

City of Bald Knob, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF BALD KNOB, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Independent Auditor's Report
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*
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Street Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

OTHER INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	4-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	4-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	4-3



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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Bald Knob, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

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

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

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

Emphases of Matter

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

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 26, 2024
LOM100622

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Bald Knob, Arkansas (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated January 26, 2024. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated January 26, 2024.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 26, 2024

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: Barth Grayson
Clerk/Treasurer: Tammy Wools
District Court Clerk: Joyce Derossett
Police Chief: Larry House

We would like to communicate the following item(s) 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 in maintaining 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

The City disbursed funds totaling \$5,000 to Foothills Lane of Lights, a non-profit organization, without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5.

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

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Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 26, 2024

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,044,172	\$ 132,621	\$ 2,329,952
Accounts receivable	196,735	1,298	44,048
TOTAL ASSETS	<u>\$ 1,240,907</u>	<u>\$ 133,919</u>	<u>\$ 2,374,000</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 28,845	\$ 10,759	\$ 1,681
Settlements pending			73,130
Total Liabilities	<u>28,845</u>	<u>10,759</u>	<u>74,811</u>
Fund Balances:			
Restricted		122,441	2,145,789
Assigned	207,994	719	153,400
Unassigned	1,004,068		
Total Fund Balances	<u>1,212,062</u>	<u>123,160</u>	<u>2,299,189</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,240,907</u>	<u>\$ 133,919</u>	<u>\$ 2,374,000</u>

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 190,281	\$ 217,741	\$ 26,528
Federal aid			297,096
Property taxes	80,817	16,129	
Franchise fees	155,072		
Sales taxes	997,410		257,798
Fines, forfeitures, and costs	239,920		16,965
Interest	5,985	555	17,349
Local permits and fees	35,409		
Sanitation fees	53,033		
Gas royalties	78,978		
Other	164,895	3,118	1,000
TOTAL REVENUES	2,001,800	237,543	616,736
EXPENDITURES			
Current:			
General government	434,271		7,773
Law enforcement	1,168,806		17,997
Highways and streets	2,395	255,214	7,701
Public safety	130,456		344,791
Sanitation	106,040		
Health	13,811		
Recreation and culture	333,980		
Social services	23,677		
Airport	1,865		
Cemetery	6,500		
Wastewater			259,727
Total Current	2,221,801	255,214	637,989
Debt Service:			
Bond principal			280,000
Bond interest and other charges			12,301
Financed purchase principal	11,455		50,457
Financed purchase interest	299		3,836
TOTAL EXPENDITURES	2,233,555	255,214	984,583

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

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (231,755)</u>	<u>\$ (17,671)</u>	<u>\$ (367,847)</u>
OTHER FINANCING SOURCES (USES)			
Contributions from county			194,638
Proceeds from refunding and improvement bonds			1,480,000
Payments to refunding bond escrow agent			<u>(175,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)			<u>1,499,638</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(231,755)	(17,671)	1,131,791
FUND BALANCES - JANUARY 1	<u>1,443,817</u>	<u>140,831</u>	<u>1,167,398</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,212,062</u></u>	<u><u>\$ 123,160</u></u>	<u><u>\$ 2,299,189</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 98,337	\$ 190,281	\$ 91,944	\$ 204,681	\$ 217,741	\$ 13,060
Property taxes	79,498	80,817	1,319	7,000	16,129	9,129
Franchise fees	170,000	155,072	(14,928)			
Sales taxes	900,000	997,410	97,410			
Fines, forfeitures, and costs	159,822	239,920	80,098			
Interest	3,211	5,985	2,774	475	555	80
Local permits and fees	7,650	35,409	27,759			
Sanitation fees	53,200	53,033	(167)			
Gas royalties	20,000	78,978	58,978			
Other	111,502	164,895	53,393	2,000	3,118	1,118
TOTAL REVENUES	1,603,220	2,001,800	398,580	214,156	237,543	23,387
EXPENDITURES						
Current:						
General government	537,645	434,271	103,374			
Law enforcement	1,374,037	1,168,806	205,231			
Highways and streets		2,395	(2,395)	332,183	255,214	76,969
Public safety	136,616	130,456	6,160			
Sanitation	88,774	106,040	(17,266)			
Health	18,550	13,811	4,739			
Recreation and culture	97,761	333,980	(236,219)			
Social services	33,237	23,677	9,560			
Airport	24,943	1,865	23,078			
Cemetery	6,000	6,500	(500)			
Total Current	2,317,563	2,221,801	95,762	332,183	255,214	76,969
Debt Service:						
Financed purchase principal		11,455	(11,455)			
Financed purchase interest		299	(299)			
TOTAL EXPENDITURES	2,317,563	2,233,555	84,008	332,183	255,214	76,969

