

City of Searcy, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF SEARCY, ARKANSAS
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Senate Chair
Sen. Gary Stubblefield
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Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Searcy, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Searcy, Arkansas, as of December 31, 2020, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Searcy, Arkansas, as of December 31, 2020, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Emphasis of Matter

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
July 13, 2021
LOM108120

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Searcy, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2021. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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 the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also reported to management of the City in a separate letter dated July 13, 2021.

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

ARKANSAS LEGISLATIVE AUDIT

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

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 13, 2021

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2020:

Mayor: Kyle Osborne
Clerk/Treasurer: Jerry Morris
District Court Clerk: Linda Maddox
Police Chief: Steve Hernandez

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

District Court Clerk

1. The District Court Clerk was in noncompliance with Ark. Code Ann. § 16-10-209 and other proper accounting procedures as enumerated below.
 - The District Court Clerk was unable to identify \$115,886 remaining in the bank account with receipt numbers for cases not yet adjudicated and payments on all unpaid individual time accounts.
 - The electronic check register was not properly reconciled to bank disbursements.
 - The electronic receipts listing was not properly reconciled to bank deposits.
 - Reconciliations were not performed timely.

A similar finding was noted in the previous eight reports.
2. Bank analysis and check order fees totaling \$13,383, and dating back to 2015, were electronically drafted from the court bank account, and were not recorded in the electronic check register, in noncompliance with Ark. Code Ann. §§ 16-10-204, -209. A similar finding was noted in the previous report.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Marti Steel".

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 13, 2021

CITY OF SEARCY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2020

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 10,449,300	\$ 2,289,037	\$ 4,188,884
Accounts receivable	<u>2,276,785</u>	<u>15,605</u>	<u>53,407</u>
TOTAL ASSETS	<u>\$ 12,726,085</u>	<u>\$ 2,304,642</u>	<u>\$ 4,242,291</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 480,835	\$ 29,342	\$ 205,672
Settlements pending			262,925
Total Liabilities	<u>480,835</u>	<u>29,342</u>	<u>468,597</u>
Fund Balances:			
Nonspendable	7,825		
Restricted	384,634	2,260,742	3,566,374
Assigned	8,099,628	14,558	207,320
Unassigned	<u>3,753,163</u>		
Total Fund Balances	<u>12,245,250</u>	<u>2,275,300</u>	<u>3,773,694</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,726,085</u>	<u>\$ 2,304,642</u>	<u>\$ 4,242,291</u>

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

CITY OF SEARCY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 883,692	\$ 1,725,567	\$ 87,895
Federal aid	1,544,843		92,701
Property taxes	319,435	233,126	
Franchise fees	1,673,453		
Sales taxes	14,383,296		9,854
Fines, forfeitures, and costs	383,982		58,318
Interest	100,372	22,681	17,521
Local permits and fees	415,267		
Sanitation fees	4,204,942		
Airport leases, fees, and fuel			525,846
Other	848,627	150	3,131
	<u>24,757,909</u>	<u>1,981,524</u>	<u>795,266</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	3,080,136		
Law enforcement	5,458,520		74,702
Highways and streets	1,428,733	1,346,621	966,219
Public safety	4,975,335		165,541
Sanitation	3,638,225		
Recreation and culture	3,670,297		
Social services	26,184		
Airport	597,025		555,460
Cemetery	7,890		
Total Current	<u>22,882,345</u>	<u>1,346,621</u>	<u>1,761,922</u>
Debt Service:			
Lease principal	48,630		
Lease interest	10,759		
Note principal	1,313,573		112,186
Note interest	16,622		5,885
	<u>24,271,929</u>	<u>1,346,621</u>	<u>1,879,993</u>
TOTAL EXPENDITURES			

CITY OF SEARCY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 485,980</u>	<u>\$ 634,903</u>	<u>\$ (1,084,727)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			65,000
Transfers out	(20,000)		(45,000)
Contributions from county			333,747
Contributions from regional library	<u>850,000</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>830,000</u>		<u>353,747</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,315,980	634,903	(730,980)
FUND BALANCES - JANUARY 1	<u>10,929,270</u>	<u>1,640,397</u>	<u>4,504,674</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 12,245,250</u></u>	<u><u>\$ 2,275,300</u></u>	<u><u>\$ 3,773,694</u></u>

