

**City of Magnolia, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2024**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF MAGNOLIA, ARKANSAS  
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# Arkansas

**Sen. Jim Petty**  
Senate Chair  
**Sen. Jim Dotson**  
Senate Vice Chair



**Rep. Robin Lundstrum**  
House Chair  
**Rep. RJ Hawk**  
House Vice Chair

**Kevin William White, CPA, JD**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Magnolia, 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 Magnolia, 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, 2024; the related Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis; the Statement of Revenues, Expenditures, and Change in Fund Balances – 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 Magnolia, Arkansas as of December 31, 2024; the regulatory basis revenues, expenditures, and changes in fund balance; 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 Magnolia, Arkansas, as of December 31, 2024, or the revenues, expenditures, and changes in fund balance 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.

#### *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 Governmental 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.

### ***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 February 5, 2026, 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



Kevin William White, CPA, JD  
Legislative Auditor

Little Rock, Arkansas  
February 5, 2026  
LOM105424

# Arkansas

**Sen. Jim Petty**  
Senate Chair  
**Sen. Jim Dotson**  
Senate Vice Chair



**Rep. Robin Lundstrum**  
House Chair  
**Rep. RJ Hawk**  
House Vice Chair

**Kevin William White, CPA, JD**  
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 Magnolia, 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 Magnolia, Arkansas (City), as of and for the year ended December 31, 2024, 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 February 5, 2026. 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

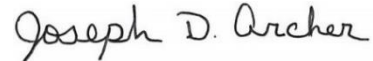
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 February 5, 2026.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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



Joseph D. Archer, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 5, 2026

# Arkansas



**Sen. Jim Petty**  
Senate Chair  
**Sen. Jim Dotson**  
Senate Vice Chair

**Rep. Robin Lundstrum**  
House Chair  
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House Vice Chair

**Kevin William White, CPA, JD**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

The findings contained in this letter relate to the following officials who held office during 2024:

Mayor: Parnell Vann  
City Treasurer: Kim Newell  
City Clerk: Candy Meeler  
District Court Clerk: Nancy Moody  
Police Chief: Todd Dew  
Advertising and Promotion Commission Chairperson: Annette Pate

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

#### **City Treasurer**

In December 2024, the City initiated two direct deposits totaling \$2,603 to a fraudulent bank account after receiving an email request to change an employee's direct deposit information, without verifying the authenticity of the request. The City notified its banking institution but was unable to recover the funds.

During our review of payroll, we noted that 7 out of 7 employees tested were underpaid in 2024 due to calculating payroll based on 27 pay periods rather than 26 pay periods.

#### **Mayor and Advertising and Promotion Commission Chairperson**

The City paid \$1,150 to reimburse a private business for the private business' advertising expense using advertising and promotion tax revenue, in non-compliance with Ark. Code Ann. § 26-75-606. In addition, this transaction appears to conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 2008-121.

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

Handwritten signature of Joseph D. Archer in black ink.

Joseph D. Archer, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 5, 2026

CITY OF MAGNOLIA, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2024

Exhibit A

	General	Street	Other Funds in the Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,925,659	\$ 517,885	\$ 6,545,771
Accounts receivable	336,091		598,310
	<b>\$ 2,261,750</b>	<b>\$ 517,885</b>	<b>\$ 7,144,081</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,943	\$ 1,780	\$ 43,292
Settlements pending			33,897
Total Liabilities	4,943	1,780	77,189
Fund Balances:			
Restricted	17,509		6,234,548
Committed			794,688
Assigned	6,657	516,105	37,656
Unassigned	2,232,641		
Total Fund Balances	2,256,807	516,105	7,066,892
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,261,750</b>	<b>\$ 517,885</b>	<b>\$ 7,144,081</b>

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

CITY OF MAGNOLIA, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit B

	General	Street	Other Funds in the Aggregate
<b>REVENUES</b>			
State aid	\$ 165,995	\$ 917,860	\$ 117,890
Federal aid			2,107,037
Property taxes	153,345	231,229	308,114
Franchise fees			799,949
Sales taxes	2,803,761		5,203,673
Fines, forfeitures, and costs	176,515		16,918
Interest	49,890	7,500	9,073
Local permits and fees	97,003	7,860	33,041
Advertising and promotion taxes			222,065
Fuel sales			79,433
Sale of assets	125,000		
Contribution from Water Department	42,000		
Other	382,014	97,328	135,431
<b>TOTAL REVENUES</b>	<b>3,995,523</b>	<b>1,261,777</b>	<b>9,032,624</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	727,784		42,170
Law enforcement	2,038,151		416,482
Highways and streets		1,525,703	
Public safety	1,417,372		160,121
Recreation and culture	337,166		174,219
Social services			8,625
Economic development			261,512
Airport			197,546
Total Current	4,520,473	1,525,703	1,260,675
<b>Debt Service:</b>			
Bond principal			3,254,000
Bond interest and other charges			396,476
Financed purchase principal			18,356
Financed purchase interest			722
<b>TOTAL EXPENDITURES</b>	<b>4,520,473</b>	<b>1,525,703</b>	<b>4,930,229</b>

