

City of Marked Tree, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MARKED TREE, ARKANSAS
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Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinions on Regulatory Basis of Accounting

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

Emphasis of Matter

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

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
October 26, 2021
LOM105920

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Marked Tree, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2021. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 October 26, 2021.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
October 26, 2021

Arkansas

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



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: Danny Johnson
Clerk/Treasurer: Susan Macefe
District Court Clerk: Barbara Dexter
Police Chief: Chester Ford

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

Clerk/Treasurer

The City accumulated sick and annual leave for two employees at an incorrect accrual rate, causing one of these individuals to use more leave (valued at \$789) than allowed by the City's policy manual. When these individuals separated from employment with the City, they were paid \$92 and \$219, respectively, in excess of leave amounts earned due to the incorrect accrual rate.

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

ARKANSAS LEGISLATIVE AUDIT

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

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
October 26, 2021

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

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 301,166	\$ 153,697	\$ 913,208
Accounts receivable	108,033	7,578	33,516
Interfund receivables			16,630
	<u>409,199</u>	<u>161,275</u>	<u>963,354</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,386	\$ 3,512	\$ 1,721
Interfund payables			16,630
Settlements pending			13,885
Total Liabilities	<u>21,386</u>	<u>3,512</u>	<u>32,236</u>
Fund Balances:			
Restricted	61,255	157,763	742,788
Committed	7,444		201,605
Assigned	101,737		3,237
Unassigned	217,377		(16,512)
Total Fund Balances	<u>387,813</u>	<u>157,763</u>	<u>931,118</u>
	<u>\$ 409,199</u>	<u>\$ 161,275</u>	<u>\$ 963,354</u>
TOTAL LIABILITIES AND FUND BALANCES			

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 60,299	\$ 193,709	\$ 76,979
Federal aid	101,659		31,190
Property taxes	76,571	21,863	
Franchise fees	137,526		
Sales taxes	577,086	101,132	436,015
Fines, forfeitures, and costs	39,381		2,784
Interest	2,336	302	12,989
Local permits and fees	24,581		12,000
Sanitation fees	289,254		
Refund on highway project cancellations		54,781	
Other	71,255	220	3,526
TOTAL REVENUES	1,379,948	372,007	575,483
EXPENDITURES			
Current:			
General government	243,306		4,189
Law enforcement	634,287		11,598
Highways and streets		311,536	
Public safety	38,761		
Sanitation	267,661		
Health	2,900		
Recreation and culture	7,680		257,110
Social services	18,165		
Industrial development			17,171
Airport			4,475
Total Current	1,212,760	311,536	294,543
Debt Service:			
Bond principal			150,000
Bond interest and other charges			111,231
Lease principal	41,242	7,179	
Lease interest	1,839	514	
Note principal	1,557		
Note interest	116		
TOTAL EXPENDITURES	1,257,514	319,229	555,774