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

CITY OF SEARCY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 524,725	\$ 883,692	\$ 358,967	\$ 1,545,000	\$ 1,725,567	\$ 180,567
Federal aid	676,744	1,544,843	868,099			
Property taxes	304,000	319,435	15,435	218,000	233,126	15,126
Franchise fees	1,719,000	1,673,453	(45,547)			
Sales taxes	13,108,000	14,383,296	1,275,296			
Fines, forfeitures, and costs	438,066	383,982	(54,084)			
Interest	91,310	100,372	9,062	15,000	22,681	7,681
Local permits and fees	698,220	415,267	(282,953)	100		(100)
Sanitation fees	4,370,000	4,204,942	(165,058)			
Other	1,505,721	848,627	(657,094)		150	150
TOTAL REVENUES	23,435,786	24,757,909	1,322,123	1,778,100	1,981,524	203,424
EXPENDITURES						
Current:						
General government	3,272,709	3,080,136	192,573			
Law enforcement	5,568,394	5,458,520	109,874			
Highways and streets	1,575,432	1,428,733	146,699	1,773,020	1,346,621	426,399
Public safety	4,850,646	4,975,335	(124,689)			
Sanitation	3,618,928	3,638,225	(19,297)			
Recreation and culture	4,065,060	3,670,297	394,763			
Social services		26,184	(26,184)			
Airport	499,346	597,025	(97,679)			
Cemetery	9,450	7,890	1,560			
Total Current	23,459,965	22,882,345	577,620	1,773,020	1,346,621	426,399
Debt Service:						
Lease principal		48,630	(48,630)			
Lease interest		10,759	(10,759)			
Note principal	1,329,916	1,313,573	16,343			
Note interest		16,622	(16,622)			
TOTAL EXPENDITURES	24,789,881	24,271,929	517,952	1,773,020	1,346,621	426,399

CITY OF SEARCY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,354,095)	\$ 485,980	\$ 1,840,075	\$ 5,080	\$ 634,903	\$ 629,823
OTHER FINANCING SOURCES (USES)						
Transfers in	1,624,598		(1,624,598)	10,081		(10,081)
Transfers out	(1,948,904)	(20,000)	1,928,904			
Contributions from regional library		850,000	850,000			
TOTAL OTHER FINANCING SOURCES (USES)	(324,306)	830,000	1,154,306	10,081		(10,081)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,678,401)	1,315,980	2,994,381	15,161	634,903	619,742
FUND BALANCES - JANUARY 1		10,929,270	10,929,270		1,640,397	1,640,397
FUND BALANCES - DECEMBER 31	\$ (1,678,401)	\$ 12,245,250	\$ 13,923,651	\$ 15,161	\$ 2,275,300	\$ 2,260,139

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand, and savings accounts, and certificates of deposit.

Settlements Pending

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

Fund Balance Classifications

1. Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

F. Budget Law

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

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

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

Basis of Accounting

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

G. Fund Balance Classification Policies and Procedures

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

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

There were no committed fund balances at year-end.

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,152,094	\$ 1,338,180
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	15,770,715	16,760,365
Total Deposits	\$ 16,922,809	\$ 18,098,545

The above total deposits do not include cash on hand of \$4,412.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

NOTE 4: Accounts Receivable

The accounts receivable balance at December 31, 2020, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 119,979		\$ 7,046
Federal aid	57,134		
Property taxes	21,250	\$ 15,605	
Franchise fees	339,645		
Sales taxes	1,235,365		847
Fines, forfeitures, and costs	25,281		6,543
Interest	312		
Sanitation fees	386,513		
Airport leases, fees, and fuel			10,718
Contributions from county			28,253
Other	91,306		
Totals	\$ 2,276,785	\$ 15,605	\$ 53,407

