684)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,032,116</u>	<u>\$ (256,278)</u>	<u>\$ 5,775,838</u>	<u>\$ 480,750</u>

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Net Position – Fiduciary Funds December 31, 2023

	Pension Trust Fund	Private- Purpose Trust Fund
	Firemen's Pension and Relief	Oak Hill Cemetery Trust
Assets		
Cash	\$ 207,020	\$ 154,247
Certificates of deposit	-	301,247
Investments		
Mutual funds	3,359,065	-
Receivables, net of allowance of \$8,689	280,941	-
Due from other funds	-	229
Total Assets	3,847,026	455,723
Liabilities		
Due to other funds	95	330
Total Liabilities	95	330
Deferred Inflows of Resources		
Unavailable revenue - property taxes	269,898	-
Net Position		
Net position restricted for pensions	3,577,033	-
Net position restricted for cemetery maintenance	-	455,393
Net Position Restricted for Pensions and Other Purposes	3,577,033	455,393
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,847,026	\$ 455,723

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Statement of Activities – Fiduciary Funds Year ended December 31, 2023

	Pension Trust Fund	Private- Purpose Trust Fund
	Firemen's Pension and Relief	Oak Hill Cemetery Trust
Additions		
Contributions		
Property taxes	\$ 157,875	\$ -
Future supplement	28,572	-
Intergovernmental	-	8,885
Total Contributions	186,447	8,885
Investment income		
Interest and dividends	185,255	4,936
Net increase in fair value of investments	250,391	-
Net Investment Income	435,646	4,936
Total Additions	622,093	13,821
Deductions		
Benefits paid	378,453	-
Administrative expenses	27,031	-
Total Deductions	405,484	-
Change in Fiduciary Net Position	216,609	13,821
Net Position - Beginning of Year	3,360,424	441,572
Net Position - End of Year	\$ 3,577,033	\$ 455,393

See accompanying notes to financial statements.

City of Siloam Springs, Arkansas

Notes to Financial Statements

December 31, 2023

NOTE 1: NATURE OF ACTIVITIES

The City of Siloam Springs, Arkansas, (the “City”), was incorporated in 1881 and is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city administrator form of government and provides the following services as authorized by its charter: public safety (police, fire and animal control), streets, electric, public works, general administrative services, airport, municipal court, cemetery, parks and recreation, library, and community development. Seven elected board members and the Mayor set policy of the City. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for the state and local governments as defined by the Governmental Accounting Standards Board (GASB).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City of Siloam Springs, Arkansas. The City includes in its primary government all funds, account groups, departments, agencies, boards and commissions.

The City’s defined benefit plan, being fiduciary in nature, was not evaluated as a potential component unit but instead was reported as a fiduciary fund.

Government-wide and Fund Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

City of Siloam Springs, Arkansas

Notes to Financial Statements

December 31, 2023

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

The City reports the general fund and street fund as its major governmental funds. The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income. The street fund accounts for resources related to street operations, including new projects and maintenance activities.

The City reports one major enterprise fund. It accounts for the City's combined electric, water, sewer and sanitation system, whose operations are financed primarily through user charges. The City also reports one nonmajor enterprise fund. It accounts for the City's airport operations, which operations are financed through fuel sales and rent income.

Additionally, the City reports the pension trust fund which accounts for assets held in trust for the Firemen's Relief and Pension Fund. Plan trustees must act in accordance with the specific purposes and terms of the retirement plan. Then pension trust fund is accounted for in essentially the same manner as proprietary funds.

The private purpose trust fund accounts for activities that are not the City's programs but are programs sponsored by private organizations or other governments. Although the City serves as fiscal agent, the funds received and held under these programs are not available to support the City's activities and programs, but are received and held for the benefit of individuals, private organizations or other governments participating in the sponsored programs. The programs accounted for within this are expendable trust funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as is the proprietary fund in the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

City of Siloam Springs, Arkansas

Notes to Financial Statements

December 31, 2023

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, city and county sales tax, grants, entitlement and similar items, and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. City and county sales taxes, franchise fees, licenses and permits and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental fund financial statements report using the “current financial resources” measurement focus and the modified accrual basis of accounting. Under the current financial resources focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

Budgets and Budgetary Accounting

State law requires that the following procedures be followed in establishing the budgetary data reflected in the financial statements:

- a. The City Administrator submits to the Board of Directors a proposed operating budget for the City for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The approval of the budget by the Board of Directors shall amount to an appropriation, for the purposes of the budget, of the funds which are lawfully applicable to the different items therein contained.
- c. Under certain conditions, the budget may be amended subsequent to year-end.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

The budgeted revenues and expenditures included in these financial statements represent the formal operating budget adopted by the Board of Directors, as amended during the year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows/outflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes demand deposits, savings accounts and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

All investments are carried at fair value determined using quoted market prices except for investments in nonnegotiable certificates of deposit which are carried at amortized cost.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is assigned to funds with which the related investment asset is associated.

Accounts Receivables

Receivables consist primarily of property and other taxes and customer accounts receivable (billing for customer services charges including unbilled utility services).

Property taxes – Property taxes are levied each November 1 on the assessed value listed as of January 1 for all real and personal property. The property tax is considered due on the first Monday in February (the lien date) after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes that remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, net property taxes receivable of \$4,934,968 and related deferred inflows of resources of \$1,558,606 have been recorded in the governmental funds at December 31, 2023. In the government-wide statements, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

City of Siloam Springs, Arkansas

Notes to Financial Statements

December 31, 2023

Utilities and Ambulance – Utilities consist of credit extended to users in the normal course of business. The City uses the allowance method to account for uncollectible accounts receivable. In circumstances where management is aware of a specific user's inability to meet financial obligations, a specific reserve is recorded to reduce the receivable to the amount expected to be collected. In addition, the City has established a general reserve based upon historical customer performance. Management also performs ongoing credit evaluation of its accounts and those which are considered uncollectible are reserved for through the allowance account. This includes management analyzing the aging of outstanding balances in which certain percentages will be reserved based upon the type of payee and the time period the account has been outstanding. The policy for determining when receivables are past due or delinquent is based on how recently payments have been received. Amounts are written off at the point when collection attempts have been exhausted. Management uses significant judgement in estimating uncollectible amounts, which is based on management considering factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. While management believes the City's processes effectively address its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require adjustment to the allowance recorded by the City.

Unbilled Revenue

The City bills customers for electric, water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at December 31 for estimated usage for which bills have not been sent.

Inventories

Inventories, consisting primarily of fuel, information technology materials, electrical materials, waterline and sewer materials, are valued at the lower of cost (first in, first out method) or net realizable value. The costs of governmental fund type inventories are recorded as expenditures when consumed.