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 122,434</u>	<u>\$ 52,778</u>	<u>\$ 19,709</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			5,000
Transfers out	(5,000)		
Contribution to water department			<u>(2,891)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>		<u>2,109</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	117,434	52,778	21,818
FUND BALANCES - JANUARY 1	<u>270,379</u>	<u>104,985</u>	<u>909,300</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 387,813</u></u>	<u><u>\$ 157,763</u></u>	<u><u>\$ 931,118</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 55,535	\$ 60,299	\$ 4,764	\$ 177,670	\$ 193,709	\$ 16,039
Federal aid	154,945	101,659	(53,286)			
Property taxes	76,105	76,571	466	21,730	21,863	133
Franchise fees	137,840	137,526	(314)			
Sales taxes	568,165	577,086	8,921	99,650	101,132	1,482
Fines, forfeitures, and costs	37,718	39,381	1,663			
Interest	2,335	2,336	1	300	302	2
Local permits and fees	24,595	24,581	(14)			
Sanitation fees	284,530	289,254	4,724			
Refund on highway project cancellations					54,781	54,781
Other	30,880	71,255	40,375	71,040	220	(70,820)
TOTAL REVENUES	1,372,648	1,379,948	7,300	370,390	372,007	1,617
EXPENDITURES						
Current:						
General government	243,297	243,306	(9)			
Law enforcement	610,675	634,287	(23,612)			
Highways and streets				294,547	311,536	(16,989)
Public safety	41,938	38,761	3,177			
Sanitation	209,315	267,661	(58,346)			
Health	14,486	2,900	11,586			
Recreation and culture	4,737	7,680	(2,943)			
Social services	7,225	18,165	(10,940)			
Total Current	1,131,673	1,212,760	(81,087)	294,547	311,536	(16,989)
Debt Service:						
Lease principal	126,326	41,242	85,084	25,549	7,179	18,370
Lease interest	1,839	1,839		514	514	
Note principal	1,557	1,557				
Note interest	116	116				
TOTAL EXPENDITURES	1,261,511	1,257,514	3,997	320,610	319,229	1,381
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,137	122,434	11,297	49,780	52,778	2,998
OTHER FINANCING SOURCES (USES)						
Transfers in	40,190		(40,190)			
Transfers out	(41,225)	(5,000)	36,225			
TOTAL OTHER FINANCING SOURCES (USES)	(1,035)	(5,000)	(3,965)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	110,102	117,434	7,332	49,780	52,778	2,998
FUND BALANCES - JANUARY 1		270,379	270,379		104,985	104,985
FUND BALANCES - DECEMBER 31	\$ 110,102	\$ 387,813	\$ 277,711	\$ 49,780	\$ 157,763	\$ 107,983

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

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Marked Tree 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 funds of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are 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, property taxes, and sales 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 as reported with other funds in the aggregate.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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.

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 that have not been transferred to the appropriate entities.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

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.

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.

CITY OF MARKED TREE, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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)	\$ 693,565	\$ 724,756
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	673,692	683,633
Total Deposits	\$ 1,367,257	\$ 1,408,389

The above total deposits do not include cash on hand of \$814.

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.

CITY OF MARKED TREE, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 465	\$ 133	
Franchise fees	33,246		
Sales taxes	44,381	7,445	\$ 33,516
Fines, forfeitures, and costs	3,909		
Local permits and fees	1,095		
Sanitation fees	24,153		
Other	784		
Totals	\$ 108,033	\$ 7,578	\$ 33,516

NOTE 5: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 10,060	\$ 3,512	\$ 1,721
Payroll taxes payable	11,326		
Totals	\$ 21,386	\$ 3,512	\$ 1,721

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivables	Interfund Payables
Other Funds in the Aggregate:		
Special Revenue Funds:		
Airport		<u>\$ 16,630</u>
Capital Projects Funds:		
Capital Building	<u>\$ 16,630</u>	

Interfund receivables and payables consist of an interfund loan. Repayment of this balance began in 2011 as funds have been available and is expected to be completed over a 10 year period.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement	\$ 11,979		\$ 364
Highways and streets		\$ 157,763	
Public safety	13,776		
Recreation and culture			149,044
Industrial development			377,569
Fire retirement costs	35,500		
Debt service			215,811
Total Restricted	<u>61,255</u>	<u>157,763</u>	<u>742,788</u>
Committed for:			
Law enforcement	7,444		
Capital outlay			201,605
Total Committed	<u>7,444</u>		<u>201,605</u>
Assigned to:			
Sanitation	101,737		
Pension benefits			3,237
Total Assigned	<u>101,737</u>		<u>3,237</u>
Unassigned	<u>217,377</u>		<u>(16,512)</u>
Totals	<u>\$ 387,813</u>	<u>\$ 157,763</u>	<u>\$ 931,118</u>

NOTE 8: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2020:

	December 31, 2020
Other Funds in the Aggregate:	
Special Revenue Funds:	
Airport	<u>\$ (16,512)</u>

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$4,297,873. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$1,074,773. The amount of short-term financing obligations was \$59,729, leaving a legal debt margin of \$1,015,044. There were no short-term financing obligations.