CITY OF MAGNOLIA, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (524,950)</u>	<u>\$ (263,926)</u>	<u>\$ 4,102,395</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	680,000	150,000	114,109
Transfers out	(249,109)		(695,000)
Contribution to water department			(1,189,115)
Proceeds from loan	300,000		
Sales tax remitted to hospital			(789,432)
TOTAL OTHER FINANCING SOURCES (USES)	<u>730,891</u>	<u>150,000</u>	<u>(2,559,438)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	205,941	(113,926)	1,542,957
FUND BALANCES - JANUARY 1	<u>2,050,866</u>	<u>630,031</u>	<u>5,523,935</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,256,807</u></u>	<u><u>\$ 516,105</u></u>	<u><u>\$ 7,066,892</u></u>

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

CITY OF MAGNOLIA, 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, 2024

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 170,000	\$ 165,995	\$ (4,005)	\$ 950,000	\$ 917,860	\$ (32,140)
Property taxes		153,345	153,345	231,230	231,229	(1)
Franchise fees	670,000		(670,000)			
Sales taxes	2,912,130	2,803,761	(108,369)			
Fines, forfeitures, and costs	176,550	176,515	(35)			
Interest	71,863	49,890	(21,973)	2,000	7,500	5,500
Local permits and fees	102,850	97,003	(5,847)	20,000	7,860	(12,140)
Sale of assets		125,000	125,000			
Contribution from Water Department		42,000	42,000			
Other	879,440	382,014	(497,426)	193,150	97,328	(95,822)
<b>TOTAL REVENUES</b>	<b>4,982,833</b>	<b>3,995,523</b>	<b>(987,310)</b>	<b>1,396,380</b>	<b>1,261,777</b>	<b>(134,603)</b>
EXPENDITURES						
Current:						
General government	891,139	727,784	163,355			
Law enforcement	2,147,889	2,038,151	109,738			
Highways and streets				1,685,358	1,525,703	159,655
Public safety	1,492,418	1,417,372	75,046			
Recreation and culture	370,963	337,166	33,797			
<b>TOTAL EXPENDITURES</b>	<b>4,902,409</b>	<b>4,520,473</b>	<b>381,936</b>	<b>1,685,358</b>	<b>1,525,703</b>	<b>159,655</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>80,424</b>	<b>(524,950)</b>	<b>(605,374)</b>	<b>(288,978)</b>	<b>(263,926)</b>	<b>25,052</b>
OTHER FINANCING SOURCES (USES)						
Transfers in		680,000	680,000	150,000	150,000	0
Transfers out	(251,856)	(249,109)	2,747			
Proceeds from loan	300,000	300,000				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>48,144</b>	<b>730,891</b>	<b>682,747</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>128,568</b>	<b>205,941</b>	<b>77,373</b>	<b>(138,978)</b>	<b>(113,926)</b>	<b>25,052</b>
FUND BALANCES - JANUARY 1	500,000	2,050,866	1,550,866	10,000	630,031	620,031
FUND BALANCES - DECEMBER 31	<b>\$ 628,568</b>	<b>\$ 2,256,807</b>	<b>\$ 1,628,239</b>	<b>\$ (128,978)</b>	<b>\$ 516,105</b>	<b>\$ 645,083</b>

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

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Magnolia 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: Magnolia Arkansas Utilities. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

**B. Basis of Presentation – Regulatory**

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

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

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

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

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

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

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

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

**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.

**Enterprise Funds** - Enterprise funds are used to report activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; activity that is legally required to recover its costs through fees or charges; or activity that the government's policy is to establish fees or charges designed to recover the cost of providing services. See Schedules 1 and 2 for the Enterprise Fund as reported with other funds in the aggregate.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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 Custodial Funds 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.

**D. Assets, Liabilities, and Fund Balances**

Cash and Cash Equivalents

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

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and payroll withholdings 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. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council’s intent to be used for specific purposes but are neither restricted nor committed.
4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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)	\$ 501,719	\$ 502,839
Collateralized:		
Collateral held by the pledging financial institution's trust department or agent in the City's name	8,487,296	8,573,250
Total Deposits	\$ 8,989,015	\$ 9,076,089

The above total deposits do not include cash on hand of \$300.

**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.

**Pension Trust Funds**

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

**NOTE 4: Accounts Receivable**

The accounts receivable balance at December 31, 2024, is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Franchise fees		\$ 184,568
Sales taxes	\$ 240,177	374,639
Fines, forfeitures, and costs	10,731	11,922
Local permits and fees	3,907	
Advertising and promotion taxes		13,391
Other	81,276	13,790
Totals	\$ 336,091	\$ 598,310

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 5: Accounts Payable**

The accounts payable balance at December 31, 2024, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 4,943	\$ 1,780	\$ 28,667
Salaries payable			2,603
Payroll taxes payable			12,022
<b>Totals</b>	<b><u>\$ 4,943</u></b>	<b><u>\$ 1,780</u></b>	<b><u>\$ 43,292</u></b>