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2020, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 477,458	\$ 26,939	\$ 205,251
Payroll taxes payable		2,403	421
Other	<u>3,377</u>		
Totals	<u>\$ 480,835</u>	<u>\$ 29,342</u>	<u>\$ 205,672</u>

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2020, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Nonspendable:			
Escrow	\$ 6,825		
Cemetery perpetual trust	<u>1,000</u>		
Total Nonspendable	<u>7,825</u>		
Restricted for:			
General government	24,000		
Law enforcement	176,706		\$ 98,259
Highways and streets		\$ 2,260,742	
Public safety	2,071		452,836
Sanitation	158,351		
Recreation and culture	23,506		
Economic development			139,573
Capital outlay			<u>2,875,706</u>
Total Restricted	<u>384,634</u>	<u>2,260,742</u>	<u>3,566,374</u>
Assigned to:			
General government	1,533,477		
Highways and streets	4,879,240	14,558	
Public safety			81,531
Sanitation	28,104		
Airport			125,789
Pension benefits	1,121,391		
Capital outlay	<u>537,416</u>		
Total Assigned	<u>8,099,628</u>	<u>14,558</u>	<u>207,320</u>
Unassigned	<u>3,753,163</u>		
Totals	<u>\$ 12,245,250</u>	<u>\$ 2,275,300</u>	<u>\$ 3,773,694</u>

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$79,320,850. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$20,379,315. The amount of short-term financing obligations was \$575,174, leaving a legal debt margin of \$19,804,141.

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2020:

	December 31, 2020
Long-term liabilities	\$ 2,569,362
Construction contracts	<u>4,079,904</u>
Total Commitments	<u>\$ 6,649,266</u>

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: Commitments (Continued)

Long-term liabilities

Long-term liabilities at December 31, 2020, are comprised of the following:

	December 31, 2020
<u>Direct Borrowings</u>	
Note payable to Regions Bank, dated December 15, 2016, in the amount of \$3,943,898, to provide financing for the construction of a new swimming facility. Thirty-seven monthly payments of \$108,217 beginning January 2018 and a final payment of \$60,043 in February 2021. Interest at 1.88%. Payments are to be made from the 2014 Eight Year Plan Fund contained in the General Fund.	\$ 167,997
Lease-purchase agreement with Regions Bank, dated January 24, 2018, in the amount of \$562,052, for the purchase of a 2018 pumper truck. Sixty monthly payments of \$9,839; interest at 1.95% through January 2023. Payments are to be made from the Fire Equipment and Training (Act 833) Fund.	240,859
Lease-purchase agreement with AT&T Capital Services, dated February 15, 2018, in the amount of \$261,938, for the purchase of a 911 system. Five annual payments of \$59,389, interest at 6.49% through February 2023. Payments are to be made from the General Fund.	166,318
Total Direct Borrowings	575,174
Arkansas District Judge's Retirement unfunded pension liability balance due to Arkansas Public Employees Retirement System (APERS) determined by actuarial valuation as of December 31, 2004, and amortized over a 30-year period. Payment amounts adjusted annually by APERS. Payments are to be made from the General Fund.	128,514
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	1,865,674
Total Long-term liabilities	\$ 2,569,362

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

The City's outstanding direct borrowings of \$575,174 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Post Employment Benefits Other Than Pensions

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: Commitments (Continued)

Transfer Station and Compost Center Closure and Postclosure Care Costs

The City is required by Ark. Code Ann. §§ 8-6-1602 – 1604 to establish financial assurance for cost of closure and postclosure care for its transfer station and compost center in compliance with state regulations. As of December 31, 2020, the City has established contracts of obligation with the Arkansas Department of Energy and Environment's Division of Environmental Quality reserving \$158,351 in the General Fund to establish financial assistance for these costs.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Direct Borrowings</u>					
3/20/15	3/20/20	1.67%	\$ 600,000		\$ 600,000
12/15/16	12/15/21	1.88%	3,943,898	\$ 167,997	3,775,901
1/24/18	1/24/23	1.95%	562,052	240,859	321,193
2/15/18	2/15/23	6.49%	261,938	166,318	95,620
Total Direct Borrowings			<u>5,367,888</u>	<u>575,174</u>	<u>4,792,714</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
<u>Direct Borrowings</u>				
Notes payable	\$ 1,481,570		\$ 1,313,573	\$ 167,997
Capital leases	567,993 *		160,816	407,177
Total Direct Borrowings	<u>2,049,563</u>		<u>1,474,389</u>	<u>575,174</u>