NOTE 10: Commitments

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

	December 31, 2020
Long-term liabilities	\$ 2,990,160
Noncancellable leases	45,577
Construction contract	<u>44,799</u>
Total Commitments	<u>\$ 3,080,536</u>

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Long-term liabilities

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

	December 31, 2020
<u>Bonds</u>	
Sales and Use Tax Refunding Bonds - Series 2013, dated March 20, 2013, in the amount of \$1,885,000, for refunding Sales and Use Tax Bonds - Series 2007 for park and recreational improvements and construction, due in semiannual installments of \$40,000 - \$125,000 plus interest through November 1, 2034. Interest from 1.25% to 4.25%. Payments are to be made from the 2013 Sales and Use Tax Refunding Debt Service Fund.	\$ 1,350,000
Sales and Use Tax Refunding Bonds - Series 2018, dated May 23, 2018, in the amount of \$1,675,000, for refunding Sales and Use Tax Bonds - Series 1996 for water and sewer improvements, due in semiannual installments of \$40,000 - \$125,000 plus interest through November 1, 2035. Interest from 2% to 4%. Payments are to be made from the 2018 Sales and Use Tax Refunding Debt Service Fund.	1,485,000
Total Bonds	2,835,000
<u>Direct Borrowings</u>	
Lease-purchase agreement with Bancorp South Equipment Finance dated February 14, 2018, in the amount of \$108,000 with an interest rate of 2.64%, for a 2018 Freightliner street and sanitation vehicle. Monthly installments of \$1,923 for 60 months. Payments are to be made from the General, Street, and Water Funds.	46,736
Note payable agreement with Armor Bank dated October 6, 2020, in the amount of \$14,550 with an interest rate of 4.25%, for a police vehicle. Monthly installments of \$837 for 18 months. Payments are to be made from the General Fund.	12,993
Total Direct Borrowings	59,729
Unfunded liability balance due to Arkansas Public Employees Retirement System (APERS) determined by actuarial valuation as of December 31, 2004, and amortized over a 30-year period. Payments amounts adjusted annually by APERS. Payments are to be made from the District Judge and Clerk Retirement Fund.	70,389
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	25,042
Total Long-term liabilities	\$ 2,990,160

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

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

The City's outstanding bonds payable of \$2,835,000 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 notes from direct borrowings of \$59,729 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.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Bonds</u>					
3/20/13	11/1/34	1.25 - 4.25%	\$ 1,885,000	\$ 1,350,000	\$ 535,000
5/23/18	11/1/35	2 - 4%	1,675,000	1,485,000	190,000
Total Bonds			<u>3,560,000</u>	<u>2,835,000</u>	<u>725,000</u>
<u>Direct Borrowings</u>					
2/14/18	2/26/23	2.64%	108,000	46,736	61,264
10/6/20	4/15/22	4.25%	14,550	12,993	1,557
Total Direct Borrowings			<u>122,550</u>	<u>59,729</u>	<u>62,821</u>
Total Long-Term Debt			<u>\$ 3,682,550</u>	<u>\$ 2,894,729</u>	<u>\$ 787,821</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
Bonds payable	\$ 2,985,000		\$ 150,000	\$ 2,835,000
<u>Direct Borrowings</u>				
Notes payable		\$ 14,550	1,557	12,993
Capital leases	102,337		55,601 *	46,736
Total Direct Borrowings	<u>102,337</u>	<u>14,550</u>	<u>57,158</u>	<u>59,729</u>
Total Long-Term Debt	<u>\$ 3,087,337</u>	<u>\$ 14,550</u>	<u>\$ 207,158</u>	<u>\$ 2,894,729</u>

* Includes \$7,180 paid from Water

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 160,000	\$ 102,955	\$ 262,955	\$ 31,788	\$ 1,332	\$ 33,120
2022	160,000	98,456	258,456	26,021	403	26,424
2023	165,000	93,957	258,957	1,920	3	1,923
2024	170,000	89,325	259,325			
2025	175,000	83,800	258,800			
2026 through 2030	965,000	320,975	1,285,975			
2031 through 2035	1,040,000	120,313	1,160,313			
Totals	<u>\$ 2,835,000</u>	<u>\$ 909,781</u>	<u>\$ 3,744,781</u>	<u>\$ 59,729</u>	<u>\$ 1,738</u>	<u>\$ 61,467</u>

Noncancellable Leases

The City entered into a noncancellable lease agreement for a knuckleboom truck on June 24, 2019. Terms of the lease are monthly rental payments of \$3,062 for 24 months. At the end of the lease term the City will return the vehicle. Payments are to be made from the Sanitation and Street Funds.