Prepaid Items

Prepaid items in governmental funds are accounted for under the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than two years.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over their estimated useful lives as follows:

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Water distribution facilities	20-43 years
Sewer and solid waste collection and treatment facilities	20-50 years
Electric distribution facilities	5-40 years
Buildings	20-40 years
Building improvements	10-25 years
Furniture and equipment	3-10 years

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred gains on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the bond issue premium or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The government has five items, which qualify for reporting in this category as of December 31, 2023. Each of the five items are related to pensions and include:

- The amount of contributions made to the pension plans after the measurement date
- The difference in investment experience between actual earnings and projected earnings on pension plan investments
- The difference between expected and actual experience related to the plans
- The amount related to any changes in assumptions or other inputs
- The amount related to changes in proportion and differences between contributions recognized and proportionate share of contributions

Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods as shown within *Note 10*.

City of Siloam Springs, Arkansas

Notes to Financial Statements

December 31, 2023

In addition to liabilities, the statement of financial position and balance sheet - governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow outsources (revenue) until that time. The government has two items that qualify as deferred inflows of resources as of December 31, 2023. Accordingly, the items reported in the statements are unavailable revenues in the governmental funds balance sheet and deferred inflows - pensions. Governmental funds report unavailable revenue from property taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, deferred inflows – pensions, consists of the difference between the expected and actual experience related to the pension plans. This amount is amortized to pension expense over future periods as shown within *Note 10*.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Firemen’s Relief and Pension Fund and the Local Police and Fire Retirement System (together, the Plans) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The City provides all eligible full-time employees sick leave and vacation benefits. Sick leave benefits are accrued as a liability using the vesting method. Employees become 100% vested (up to the maximum) after 20 years of continuous service. For employees with at least 5 years of service, but less than 20, one-third of the allowable balance is considered vested. The cost of sick leave and vacation is accrued when earned in the government-wide and proprietary fund financial statements and reported as accrued expenses. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. In governmental activities, amounts accrued are expected to be liquidated with available financial resources, generally by the general fund.

Fund Balance – Governmental Funds

The fund balances for the City’s governmental funds may be displayed in up to five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balance may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by resolution of the Board of Directors. Commitments may be changed or lifted only by issuance of a resolution by the Board of Directors. The City currently has no committed fund balance.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and are reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position includes noncapital assets that must be used for a particular purpose as specified by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation, reduced by the outstanding balances of any related borrowings. At December 31, 2023, net position restricted by enabling legislation was \$16,509,912 for governmental activities and \$5,084,964 for business-type activities. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

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

Adoption of GASB Statements

GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (GASB 96): GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement was effective for periods beginning after June 15, 2022, with earlier application encouraged. The adoption of this statement had no impact on the City's financial statements.

Upcoming Accounting Pronouncement

GASB Statement No. 101, *Compensated Absences* (GASB 101): GASB 101's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for periods beginning after December 15, 2023, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2023, the City had bank balances of \$52,812,023. The balances were all insured (FDIC) or collateralized with securities held by the City or the City's agent in the City's name. The carrying value of these deposits as of December 31, 2023, was \$51,937,524.

Investments

Arkansas statutes authorize the City to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit. Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts or any depository institution chartered by the United States, any U.S. state, or the District of Columbia.

The pension trust funds are authorized to invest in U.S. government and agency securities, bank certificates of deposit, common stocks, investment grade corporate bonds and other appropriate securities.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Investments at December 31, 2023, consisted of the following:

<u>Type</u>	<u>Fair Value</u>
Bond mutual funds	\$ 1,624,002
Equity mutual funds	1,735,063
	<u>3,359,065</u>
Fixed income	7,714,592
	<u>\$ 11,073,657</u>

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2023:

- Fixed income, bond and equity mutual funds are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk

The City's investment policy does not specifically address interest rate risk. The Pension Fund investment policy does not specifically address interest rate risk.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not specifically address credit risk.

The Pension Fund investment policy limits its investments in fixed income securities and preferred shares to a rating of "investment grade" by Moody's Investors Service (Moody's) and Standard & Poor's (S&P).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City's name are insured or collateralized or limited to United States Treasury bonds.

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Summary of Carrying Values

The carrying values of deposits and investments shown on the previous page are included in the financial statements as follows:

Carrying value	
Deposits	\$ 52,591,723
Cash on hand	8,315
Investments	11,073,657
	\$ 63,673,695
Balance sheet - governmental funds	
Cash and cash equivalents	\$ 19,915,179
Certificates of deposit	4,323,322
Restricted cash and certificates of deposit	16,711,528
Investments	
Fixed income	7,714,592
Statement of fund net position - proprietary funds	
Cash	4,274,907
Certificates of deposit	1,627,624
Restricted cash	5,084,964
Statement of fiduciary net position	
Cash	361,267
Certificates of deposit	301,247
Investments	
Mutual funds	3,359,065
	\$ 63,673,695

NOTE 4: RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, street, and utilities funds and the nonmajor governmental and proprietary and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

	General Fund	Street Fund	Total
<i>Governmental</i>			
Property taxes	\$ 3,856,906	\$ 1,194,687	\$ 5,051,593
Ambulance	554,511	-	554,511
Other	609,048	233,951	842,999
Gross receivables	5,020,465	1,428,638	6,449,103
Less allowance for uncollectibles	295,070	29,788	324,858
Net Total Receivables	\$ 4,725,395	\$ 1,398,850	\$ 6,124,245
	Utilities	Airport	Total
<i>Proprietary</i>			
Accounts receivable	\$ 8,489,460	\$ 18,099	\$ 8,507,559
Sales taxes	315,217	-	315,217
Grants receivable	-	45,261	45,261
Lease receivable	84,711	256,758	341,469
Gross receivables	8,889,388	320,118	9,209,506
Less allowances for uncollectibles	2,666,430	-	2,666,430
Net Total Receivables	\$ 6,222,958	\$ 320,118	\$ 6,543,076
<i>Fiduciary</i>			
Property taxes			\$ 289,630
Less allowance for uncollectibles			8,689
Net Total Receivables			\$ 280,941

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 5: CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is presented below:

	Balance, December 31, 2022	Additions	Retirements	Transfers / Adjustments	Balance, December 31, 2023
Governmental Activities					
Capital assets, non-depreciable					
Land	\$ 9,390,308	\$ 349,926	\$ -	\$ -	\$ 9,740,234
Construction in progress	767,000	2,848,441	-	(916,230)	2,699,211
Total Capital Assets, Non-Depreciable	<u>10,157,308</u>	<u>3,198,367</u>	<u>-</u>	<u>(916,230)</u>	<u>12,439,445</u>
Capital assets, depreciable					
Buildings	36,262,399	225,226	(102,427)	239,724	36,624,922
Furniture, fixtures and equipment	24,514,018	1,604,517	(184,107)	66,047	26,000,475
Infrastructure	52,256,279	393,574	-	590,748	53,240,601
Total Capital assets, Depreciable	<u>113,032,696</u>	<u>2,223,317</u>	<u>(286,534)</u>	<u>896,519</u>	<u>115,865,998</u>
<i>Accumulated depreciation</i>					
Buildings	(14,259,911)	(1,190,321)	61,456	-	(15,388,776)
Furniture, fixtures and equipment	(16,582,927)	(1,549,860)	184,107	19,711	(17,928,969)
Infrastructure	(35,782,654)	(1,865,704)	-	-	(37,648,358)
Total Accumulated Depreciation	<u>(66,625,492)</u>	<u>(4,605,885)</u>	<u>245,563</u>	<u>19,711</u>	<u>(70,966,103)</u>
Total Government Activities, Net	<u>\$ 56,564,512</u>	<u>\$ 815,799</u>	<u>\$ (40,971)</u>	<u>\$ -</u>	<u>\$ 57,339,340</u>
Business-type Activities					
Capital assets, non-depreciable					
Land	\$ 1,209,271	\$ -	\$ -	\$ -	\$ 1,209,271
Construction in progress	607,127	4,774,550	-	(4,699,325)	682,352
Total Capital Assets, Non-Depreciable	<u>1,816,398</u>	<u>4,774,550</u>	<u>-</u>	<u>(4,699,325)</u>	<u>1,891,623</u>
Capital assets, depreciable					
Buildings	9,781,650	161,497	-	-	9,943,147
Furniture, fixtures and equipment	16,520,572	692,027	-	19,711	17,232,310
Infrastructure	156,740,346	3,673,539	-	-	160,413,885
Total Capital Assets, Depreciable	<u>183,042,568</u>	<u>4,527,063</u>	<u>-</u>	<u>19,711</u>	<u>187,589,342</u>
<i>Accumulated depreciation</i>					
Buildings	(6,436,369)	(272,660)	-	-	(6,709,029)
Furniture, fixtures and equipment	(10,779,590)	(896,315)	-	(19,711)	(11,695,616)
Infrastructure	(65,536,478)	(4,455,634)	-	-	(69,992,112)
Total Accumulated Depreciation	<u>(82,752,437)</u>	<u>(5,624,609)</u>	<u>-</u>	<u>(19,711)</u>	<u>(88,396,757)</u>
Total Business-type Activities, Net	<u>\$ 102,106,529</u>	<u>\$ 3,677,004</u>	<u>\$ -</u>	<u>\$ (4,699,325)</u>	<u>\$ 101,084,208</u>

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

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

Governmental Activities

General government	\$ 728,962
Public safety and judiciary	
Police	723,339
Fire	243,600
Other	13,551
Transportation	2,173,072
Cultural, parks and recreation	686,307
Community development	37,054
Total depreciation expense	<u>4,605,885</u>

Business-type Activities

Electric	1,385,359
Water utilities	2,023,417
Wastewater utilities	1,491,893
Sanitation	468,224
Airport	255,716
Total depreciation expense	<u>5,624,609</u>

Total depreciation expense-Primary Government \$ 10,230,494

NOTE 6: LONG-TERM LIABILITIES

Business Type Activities

Revolving Loan Fund #00254-CWRLF-L

Administered by the Arkansas Soil and Water Conservation Commission; Original loan amount of \$5,500,000, dated October 16, 2003; principal and interest is payable on the outstanding balance beginning October 2005; bonds pledged as collateral for loan held by the Arkansas Development Finance Authority, to provide funds to finance extensions, betterments and improvements to the City's sewer system; secured by utility system revenues; interest rate of 2.50% with final maturity dated April 15, 2025.

WTP ANRC Bond

Original issue amount of up to \$31,000,000, dated July 7, 2020; issued by the City of Siloam Springs, Arkansas; proceeds to provide funds for the cost of acquiring, constructing, furnishing, and equipping the water facilities; secured by a 5/8th cent sales tax; interest rate of .75%; servicing fee of 1.0% per annum of the outstanding principal amount; final maturity dated April 15, 2042. Due to additional principal payments made during 2023, the bond is now scheduled to be paid off during 2032.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Note Payable – Walton Family Foundation

The City working in conjunction with the Walton Family Foundation, the Grand River Dam Authority, and several other related parties determined that the construction of a national caliber kayaking and water park facility (the “Park”) south of Siloam Springs in Adair County, Oklahoma at the Lake Frances Dam (the “Dam”) would provide ongoing outdoor recreational opportunities to Arkansas and Oklahoma residents. The Park would draw a large volume of visitors to the Siloam Springs area which would generate significant economic activity and benefit the City and its residents.

During the year ended December 31, 2021, the City entered into an agreement with the Walton Family Foundation for a program related loan in the amount of \$700,000. The loan bears no interest and is due in three equal annual payments with the first payment having been due no later than December 31, 2022. The proceeds of the loan are to be used to support the costs of dam and spillway rehabilitation and improvement activities at the Dam which will improve the safety and structural integrity of the Dam along with extending its useful life indefinitely and enable the construction of the Park and its use by the general public. As of December 31, 2023 this loan was paid in full.

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

<i>Governmental Activities</i>	Balance			Balance	Amounts Due
	December 31, 2022	Increases	Decreases	December 31, 2023	Due in One Year
PD - Capital lease payable	\$ 659,991	\$ -	\$ (336,261)	\$ 323,730	\$ 123,975
Compensated absences	1,145,567	164,560	-	1,310,127	1,310,127
Other post-employment benefits liability	1,766,742	37,913	-	1,804,655	-
Net pension liability	7,345,584	6,962,520	-	14,308,104	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 10,917,884</u>	<u>\$ 7,164,993</u>	<u>\$ (336,261)</u>	<u>\$ 17,746,616</u>	<u>\$ 1,434,102</u>

<i>Business-type Activities</i>	Balance			Balance	Amounts Due
	December 31, 2022	Increases	Decreases	December 31, 2023	Due in One Year
Bonds payable					
Revolving Loan Fund	\$ 896,194	\$ -	\$ (349,835)	\$ 546,359	\$ 361,297
WTP ANRC Bond	20,437,985	565,010	(8,759,059)	12,243,936	1,341,545
Bonds payable, net	21,334,179	565,010	(9,108,894)	12,790,295	1,702,842
Note payable - Walton Family Foundation	466,667	-	(466,667)	-	-
Compensated absences	460,460	25,471	-	485,931	485,931
Other post-employment benefits liability	535,619	-	(17,948)	517,671	-
Total Business-Type Activities Long-Term Liabilities	<u>\$ 22,796,925</u>	<u>\$ 590,481</u>	<u>\$ (9,593,509)</u>	<u>\$ 13,793,897</u>	<u>\$ 2,188,773</u>

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Annual Debt Service Requirements

The following schedule shows the annual business-type activities debt service requirements to pay principal and interest on the revenue bonds and note payable outstanding at December 31, 2023.

Fiscal Year	Business-type Activities		
	Principal	Interest and Servicing Fee	Total
2024	\$ 1,702,842	\$ 223,270	\$ 1,926,112
2025	1,550,188	187,853	1,738,041
2026	1,389,119	160,851	1,549,970
2027	1,413,535	136,435	1,549,970
2028	1,438,381	111,590	1,549,971
2029-2032	5,296,230	189,060	5,485,290
	\$ 12,790,295	\$ 1,009,059	\$ 13,799,354

NOTE 7: CAPITAL LEASE OBLIGATIONS

The City from time to time will enter into a lease agreements as a lessee for financing the acquisition of police, fire, and other department vehicles and equipment. The capitalized value of vehicles and equipment under lease agreements amounted to \$919,696 at December 31, 2023 with accumulated depreciation of \$310,537. These vehicles are capitalized at five-year estimated useful lives. During 2023, depreciation expense of \$202,952 was recorded in association with these leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of future minimum lease payments as of their inception dates.

