

City of Austin, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF AUSTIN, ARKANSAS
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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
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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 Austin, 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 Austin, Arkansas, as of and for the year ended December 31, 2018, 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 Austin, Arkansas, as of December 31, 2018, 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 Austin, Arkansas, as of December 31, 2018, 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 fund is not required to be included as part of the reporting entity. Our opinion is 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 June 4, 2019, 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
June 4, 2019
LOM221218

Arkansas



Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
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 Austin, 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 Austin, Arkansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2019. 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 June 4, 2019.

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



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 4, 2019

Arkansas



Sen. Jason Rapert
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2018:

Mayor: Bernie Chamberlain
Recorder/Treasurer: Shirley Sudduth
District Court Clerk: Stanna Lowell (hired September 5, 2018)
Kim Love (resigned August 31, 2018)
Police Chief: Charles Anderson (hired April 23, 2018)
Bill Deurson (terminated January 22, 2018)

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment 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. This matter was discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

Mayor and Recorder/Treasurer

The City paid \$842 to a business owned by an employee without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

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
June 4, 2019

CITY OF AUSTIN, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2018

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,071,261	\$ 489,804	\$ 158,560
Accounts receivable	63,045	2,263	17,571
	\$ 1,134,306	\$ 492,067	\$ 176,131
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 29,792	\$ 3,317	
Settlements pending			\$ 5,253
Total Liabilities	29,792	3,317	5,253
Fund Balances:			
Restricted		488,750	170,878
Assigned	30,380		
Unassigned	1,074,134		
Total Fund Balances	1,104,514	488,750	170,878
 TOTAL LIABILITIES AND FUND BALANCES	\$ 1,134,306	\$ 492,067	\$ 176,131

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

CITY OF AUSTIN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 48,818	\$ 291,660	\$ 16,045
Property taxes	168,297	34,031	
Franchise fees	99,356		
Sales taxes	445,615		198,881
Fines, forfeitures, and costs	39,045		2,110
Interest	18	193	2,016
Local permits and fees	39,248		
Other	35,407		
	<u>875,804</u>	<u>325,884</u>	<u>219,052</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	377,726		
Law enforcement	218,427		2,858
Highways and streets		88,439	
Public safety	44,104		10,815
Recreation and culture	4,528		
Total Current	<u>644,785</u>	<u>88,439</u>	<u>13,673</u>
Debt Service:			
Bond principal			185,000
Bond interest and other charges			27,056
Note principal	10,886	1,306	6,368
Note interest	1,184	30	794
	<u>656,855</u>	<u>89,775</u>	<u>232,891</u>
TOTAL EXPENDITURES			

CITY OF AUSTIN, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 218,949	\$ 236,109	\$ (13,839)
OTHER FINANCING SOURCES (USES)			
Transfers in			15,563
Transfers out			(15,563)
Contribution to water department	(6,777)		
TOTAL OTHER FINANCING SOURCES (USES)	(6,777)		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	212,172	236,109	(13,839)
FUND BALANCES - JANUARY 1	892,342	252,641	184,717
FUND BALANCES - DECEMBER 31	\$ 1,104,514	\$ 488,750	\$ 170,878

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

CITY OF AUSTIN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATOR BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 52,000	\$ 48,818	\$ (3,182)	\$ 318,000	\$ 291,660	\$ (26,340)
Property taxes	190,000	168,297	(21,703)	35,000	34,031	(969)
Franchise fees	100,000	99,356	(644)			
Sales taxes	510,000	445,615	(64,385)	221,000		(221,000)
Fines, forfeitures, and costs	59,500	39,045	(20,455)			
Interest		18	18		193	193
Local permits and fees	41,000	39,248	(1,752)			
Donations	6,600		(6,600)			
Other	10,500	35,407	24,907	185,000		(185,000)
TOTAL REVENUES	969,600	875,804	(93,796)	759,000	325,884	(433,116)
EXPENDITURES						
Current:						
General government	310,000	377,726	(67,726)			
Law enforcement	297,000	218,427	78,573			
Highways and streets				399,500	88,439	311,061
Public safety	49,000	44,104	4,896			
Recreation and culture	4,600	4,528	72			
Total Current	660,600	644,785	15,815	399,500	88,439	311,061
Debt Service:						
Note principal		10,886	(10,886)		1,306	(1,306)
Note interest		1,184	(1,184)		30	(30)
TOTAL EXPENDITURES	660,600	656,855	3,745	399,500	89,775	309,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	309,000	218,949	(90,051)	359,500	236,109	(123,391)
OTHER FINANCING SOURCES (USES)						
Transfers out	(74,000)		74,000			
Contribution to water department		(6,777)	(6,777)			
TOTAL OTHER FINANCING SOURCES (USES)	(74,000)	(6,777)	67,223			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	235,000	212,172	(22,828)	359,500	236,109	(123,391)
FUND BALANCES - JANUARY 1		892,342	892,342		252,641	252,641
FUND BALANCES - DECEMBER 31	\$ 235,000	\$ 1,104,514	\$ 869,514	\$ 359,500	\$ 488,750	\$ 129,250