**NOTE 6: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2024, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
<b>Fund Balances:</b>			
Restricted for:			
General government			\$ 1,404,212
Law enforcement	\$ 17,509		25,825
Public safety			112,699
Advertising and promotion			222,116
Economic development			1,912,032
Airport			4,671
Debt service			2,552,993
<b>Total Restricted</b>	<b><u>17,509</u></b>		<b><u>6,234,548</u></b>
Committed for:			
General government			20,721
Social services			445,173
Debt service			328,794
<b>Total Committed</b>			<b><u>794,688</u></b>
Assigned to:			
Law enforcement	6,657		37,656
Highways and streets		\$ 516,105	
<b>Total Assigned</b>	<b><u>6,657</u></b>	<b><u>516,105</u></b>	<b><u>37,656</u></b>
Unassigned	<u>2,232,641</u>		
<b>Totals</b>	<b><u>\$ 2,256,807</u></b>	<b><u>\$ 516,105</u></b>	<b><u>\$ 7,066,892</u></b>

**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, 2024, the legal debt limit for the bonded debt was \$31,083,208. There were no property tax secured bond issues.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 7: Legal Debt Limit (Continued)**

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, 2024, the legal debt limit for short-term financing obligations was \$8,198,961. The amount of short-term financing obligations, was \$300,016 leaving a legal debt margin of \$7,898,945.

**NOTE 8: Commitments**

Total commitments consist of the following at December 31, 2024:

	December 31, 2024
Long-term liabilities	\$ 10,493,078
Construction contracts	1,014,440
Total Commitments	\$ 11,507,518

Long-term liabilities

Long-term liabilities at December 31, 2024, are comprised of the following:

	December 31, 2024
<u>Bonds</u>	
Sales and Use Tax Refunding Bonds Series 2018 - Regional Medical Center, dated January 23, 2018, in the amount of \$26,220,000; annual installments of \$500,000 - \$4,375,000 due August 1, 2018 through August 1, 2032, with interest at 2.60% - 4.00% due August 1 of each year. Payments are to be made from the Debt Service Fund.	\$ 9,655,000
2013 Capital Improvement Revenue Bonds, dated May 1, 2013, in the amount of \$1,000,000; annual installments of \$42,000 - \$71,000 due May 1, 2014 through May 1, 2031, with interest at 3.11% due May 1, 2014, and semiannually thereafter on May 1 and November 1 of each year. Payments are to be made from the Debt Service Fund.	438,000
Total Bonds	10,093,000
<u>Direct Borrowings</u>	
Financed purchase with Farmer's Bank and Trust, dated October 16, 2024, in the amount of \$300,016 to finance costs of a fire truck with interest of 2.00% for 4 annual installments of \$20,329 beginning October 16, 2025, and a final balloon payment of \$241,293 due October 15, 2029. Payments are to be made from the Fire Equipment and Training (Act 833) Fund.	300,016
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	100,062
Total Long-term liabilities	\$ 10,493,078

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

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 8: Commitments (Continued)**

Long-term liabilities (Continued)

The City's outstanding bonds payable of \$10,093,000 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 direct borrowings of \$300,016 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.

Change in Compensated Absences

	December 31, 2024
Beginning balance compensated absences	\$ 111,113
Ending balance compensated absences	100,062
Net increase (decrease)	\$ (11,051)

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions 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, 2024	Maturities to December 31, 2024
<u>Bonds</u>					
1/23/18	8/1/32	2.6-4%	\$ 26,220,000	\$ 9,655,000	\$ 16,565,000
5/1/13	5/1/31	3.11%	1,000,000	438,000	562,000
Total Bonds			27,220,000	10,093,000	17,127,000
<u>Direct Borrowings</u>					
10/16/24	10/15/29	2.00%	300,016	300,016	0
Total Long-Term Debt			\$ 27,520,016	\$ 10,393,016	\$ 17,127,000

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 8: Commitments (Continued)**

Changes in Long-Term Debt

	Balance January 01, 2024	Issued	Retired	Balance December 31, 2024
Bonds payable	\$ 13,347,000	\$ 0	\$ 3,254,000	\$ 10,093,000
<u>Direct Borrowings</u>				
Financed purchases	18,356	300,016	18,356	300,016
Total Long-Term Debt	<u>\$ 13,365,356</u>	<u>\$ 300,016</u>	<u>\$ 3,272,356</u>	<u>\$ 10,393,016</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2024:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,441,000	\$ 303,219	\$ 1,744,219	\$ 14,245	\$ 6,084	\$ 20,329
2026	1,483,000	259,894	1,742,894	14,534	5,795	20,329
2027	1,530,000	280,306	1,810,306	14,829	5,500	20,329
2028	1,572,000	169,306	1,741,306	15,115	5,214	20,329
2029	1,624,000	122,044	1,746,044	241,293	4,893	246,186
2030 through 2032	2,443,000	96,684	2,539,684			
Totals	<u>\$ 10,093,000</u>	<u>\$ 1,231,453</u>	<u>\$ 11,324,453</u>	<u>\$ 300,016</u>	<u>\$ 27,486</u>	<u>\$ 327,502</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2024:

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2024
Park Improvement Project	August 15, 2025	\$ 134,715
Airport - Taxiway Lighting Replacement Project	October 31, 2025	551,225
Pista Grit project	December 1, 2026	328,500
Total Construction Contracts		<u>\$ 1,014,440</u>

**NOTE 9: Interfund Transfers**

The General Fund transferred \$150,000 to the Street Fund for operations. The General Fund also transferred \$99,109 to Other Funds in the Aggregate (\$90,000 to District Court Administration and \$9,109 to the Airport Commission Fund) for operations. The Other Funds in the Aggregate (2013 Capital Improvement Revenue Bonds) transferred \$680,000 of excess franchise fees to the General Fund. Within Other Funds in the Aggregate, the Economic Development Fund transferred \$15,000 to the Airport Commission Fund for operations.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 10: Subsequent Event**

On March 21, 2025, the City issued \$36,335,000 of Sales and Use Tax Refunding and Improvement Bonds with interest rates ranging from 3.125% to 5.0% percent. The bond proceeds will be used to refund bonds in the maximum amount of \$9,100,000 in Sales and Use Tax Bonds, Series 2018 and to finance all or a portion of the costs of improvements to existing streets and roads and for water and sewer improvements.

**NOTE 11: Pledged Revenues**

Sales and Use Taxes

The City pledged future 1.125% and .25% sales and use taxes to repay \$26,220,000 in bonds that were issued in 2018 to advance refund sales and use tax bonds that were issued in 2007 to provide funding for financing all or a portion of the costs of the acquisition and construction of land and facilities for a new hospital facility, the acquisition and installation of equipment and other personal property for the Hospital; the acquisition and construction of necessary easements, right-of-way, utility, street, parking, and drainage or other improvements for or related to the Hospital; professional fees related to any of the foregoing; establishment of reserves; and bond issuance and any credit enhancement costs. Total principal and interest remaining on the bonds as of December 31, 2024, are \$9,655,000 and \$1,119,987, respectively, payable through August 1, 2032. For 2024, principal and interest paid were \$3,195,000 and \$375,437, respectively.

The Debt Service Fund received \$4,402,997 in sales taxes in 2024. When the bonds have been fully paid, the 1.125% sales and use tax shall no longer be levied or collected.

Franchise Fees

The City pledged future franchise fee collections to repay \$1,000,000 in capital improvement bonds that were issued in 2013 to provide funding for the purchase and equipping of a new fire truck. Total principal and interest remaining on the bonds are \$438,000 and \$111,466, respectively, payable through May 1, 2031. For 2024, principal and interest paid were \$59,000 and \$14,521, respectively.

The Debt Service Fund received \$799,949 in franchise fees in 2024. Pledged revenues in excess of debt service requirements may be used for other lawful municipal purposes.

**NOTE 12: Jointly Governed Organization**

The Prosecuting Attorney's Office of the Thirteenth Judicial District, the Sheriffs' Departments of Calhoun, Cleveland, Columbia, Dallas, Ouachita, and Union Counties, and Police Departments of Camden, El Dorado, Fordyce, Hampton, Magnolia, and Smackover entered into an agreement to establish the Thirteenth Judicial District Drug Task Force. The agreement covers the period July 1, 2024 to June 30, 2025, and may be extended upon written mutual agreement. Funding is provided through a Drug Law Enforcement Program grant, applied for by the Prosecuting Attorney of the Thirteenth Judicial District. No contributions or payments for expenditures were made to the Thirteenth Judicial District Drug Task Force by the City. The 2024 statements of the Thirteenth Judicial District Drug Task Force have not been audited.

**NOTE 13: Risk Management**

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

The City 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.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 13: Risk Management (Continued)**

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

Plan Description

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

On January 1, 2011, administration of the City of Magnolia Firemen's Pension and Relief Fund and the City Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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

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 \$426,372 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$204,175 for the year ended December 31, 2024.

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, 2024, (actuarial valuation date and measurement date) was \$3,038,880.

**NOTE 15: Arkansas Public Employees Retirement System**

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website [www.apers.org](http://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. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.75% as of July 1, 2024. 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 for the year ended June 30, 2024, (date of APERS Employer Allocation Report) was \$323,637.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2024, (actuarial valuation date and measurement date) was \$2,313,767.

**NOTE 16: Lease of Hospital Facilities**

On May 7, 2020, members of the Magnolia Hospital Commission formed as 501(C)(3) not-for-profit corporation for the purpose of leading the hospital from the City and operating it as a private concern. On August 24, 2020, Magnolia Regional Health System, Inc., entered into a lease agreement with the City to lease the hospital facility, known as the Magnolia Regional Medical Center, for 30 years at \$1 annually beginning on October 1, 2020.