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

Year ending December 31,	Governmental Activities
2024	\$ 131,507
2025	121,654
2026	72,644
2027	9,077
Total minimum lease payments	334,882
Less: amount representing interest	11,152
Present value of minimum lease payments	\$ 323,730

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of December 31, 2023 are as follows:

	Interfund Receivables	Interfund Payables
Government funds		
General fund	\$ 540,884	\$ 2,721,748
Street fund	-	12,932
Internal service fund	236,780	540,459
Total governmental funds	777,664	3,275,139
Proprietary funds to/from nonfiduciary funds		
Utilities	2,574,390	76,719
Fiduciary funds		
Oak Hill cemetery trust	229	330
Firemen's pension and relief fund	-	95
Total	\$ 3,352,283	\$ 3,352,283

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

NOTE 9: INTERFUND TRANSFERS

Amount of interfund transfers between funds are summarized as follows:

	Transfers In	Transfers Out
Governmental funds		
General fund	\$ 10,137,706	\$ 709,476
Street fund	349,928	77,000
Debt service fund	347,634	-
Total governmental funds	10,835,268	786,476
Proprietary funds		
Utilities	11,913	10,060,705
Total	\$ 10,847,181	\$ 10,847,181

Transfers are used to move revenues from the fund where collected to the appropriate fund.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 10: BENEFIT PLANS

The City participates in two defined benefit pension plans; which are comprised of one single employer defined benefit pension plan and one cost-sharing multiple- employer defined benefit pension plan, each of which are described and illustrated in detail below. Aggregate amounts for the two pension plans are as follows:

	FRPF	LOPFI	Total
Net pension liability	\$ 785,692	\$ 13,522,412	\$ 14,308,104
Deferred outflows of resources	455,775	4,608,389	5,064,164
Deferred outflows of resources - contributions	-	1,968,905	1,968,905
Deferred inflows of resources	317,689	1,240,917	1,558,606
Pension expense	377,348	1,228,208	1,605,556

Firefighters' Relief and Pension Fund (FRPF)

Plan Description

The Firemen's Relief and Pension Fund (FRPF) is a single-employer defined benefit pension plan administered by a Board of Trustees, established in accordance with legislation enacted by the Arkansas General Assembly. The Board of Trustees consists of two members of City Management and five members elected by the plan members. The elected members are required to be participants within the plan. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by the Board of Trustees.

Benefits

The FRPF provides retirement benefits for firefighters who have completed 20 years of service regardless of age. The benefit is equal to 70% of the member's final salary, but not less than \$4,200. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member's final salary. Disability benefits are available to firefighters who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The benefit for non-duty disability is the same as noted above, however, cannot be less than \$4,200 per year. For duty-related disability, the benefit cannot be less than 65% of the member's final salary. The FRPF also provides benefits for surviving spouses and dependent children in which a widow would receive the same amount the member would receive or would be eligible to receive. Dependent children would receive \$1,500 per year until age 19. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 5 years. All firefighters hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 described later in this footnote. Therefore, the Firemen's Fund is effectively closed to new members. The FRPF does not issue a separate, publicly available financial report.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Method Used to Value Investments

Investments are stated at fair value in the accompanying statement of fiduciary net position. The fair value of marketable investments, including U.S. government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at the statement of fiduciary net position date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net increase or decrease in fair value of investments reflected in the accompanying statement of changes in fiduciary net position represent gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year.

Contributions

Contributions to the FRPF are set forth in Arkansas statute. The City's contribution to the FRPF consists of one half of a mill of real and personal property tax collections and an insurance premium tax turnback collected by the State Insurance Commissioner. Administrative costs are financed by the FRPF. Total 2023 contributions to the FRPF were \$186,447. The City's share of the contributions was \$157,875 and consisted entirely of property taxes. On behalf payments (state insurance premium taxes) are recognized as revenues and expenditures in the appropriate fund.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the FPRF. Actuarial valuations are performed annually and the last evaluation was as of December 31, 2023. The actuarial assumptions used in evaluating the fund were based on an experience study conducted from 2006 to 2012 and are as follows:

Salary increases	4.20% to 8.00%
Inflation	2.50%
Mortality table	1983 Group Annuity Table
Investment rate of return	5.00%, net of pension plan investment Expense, including inflation

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Membership Information

Membership of the FPRF consisted of the following at December 31, 2023:

Retirees and beneficiaries receiving benefits	14
Active plan members	-
Total	14

Components of the Net Pension Liability

Measurement Date	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability
December 31, 2023	\$ 4,351,777	\$ 3,566,085	\$ 785,692	81.95%

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds, and therefore the target for an individual fund may vary within the guidelines of Arkansas law and regulation.

The long-term expected rates of return are shown in the table below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic fixed income	80%	2.25%
Domestic equity	10%	4.75%
Foreign equity	0%	6.25%
Cash and equivalents	10%	0.25%
Total	100%	
Expected inflation		2.50%

Discount Rate

In the December 31, 2020 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s net pension liability for the FRPF using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
	4.00%	5.00%	6.00%
Net Pension Liability	\$ 1,199,799	\$ 785,692	\$ 430,544

Pension Expense, Deferred Outflows, and Deferred Inflows of Resources related to Pensions

For the year ended December 31, 2023, the City recognized pension expense from the FRPF Plan of \$377,348. At December 31, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 455,775	\$ (317,689)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Net Deferred Outflow/(Inflow) of Resources
2024	\$ 9,880
2025	73,237
2026	103,447
2027	(48,478)
2028	-
Thereafter	-
Total	\$ 138,086

Money-weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments net of pension plan investment expense and adjusted for the changing amounts actually invested. The money-weighted rate of return for 2023 was 12.44%.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 4,435,928	\$ 3,351,787	\$ 1,084,141
Changes for the Year			
a. Service cost	-	-	-
b. Interest on TPL	213,073	-	213,073
c. Differences between expected and actual experience	51,707	-	51,707
d. Employee contributions	-	-	-
e. Employer contributions	-	157,875	(157,875)
f. Net investment income	-	405,199	(405,199)
g. Benefits and refunds	(348,931)	(348,931)	-
h. Administrative expenses	-	(95)	95
i. Benefit changes	-	-	-
j. Assumption changes	-	-	-
k. Other/reconciliation	-	250	(250)
Net Changes	(84,151)	214,298	(298,449)
Balances at December 31, 2023	\$ 4,351,777	\$ 3,566,085	\$ 785,692

Local Police and Fire Retirement System (LOPFI)

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide cost-sharing multiple-employer defined benefit pension plans administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981 are eligible to participate in the plan. LOPFI issues a publicly available report which may be obtained by writing to LOPFI, P.O. Drawer 34164, Little Rock, Arkansas, 72203, or by calling 501.682.1745.