* Capital lease of \$214,948 omitted from 2019 ending balance in error.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2020:

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2021	\$ 334,276	\$ 11,537	\$ 345,813
2022	172,005	5,455	177,460
2023	68,893	336	69,229
Totals	<u>\$ 575,174</u>	<u>\$ 17,328</u>	<u>\$ 592,502</u>

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: Commitments (Continued)

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2020:

<u>Project Name</u>	<u>Completed or Estimated Completion</u>	<u>Contract Balance December 31, 2020</u>
Rolling Meadow s/ Cloverdale	April 30, 2021	\$ 518,829
North Main Street Extension	December 31, 2021	3,561,075
Total Construction Contracts		<u>\$ 4,079,904</u>

NOTE 9: Interfund Transfers

The General Fund transferred \$20,000 to Other Funds in the Aggregate (Airport) to supplement airport operations. Within the Other Funds in the Aggregate, \$45,000 was transferred [County Fire Sales Tax to Fire Equipment and Training (Act 833)] to supplement debt service obligations.

NOTE 10: Subsequent Events

- a. On February 9, 2021, the City agreed to purchase real property to be used for future parks and recreation development in the amount of \$275,000.
- b. On May 16, 2021, the City accepted the bid of \$907,187 from Delta Asphalt for the 2021 street paving project.

NOTE 11: Related Party Transactions

- a. The City had \$13,839,890 on deposit with First Security Bank at December 31, 2020. Public Educational and Residential Housing Facilities Board Member Patrick Stegall is employed as Vice-President of First Security Bank. Searcy Ordinance no. 2018-02 (January 18, 2018) authorized the City to conduct business with the related parties.
- b. The City had \$3,582,569 on deposit with First Community Bank at December 31, 2020. Board of Zoning and Adjustment Member David Wood is employed as Executive Vice-President of First Community Bank. Additionally, Planning Commissioner and Public Educational and Residential Housing Facilities Board Member Charles Green, and Airport Commissioner Matt House are both employed as Senior Vice-Presidents of First Community Bank. Searcy Ordinance no. 2018-02 (January 18, 2018) authorized the City to conduct business with the related party.
- c. The City had \$223,081 on deposit with Centennial Bank at December 31, 2020. Public Educational and Residential Housing Facilities Board Member Justin Lawson is employed as President of Centennial Bank. Searcy Ordinance no. 2018-02 (January 18, 2018) authorized the City to conduct business with the related party.
- d. The City paid a total of \$1,940,326 to Lightle Law Firm who performed closing services on the City's purchase of two parcels of real property. Of the amount paid, Lightle Law Firm retained \$1,280 for its services. City Council Member Donald Raney is Senior Partner of Lightle Law Firm. Searcy Ordinance no. 2020-10 (April 14, 2020) authorized the City to conduct business with the related party.

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12: Joint Venture

White County Regional Library System

White County and the Cities of Bald Knob, Bradford, Beebe, Pangburn, Searcy, Rose Bud, and Judsonia entered into an agreement in 1998, in accordance with Ark. Code Ann. § 13-2-401 to establish the White County Regional Library System. The agreement states that the White County Regional Library is to be financed from the revenue generated from real and personal property taxes from the County Library Fund, state aid, grant money, and any other funds which the County has or may acquire for the System. The City contributed \$1,014,418 for the expenses of the White County Regional Library System. Contact the White County Regional Library System 113 East Pleasure, Searcy, Arkansas for financial statements.

NOTE 13: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participated in the Arkansas Municipal League Program (public entity risk pools) for coverage from February 1, 2020 through December 31, 2020 in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

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

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13: Risk Management (Continued)

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

The City participated in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage from January 1, 2020 through January 31, 2020 in the following areas:

Building and Contents Program - This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. Even though the APERMA property program limits are blanket, the City's property limits are tied back to the insurance statement of values. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city property.