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (714,343)	\$ (231,755)	\$ 482,588	\$ (118,027)	\$ (17,671)	\$ 100,356
OTHER FINANCING SOURCES (USES)						
Transfers in	50,000		(50,000)	50,000		(50,000)
Transfers out	(5,000)		5,000			
TOTAL OTHER FINANCING SOURCES (USES)	45,000		(45,000)	50,000		(50,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(669,343)	(231,755)	437,588	(68,027)	(17,671)	50,356
FUND BALANCES - JANUARY 1	1,055,757	1,443,817	388,060	148,800	140,831	(7,969)
FUND BALANCES - DECEMBER 31	\$ 386,414	\$ 1,212,062	\$ 825,648	\$ 80,773	\$ 123,160	\$ 42,387

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

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Bald Knob 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 Department. 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.

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.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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 the Custodial Fund as reported with other funds in the aggregate.

C. Basis of Accounting - Regulatory

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

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

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

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

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 balances at year end.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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)	\$ 775,490	\$ 776,139
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	2,730,925	2,843,066
Total Deposits	<u>\$ 3,506,415</u>	<u>\$ 3,619,205</u>

The above total deposits do not include cash on hand of \$330.

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, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 36,807		
Property taxes	6,492	\$ 1,298	
Franchise fees	30,224		
Sales taxes	81,872		\$ 20,720
Fines, forfeitures, and costs	25,154		1,358
Interest			3,435
Sanitation fees	4,925		
Gas royalties	4,891		
Contributions from county			18,535
Other	6,370		
Totals	<u>\$ 196,735</u>	<u>\$ 1,298</u>	<u>\$ 44,048</u>

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 27,640	\$ 10,759	\$ 1,681
Salaries payable	278		
Payroll taxes payable	927		
Totals	<u>\$ 28,845</u>	<u>\$ 10,759</u>	<u>\$ 1,681</u>

NOTE 6: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government			\$ 325,640
Law enforcement			53,111
Highways and streets		\$ 122,441	
Public safety			552,068
Capital outlay			975,644
Debt service			239,326
Total Restricted		<u>122,441</u>	<u>2,145,789</u>
Assigned to:			
General government	\$ 45,002		
Law enforcement	48,419		3,400
Highways and streets		719	
Public safety			150,000
Health	44,763		
Recreation and culture	25,490		
Cemetery	37,471		
Pension benefits	6,849		
Total Assigned	<u>207,994</u>	<u>719</u>	<u>153,400</u>
Unassigned	<u>1,004,068</u>		
Totals	<u>\$ 1,212,062</u>	<u>\$ 123,160</u>	<u>\$ 2,299,189</u>

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the legal debt limit for the bonded debt was \$5,238,334. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2022, the legal debt limit for short-term financing obligations was \$1,468,150. The amount of short-term financing obligations was \$78,633 leaving a legal debt margin of \$1,389,517.

NOTE 8: Commitments

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

	December 31, 2022
Long-term liabilities	\$ 1,558,633
Construction contract	1,064,864
	<hr/>
Total Commitments	\$ 2,623,497