Benefits Provided

LOPFI provides for a retirement benefit paid to its' Members on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the Member provides for a different calculation based on these factors.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Contributions

Contributions to LOPFI are made by both the members and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 2.5% of covered payroll for police officers and 8.5% of covered payroll for firefighters. The City contributed 23.50% of covered employee's salaries to the Plan for police officers and 23.50% of covered employee's salaries to the Plan for firefighters for the year ended December 31, 2023. Contributions made to the Plan by employees and the City for the year ended December 31, 2023 amounted to \$280,500 and \$1,562,272, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2023, the City reported a liability of \$13,522,412 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the plan of the group for the measurement period. At December 31, 2022, the City's proportion was 1.26%, which was an increase of .016% from the December 31, 2021 proportion of 1.24%.

For the year ended December 31, 2023, the City recognized pension expense related to the LOPFI plan of \$2,033,157. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 888,881	\$ -
Changes in assumptions or other inputs	147,420	192,436
Difference between projected and actual investment earnings on pensio plan investments	3,291,588	-
Changes in proportion	280,500	192,436
Contributions subsequent to the measurement date	1,228,614	-
Total	\$ 5,837,003	\$ 384,872

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,562,272 will be recognized as a reduction of the net pension liability for the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Year Ending December 31,		
2023	\$	(296,275)
2024		(583,315)
2025		(931,391)
2026		(1,556,491)
Thereafter		-
Total	\$	(3,367,472)

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation		2.25%
Wage inflation		3.00%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	
Actuarial cost method		Entry age normal

Mortality rates were based on the RP-2014 Combined Healthy Mortality Table Projected to 2018, set forward two years for men.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016. As a result of the 2011 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2017 actuarial evaluation to more closely reflect actual experience.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds and therefore, the target for an individual fund may vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.05%
U.S. Stock - Small Cap	21%	4.65%
International Equity	9%	5.27%
Emerging Markets	9%	7.49%
U.S. Corporate Bonds	25%	-0.35%
Real Estate	5%	3.76%
Private Equity	10%	9.10%
Total	100%	

Discount Rate

In the December 31, 2022 actuarial valuation, a single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

Sensitivity of the Net Pension Liability

	1% decrease 6.25%	Current Single Rate Assumption 7.25%	1% increase 8.25%
City's proportionate share of the net pension liability	\$ 20,135,648	\$ 13,522,412	\$ 8,170,783

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report which can be obtained from the LOPFI website, lopfi-prb.com.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. International City Management Association Retirement Corporation (ICMARC) administers the Plan. All assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. The City does not have a fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employee and City matching contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual participant (employee) and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these.

Employees with 12 months of employment are required to contribute 3% of pay and the City contributes a minimum of 12% of pay, excluding certain exempt employees for whom the City makes a contribution based on the employees' gross earnings, as defined by the agreement based on their respective position with the City. During 2023, the City's contributions totaled \$979,138.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors and administers an informal single-employer defined benefit healthcare plan. Retirees who are vested in their retirement plan and are eligible to receive a retirement benefit (and actually apply for and receive the retirement benefit) are entitled to purchase continued health benefits coverage for him or herself and their dependents until Medicare eligibility. The City's Board of Directors has the authority to establish and amend the requirements of this plan. The City does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report.

Net OPEB liability	\$	2,322,325
Deferred outflows of resources		303,379
Deferred inflows of resources		446,383
OPEB expense		(136,549)

Funding Policy

The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from \$206.19 per month to \$654.57 per month depending on the coverage elected. (This, of course, is besides the two that had City paid employee only medical coverage.) The City's policy maintains that retirees who retire after age 62 must pay 100% of the extra cost of premiums for dependent coverage and the City pays 100% of the contribution for the retiree. Employees who leave employment due to disability receive the same benefit for 2 years. Retirees with 20 years of service retiring before age 62 pay 60% of the entire premium cost. All retirees become ineligible for City insurance once they become eligible for Medicare. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis and is recorded as an expense in the applicable fund as liabilities are incurred.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

Active employees	323
Inactive not yet receiving benefits	-
Inactive or beneficiaries receiving benefits	10
	333

Total OPEB Liability

The total OPEB liability was determined based on an alternative measurement method valuation performed as of December 31, 2023 which is also the measurement date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 valuation was determined using the following assumptions:

- Actuarial Cost Method – Entry Age Normal Cost Method
- Discount Rate – 2.12% based on the Bond Buyer GO Bond 20 Index
- Retirement Age – 62 with 20 years of service
- Medical Trend Rates

Year	Rate
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045+	5.15%

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at Beginning of Year	\$ 2,302,361
Changes for the Year:	
Service cost	68,555
Interest expense	99,006
Benefits paid	(147,597)
Net Changes	19,964
Balances End of Year	\$ 2,322,325

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized OPEB expense of \$136,549. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ -
City contributions subsequent to the measurement date	147,597	-
Total	\$ 147,597	\$ -

Sensitivity of the City's total OPEB liability to changes in the discount rate

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31% percent) or 1-percentage-point higher (5.31% percent) than the current discount rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Employers' total OPEB liability	\$ 2,572,857	\$ 2,322,325	\$ 2,102,773

Sensitivity of the City's OPEB liability to changes in the healthcare cost trend rates

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Employers' total OPEB liability	\$ 2,067,615	\$ 2,322,325	\$ 2,628,691

NOTE 12: CONCENTRATION OF CREDIT RISK

The City purchases electricity from Grand River Dam Authority under a 35-year agreement executed during 2007. The agreement also has a 10-year extension option. This is the City's only contracted source of electric power. The City's service area is limited to the Northwest Arkansas geographic area within the City limits and the immediate surrounding area of the City.

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 13: RISK MANAGEMENT

The City has various insurance policies to cover its potential liability risk areas (e.g., automobile, personal property, contents and outside structures and worker’s compensation). Coverage is provided both commercially and through the Arkansas Municipal League (the “AML”), which is an association of local governments. The AML provides the City with automobile and legal defense coverage and sets annual fixed premiums based on such factors as claims experience, employee class multipliers and population. For risks covered by the AML, the City pays no deductible; however, the City pays a \$3,000 fee to the AML for each legal matter it handles. There have been no significant reductions in coverage from 2022 to 2023; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

NOTE 14: CONTINGENCIES

The City, its agencies and its employees are defendants in various legal proceedings, many of which occur normally in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury and other alleged torts and alleged violations of state and federal laws. Based on the current status of all of these legal proceedings, it is the opinion of the city attorney and management that the ultimate outcome will not have a material adverse impact on the City’s financial position.

