City of Morrilton, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF MORRILTON, ARKANSAS
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Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

City of Morrilton, 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 Morrilton, 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 Morrilton, 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 Morrilton, 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Stand*ards, we have also issued our report dated December 3, 2025, 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
December 3, 2025
LOM106524

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 Morrilton, 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 Morrilton, 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 December 3, 2025. 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

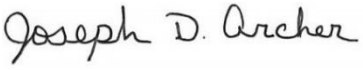
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 December 3, 2025.

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
December 3, 2025

Arkansas

Sen. Jim Petty
Senate Chair
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Senate Vice Chair

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: Allen Lipsmeyer
Clerk/Treasurer: Sherry Cody
District Court Clerk: Sandra Holman
Police Chief: Sonny Stover

No issues came to our attention that we considered necessary to report to management.

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
Joseph D. Archer

Joseph D. Archer, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 3, 2025

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	$ 200,154	$ 189,745	$ 1,253,770
Investments			3,612,113
Accounts receivable	378,679	15,961	275,619
TOTAL ASSETS	$ 578,833	$ 205,706	$ 5,141,502
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 134,732	$ 270,504	$ 219,567
Settlements pending			136,191
Total Liabilities	134,732	270,504	355,758
Fund Balances:			
Restricted	93,926		4,492,507
Committed			192,589
Assigned			100,648
Unassigned	350,175	(64,798)	
Total Fund Balances	444,101	(64,798)	4,785,744
TOTAL LIABILITIES AND FUND BALANCES	$ 578,833	$ 205,706	$ 5,141,502

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

CITY OF MORRILTON, ARKANSAS

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	$ 179,317	$ 574,957	$ 9,627
Federal aid	7,400		137,781
Property taxes	314,400	242,309	123,612
Franchise fees			330,201
Sales taxes	3,952,615		1,716
Fines, forfeitures, and costs	133,013		90,487
Interest	345	2,840	164,304
Local permits and fees	74,403		
Sanitation fees			3,125,986
Airport hangar fees and fuel sales			149,706
Recreation fees			635,508
Concession sales			160,523
Loan proceeds			150,000
Net increase/(decrease) in fair value of investments			155,360
Other	255,487	10,468	26,840
TOTAL REVENUES	4,916,980	830,574	5,261,651
EXPENDITURES			
Current:			
General government	1,123,206		
Law enforcement	2,957,750		85,872
Highways and streets	143,308	1,487,654	
Public safety	467,095		168,368
Sanitation			2,215,543
Recreation and culture	95,761		1,151,173
Social services	79,962		
Advertising and promotion	66,476		
Airport			385,283
Total Current	4,933,558	1,487,654	4,006,239
Debt Service:			
Bond principal			370,000
Bond interest and other charges			202,871
Financed purchase principal	60,455	37,489	
Financed purchase interest		3,514	
TOTAL EXPENDITURES	4,994,013	1,528,657	4,579,110

CITY OF MORRILTON, ARKANSAS

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (77,033)	$ (698,083)	$ 682,541
OTHER FINANCING SOURCES (USES)			
Transfers in	714,900	458,333	320,000
Transfers out	(778,333)		(714,900)
Contribution from sewer department	150,000		
TOTAL OTHER FINANCING SOURCES (USES)	86,567	458,333	(394,900)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,534	(239,750)	287,641
FUND BALANCES - JANUARY 1	434,567	174,952	4,498,103
FUND BALANCES - DECEMBER 31	$ 444,101	$ (64,798)	$ 4,785,744

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

CITY OF MORRILTON, ARKANSAS

Exhibit C

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

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	$ 179,317	$ 179,317	$ 0	$ 574,094	$ 574,957	$ 863
Federal aid	7,400	7,400	0			
Property taxes	313,953	314,400	447	242,229	242,309	80
Franchise fees	214,900		(214,900)			
Sales taxes	3,975,566	3,952,615	(22,951)			
Fines, forfeitures, and costs	133,239	133,013	(226)			
Interest	345	345	0	2,840	2,840	0
Local permits and fees	73,803	74,403	600			
Other	514,613	255,487	(259,126)	12,468	10,468	(2,000)
TOTAL REVENUES	5,413,136	4,916,980	(496,156)	831,631	830,574	(1,057)
EXPENDITURES						
Current:						
General government	1,280,088	1,123,206	156,882			
Law enforcement	3,159,983	2,957,750	202,233			
Highways and streets	143,308	143,308	0	1,497,486	1,487,654	9,832
Public safety	462,768	467,095	(4,327)			
Recreation and culture	95,761	95,761	0			
Social services	79,962	79,962	0			
Advertising and promotion	66,476	66,476	0			
Total Current	5,288,346	4,933,558	354,788	1,497,486	1,487,654	9,832
Debt Service:						
Financed purchase principal	59,455	60,455	(1,000)	38,606	37,489	1,117
Financed purchase interest				2,398	3,514	(1,116)
TOTAL EXPENDITURES	5,347,801	4,994,013	353,788	1,538,490	1,528,657	9,833