The City entered into a noncancellable lease agreement for a sanitation vehicle on June 24, 2019. Terms of the lease are monthly rental payments of \$3,449 for 24 months. At the end of the lease term the City will return the vehicle. Payments are to be made from the Sanitation Fund.

The City is obligated for the following amounts for the next five years:

<u>Year</u>	<u>December 31, 2020</u>
2021	<u>\$ 45,577</u>

Rental expense for 2020 was \$78,132.

Construction Contract

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

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance December 31, 2020</u>
Community Center Renovation	June 2021	<u>\$ 44,799</u>

NOTE 11: Interfund Transfers

The City transferred \$5,000 from the General Fund to Other Funds in the Aggregate (Municipal Judge's and Clerk's Retirement Fund) for retirement costs.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12: Pledged Revenues

The City pledged one-half of one percent sales and use taxes to repay \$1,675,000 in refunding bonds that were issued in 2018. Total principal and interest remaining on the bonds are \$1,485,000 and \$474,819, respectively, payable through November 1, 2035. For 2020, principal and interest and other charges paid were \$75,000 and \$56,681, respectively.

Collections of the pledged tax were \$132,619 in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any other lawful city expenditure.

An additional one percent sales and use tax has been levied, for which 62.5 percent of the tax was pledged to repay \$1,885,000 in refunding bonds issued in 2013. Total principal and interest remaining on the bonds are \$1,350,000 and \$434,962, respectively, payable through November 1, 2034. For 2020, principal and interest and other charges paid were \$75,000 and \$54,550, respectively.

Collections of the pledged tax were \$130,431 in 2020. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any other lawful city expenditure.

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.

Municipal Vehicle Program

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

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

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13: Risk Management (Continued)

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

The City 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. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

On December 31, 2012, administration of the City of Marked Tree Firemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of this plan 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 \$30,412 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$35,255 for the year ended December 31, 2020.

CITY OF MARKED TREE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$489,678.

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.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$82,334 for the year ended June 30, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$788,745.

NOTE 16: 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 former Mayor L.W. Ashlock \$9,402, for the year ended December 31, 2020.

NOTE 17: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2020, the City Received \$101,659 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. On July 23, 2021, the City received \$250,035 in federal aid from the American Rescue Plan Act of 2021. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain, however, the City is expecting to receive additional federal aid for coronavirus relief.

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

Schedule 1

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		CUSTODIAL FUND	Totals
	Industrial Development	Parks and Recreation Maintenance	Municipal Judge's and Clerk's Retirement	Airport	Drug	Capital Building	2013 Sales and Use Tax Refunding	2018 Sales and Use Tax Refunding	District Court	
ASSETS										
Cash and cash equivalents	\$ 373,847	\$ 143,019	\$ 3,237	\$ 317	\$ 364	\$ 184,975	\$ 94,884	\$ 98,680	\$ 13,885	\$ 913,208
Accounts receivable	3,722	7,547					11,065	11,182		33,516
Interfund receivables						16,630				16,630
TOTAL ASSETS	\$ 377,569	\$ 150,566	\$ 3,237	\$ 317	\$ 364	\$ 201,605	\$ 105,949	\$ 109,862	\$ 13,885	\$ 963,354
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable		\$ 1,522		\$ 199						\$ 1,721
Interfund payables				16,630						16,630
Settlements pending									\$ 13,885	13,885
Total Liabilities		<u>1,522</u>		<u>16,829</u>					<u>13,885</u>	<u>32,236</u>
Fund Balances:										
Restricted	\$ 377,569	149,044			\$ 364		\$ 105,949	\$ 109,862		742,788
Committed						\$ 201,605				201,605
Assigned			\$ 3,237							3,237
Unassigned				(16,512)						(16,512)
Total Fund Balances	<u>377,569</u>	<u>149,044</u>	<u>3,237</u>	<u>(16,512)</u>	<u>364</u>	<u>201,605</u>	<u>105,949</u>	<u>109,862</u>		<u>931,118</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 377,569	\$ 150,566	\$ 3,237	\$ 317	\$ 364	\$ 201,605	\$ 105,949	\$ 109,862	\$ 13,885	\$ 963,354