Vehicle Program

- A. Liability - This program may pay all sums the City legally must pay as damages because of bodily injury, death, or property damage to which this agreement applies involving a covered city vehicle and for which the City is liable. The limit of payment for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city vehicles owned or leased by the City.
- B. Physical Damage - This program covers vehicles and mobile equipment which are the property of the participating city. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Police Department vehicles and \$500 for all other covered vehicles and mobile equipment. The City agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the city government of a participating city and pay judgments imposed on City officials and employees and the city government and city-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Plan Description

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

On January 1, 1997, and August 1, 1999, administration of the City of Searcy Firemen's Pension and Relief Fund and the City of Searcy Policemen's Pension and Relief Fund were transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$1,065,664 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$573,564 for the year ended December 31, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$8,222,335.

NOTE 15: Arkansas Public Employees Retirement System

Plan Description

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

CITY OF SEARCY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15: Arkansas Public Employees Retirement System (Continued)

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$677,373 for the year ended June 30, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$6,489,082.

NOTE 16: Mayor's Retirement Benefits

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayors \$147,852 for the year ended December 31, 2020.

NOTE 17: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). From June 4, 2020 to December 8, 2020, the City received \$1,068,297 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

CITY OF SEARCY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2020

Schedule 1

SPECIAL REVENUE FUNDS

	Revolving Loan	Drug Control	Arkansas Economic Development Commission	Fire Equipment and Training (Act 833)	Airport	County Fire Sales Tax	District Court Automation
ASSETS							
Cash and cash equivalents	\$ 139,538	\$ 50,498	\$ 35	\$ 74,846	\$ 133,077	\$ 424,222	\$ 41,218
Accounts receivable		3,561		7,046	11,565	28,253	2,982
TOTAL ASSETS	\$ 139,538	\$ 54,059	\$ 35	\$ 81,892	\$ 144,642	\$ 452,475	\$ 44,200
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable					\$ 18,853		
Settlements pending							
Total Liabilities					18,853		
Fund Balances:							
Restricted	\$ 139,538	\$ 54,059	\$ 35	\$ 24,063		\$ 428,773	\$ 44,200
Assigned				57,829	125,789	23,702	
Total Fund Balances	139,538	54,059	35	81,892	125,789	452,475	44,200
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,538	\$ 54,059	\$ 35	\$ 81,892	\$ 144,642	\$ 452,475	\$ 44,200

CITY OF SEARCY, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2020

Schedule 1

	CAPITAL PROJECTS FUND	CUSTODIAL FUNDS			Totals
	Special 1% Tax	Police Bond and Fine	Seized Property	District Court	
ASSETS					
Cash and cash equivalents	\$ 3,062,525	\$ 4,640	\$ 29,244	\$ 229,041	\$ 4,188,884
Accounts receivable					53,407
TOTAL ASSETS	\$ 3,062,525	\$ 4,640	\$ 29,244	\$ 229,041	\$ 4,242,291
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 186,819				\$ 205,672
Settlements pending		\$ 4,640	\$ 29,244	\$ 229,041	262,925
Total Liabilities	186,819	4,640	29,244	229,041	468,597
Fund Balances:					
Restricted	2,875,706				3,566,374
Assigned					207,320
Total Fund Balances	2,875,706				3,773,694
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,062,525	\$ 4,640	\$ 29,244	\$ 229,041	\$ 4,242,291