CITY OF MORRILTON, ARKANSAS

Exhibit C

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

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 65,335	$ (77,033)	$ (142,368)	$ (706,859)	$ (698,083)	$ 8,776
OTHER FINANCING SOURCES (USES)						
Transfers in	650,000	714,900	64,900	702,953	458,333	(244,620)
Transfers out	(878,448)	(778,333)	100,115			
Contribution from sewer department	150,000	150,000	0			
TOTAL OTHER FINANCING SOURCES (USES)	(78,448)	86,567	165,015	702,953	458,333	(244,620)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(13,113)	9,534	22,647	(3,906)	(239,750)	(235,844)
FUND BALANCES - JANUARY 1	1,300,221	434,567	(865,654)	165,358	174,952	9,594
FUND BALANCES - DECEMBER 31	$ 1,287,108	$ 444,101	$ (843,007)	$ 161,452	$ (64,798)	$ (226,250)

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

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund as reported with other funds in the aggregate.

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 money market accounts.

Investments

Investments are reported at fair value.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications (Continued)

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.

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)	$ 1,203,431	$ 1,269,317
Collateralized:		
Collateral held by the pledging financial institution's trust department or agent in the City's name	90,508	117,088
Uninsured and uncollateralized	346,354	346,354
Total Deposits	$ 1,640,293	$ 1,732,759

Bank account balances of $372,049 included in Insured (FDIC) are swept daily to a number of banks in which all cash deposits in the bank are insured.

The above total deposits do not include cash on hand of $3,376.

Custodial Credit Risk – Custodial Credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. A formal policy for custodial credit risk has not been adopted by the City. As of December 31, 2024, $346,354 of the City's cash balances was exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury obligations, which are not insured or collateralized**.**

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: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2024 Fair Value
Landfill Trust	$ 1,968,747
Firemen's Pension	1,643,366
Total	$ 3,612,113

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III –** significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

December 31, 2024 Investment Type	Quoted Prices in Active Markets for Identical Investments Level I
Mutual funds	$ 1,643,366
Fixed income	1,968,747
Total	$ 3,612,113

The fair value of mutual funds and money market obligations, and the cash management funds are measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources. As a result, these were classified as Level I inputs.

Other required disclosures for investments

- Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments subject to credit risk at December 31, 2024 was $1,643,366 (45%). Morningstar Rating Service rates the fixed income funds on five levels ranging from low to high. The Morningstar rating for these investments were rated as follows: $127,397 (8%) above average, $1,019,151 (62%) average, and $496,818 (30%) below average.
- Interest rate risk is the risk that the value of investments will be reduced when market interest rates climb higher than the interest rate of the investment. The City invests in fixed income accounts and mutual funds which hold investments in both government and corporate bonds. The City had invested a total of $2,592.962 (72%) in such funds at December 31, 2024.
- Foreign Currency Risk is the risk that relates to the adverse effect on the fair value of an investment from changes in exchange rates. The City has investments totaling $398,834 (11%) in mutual funds that may be affected by such changes in exchange rates.

NOTE 5: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	$ 21,095	$ 15,961	$ 7,783
Franchise fees			10,077
Sales taxes	318,749		24
Fines, forfeitures, and costs	9,232		4,054
Sanitation fees			246,140
Airport hangar fees and fuel sales			6,517
Recreation fees			695
Concession sales			329
Other	29,603		
Totals	$ 378,679	$ 15,961	$ 275,619

NOTE 6: 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	$ 80,835	$ 263,143	$ 207,122
Salaries payable	44,162	5,572	9,599
Payroll taxes payable	9,735	1,789	2,846
Totals	$ 134,732	$ 270,504	$ 219,567