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

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types, 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.

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

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

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. 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.

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, certificates of deposit, treasury bills, and short-term investments with an original maturity of three months or less.

Settlements Pending

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

Fund Balance Classifications

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

E. Property Taxes

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

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

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

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

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

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds except for the Drug Control and District Court Automation Funds.

G. Fund Balance Classification Policies and Procedures

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

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

There were no committed fund balances at year-end.

NOTE 2: Cash Deposits with Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 396,773	\$ 396,773
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	1,322,852	1,353,917
Total Deposits	\$ 1,719,625	\$ 1,750,690

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3: Legal or Contractual Provisions for Deposits

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, 2018, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 11,192	\$ 2,263	
Franchise fees	9,406		
Sales taxes	37,997		\$ 17,571
Fines, forfeitures, and costs	4,450		
Totals	\$ 63,045	\$ 2,263	\$ 17,571

NOTE 5: Accounts Payable

The accounts payable balance at December 31, 2018, is composed of the following:

Description	General Fund	Street Fund
Vendor payables	\$ 6,996	\$ 3,317
Salaries payable	751	
Payroll taxes payable	22,045	
Totals	\$ 29,792	\$ 3,317

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2018, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 582
Highways and streets		\$ 488,750	
Public safety			13,814
Debt service			156,482
Total Restricted		<u>488,750</u>	<u>170,878</u>
Assigned to:			
Public safety	\$ 25,068		
Recreation and culture	5,312		
Total Assigned	<u>30,380</u>		
Unassigned	<u>1,074,134</u>		
Totals	<u>\$ 1,104,514</u>	<u>\$ 488,750</u>	<u>\$ 170,878</u>

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, 2018, the legal debt limit for the bonded debt was \$7,117,771. 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, 2018, the legal debt limit for short-term financing obligations was \$1,763,187. The amount of short-term financing obligations was \$52,824, leaving a legal debt margin of \$1,710,363.

NOTE 8: Commitments

Total commitments consist of the following at December 31, 2018:

	December 31, 2018
Long-term liabilities	<u>\$ 587,824</u>

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8: Commitments (Continued)

Long-term liabilities

Long-term liabilities at December 31, 2018, are comprised of the following:

	December 31, 2018
Sales and Use Tax Bonds, Series 2012, payable semiannually on April 1 and October 1 through 2031; interest ranging from 2% to 4%. Payments are to be made from the 2012 Sales and Use Tax Bond Fund.	\$ 535,000
Note payable dated March 25, 2014, with First Arkansas Bank and Trust for \$24,492 to purchase a pickup; 3.48% interest due in 60 monthly installments of \$445. Half of the payments are to be made from the General and Street Funds and the other by Austin Water Department.	662
Note payable dated May 2, 2016, with First Arkansas Bank and Trust for \$18,000 to purchase a pumper truck; 2.95% interest due in 60 monthly installments of \$323. Payments are to be made from the General and Fire Equipment and Training (Act 833) Funds.	9,030
Note payable dated January 25, 2017, with First Arkansas Bank and Trust for \$33,016 to purchase a pumper truck; 3.25% interest due in 60 monthly installments of \$597. Payments are to be made from the Fire Department and Fire Equipment and Training (Act 833) Funds.	20,989
Note payable dated May 17, 2017, with First Arkansas Bank and Trust for \$31,602 to purchase a police car; 3.25% interest due in 60 monthly installments of \$571. Payments are to be made from the General Fund.	22,143
Total Long-term liabilities	\$ 587,824

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

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2018:

Years Ending December 31,	Bonds	Notes	Total
2019	\$ 137,556	\$ 18,563	\$ 156,119
2020	59,655	17,897	77,552
2021	63,250	15,633	78,883
2022	61,689	3,451	65,140
2023	60,125		60,125
2024 through 2027	240,625		240,625
Total Obligations	622,900	55,544	678,444
Less Interest	87,900	2,720	90,620
Total Principal	<u>\$ 535,000</u>	<u>\$ 52,824</u>	<u>\$ 587,824</u>

NOTE 9: Interfund Transfers

The 2012 Sales and Use Tax Debt Reserve Fund transferred excess sales taxes of \$15,563 to the 2012 Sales and Use Tax Bond Fund.