CITY OF SEARCY, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

	SPECIAL REVENUE FUNDS						CAPITAL PROJECTS FUND	Totals	
	Revolving Loan	Drug Control	Arkansas Economic Development Commission	Fire Equipment and Training (Act 833)	Airport	County Fire Sales Tax	District Court Automation		Special 1% Tax
REVENUES									
State aid				\$ 87,895				\$ 87,895	
Federal aid					\$ 69,000	\$ 23,701		92,701	
Sales taxes					9,854			9,854	
Fines, forfeitures, and costs		\$ 16,750					\$ 41,568	58,318	
Interest	\$ 1,907			458	1,082	399	39	\$ 13,636	
Airport leases, fees, and fuel					525,846			525,846	
Other					3,131			3,131	
TOTAL REVENUES	1,907	16,750		88,353	608,913	24,100	41,607	13,636	795,266
EXPENDITURES									
Current:									
Law enforcement		44,459					30,243		74,702
Highways and streets								966,219	966,219
Public safety						165,541			165,541
Airport					555,460				555,460
Total Current		44,459			555,460	165,541	30,243	966,219	1,761,922
Debt Service:									
Note principal				112,186					112,186
Note interest				5,885					5,885
TOTAL EXPENDITURES		44,459		118,071	555,460	165,541	30,243	966,219	1,879,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,907	(27,709)		(29,718)	53,453	(141,441)	11,364	(952,583)	(1,084,727)
OTHER FINANCING SOURCES (USES)									
Transfers in				45,000	20,000				65,000
Transfers out						(45,000)			(45,000)
Contributions from county						333,747			333,747
TOTAL OTHER FINANCING SOURCES (USES)				45,000	20,000	288,747			353,747
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,907	(27,709)		15,282	73,453	147,306	11,364	(952,583)	(730,980)
FUND BALANCES - JANUARY 1	137,631	81,768	\$ 35	66,610	52,336	305,169	32,836	3,828,289	4,504,674
FUND BALANCES - DECEMBER 31	\$ 139,538	\$ 54,059	\$ 35	\$ 81,892	\$ 125,789	\$ 452,475	\$ 44,200	\$ 2,875,706	\$ 3,773,694

CITY OF SEARCY, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2020

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

<u>Fund Name</u>	<u>Fund Description</u>
Revolving Loan	Searcy Resolution no. 95-13 (May 1, 1995) created this fund as a result of a grant from the Arkansas Economic Development Commission with the objective to stimulate industrial development and job creation.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Arkansas Economic Development Commission	Established to account for grants from the Arkansas Department of Economic Development Commission.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Airport	Ark. Code Ann. § 14-361-116 established fund to receive revenues obtained by a municipality from the ownership, control, or operation of any airport or air navigation facility, including proceeds from the sale of any airport or portion thereof or air navigation facility property. The revenues shall be used solely for airport purposes.
County Fire Sales Tax	Established to account for the City's portion of a county-wide quarter-cent sales and use tax to be used exclusively for fire protection services.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Special 1% Tax	Searcy Ordinance no. 2011-33 (October 11, 2011) authorizing and pledging a one cent sales and use tax for highway and street improvements.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
Seized Property	Ark. Code Ann. § 5-64-505 authorizes account to deposit negotiable instruments or money seized by law enforcement agencies pending adjudication.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

CITY OF SEARCY, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2020
(Unaudited)