NOTE 7: 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
Fund Balances:			
Restricted for:			
General government	$ 93,926		
Law enforcement			$ 97,962
Sanitation			1,969,517
Pension benefits			1,707,394
Capital outlay			49,108
Debt service			668,526
Total Restricted	93,926		4,492,507
Committed for:			
Sanitation			192,589
Assigned to:			
General government			38,379
Recreation and culture			8,280
Economic development			1
Airport			53,197
Pension benefits			791
Total Assigned			100,648
Unassigned	350,175	$ (64,798)	
Totals	$ 444,101	$ (64,798)	$ 4,785,744

NOTE 8: Deficit Fund Balances

The following funds have deficit fund balances as of December 31, 2024:

	December 31, 2024
Street Fund	$ (64,798)

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, 2024, the legal debt limit for the bonded debt was $21,310,854. 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, 2024, the legal debt limit for short-term financing obligations was $5,652,086. The amount of short-term financing obligations was $201,964 leaving a legal debt margin of $5,450,122.

NOTE 10: Commitments

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

	December 31, 2024
Long-term liabilities	$ 10,597,964
Leases	174,449
Construction contract	72,031
Total Commitments	$ 10,844,444

Long-term liabilities

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

	December 31, 2024
Bonds	
Solid Waste Refunding and Improvement Revenue Bonds, Series 2020, dated October 1, 2020, in the amount of $2,470,000, due in annual installments of $230,000 - $270,000 plus interest through December 31, 2030; interest rate is 2%. Payments are to be made from the 2020 Refunding and Improvement Bond Debt Service Fund.	$ 1,535,000
Capital Improvement Revenue Bond, Taxable Construction, Series 2021A, dated December 29, 2021, in the amount of $1,075,000, due in annual installments of $10,000 - $145,000 plus interest through March 1, 2031; interest rate is 2%. Payments are to be made from the 2021A Capital Improvement Revenue Bond Debt Service Fund.	845,000
Capital Improvement Revenue Bond, Taxable Refunding and Construction, Series 2021B, dated December 29, 2021, in the amount of $4,355,000, due in annual installments of $140,000 - $285,000 plus interest through March 1, 2051; interest of 3 - 3.5%. Payments are to be made from 2021B Refunding and Capital Improvement Bond Debt Service Fund.	4,355,000
Total Bonds	6,735,000
Direct Borrowings	
Financed purchase agreement dated November 15, 2021, with KS State Bank in the amount of $99,679, for the purchase of a 2022 Mack MD7 Truck. Six annual payments of $18,222; interest at 3.59% through January 15, 2027. Payments are to be made from the Street Fund.	50,964
Financed purchase agreement dated May 20, 2024, with Petit Jean State Bank in the amount of $151,000, for the purchase of digital truck scales. Five annual payments of $36,093; interest at 6.25% through May 20, 2029. Payments are to be made from the Landfill Fund.	151,000
Total Direct Borrowings	201,964
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	361,177
Landfill closure and postclosure care costs	3,299,823
Total Long-term liabilities	$ 10,597,964

NOTE 10: Commitments (Continued)

Long-term liabilities (Continued)

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

The City's outstanding bonds payable of $6,735,000 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 $201,964 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	$ 339,393
Ending balance compensated absences	361,177
Net increase (decrease)	$ 21,784

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when it closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Although closure and postclosure care costs will be only near or after the date the landfill stops accepting waste, the City recognizes a portion of these closure and postclosure costs each year based on the landfill capacity used as of the balance sheet date. The estimated liability for the landfill closure and postclosure care costs has a balance of $3,299,823 which is based on the use of 87% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $492,673 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2024. The City expects to close the landfill in the year 2034. Actual costs may be higher due to inflation, technology, or changes in regulations.

The City is required by Ark. Code Ann. §§ 8-6-1602 – 8-9-1604 to establish financial assurance for the cost of closure and postclosure care in compliance with state regulations and the solid waste permit. At December 31, 2024, the City has reserved $1,968,747 in the Landfill Fund to establish financial assistance for these costs.

NOTE 10: Commitments (Continued)

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
Bonds					
10/1/20	12/31/30	2.00%	$ 2,470,000	$ 1,535,000	$ 935,000
12/29/21	3/1/31	2.00%	1,075,000	845,000	230,000
12/29/21	3/1/51	3-3.5%	4,355,000	4,355,000	
Total Bonds			7,900,000	6,735,000	1,165,000
Direct Borrowings					
11/15/21	1/15/27	3.59%	99,679	50,964	48,715
5/20/24	5/20/29	6.25%	151,000	151,000	
Total Direct Borrowings			250,679	201,964	48,715
Total Long-Term Debt			$ 8,150,679	$ 6,936,964	$ 1,213,715