NOTE 15: FUND BALANCES

The City classified governmental fund balances as follows:

	General Fund	Street Fund	Debt Service Funds	Total
Fund balances				
Nonspendable				
Prepaid expenses	\$ 216,110	\$ 18,871	\$ -	\$ 234,981
Inventories	261,846	-	-	261,846
Spendable				
Restricted				
Capital outlay and debt service	6,100,398	8,732,993	5,168	14,838,559
Assigned				
Capital outlay	1,933	113,557	-	115,490
Unassigned				
General fund	29,947,017	-	27,832	29,974,849
Total fund balances	\$ 36,527,304	\$ 8,865,421	\$ 33,000	\$ 45,425,725

City of Siloam Springs, Arkansas

Notes to Financial Statements December 31, 2023

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2024, the date the financial statements were available to be issued.

Required Supplementary Information

City of Siloam Springs, Arkansas

Budgetary Comparison Schedule – General Fund Year ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 1,612,000	\$ 1,612,000	\$ 1,563,297	\$ (48,703)
Sales taxes	10,280,900	10,280,900	10,382,488	101,588
Licenses and permits	382,500	382,500	478,185	95,685
Intergovernmental	1,186,695	1,186,695	1,208,766	22,071
Charges for services	5,031,887	5,031,887	5,190,592	158,705
Fines and forfeitures	307,404	307,404	271,823	(35,581)
Government grants	135,708	249,628	404,603	154,975
Private grants and contributions	1,775	460,377	14,303	(446,074)
Gain on disposal of capital assets	-	-	305,726	305,726
Investment income	95,120	95,120	250,269	155,149
Miscellaneous	102,000	102,000	117,978	15,978
Total Revenues	<u>19,135,989</u>	<u>19,708,511</u>	<u>20,188,030</u>	<u>479,519</u>
Expenditures				
General government				
Administration	1,654,091	2,658,154	1,815,740	(842,414)
Finance	2,227,359	2,282,359	2,073,504	(208,855)
Construction	707,339	707,339	627,457	(79,882)
Contracted services	-	-	7,333	7,333
Maintenance	432,884	455,529	454,166	(1,363)
Total General Government	<u>5,021,673</u>	<u>6,103,381</u>	<u>4,978,200</u>	<u>(1,125,181)</u>
Public safety and judiciary				
Police	6,338,862	6,472,499	6,495,425	22,926
Fire	6,496,747	6,948,817	6,535,445	(413,372)
Municipal court	288,001	288,001	278,794	(9,207)
Total Public Safety and Judiciary	<u>13,123,610</u>	<u>13,709,317</u>	<u>13,309,664</u>	<u>(399,653)</u>
Cultural, parks and recreation				
Library	619,808	619,808	593,506	(26,302)
Parks	1,719,394	2,119,568	1,907,233	(212,335)
Golf course	-	-	53,556	53,556
Total Cultural, Parks and Recreation	<u>2,339,202</u>	<u>2,739,376</u>	<u>2,554,295</u>	<u>(185,081)</u>
Community development				
Building inspections	2,143,546	2,143,546	1,939,663	(203,883)
Total Community Development	<u>2,143,546</u>	<u>2,143,546</u>	<u>1,939,663</u>	<u>(203,883)</u>
Capital outlay	3,239,169	3,239,169	2,212,083	(1,027,086)
Total Expenditures	<u>25,867,200</u>	<u>27,934,789</u>	<u>24,993,905</u>	<u>(2,940,884)</u>
Excess Revenues Over (Under) Expenditures	(6,731,211)	(8,226,278)	(4,805,875)	3,420,403
Other Financing Sources (Uses)				
Transfers in	9,792,047	9,347,912	10,137,706	789,794
Transfers out	-	-	(709,476)	(709,476)
Total Other Financing Sources (Uses)	<u>9,792,047</u>	<u>9,347,912</u>	<u>9,428,230</u>	<u>80,318</u>
Net Change in Fund Balance	3,060,836	1,121,634	4,622,355	3,500,721
Fund Balance, Beginning of Year	<u>31,904,949</u>	<u>31,904,949</u>	<u>31,904,949</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 34,965,785</u>	<u>\$ 33,026,583</u>	<u>\$ 36,527,304</u>	<u>\$ 3,500,721</u>

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Budgetary Comparison Schedule – Street Fund Year ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property taxes	\$ 572,000	\$ 572,000	\$ 539,962	\$ (32,038)
Sales taxes	2,250,000	2,250,000	2,423,326	173,326
Licenses and permits	172,165	172,165	214,775	42,610
Intergovernmental	1,473,853	1,473,853	1,458,272	(15,581)
Government grants	-	-	533,143	533,143
Investment income	1,409	1,409	47,688	46,279
Miscellaneous	8,000	8,000	1,779	(6,221)
Total Revenues	<u>4,477,427</u>	<u>4,477,427</u>	<u>5,218,945</u>	<u>741,518</u>
Expenditures				
Current:				
Transportation				
Streets	1,953,843	5,801,035	1,784,913	(4,016,122)
Capital outlay	2,950,500	2,950,500	3,165,708	215,208
Total Expenditures	<u>4,904,343</u>	<u>8,751,535</u>	<u>4,950,621</u>	<u>(3,800,914)</u>
Excess Revenues Over (Under) Expenditures	(426,916)	(4,274,108)	268,324	4,542,432
Other Financing Sources				
Transfers in	-	-	349,928	349,928
Transfers out	(77,000)	(77,000)	(77,000)	-
Total Other Financing Sources	<u>(77,000)</u>	<u>(77,000)</u>	<u>272,928</u>	<u>349,928</u>
Net Change in Fund Balance	(503,916)	(4,351,108)	541,252	4,892,360
Fund Balance, Beginning of Year	<u>8,324,169</u>	<u>8,324,169</u>	<u>8,324,169</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 7,820,253</u>	<u>\$ 3,973,061</u>	<u>\$ 8,865,421</u>	<u>\$ 4,892,360</u>

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of Changes in the City's Net Pension Liability and Related Ratios – FRPF Year ended December 31, 2023