CITY OF MAGNOLIA, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2024

Schedule 1

	SPECIAL REVENUE FUNDS									
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief	Fire Equipment and Training (Act 833)	American Rescue Plan Act
<b>ASSETS</b>										
Cash and cash equivalents	\$ 5,054	\$ 1,912,686	\$ 445,173	\$ 20,613	\$ 22,761	\$ 210,014	\$ 56,108	\$ 25,825	\$ 56,591	\$ 1,404,612
Accounts receivable	10,454			3,124		12,102				
<b>TOTAL ASSETS</b>	<b>\$ 15,508</b>	<b>\$ 1,912,686</b>	<b>\$ 445,173</b>	<b>\$ 23,737</b>	<b>\$ 22,761</b>	<b>\$ 222,116</b>	<b>\$ 56,108</b>	<b>\$ 25,825</b>	<b>\$ 56,591</b>	<b>\$ 1,404,612</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable		\$ 654		\$ 1,589	\$ 2,040					\$ 400
Settlements pending										
<b>Total Liabilities</b>		<b>654</b>		<b>1,589</b>	<b>2,040</b>					<b>400</b>
<b>Fund Balances:</b>										
Restricted		1,912,032				\$ 222,116	\$ 56,108	\$ 25,825	\$ 56,591	1,404,212
Committed			\$ 445,173		20,721					
Assigned	\$ 15,508			22,148						
<b>Total Fund Balances</b>	<b>15,508</b>	<b>1,912,032</b>	<b>445,173</b>	<b>22,148</b>	<b>20,721</b>	<b>222,116</b>	<b>56,108</b>	<b>25,825</b>	<b>56,591</b>	<b>1,404,212</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,508</b>	<b>\$ 1,912,686</b>	<b>\$ 445,173</b>	<b>\$ 23,737</b>	<b>\$ 22,761</b>	<b>\$ 222,116</b>	<b>\$ 56,108</b>	<b>\$ 25,825</b>	<b>\$ 56,591</b>	<b>\$ 1,404,612</b>

CITY OF MAGNOLIA, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2024

Schedule 1

	DEBT SERVICE FUNDS		ENTERPRISE FUND	CUSTODIAL FUNDS				Totals
	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	Police Bond and Fine	District Court	Payroll	Administration of Justice	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,178,354	\$ 144,226	\$ 2,037	\$ 200	\$ 21,688	\$ 39,829		\$ 6,545,771
Accounts receivable	374,639	184,568	2,814				\$ 10,609	598,310
<b>TOTAL ASSETS</b>	<b>\$ 2,552,993</b>	<b>\$ 328,794</b>	<b>\$ 4,851</b>	<b>\$ 200</b>	<b>\$ 21,688</b>	<b>\$ 39,829</b>	<b>\$ 10,609</b>	<b>\$ 7,144,081</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable			\$ 180			\$ 38,429		\$ 43,292
Settlements pending				\$ 200	\$ 21,688	1,400	\$ 10,609	33,897
Total Liabilities			180	200	21,688	39,829	10,609	77,189
Fund Balances:								
Restricted	\$ 2,552,993		4,671					6,234,548
Committed		\$ 328,794						794,688
Assigned								37,656
Total Fund Balances	2,552,993	328,794	4,671					7,066,892
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,552,993</b>	<b>\$ 328,794</b>	<b>\$ 4,851</b>	<b>\$ 200</b>	<b>\$ 21,688</b>	<b>\$ 39,829</b>	<b>\$ 10,609</b>	<b>\$ 7,144,081</b>

CITY OF MAGNOLIA, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2

	SPECIAL REVENUE FUNDS							
	District Court Administration	Economic Development	Cemetery Commission	District Court Automation	Nuisance Abatement	Advertising and Promotion Commission	Firemen's Pension and Relief	Policemen's Pension and Relief
REVENUES								
State aid		\$ 81,267						
Federal aid								
Property taxes							\$ 154,021	\$ 154,093
Franchise fees								
Sales taxes		800,676						
Fines, forfeitures, and costs	\$ 10,515			\$ 6,403				
Interest		3,988	\$ 2,140			\$ 406	59	61
Local permits and fees					\$ 33,041			
Advertising and promotion taxes						222,065		
Fuel sales								
Other	99,174	6,763	2,243	9,720				
<b>TOTAL REVENUES</b>	<b>109,689</b>	<b>892,694</b>	<b>4,383</b>	<b>16,123</b>	<b>33,041</b>	<b>222,471</b>	<b>154,080</b>	<b>154,154</b>
EXPENDITURES								
Current:								
General government					39,170	3,000		
Law enforcement	193,660			18,278				204,544
Public safety							160,121	
Recreation and culture						174,219		
Social services			8,625					
Economic development		261,512						
Airport								
<b>Total Current</b>	<b>193,660</b>	<b>261,512</b>	<b>8,625</b>	<b>18,278</b>	<b>39,170</b>	<b>177,219</b>	<b>160,121</b>	<b>204,544</b>
Debt Service:								
Bond principal								
Bond interest and other charges								
Financed purchase principal								
Financed purchase interest								
<b>TOTAL EXPENDITURES</b>	<b>193,660</b>	<b>261,512</b>	<b>8,625</b>	<b>18,278</b>	<b>39,170</b>	<b>177,219</b>	<b>160,121</b>	<b>204,544</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(83,971)</b>	<b>631,182</b>	<b>(4,242)</b>	<b>(2,155)</b>	<b>(6,129)</b>	<b>45,252</b>	<b>(6,041)</b>	<b>(50,390)</b>
OTHER FINANCING SOURCES (USES)								
Transfers in	90,000							
Transfers out		(15,000)						
Contribution to water department								
Sales tax remitted to hospital								
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>90,000</b>	<b>(15,000)</b>						
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>6,029</b>	<b>616,182</b>	<b>(4,242)</b>	<b>(2,155)</b>	<b>(6,129)</b>	<b>45,252</b>	<b>(6,041)</b>	<b>(50,390)</b>
FUND BALANCES - JANUARY 1	9,479	1,295,850	449,415	24,303	26,850	176,864	62,149	76,215
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 15,508</b>	<b>\$ 1,912,032</b>	<b>\$ 445,173</b>	<b>\$ 22,148</b>	<b>\$ 20,721</b>	<b>\$ 222,116</b>	<b>\$ 56,108</b>	<b>\$ 25,825</b>