Changes in Long-Term Debt

	Balance January 01, 2024	Issued	Retired	Balance December 31, 2024
Bonds payable	$ 7,105,000	$ 0	$ 370,000	$ 6,735,000
Direct Borrowings				
Financed purchases	148,908	151,000	97,944	201,964
Total Long-Term Debt	$ 7,253,908	$ 151,000	$ 467,944	$ 6,936,964

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	$ 375,000	$ 190,150	$ 565,150	$ 43,048	$ 11,267	$ 54,315
2026	380,000	182,600	562,600	45,303	9,013	54,316
2027	390,000	174,950	564,950	47,682	6,633	54,315
2028	400,000	167,150	567,150	31,961	4,132	36,093
2029	410,000	159,100	569,100	33,970	2,123	36,093
2030 through 2034	1,045,000	690,400	1,735,400			
2035 through 2039	895,000	558,868	1,453,868			
2040 through 2044	1,045,000	401,394	1,446,394			
2045 through 2049	1,235,000	208,444	1,443,444			
2050 through 2051	560,000	19,775	579,775			
Totals	$ 6,735,000	$ 2,752,831	$ 9,487,831	$201,964	$ 33,168	$235,132

NOTE 10: Commitments (Continued)

Leases

The City entered into a lease agreement for seven police vehicles on June 28, 2021. Terms of the lease are monthly rental payments of $7,851 for 48 months. At the end of the lease term, the City has the option to continue the lease on a month-to-month basis.

The City entered into a lease agreement for three police vehicles on July 16, 2021. Terms of the lease are monthly rental payments of $2,963 for 48 months. At the end of the lease term, the City has the option to continue the lease on a month-to-month basis.

The City entered into a lease agreement for one police vehicle on August 22, 2022. Terms of the lease are monthly rental payments of $1,065 for 48 months. At the end of the lease term, the City has the option to continue the lease on a month-to-month basis.

The City entered into a lease agreement for a Caterpillar Tractor on April 23, 2024. Terms of the lease are one payment or trade in value of $25,000 and monthly rental payments of $5,706 for 23 months. At the end of the lease term, the City has the option to continue the lease on a month-to-month basis.

Year	December 31, 2024
2025	$ 149,094
2026	25,355
Total	$ 174,449

Lease expense for 2024 was $188,189.

Construction Contract

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

Project Name	Completion Date	Contract Balance December 31, 2024
Airport BDQ (Pavement Runway Rehabilitation)	May 9, 2025	$ 72,031

NOTE 11: Interfund Transfers

The General Fund transferred $458,333 to the Street Fund and $320,000 to Other Funds in the Aggregate (Airport Commission $20,000, Parks and Recreation $300,000) to supplement operations. The Other Funds in the Aggregate transferred $714,900 to the General Fund consisting of $500,000 in excess landfill fees and $214,900 in excess franchise fees.

NOTE 12: Pledged Revenues

Sanitation Fees

The City pledged future sanitation fees derived from the operation of the solid waste facilities to repay $2,470,000 in bonds that were issued in 2020 to provide funding for acquiring equipment and refunding the City's outstanding promissory note dated February 19, 2019. Total principal and interest remaining on the bonds are $1,535,000 and $109,400, respectively, payable through December 31, 2030. For 2024, principal and interest and other charges paid were $240,000 and $36,321 respectively.

The Debt Service Fund received $266,917 in sanitation fees in 2024. Any sanitation fees collected in excess of required debt service payments on these bonds is permitted to be used for any lawful municipal purpose.

NOTE 12: Pledged Revenues (Continued)

Franchise Fees

The City pledged future franchise fees collected from public utilities for the privilege of using the streets, highways, and other places in the City to repay $1,075,000 in Series 2021A bonds and $4,355,000 in Series 2021B bonds issued in 2021 to refund the City's Franchise Fee Capital Improvement and Construction Revenue Bonds, Series 2016 and various improvement projects. Total principal and interest remaining on the Series 2021A bonds are $845,000 and $52,450, respectively, payable through March 1, 2031. Total principal and interest remaining on the Series 2021B bonds are $4,355,000 and $2,590,981, respectively, payable through March 1, 2051. For 2024, principal and interest and other charges paid for 2021A bonds were $130,000 and $20,200, respectively. For 2024, interest and other charges paid for 2021B bonds was $146,350. There was no principal payments made on the 2021B bonds in 2024.