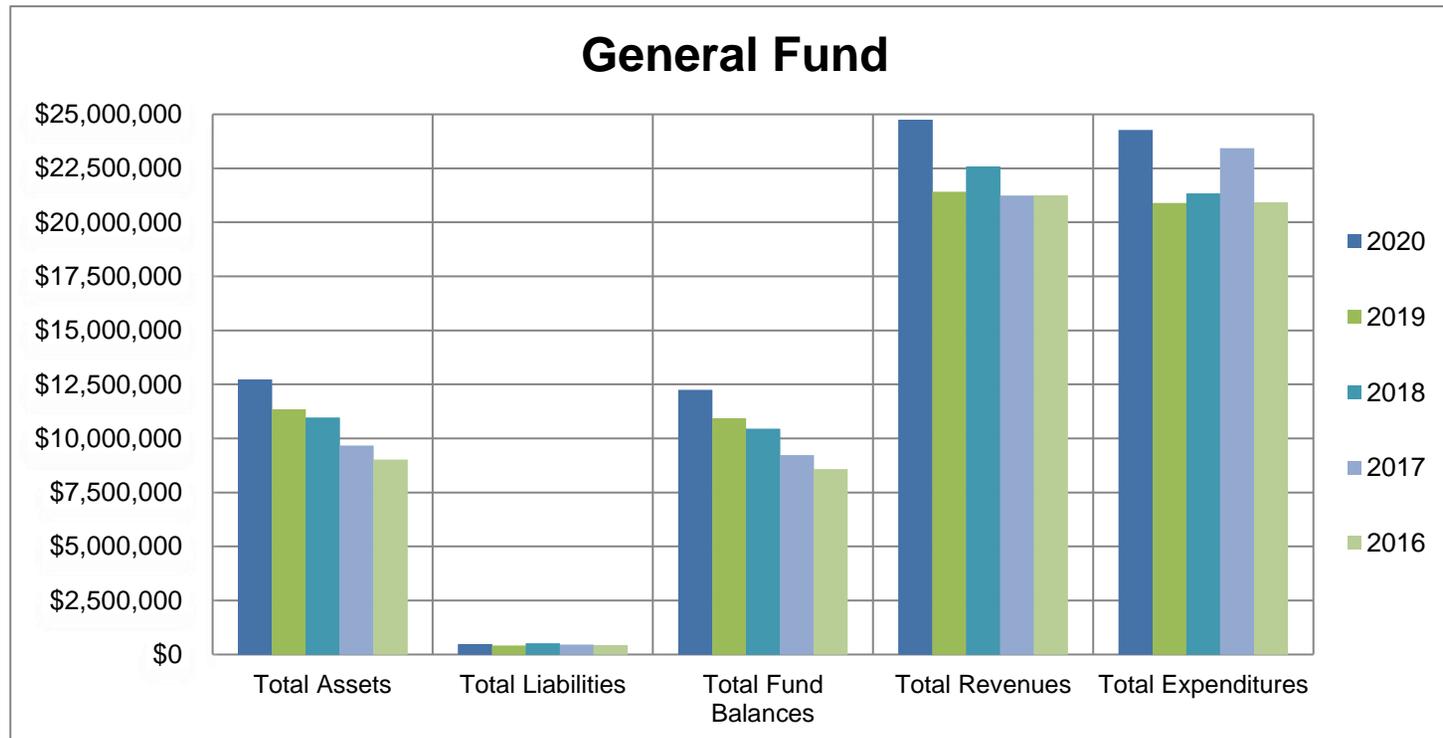
Schedule 3

	<u>December 31, 2020</u>
Land	\$ 6,307,471
Buildings	26,429,601
Equipment	15,247,798
Construction in progress	<u>1,689,281</u>
Total	<u>\$ 49,674,151</u>

CITY OF SEARCY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2020
 (Unaudited)