CITY OF MAGNOLIA, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		ENTERPRISE FUND	Totals
	Fire Equipment and Training (Act 833)	American Rescue Plan Act	Sales and Use Tax Bonds	2013 Capital Improvement Revenue Bonds	Airport Commission	
REVENUES						
State aid	\$ 28,123				\$ 8,500	\$ 117,890
Federal aid		\$ 2,053,266			53,771	2,107,037
Property taxes						308,114
Franchise fees				\$ 799,949		799,949
Sales taxes			\$ 4,402,997			5,203,673
Fines, forfeitures, and costs						16,918
Interest	5	691	1,326	397		9,073
Local permits and fees						33,041
Advertising and promotion taxes						222,065
Fuel sales					79,433	79,433
Other					17,531	135,431
<b>TOTAL REVENUES</b>	<b>28,128</b>	<b>2,053,957</b>	<b>4,404,323</b>	<b>800,346</b>	<b>159,235</b>	<b>9,032,624</b>
EXPENDITURES						
Current:						
General government						42,170
Law enforcement						416,482
Public safety						160,121
Recreation and culture						174,219
Social services						8,625
Economic development						261,512
Airport					197,546	197,546
Total Current					197,546	1,260,675
Debt Service:						
Bond principal			3,195,000	59,000		3,254,000
Bond interest and other charges			381,955	14,521		396,476
Financed purchase principal	18,356					18,356
Financed purchase interest	722					722
<b>TOTAL EXPENDITURES</b>	<b>19,078</b>		<b>3,576,955</b>	<b>73,521</b>	<b>197,546</b>	<b>4,930,229</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,050</b>	<b>2,053,957</b>	<b>827,368</b>	<b>726,825</b>	<b>(38,311)</b>	<b>4,102,395</b>
OTHER FINANCING SOURCES (USES)						
Transfers in					24,109	114,109
Transfers out				(680,000)		(695,000)
Contribution to water department		(1,189,115)				(1,189,115)
Sales tax remitted to hospital			(789,432)			(789,432)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>(1,189,115)</b>	<b>(789,432)</b>	<b>(680,000)</b>	<b>24,109</b>	<b>(2,559,438)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>9,050</b>	<b>864,842</b>	<b>37,936</b>	<b>46,825</b>	<b>(14,202)</b>	<b>1,542,957</b>
FUND BALANCES - JANUARY 1	47,541	539,370	2,515,057	281,969	18,873	5,523,935
FUND BALANCES - DECEMBER 31	\$ 56,591	\$ 1,404,212	\$ 2,552,993	\$ 328,794	\$ 4,671	\$ 7,066,892

CITY OF MAGNOLIA, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2024

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 Administration	Ark. Code Ann. §§ 16-17-124 - 16-17-126 authorizes certified copies and district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Economic Development	Ark. Code Ann. § 14-174-104 authorizes the levy of a local sales tax dedicated to the operation of local economic development programs.
Cemetery Commission	Magnolia Ordinance no. 759 (August 12, 1985) established fund to receive reasonable fees for sale of lots, gifts, and bequests to operate and maintain the City Cemetery.
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.
Nuisance Abatement	Magnolia Ordinance no. 11-05 (May 9, 2011) established fund to receive fees from property owners, salvage monies, contributions, and any other source allowed by law to be used for nuisance abatement.
Advertising and Promotion Commission	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Firemen's Pension and Relief	Established to support firefighter retirement programs.
Policemen's Pension and Relief	Established to support police retirement programs.
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.
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.