NOTE 10: Pledged Revenues

The City pledged future 1% sales and use taxes to repay \$1,250,000 in bonds that were issued in 2012 to provide funding for construction of betterments to the street system. Total principal and interest remaining on the bonds are \$535,000 and \$87,900, respectively, payable through October 1, 2027. For 2018, principal and interest paid were \$185,000 and \$24,856, respectively.

The Debt Service Fund received \$198,881 in sales taxes in 2018. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for redemption of Series 2012 Bonds or portions thereof on any interest payment date, at least annually, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

NOTE 11: Jointly Governed Organization

Pursuant to Act 752 of the Acts of Arkansas of 1991, the Central Arkansas Regional Solid Waste Management District and Board were organized to protect the public health and environmental quality for its service area by establishing a regional solid waste management system in the Arkansas Counties of Lonoke, Prairie, and Monroe. The District's board of directors is composed in accordance with the requirements of the Act and is comprised of representatives of the Counties in the District and representatives of all first class cities, of all cities with a population over 2,000, and of the largest city of each county in the District. The City made no contributions to or disbursements on behalf of the Central Arkansas Regional Solid Waste Management District in 2017. Separate financial statements of the Central Arkansas Regional Solid Waste Management District are available at 902 N. Center, Lonoke, Arkansas, 72086.

NOTE 12: 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.

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12: Risk Management (Continued)

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

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

Municipal Vehicle Program

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

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

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

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

**NOTE 13: 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.

CITY OF AUSTIN, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

**NOTE 13: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

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 \$23,680 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$11,372 for the year ended December 31, 2018.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is 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, 2018 (actuarial valuation date and measurement date) was \$281,963.

NOTE 14: 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.

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 \$39,548 for the year ended June 30, 2018.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is 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, 2018 (actuarial valuation date and measurement date) was \$315,768.

CITY OF AUSTIN, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2018

Schedule 1

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUNDS</u>		<u>AGENCY FUNDS</u>		
	<u>Fire Equipment and Training (Act 833)</u>	<u>Drug Control</u>	<u>District Court Automation</u>	<u>2012 Sales and Use Tax Bond</u>	<u>2012 Sales and Use Tax Debt Reserve</u>	<u>Administration of Justice</u>	<u>Police Bond and Fine</u>	<u>Totals</u>
ASSETS								
Cash and cash equivalents	\$ 13,814	\$ 244	\$ 338	\$ 69,474	\$ 69,437	\$ 585	\$ 4,668	\$ 158,560
Accounts receivable				17,571				17,571
TOTAL ASSETS	<u>\$ 13,814</u>	<u>\$ 244</u>	<u>\$ 338</u>	<u>\$ 87,045</u>	<u>\$ 69,437</u>	<u>\$ 585</u>	<u>\$ 4,668</u>	<u>\$ 176,131</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Settlements pending						\$ 585	\$ 4,668	\$ 5,253
Total Liabilities						<u>585</u>	<u>4,668</u>	<u>5,253</u>
Fund Balances:								
Restricted	\$ 13,814	\$ 244	\$ 338	\$ 87,045	\$ 69,437			170,878
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,814</u>	<u>\$ 244</u>	<u>\$ 338</u>	<u>\$ 87,045</u>	<u>\$ 69,437</u>	<u>\$ 585</u>	<u>\$ 4,668</u>	<u>\$ 176,131</u>