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

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS		Totals
	Industrial Development	Parks and Recreation Maintenance	Municipal Judge's and Clerk's Retirement	Airport	Drug	Capital Building	2013 Sales and Use Tax Refunding	2018 Sales and Use Tax Refunding	
REVENUES									
State aid		\$ 76,979							\$ 76,979
Federal aid		31,190							31,190
Sales taxes	\$ 50,566	122,399					\$ 130,431	\$ 132,619	436,015
Fines, forfeitures, and costs			\$ 2,784						2,784
Interest	6,892	257	17	\$ 17		\$ 4,663	562	581	12,989
Local permits and fees				12,000					12,000
Other	150	2,501		200		675			3,526
TOTAL REVENUES	57,608	233,326	2,801	12,217		5,338	130,993	133,200	575,483
EXPENDITURES									
Current:									
General government						4,189			4,189
Law enforcement			11,378		\$ 220				11,598
Recreation and culture		257,110							257,110
Industrial development	17,171								17,171
Airport				4,475					4,475
Total Current	17,171	257,110	11,378	4,475	220	4,189			294,543
Debt Service:									
Bond principal							75,000	75,000	150,000
Bond interest and other charges							54,550	56,681	111,231
TOTAL EXPENDITURES	17,171	257,110	11,378	4,475	220	4,189	129,550	131,681	555,774
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,437	(23,784)	(8,577)	7,742	(220)	1,149	1,443	1,519	19,709
OTHER FINANCING SOURCES (USES)									
Transfers in			5,000						5,000
Contribution to water department						(2,891)			(2,891)
TOTAL OTHER FINANCING SOURCES (USES)			5,000			(2,891)			2,109
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	40,437	(23,784)	(3,577)	7,742	(220)	(1,742)	1,443	1,519	21,818
FUND BALANCES - JANUARY 1	337,132	172,828	6,814	(24,254)	584	203,347	104,506	108,343	909,300
FUND BALANCES - DECEMBER 31	\$ 377,569	\$ 149,044	\$ 3,237	\$ (16,512)	\$ 364	\$ 201,605	\$ 105,949	\$ 109,862	\$ 931,118

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

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

<u>Fund Name</u>	<u>Fund Description</u>
Industrial Development	Marked Tree Ordinance no. 295 (June 11, 2007) provided for the levy of a new sales and use tax as per special elections at the rate of one percent to generate revenue for: (A) park and recreational purposes, (B) street improvement purposes, and (C) industrial development purposes.
Parks and Recreation Maintenance	Marked Tree Ordinance no. 295 (June 11, 2007) provided for the levy of a new sales and use tax at the rate of one percent to generate revenue for: (A) park and recreational purposes, (B) street improvement purposes, and (C) industrial development purposes.
Municipal Judge's and Clerk's Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
Airport	Ark. Code Ann. § 14-361-116 established fund to receive revenues obtained by a municipality from the ownership, control, or operation of any airport or air navigation facility, including proceeds from the sale of any airport or portion thereof or air navigation facility property. The revenues shall be used solely for airport purposes.
Drug	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Capital Building	Marked Tree Ordinance no. 119 (February 11, 1957) and Ordinance no. 270 (August 9, 2004) established a capital building and improvement fund to receive transfers from general fund for future building improvements.
2013 Sales and Use Tax Refunding	Marked Tree Ordinance no. 353 (February 11, 2013) authorized the issuance of sales and use tax refunding bonds - Series 2013 for refunding Sales and Use Tax Bonds - Series 2007 for park and recreational improvements and construction, pledging 62.5% of the receipts of collection of a 1% sales and use tax to pay the principal and interest on the bonds. Any excess funds may be used for any lawful purpose.
2018 Sales and Use Tax Refunding	Marked Tree Ordinance no. 396 (April 16, 2018) authorized the issuance of sales and use tax refunding bonds - Series 2018 for refunding Sales and Use Tax Bonds - Series 1996 for water and sewer improvements and construction, pledging 50% of the receipts of collection of a 1% sales and use tax to pay the principal and interest on the bonds. Any excess funds may be used for any lawful purpose.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