Long-term liabilities

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

	December 31, 2022
<u>Bonds</u>	
Sales and Use Tax Refunding and Improvement Bonds, Series 2022, dated September 6, 2022, in the amount of \$1,480,000, due in annual installments of \$145,000 - \$185,000 plus interest through September 1, 2031; interest rates from 2.50% to 3.00%. Payments are to be made from the 2022 Sales and Use Tax Refunding and Improvement Bond Fund.	<hr/> \$ 1,480,000
<u>Direct Borrowings</u>	
Financed purchase agreement dated April 6, 2018, with Southern Bank in the amount of \$55,000 with interest rate of 2.64% for the purchase of a real property facility; 60 monthly payments of \$980 followed by one final payment of \$5. Payments are to be made from the General Fund.	3,967
Financed purchase agreement dated May 10, 2019, with First Community Bank in the amount of \$247,000 with interest rate of 3.7% for the purchase of a fire truck; 60 monthly payments of \$4,524. Payments are to be made from the Fire Protection Services Fund.	74,666
Total Direct Borrowings	<hr/> 78,633
Total Long-term liabilities	<hr/> \$ 1,558,633

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

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8: Commitments (Continued)

Long-term liabilities (Continued)

The City's outstanding bonds payable of \$1,480,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding financed purchases from direct borrowings of \$78,633 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.

Compensated Absences

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
9/6/22	9/1/31	2.5 - 3%	\$ 1,480,000	\$ 1,480,000	\$ 0
<u>Direct Borrowings</u>					
4/16/18	4/6/23	2.64%	55,000	3,967	51,033
5/10/19	5/15/24	3.70%	247,000	74,666	172,334
Total Direct Borrowings			302,000	78,633	223,367
Total Long-Term Debt			\$ 1,782,000	\$ 1,558,633	\$ 223,367

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 455,000	\$ 1,480,000	\$ 455,000 *	\$ 1,480,000
<u>Direct Borrowings</u>				
Financed purchases	140,545	0	61,912	78,633
Total Long-Term Debt	\$ 595,545	\$ 1,480,000	\$ 516,912	\$ 1,558,633

* Includes \$175,000 early retirement of debt - See Note 9.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 145,000	\$ 42,871	\$ 187,871	\$ 56,349	\$ 1,932	\$ 58,281
2024	150,000	39,125	189,125	22,284	211	22,495
2025	155,000	34,625	189,625			
2026	160,000	29,975	189,975			
2027	165,000	25,175	190,175			
2028 through 2031	705,000	49,850	754,850			
Totals	<u>\$ 1,480,000</u>	<u>\$ 221,621</u>	<u>\$ 1,701,621</u>	<u>\$ 78,633</u>	<u>\$ 2,143</u>	<u>\$ 80,776</u>

Construction Contract

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

Project Name	Completed Date	Contract Balance December 31, 2022
Fire Station	October 10, 2023	<u>\$ 1,064,864</u>

NOTE 9: Debt Refunding

On September 6, 2022, the City issued \$1,480,000 in refunding and improvement bonds with interest rates of 2.5 to 3 percent. Bond proceeds of \$69,922 along with locally available funds of \$105,078 were deposited with an escrow agent to advance refund \$175,000 of outstanding bonds dated May 23, 2016, with interest rates of 1.5 to 2.35 percent and to pay fees and interest. As a result, the 2016 bonds, which were called on September 6, 2022, are considered to be defeased and the commitment for these bonds has been eliminated.

The remaining proceeds of \$1,407,563 (after payment of net bond issuance costs of \$2,515) will be used for a debt service reserve fund of \$95,112, a cost of issuance fund of \$26,258, a project fund for the construction of a new fire station including equipment, furnishings, and parking, street, lighting, and utility improvements of \$1,273,622, and a bond fund of \$12,571 for future debt service related payments.

NOTE 10: Pledged Revenues

The City pledged future 0.5% sales and use taxes to repay \$1,480,000 in bonds that were issued in 2022 to provide funding for construction of a new fire station and to refund the Series 2016 Sales and Use Tax Refunding Bonds. Total principal and interest remaining on the bonds are \$1,480,000 and \$221,621, respectively, payable through September 1, 2031. There were no principal and interest payments made on these bonds in 2022.

The Debt Service Fund received \$257,798 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds is required to be used for redeeming outstanding bonds prior to maturity.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11: 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 for real and personal property taxes from the County Public Library Fund, state aid, grant money, and any other funds which the County has or may acquire for the System. The City contributed \$7,117 for expenses of the White County Regional Library System for the year ended December 31, 2022. Separate financial statements of the White County Regional Library System are available at 113 East Pleasure, Searcy, AR 72143.

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.

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.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 12: Risk Management (Continued)

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.