Fiscal year ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Interest	\$ 213,073	\$ 206,116	\$ 203,135	\$ 185,817	\$ 191,320	\$ 186,211	\$ 191,591	\$ 196,914	\$ 209,522	\$ 212,376
Difference between actual & expected experience	51,707	(36,588)	76,038	(238,472)	28,952	(82,332)	36,445	27,641	(129,297)	88,933
Benefit changes	-	314,095	113,019	728,930	-	331,468	-	-	-	-
Benefit payments	(348,931)	(340,027)	(325,108)	(334,722)	(325,936)	(340,436)	(330,817)	(331,227)	(333,537)	(383,251)
Net Change in Total Pension Liability	(84,151)	143,596	67,084	341,553	(105,664)	94,911	(102,781)	(106,672)	(253,312)	(81,942)
Total Pension Liability - Beginning	4,435,928	4,292,332	4,225,248	3,883,695	3,989,359	3,894,448	3,997,229	4,103,901	4,357,213	4,439,155
Total Pension Liability - Ending (a)	<u>\$ 4,351,777</u>	<u>\$ 4,435,928</u>	<u>\$ 4,292,332</u>	<u>\$ 4,225,248</u>	<u>\$ 3,883,695</u>	<u>\$ 3,989,359</u>	<u>\$ 3,894,448</u>	<u>\$ 3,997,229</u>	<u>\$ 4,103,901</u>	<u>\$ 4,357,213</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 157,875	\$ 145,126	\$ 132,718	\$ 125,117	\$ 121,622	\$ 119,801	\$ 115,002	\$ 108,897	\$ 107,204	\$ 114,685
State insurance turnback - supplements	28,572	26,647	24,807	26,544	25,200	22,792	27,412	28,836	25,200	22,230
Net investment income	405,199	(559,156)	344,097	495,206	608,938	(80,530)	492,563	172,776	10,113	204,312
Benefit payments	(348,931)	(340,027)	(325,108)	(334,722)	(325,936)	(340,436)	(330,817)	(331,227)	(333,537)	(383,251)
Supplements	(28,572)	(26,647)	(24,807)	(26,544)	(25,200)	(22,792)	(27,412)	(28,836)	(25,200)	(22,230)
Administrative expense	(95)	(1,954)	(1,962)	(5,083)	(2,735)	(5,401)	(2,776)	(2,800)	(2,912)	(2,359)
Other/reconciliation	250	-	-	1,751	600	1,554	-	324	-	-
Net Change in Plan Fiduciary Net Position	214,298	(756,011)	149,745	282,269	402,489	(305,012)	273,972	(52,030)	(219,132)	(66,613)
Plan Fiduciary Net Position - Beginning	3,351,787	4,107,798	3,958,053	3,675,784	3,273,295	3,578,307	3,304,335	3,356,365	3,575,497	3,642,110
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,566,085</u>	<u>\$ 3,351,787</u>	<u>\$ 4,107,798</u>	<u>\$ 3,958,053</u>	<u>\$ 3,675,784</u>	<u>\$ 3,273,295</u>	<u>\$ 3,578,307</u>	<u>\$ 3,304,335</u>	<u>\$ 3,356,365</u>	<u>\$ 3,575,497</u>
City's Net Pension Liability (a) - (b)	\$ 785,692	\$ 1,084,141	\$ 184,534	\$ 267,195	\$ 207,911	\$ 716,064	\$ 316,141	\$ 692,894	\$ 747,536	\$ 781,716
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.95%	75.56%	95.70%	93.68%	94.65%	82.05%	91.88%	82.67%	81.78%	82.06%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of Contributions – FRPF Year ended December 31, 2023

Year ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 179,714	\$ 114,685	\$ 65,029	-	N/A
2015	176,258	107,204	69,054	-	N/A
2016	168,551	108,897	59,654	-	N/A
2017	156,231	115,002	41,229	-	N/A
2018	71,282	119,801	(48,519)	-	N/A
2019	161,455	121,622	39,833	-	N/A
2020	46,879	125,117	(78,238)	-	N/A
2021	60,246	132,718	(72,472)	-	N/A
2022	41,608	145,126	(103,518)	-	N/A
2023	244,447	157,875	86,572	-	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortized Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value of Assets
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: Information in this schedule has been determined as of the City's most recent year-end. This schedule is presented to illustrate the requirement to show information for 10 years.

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of Investment Returns – FRPF Year ended December 31, 2023

Year ended December 31,	Annual Return
2014	5.83%
2015	0.29%
2016	5.33%
2017	15.42%
2018	-2.32%
2019	19.21%
2020	13.87%
2021	8.91%
2022	-13.95%
2023	12.44%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of the City's Proportionate Share of Net Pension Liability – LOPFI Year ended December 31, 2023

Year ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	1.27%	1.24%	1.26%	1.25%	1.34%	1.38%	1.26%	1.27%	1.19%
City's proportionate share of the net pension liability	\$ 13,522,412	\$ 6,261,443	\$ 8,671,434	\$ 9,633,208	\$ 12,129,315	\$ 9,776,206	\$ 7,194,342	\$ 6,685,605	\$ 4,325,604
City's covered payroll	\$ 5,259,540	\$ 4,842,619	\$ 4,772,205	\$ 4,581,565	\$ 4,455,409	\$ 5,061,610	\$ 4,304,318	\$ 3,795,488	\$ 3,718,254
City's proportionate share of the net pension liability as a percentage of its covered payroll	257.10%	129.30%	181.71%	210.26%	272.24%	193.14%	167.14%	176.15%	116.33%
Plan fiduciary net position as a percentage of the total pension liability	69.20%	84.75%	77.79%	73.21%	66.09%	71.48%	72.87%	72.92%	79.14%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full year 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of City Contributions – LOPFI Year ended December 31, 2023

Year ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,561,702	\$ 1,228,207	\$ 1,128,536	\$ 1,115,584	\$ 1,040,334	\$ 1,040,563	\$ 1,049,727	\$ 984,507	\$ 830,071	\$ 790,948
Contributions in relation to the statutorily required contribution	\$ (1,561,702)	\$ (1,228,207)	\$ (1,128,536)	\$ (1,115,584)	\$ (1,040,334)	\$ (1,040,563)	\$ (1,049,727)	\$ (984,507)	\$ (830,071)	\$ (790,948)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,507,092	\$ 5,259,540	\$ 4,842,619	\$ 4,772,205	\$ 4,581,565	\$ 4,455,409	\$ 5,061,610	\$ 4,304,318	\$ 3,795,488	\$ 3,718,254
Contributions as a percentage of covered payroll	24.00%	23.35%	23.30%	23.38%	22.71%	23.36%	20.74%	22.87%	21.87%	21.27%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full year 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Schedule of Changes in Net OPEB Liability and Related Ratios Year ended December 31, 2023

Year ended December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 68,555	\$ 107,675	\$ 107,675	\$ 62,548	\$ 62,548	\$ 60,085
Interest	99,006	57,387	56,446	92,683	88,280	89,533
Difference between actual and expected experience	-	199,622	-	(40,100)	-	-
Changes in assumptions (discount rate)	-	(587,719)	-	333,547	-	-
Expected net benefit payments	<u>(147,597)</u>	<u>(147,597)</u>	<u>(91,875)</u>	<u>(91,875)</u>	<u>(120,099)</u>	<u>(120,099)</u>
Net Change in Total OPEB Liability	19,964	(370,632)	72,246	356,803	30,729	29,519
Total OPEB Liability - Beginning	<u>2,302,361</u>	<u>2,672,993</u>	<u>2,600,747</u>	<u>2,243,944</u>	<u>2,213,215</u>	<u>2,183,696</u>
Total OPEB Liability - Ending	<u>\$ 2,322,325</u>	<u>\$ 2,302,361</u>	<u>\$ 2,672,993</u>	<u>\$ 2,600,747</u>	<u>\$ 2,243,944</u>	<u>\$ 2,213,215</u>
Covered Payroll	\$ 5,259,540	\$ 4,842,619	\$ 4,772,205	\$ 4,581,565	\$ 4,455,409	\$ 5,061,610
City's Net OPEB Liability as a Percentage of Covered Payroll	44.15%	47.54%	56.01%	56.77%	50.36%	43.73%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full year 10-year trend is compiled under the provisions of GASB 74, the City will only present available information.