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

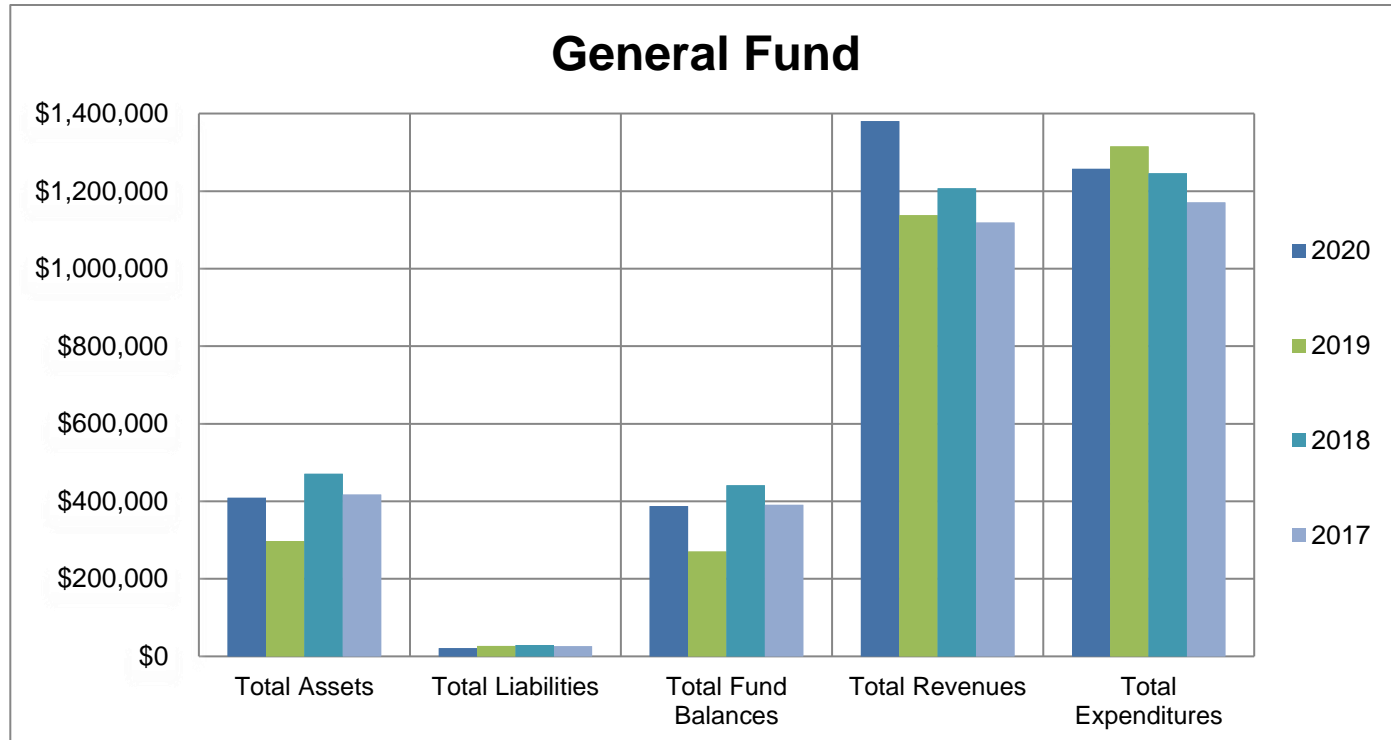
Schedule 3

	<u>December 31, 2020</u>
Land	\$ 5,353,715
Buildings	1,910,422
Equipment	2,745,852
Construction in progress	<u>31,190</u>
Total	<u>\$ 10,041,179</u>