CITY OF MAGNOLIA, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2024

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

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Bonds	Magnolia Ordinance no. 07-07 (July 19, 2007) as approved by referendum on May 8, 2007, established fund to receive sales and use tax monies for payment of principal, interest, and fees on the Sales and Use Tax Bonds Series 2007. Magnolia Ordinance no. 2017-7 (December 18, 2017) authorized the issuance of Sales and Use Tax Refunding Bonds Series 2018.
2013 Capital Improvement Revenue Bonds	Magnolia Ordinance no. 13-2 (April 16, 2013) established fund to receive franchise fees for payment of principal, interest, and fees on the Capital Improvement Revenue Bonds.
Airport Commission	Ark. Code Ann. §§ 14-359-101 - 121 established the Municipal Airport Commission to operate and manage the airport. All revenue derived from the operation of the airport or flying field, after paying the operating expenses and maintenance, shall be set aside and used for additional improvements on the airport or for the retirement of bonds and interest thereon issued or advancement made for the purchase and improvement of the airport or flying field.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Established to process payroll of all employees.
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.

CITY OF MAGNOLIA, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2024  
(Unaudited)

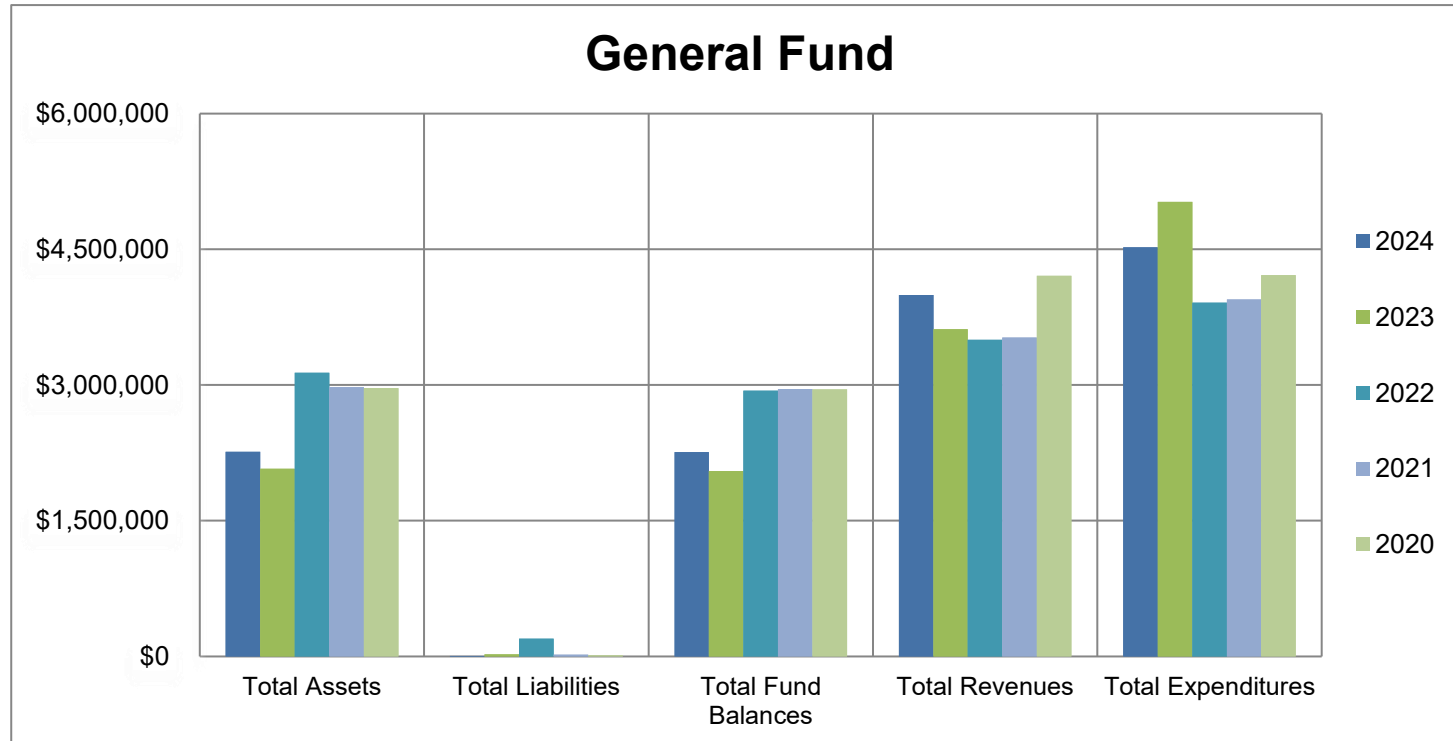
Schedule 3

	<u>December 31, 2024</u>
Land	\$ 3,672,032
Buildings	15,616,230
Equipment	<u>5,783,613</u>
Total	<u><u>\$ 25,071,875</u></u>

CITY OF MAGNOLIA, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2024  
 (Unaudited)