CITY OF AUSTIN, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 2

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		Totals
	Fire Equipment and Training (Act 833)	Drug Control	District Court Automation	2012 Sales and Use Tax Bond	2012 Sales and Use Tax Debt Reserve	
REVENUES						
State aid	\$ 16,045					\$ 16,045
Sales taxes				\$ 198,881		198,881
Fines, forfeitures, and costs			\$ 2,110			2,110
Interest	3		1	2,012		2,016
TOTAL REVENUES	16,048		2,111	200,893		219,052
EXPENDITURES						
Current:						
Law enforcement		\$ 293	2,565			2,858
Public safety	10,815					10,815
Total Current	10,815	293	2,565			13,673
Debt Service:						
Bond principal				185,000		185,000
Bond interest and other charges				27,056		27,056
Note principal	6,368					6,368
Note interest	794					794
TOTAL EXPENDITURES	17,977	293	2,565	212,056		232,891
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,929)	(293)	(454)	(11,163)		(13,839)
OTHER FINANCING SOURCES (USES)						
Transfers in				15,563		15,563
Transfers out					\$ (15,563)	(15,563)
TOTAL OTHER FINANCING SOURCES (USES)				15,563	(15,563)	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,929)	(293)	(454)	4,400	(15,563)	(13,839)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	15,743	537	792	82,645	85,000	184,717
FUND BALANCES - DECEMBER 31	<u>\$ 13,814</u>	<u>\$ 244</u>	<u>\$ 338</u>	<u>\$ 87,045</u>	<u>\$ 69,437</u>	<u>\$ 170,878</u>

CITY OF AUSTIN, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2018

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
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.
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.
2012 Sales and Use Tax Bond	Austin Ordinance no. 07-2012 (August 27, 2012) established a debt service fund to receive sales tax receipts and maintain principal and interest payments on the Series 2012 Bonds.
2012 Sales and Use Tax Debt Reserve	Austin Ordinance no. 07-2012 (August 27, 2012) established a debt service fund to maintain an amount equal to the maximum annual debt service requirements on the Series 2012 Bonds.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.

CITY OF AUSTIN, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2018
(Unaudited)

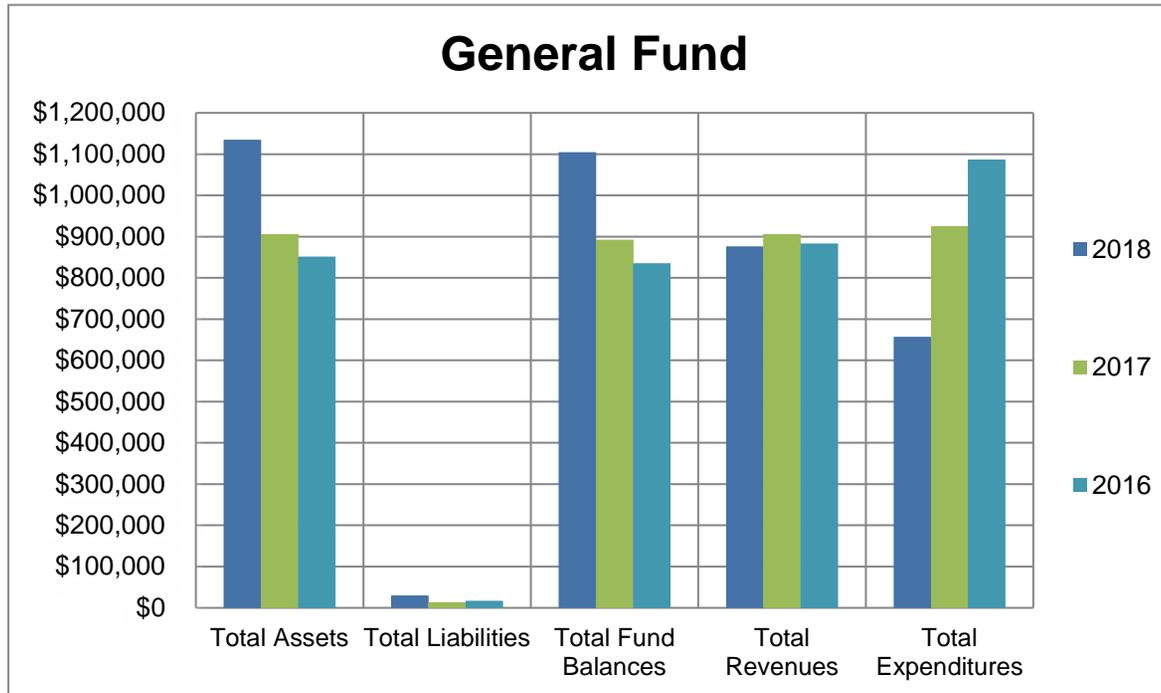
Schedule 3

	<u>December 31, 2018</u>
Land	\$ 226,558
Buildings	705,668
Equipment	<u>1,167,301</u>
Total	<u><u>\$ 2,099,527</u></u>