On December 15, 2008, administration of the City of Bald Knob - Firemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$65,788 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$47,420 for the year ended December 31, 2022.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2022, (actuarial valuation date and measurement date) was \$977,275.

NOTE 14: Mayor's Retirement Benefits

Plan Description

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 one former Mayor and one surviving spouse \$14,154 for the year ended December 31, 2022.

CITY OF BALD KNOB, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 15: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers 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 a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer \$7,061 for the year ended December 31, 2022.

NOTE 16: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City was awarded \$594,195 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$594,195 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

Schedule 1

	SPECIAL REVENUE FUNDS				CAPTIAL PROJECT FUND	DEBT SERVICE FUNDS			CUSTODIAL FUND	
	District Court Automation	Fire Equipment and Training (Act 833)	Fire Protection Services	American Rescue Plan Act	2022 Sales & Use Tax Refunding and Improvement Bond - Fire Construction	2022 Sales & Use Tax Refunding and Improvement Bond - Bond Fund	2022 Sales & Use Tax Refunding and Improvement Bond - Debt Service Reserve	2022 Sales & Use Tax Refunding and Improvement Bond - Cost of Issuance	District Court	Totals
ASSETS										
Cash and cash equivalents	\$ 55,153	\$ 73,142	\$ 612,072	\$ 325,640	\$ 972,785	\$ 101,783	\$ 95,112	\$ 21,135	\$ 73,130	\$ 2,329,952
Accounts receivable	1,358	3,087	15,448		2,859	20,964	272	60		44,048
TOTAL ASSETS	<u>\$ 56,511</u>	<u>\$ 76,229</u>	<u>\$ 627,520</u>	<u>\$ 325,640</u>	<u>\$ 975,644</u>	<u>\$ 122,747</u>	<u>\$ 95,384</u>	<u>\$ 21,195</u>	<u>\$ 73,130</u>	<u>\$ 2,374,000</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable			\$ 1,681							\$ 1,681
Settlements pending									\$ 73,130	73,130
Total Liabilities			<u>1,681</u>						<u>73,130</u>	<u>74,811</u>
Fund Balances:										
Nonspendable										
Restricted	\$ 53,111	\$ 76,229	475,839	\$ 325,640	\$ 975,644	\$ 122,747	\$ 95,384	\$ 21,195		2,145,789
Assigned	3,400		150,000							153,400
Total Fund Balances	<u>56,511</u>	<u>76,229</u>	<u>625,839</u>	<u>325,640</u>	<u>975,644</u>	<u>122,747</u>	<u>95,384</u>	<u>21,195</u>		<u>2,299,189</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,511</u>	<u>\$ 76,229</u>	<u>\$ 627,520</u>	<u>\$ 325,640</u>	<u>\$ 975,644</u>	<u>\$ 122,747</u>	<u>\$ 95,384</u>	<u>\$ 21,195</u>	<u>\$ 73,130</u>	<u>\$ 2,374,000</u>