Schedule 4-1

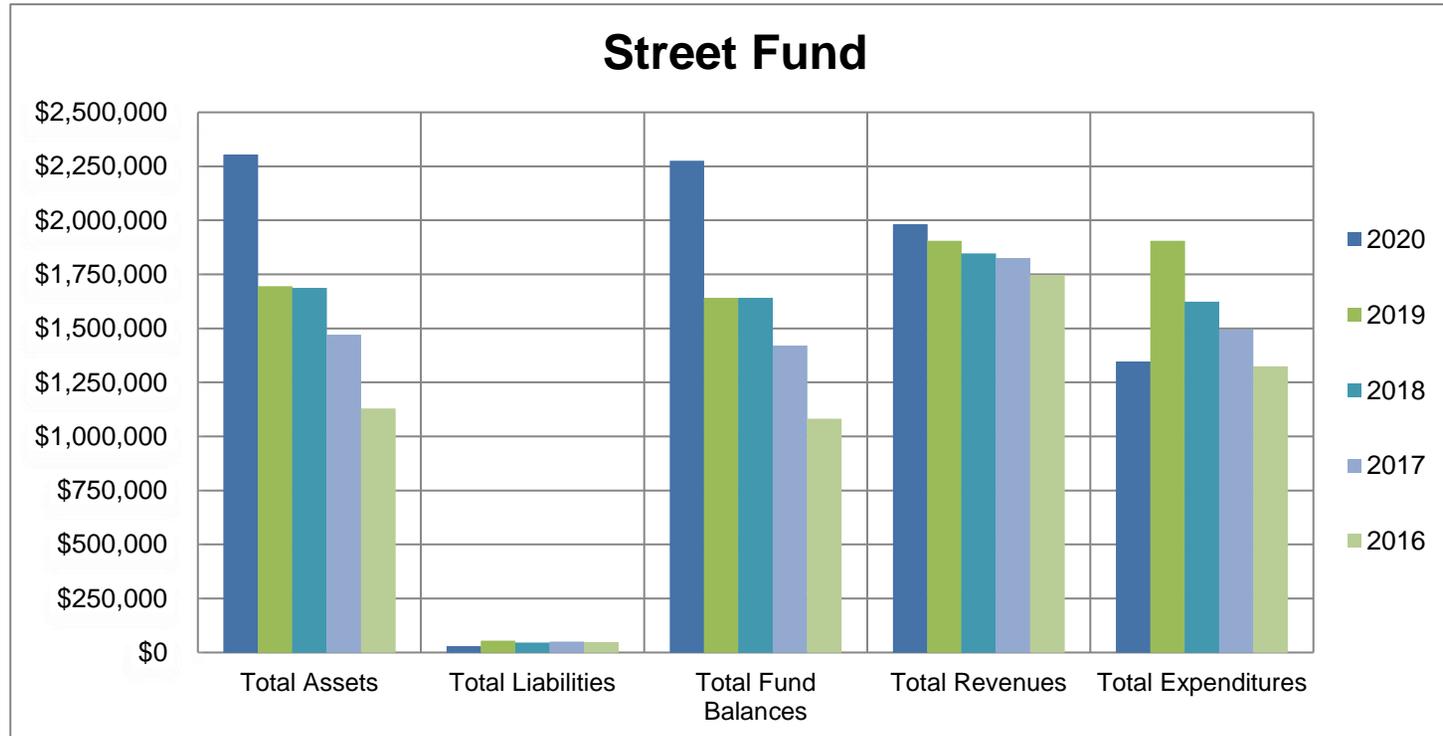
<u>General</u>	2020	2019	2018	2017	2016
Total Assets	\$ 12,726,085	\$ 11,336,886	\$ 10,958,217	\$ 9,668,249	\$ 9,006,993
Total Liabilities	480,835	407,616	509,576	450,666	432,815
Total Fund Balances	12,245,250	10,929,270	10,448,641	9,217,583	8,574,178
Total Revenues	24,757,909	21,413,042	22,583,232	21,227,500	21,244,856
Total Expenditures	24,271,929	20,897,413	21,332,174	23,429,219	20,917,393
Total Other Financing Sources/Uses	830,000	(35,000)	(20,000)	2,945,153	1,124,476



CITY OF SEARCY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2020
 (Unaudited)

Schedule 4-2

<u>Street</u>	2020	2019	2018	2017	2016
Total Assets	\$ 2,304,642	\$ 1,694,798	\$ 1,686,881	\$ 1,469,511	\$ 1,128,275
Total Liabilities	29,342	54,401	45,685	49,860	47,428
Total Fund Balances	2,275,300	1,640,397	1,641,196	1,419,651	1,080,847
Total Revenues	1,981,524	1,904,485	1,845,533	1,825,277	1,747,071
Total Expenditures	1,346,621	1,905,284	1,623,988	1,493,812	1,324,332
Total Other Financing Sources/Uses				7,339	5,064



CITY OF SEARCY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2020
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	2020	2019	2018	2017	2016
Total Assets	\$ 4,242,291	\$ 4,959,694	\$ 4,840,623	\$ 4,973,458	\$ 4,830,445
Total Liabilities	468,597	455,020	255,580	379,350	317,965
Total Fund Balances	3,773,694	4,504,674	4,585,043	4,594,108	4,512,480
Total Revenues	795,266	857,746	759,049	713,568	109,148
Total Expenditures	1,879,993	1,271,230	1,652,166	908,012	3,882,200
Total Other Financing Sources/Uses	353,747	333,115	884,052	176,043	(70,400)