CITY OF AUSTIN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST THREE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2018
 (Unaudited)

Schedule 4-1

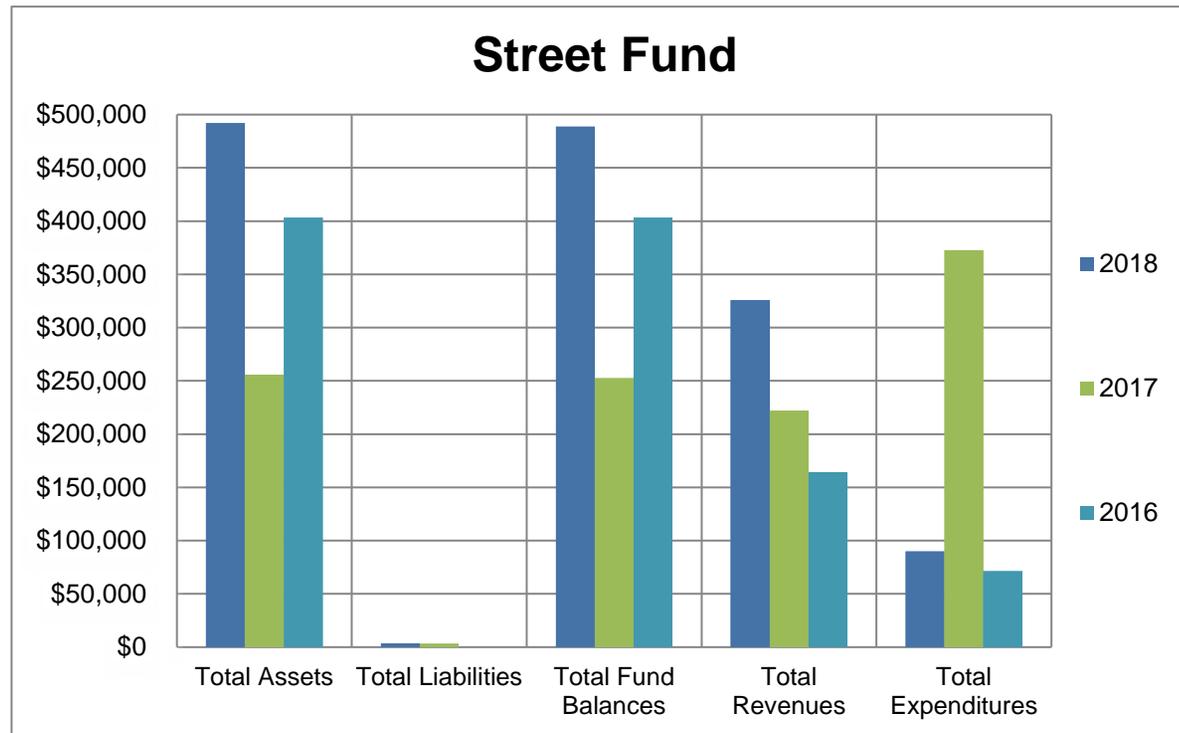
<u>General</u>	2018	2017	2016
Total Assets	\$ 1,134,306	\$ 905,863	\$ 851,456
Total Liabilities	29,792	13,521	16,655
Total Fund Balances	1,104,514	892,342	834,801
Total Revenues	875,804	906,355	882,744
Total Expenditures	656,855	925,601	1,086,709
Total Other Financing Sources/Uses	(6,777)	76,787	65,737



CITY OF AUSTIN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST THREE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2018
 (Unaudited)

Schedule 4-2

<u>Street</u>	2018	2017	2016
Total Assets	\$ 492,067	\$ 255,712	\$ 403,252
Total Liabilities	3,317	3,071	
Total Fund Balances	488,750	252,641	403,252
Total Revenues	325,884	222,009	164,157
Total Expenditures	89,775	372,620	71,274



CITY OF AUSTIN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST THREE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2018
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	2018	2017	2016
Total Assets	\$ 176,131	\$ 193,647	\$ 192,228
Total Liabilities	5,253	8,930	12,617
Total Fund Balances	170,878	184,717	179,611
Total Revenues	219,052	209,245	205,712
Total Expenditures	232,891	204,069	188,199