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

Schedule 4-1

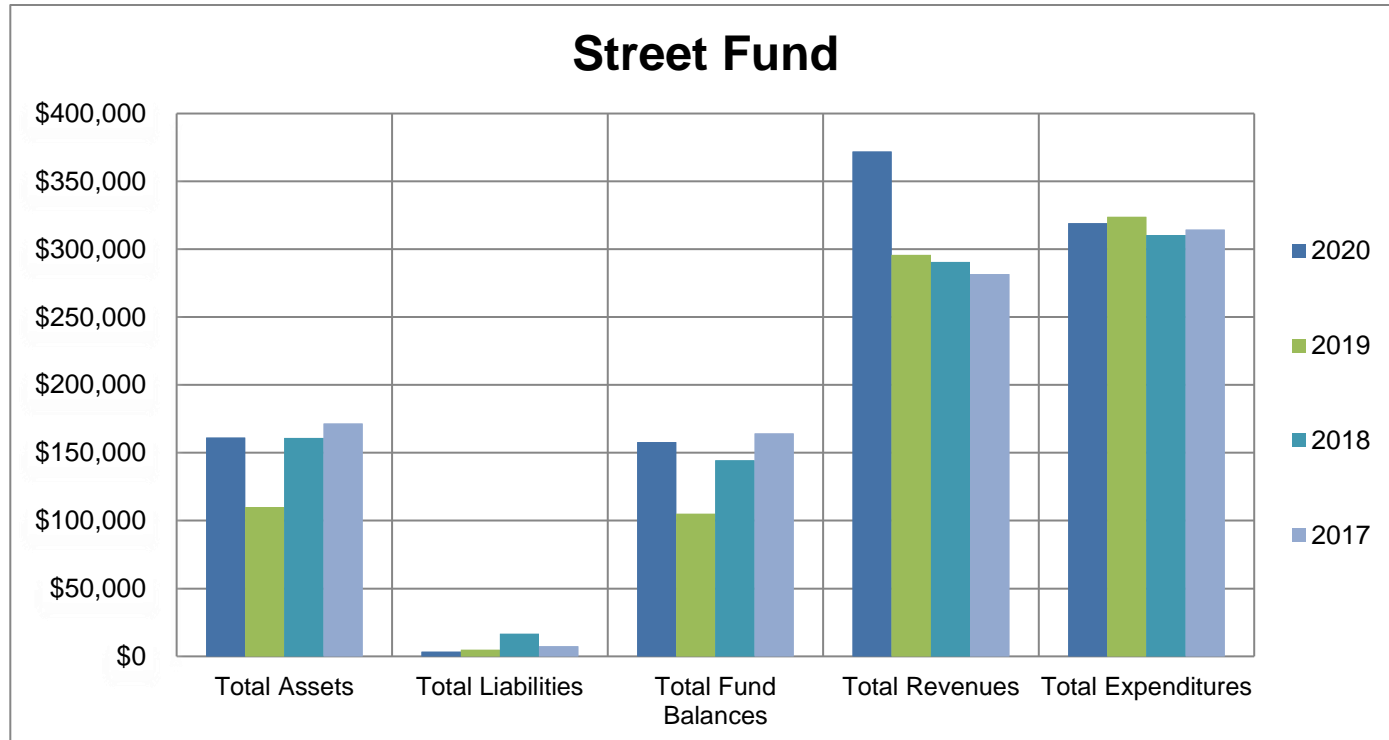
<u>General</u>	2020	2019	2018	2017
Total Assets	\$ 409,199	\$ 297,523	\$ 470,718	\$ 417,296
Total Liabilities	21,386	27,144	29,276	26,211
Total Fund Balances	387,813	270,379	441,442	391,085
Total Revenues	1,379,948	1,137,879	1,207,404	1,118,542
Total Expenditures	1,257,514	1,315,442	1,245,863	1,170,436
Total Other Financing Sources/Uses	(5,000)	6,500	88,816	(5,000)



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

Schedule 4-2

<u>Street</u>	2020	2019	2018	2017
Total Assets	\$ 161,275	\$ 109,903	\$ 161,001	\$ 171,596
Total Liabilities	3,512	4,918	16,638	7,463
Total Fund Balances	157,763	104,985	144,363	164,133
Total Revenues	372,007	295,916	290,577	281,702
Total Expenditures	319,229	323,794	310,347	314,450
Total Other Financing Sources/Uses		(11,500)		



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	2020	2019	2018	2017
Total Assets	\$ 963,354	\$ 948,216	\$ 922,999	\$ 1,008,424
Total Liabilities	32,236	38,916	59,242	48,537
Total Fund Balances	931,118	909,300	863,757	959,887
Total Revenues	575,483	468,685	429,988	427,602
Total Expenditures	555,774	428,142	434,645	369,405
Total Other Financing Sources/Uses	2,109	5,000	(91,473)	5,000