See Independent Auditor's Report.

Additional Supplementary Information

City of Siloam Springs, Arkansas

Combining Schedules of Revenues, Expenses and Changes in Net Position Year ended December 31, 2023

	Major Enterprise Fund Departments				
	Electric	Water	Wastewater	Sanitation	Totals
Operating Revenues					
Charges for services	31,228,733	\$ 5,477,446	\$ 4,862,817	\$ 3,723,042	\$ 45,292,038
Penalties	464,357	-	-	-	464,357
Miscellaneous	552,027	30,334	6,774	4,041	593,176
Total Operating Revenues	32,245,117	5,507,780	4,869,591	3,727,083	46,349,571
Operating Expenses					
Cost of goods sold					
Cost of power	18,808,652	-	-	-	18,808,652
Personal services	2,739,837	975,446	775,755	1,160,958	5,651,996
Contracted services	198,367	4,531	65,409	9,084	277,391
Maintenance and operating expenses	1,724,891	1,100,948	1,224,951	2,262,391	6,313,181
Other services and charges	347,075	39,078	37,561	59,387	483,101
Utilities	20,542	245,519	366,454	19,089	651,604
Depreciation and amortization	1,385,359	2,023,418	1,491,892	468,224	5,368,893
Total Operating Expenses	25,224,723	4,388,940	3,962,022	3,979,133	37,554,818
Operating Income	7,020,394	1,118,840	907,569	(252,050)	8,794,753
Nonoperating Revenues (Expenses)					
Sales tax revenue	1,125,000	3,786,447	-	-	4,911,447
Government grants	4,883,069	-	-	-	4,883,069
Interest income	413,453	252,292	53,631	44,801	764,177
Interest expense	-	(370,297)	(23,350)	-	(393,647)
Net Nonoperating Revenues (Expenses)	6,421,522	3,668,442	30,281	44,801	10,165,046
Income Before Capital Contributions and Transfers					
Transfers	13,441,916	4,787,282	937,850	(207,249)	18,959,799
Transfers In	-	-	-	11,913	11,913
Transfers Out	(5,954,752)	(1,835,676)	(1,458,076)	(812,201)	(10,060,705)
	(5,954,752)	(1,835,676)	(1,458,076)	(800,288)	(10,048,792)
Change in Net Position	7,487,164	2,951,606	(520,226)	(1,007,537)	8,911,007
Net Position, Beginning of Year					104,750,745
Net Position, End of Year					\$ 113,661,752

See Independent Auditor's Report.



**INDEPENDENT AUDITOR’S 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***

Honorable Mayor and Board of Directors
City of Siloam Springs
Siloam Springs, Arkansas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Siloam Springs, Arkansas (the “City”) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon September 12, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Honorable Mayor and Board of Directors

City of Siloam Springs

Siloam Springs, Arkansas

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Fort Smith, Arkansas

September 12, 2024



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Directors
City of Siloam Springs
Siloam Springs, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the City of Siloam Springs, Arkansas (the “City”) with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year December 31, 2023. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Honorable Mayor and Board of Directors

City of Siloam Springs

Siloam Springs, Arkansas

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Fort Smith, Arkansas

September 12, 2024

City of Siloam Springs, Arkansas

Schedule of Expenditures of Federal Awards Year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Revenues	Total Federal Expenditures
U.S. Department of Transportation			
Direct Program			
CARES Act	20.106	\$ -	\$ 19,936
Airport Rescue Grant	20.106	32,000	32,000
Airport Improvement Program	20.106	54,990	54,990
Pass through Arkansas Department of Transportation			
Highway Planning and Construction	20.205	73,037	234,968
Pass through Arkansas State Police			
State and Community Highway Safety	20.600	10,623	11,023
National Priority Safety Programs	20.616	5,324	5,489
Total U.S. Department of Transportation		<u>175,974</u>	<u>358,406</u>
Environmental Protection Agency			
Pass through Arkansas Department of Agriculture			
American Rescue Plan Act (ARPA)	66.468	4,868,069	4,868,069
Capitalization Grants for Drinking Water State Revolving Funds	66.468	342,393	342,393
Total Environmental Protection Agency		<u>5,210,462</u>	<u>5,210,462</u>
U.S. Department of Homeland Security			
Direct Program			
Assistance to Firefighters Grant	97.044	-	60,326
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	-	297,805
Total U.S. Department of Homeland Security		<u>-</u>	<u>358,131</u>
Total Federal Awards		<u>\$ 5,386,436</u>	<u>\$ 5,926,999</u>

See Independent Auditor's Report.

City of Siloam Springs, Arkansas

Notes to Schedule of Expenditures of Federal Awards Year ended December 31, 2023

Scope of Audit Pursuant to the Uniform Guidance

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Siloam Springs, Arkansas (the "City") for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Summary of Significant Accounting Policies

Grant Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Relationship to Federal Financial Reports

Grant expenditures reports as of December 31, 2023, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

10% De Minimis Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients

No awards were provided to subrecipients.

City of Siloam Springs, Arkansas

Schedule of Findings and Questioned Costs Year ended December 31, 2023

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The opinion expressed in the independent auditor's report on accounting principles generally accepted in the United States of America:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major federal awards program disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major federal awards program were:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by the Uniform Guidance?

Yes No

7. The City's major program was:

<u>Cluster / Program</u>	<u>Federal Assistance Listing Number</u>
American Rescue Plan Act (ARPA)	66.468
Capitalization Grants for Drinking Water State Revolving Fund	66.468

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

City of Siloam Springs, Arkansas

Schedule of Findings and Questioned Costs Year ended December 31, 2023

9. The City qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

Yes No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

There were no audit findings for the year ended December 31, 2023.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no audit findings for the year ended December 31, 2023.

City of Siloam Springs, Arkansas

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2023

There were no prior year audit findings for the year ended December 31, 2022.



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

Honorable Mayor and Board of Directors
City of Siloam Springs
Siloam Springs, Arkansas

We have examined management's assertions that the City of Siloam Springs, Arkansas (the "City") complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2023.

- Municipal Accounting Law, §14-59-101 et seq.;
- City Courts and City Courts, §16-10-201 et seq.;
- Improvement Contracts, §§22-9-202 – 22-9-204;
- Budgets, Purchases, and Payments of Claims, Etc., §14-58-201 et seq. and 14-58-301 et seq.;
- Investment of Public Funds, §19-1-501 et seq.;
- Deposit of Public Funds, §§19-8-101 – 19-8-107.

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2023.

These conditions were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated September 12, 2024 on those financial statements.

This report is intended solely for the information and use of management, the Board of Directors, the Mayor, Arkansas Division of Legislative Audit, and applicable bonding agencies and funding sources and is not intended to be and should not be used by anyone other than these specified parties.

Landmark PLC

Fort Smith, Arkansas
September 12, 2024