Schedule 4-1

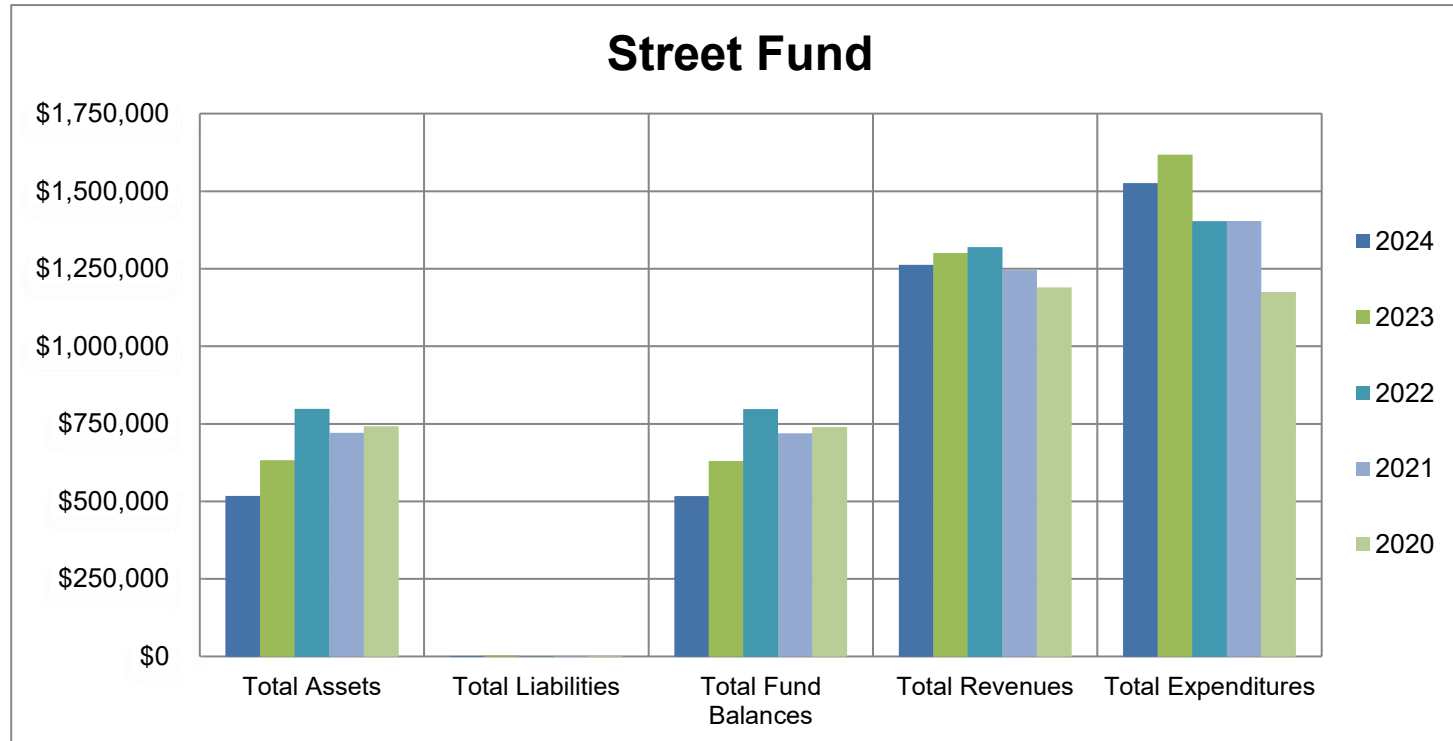
<u>General</u>	2024	2023	2022	2021	2020
Total Assets	\$ 2,261,750	\$ 2,074,347	\$ 3,135,475	\$ 2,975,000	\$ 2,965,056
Total Liabilities	4,943	23,481	196,365	18,686	13,066
Total Fund Balances	2,256,807	2,050,866	2,939,110	2,956,314	2,951,990
Total Revenues	3,995,523	3,617,429	3,501,058	3,525,748	4,209,013
Total Expenditures	4,520,473	5,023,673	3,909,917	3,943,924	4,213,592
Total Other Financing Sources/Uses	730,891	518,000	391,655	422,500	399,250



CITY OF MAGNOLIA, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2024  
 (Unaudited)

Schedule 4-2

<u>Street</u>	2024	2023	2022	2021	2020
Total Assets	\$ 517,885	\$ 632,225	\$ 798,464	\$ 720,771	\$ 740,844
Total Liabilities	1,780	2,194	1,034	2,047	1,334
Total Fund Balances	516,105	630,031	797,430	718,724	739,510
Total Revenues	1,261,777	1,300,127	1,318,888	1,244,851	1,189,321
Total Expenditures	1,525,703	1,617,526	1,402,682	1,403,137	1,174,098
Total Other Financing Sources/Uses	150,000	150,000	162,500	137,500	150,000



CITY OF MAGNOLIA, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2024  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	2024	2023	2022	2021	2020
Total Assets	\$ 7,144,081	\$ 5,719,827	\$ 6,182,132	\$ 5,712,734	\$ 3,928,632
Total Liabilities	77,189	195,892	554,592	104,382	83,617
Total Fund Balances	7,066,892	5,523,935	5,627,540	5,608,352	3,845,015
Total Revenues	9,032,624	8,193,084	9,852,851	7,661,112	6,068,755
Total Expenditures	4,930,229	5,015,443	7,223,967	4,782,349	4,856,050
Total Other Financing Sources/Uses	(2,559,438)	(3,281,246)	(2,609,696)	(1,115,426)	(943,065)