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

Schedule 2

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS				
	District Court Automation	Fire Equipment and Training (Act 833)	Fire Protection Services	American Rescue Plan Act	2022 Sales & Use Tax Refunding and Improvement Bond - Fire Construction	2016 Sales & Use Tax Refunding Bonds	2022 Sales & Use Tax Refunding and Improvement Bond - Bond Fund	2022 Sales & Use Tax Refunding and Improvement Bond - Debt Service Reserve	2022 Sales & Use Tax Refunding and Improvement Bond - Cost of Issuance	Totals
REVENUES										
State aid		\$ 26,528								\$ 26,528
Federal aid				\$ 297,096						297,096
Sales taxes						\$ 148,794	\$ 109,004			257,798
Fines, forfeitures, and costs	\$ 16,965									16,965
Interest	239	272	\$ 2,210	1,045	\$ 11,033	911	1,172	\$ 272	\$ 195	17,349
Other		1,000								1,000
TOTAL REVENUES	17,204	27,800	2,210	298,141	11,033	149,705	110,176	272	195	616,736
EXPENDITURES										
Current:										
General government									7,773	7,773
Law enforcement	17,997									17,997
Highways and streets				7,701						7,701
Public safety		27,402	8,378		309,011					344,791
Wastewater				259,727						259,727
Total Current	17,997	27,402	8,378	267,428	309,011				7,773	637,989
Debt Service:										
Bond principal						280,000				280,000
Bond interest and other charges						12,301				12,301
Financed purchase principal			50,457							50,457
Financed purchase interest			3,836							3,836
TOTAL EXPENDITURES	17,997	27,402	62,671	267,428	309,011	292,301			7,773	984,583
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(793)	398	(60,461)	30,713	(297,978)	(142,596)	110,176	272	(7,578)	(367,847)
OTHER FINANCING SOURCES (USES)										
Contributions from county		12,105	182,533							194,638
Proceeds from refunding and improvement bonds					1,273,622	69,922	12,571	95,112	28,773	1,480,000
Payments to refunding bond escrow agent						(175,000)				(175,000)
TOTAL OTHER FINANCING SOURCES (USES)		12,105	182,533		1,273,622	(105,078)	12,571	95,112	28,773	1,499,638
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(793)	12,503	122,072	30,713	975,644	(247,674)	122,747	95,384	21,195	1,131,791
FUND BALANCES - JANUARY 1	57,304	63,726	503,767	294,927		247,674				1,167,398
FUND BALANCES - DECEMBER 31	\$ 56,511	\$ 76,229	\$ 625,839	\$ 325,640	\$ 975,644	\$ 0	\$ 122,747	\$ 95,384	\$ 21,195	\$ 2,299,189

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

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

<u>Fund Name</u>	<u>Fund Description</u>
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Fire 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.
Fire Protection Services	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 as passed by ballot dated November 8, 2016.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
2022 Sales & Use Tax Refunding and Improvement Bond - Fire Construction	Established by Bald Knob Ordinance no. O-2022-06 (August 1, 2022) authorizing and pledging a one-half cent sales and use tax to issue capital improvement bonds to refund the 2016 Series Refunding Bonds and to construct and furnish a new fire station.
2016 Sales & Use Tax Refunding Bonds	Established by Bald Knob Ordinance no. O-16-02 (May 16, 2016) authorizing and pledging a one-half cent sales and use tax to refund the 2007 Series A Refunding Bonds.
2022 Sales & Use Tax Refunding and Improvement Bond - Bond Fund	Established by Bald Knob Ordinance no. O-2022-06 (August 1, 2022) authorizing and pledging a one-half cent sales and use tax to issue capital improvement bonds to refund the 2016 Series Refunding Bonds and to construct and furnish a new fire station.
2022 Sales & Use Tax Refunding and Improvement Bond - Debt Service Reserve	Established by Bald Knob Ordinance no. O-2022-06 (August 1, 2022) authorizing and pledging a one-half cent sales and use tax to issue capital improvement bonds to refund the 2016 Series Refunding Bonds and to construct and furnish a new fire station.
2022 Sales & Use Tax Refunding and Improvement Bond - Cost of Issuance	Established by Bald Knob Ordinance no. O-2022-06 (August 1, 2022) authorizing and pledging a one-half cent sales and use tax to issue capital improvement bonds to refund the 2016 Series Refunding Bonds and to construct and furnish a new fire station.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

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

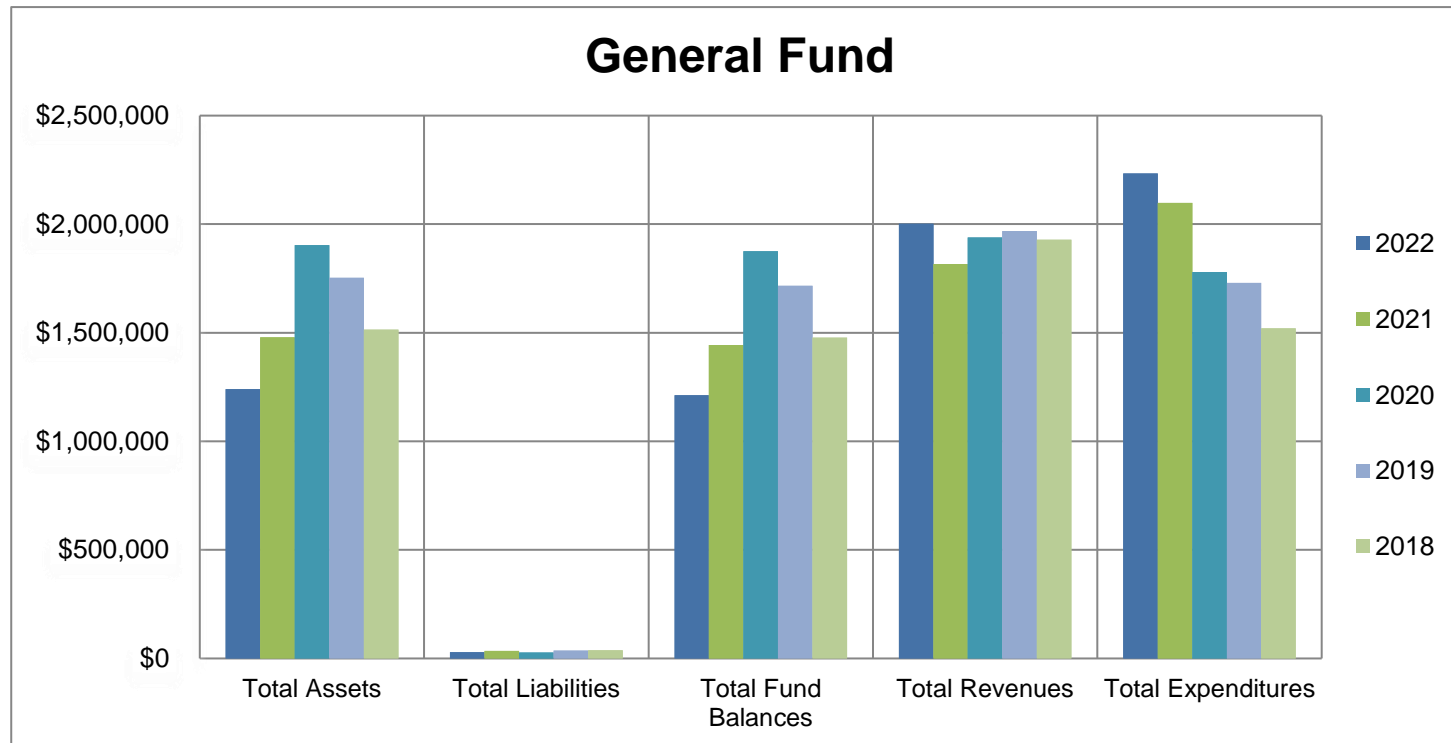
Schedule 3

	December 31, 2022
	<hr/>
Land	\$ 1,886,824
Buildings	1,302,830
Equipment	2,611,387
Construction in progress	<hr/> 387,226
	<hr/>
Total	<u><u>\$ 6,188,267</u></u>

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

Schedule 4-1

<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 1,240,907	\$ 1,478,746	\$ 1,903,640	\$ 1,752,777	\$ 1,514,915
Total Liabilities	28,845	34,929	27,726	36,198	37,345
Total Fund Balances	1,212,062	1,443,817	1,875,914	1,716,579	1,477,570
Total Revenues	2,001,800	1,816,435	1,939,011	1,968,596	1,928,202
Total Expenditures	2,233,555	2,098,032	1,779,677	1,729,605	1,519,670
Total Other Financing Sources/Uses		(150,500)	1	18	(34,459)



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

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 133,919	\$ 145,308	\$ 136,365	\$ 166,709	\$ 182,036
Total Liabilities	10,759	4,477	8,243	9,581	6,415
Total Fund Balances	123,160	140,831	128,122	157,128	175,621
Total Revenues	237,543	250,101	238,509	235,666	226,285
Total Expenditures	255,214	237,392	267,515	254,159	204,552
Total Other Financing Sources/Uses					



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 2,374,000	\$ 1,219,154	\$ 654,815	\$ 666,481	\$ 569,186
Total Liabilities	74,811	51,756	60,355	135,627	80,786
Total Fund Balances	2,299,189	1,167,398	594,460	530,854	488,400
Total Revenues	616,736	587,000	285,337	647,917	429,381
Total Expenditures	984,583	346,962	383,541	861,478	325,609
Total Other Financing Sources/Uses	1,499,638	332,900	161,810	256,015	34,459