The Debt Service Funds received $284,051 in franchise fees in 2024. Pledged revenues in excess of required debt service requirements on these bonds is permitted to be used for any lawful municipal purpose.

NOTE 13: Jointly Governed Organizations

West River Valley Solid Waste Management District

Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Scott, and Yell Counties, and the Cities of Alma, Atkins, Booneville, Charleston, Clarksville, Dardanelle, Morrilton, Ozark, Paris, Russellville, Waldron, and Van Buren entered into an agreement in 1991 to form the West River Valley Solid Waste Management District (District) in accordance with Ark. Code Ann. § 8-6-708. The City did not provide any funding to the District. Separate financial statements may be obtained at 24087 Highway 164, Clarksville, AR 72830.

Fifteenth Judicial District Drug Task Force

The Prosecuting Attorney of the Fifteenth Judicial District, the Sheriffs' Departments of Conway, Logan, Scott, and Yell Counties, and the Police Departments of Booneville, Danville, Dardanelle, Magazine, Mansfield, Menifee, Morrilton, Ola, Oppelo, Paris, Plainview, Plumerville, and Waldron entered into an agreement to establish the Fifteenth Judicial District Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney, of the Fifteenth Judicial District Drug Task Force. Financial statements of the Fifteenth Judicial District Drug Task Force are not available. The City did not contribute any funding to the Fifteenth Judicial District Drug Task Force.

NOTE 14: 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.

NOTE 14: Risk Management (Continued)

Municipal Vehicle Program (Continued)

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 15: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of $12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was $52,333 for the year ended December 31, 2024. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2024, actuarial valuation, the plan has a net pension liability of $0.

NOTE 15: Firemen's Pension and Relief Plan (Continued)

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least 20 years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed 5 years, except in certain circumstances as allowed by law.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

NOTE 16: 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.

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 $29,478 and the amount of insurance tax paid by the state to the plan for the benefit of the City was $20,144 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 $219,885.

NOTE 17: 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. 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 $523,807.

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 $3,744,838.

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

Schedule 1

	SPECIAL REVENUE FUNDS								CAPITAL PROJECTS FUND
	District Court Cost	Landfill	Airport Commission	Parks and Recreation	Municipal Judge's and Clerk's Retirement	Police Chief Special	Franchise Fee	Economic Development - Morrilton Packing	2021B Refunding and Capital Improvement Bond - Capital Projects
ASSETS									
Cash and cash equivalents	$ 60,079	$ 136,690	$ 47,536	$ 27,717	$ 4,692	$ 34,183	$ 32,790	$ 1	$ 49,108
Investments		1,968,747							
Accounts receivable	3,700	250,628	6,541	5,291	354		5,589		
TOTAL ASSETS	$ 63,779	$ 2,356,065	$ 54,077	$ 33,008	$ 5,046	$ 34,183	$ 38,379	$ 1	$ 49,108
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		$ 193,959	$ 880	$ 24,728					
Settlements pending									
Total Liabilities		193,959	880	24,728					
Fund Balances:									
Restricted	$ 63,779	1,969,517			$ 4,255	$ 34,183			$ 49,108
Committed		192,589							
Assigned			53,197	8,280	791		$ 38,379	$ 1	
Total Fund Balances	63,779	2,162,106	53,197	8,280	5,046	34,183	38,379	1	49,108
TOTAL LIABILITIES AND FUND BALANCES	$ 63,779	$ 2,356,065	$ 54,077	$ 33,008	$ 5,046	$ 34,183	$ 38,379	$ 1	$ 49,108

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

Schedule 1

	DEBT SERVICE FUNDS			TRUST FUND	CUSTODIAL FUNDS					
	2020 Refunding and Improvement Bond - Debt Service	2021A Capital Improvement Revenue Bond - Debt Service	2021B Refunding and Capital Improvement Bond - Debt Service	Firemen's Pension and Relief	Payroll	Property Tax	Police Bond and Fine	District Court Bond and Fine	Administration of Justice	Totals
ASSETS										
Cash and cash equivalents	$ 346,354	$ 147,805	$ 174,367	$ 56,257	$ 4,182	$ 1	$ 500	$ 131,507	$ 1	$ 1,253,770
Investments				1,643,366						3,612,113
Accounts receivable				3,516						275,619
TOTAL ASSETS	$ 346,354	$ 147,805	$ 174,367	$ 1,703,139	$ 4,182	$ 1	$ 500	$ 131,507	$ 1	$ 5,141,502
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable										$ 219,567
Settlements pending					$ 4,182	$ 1	$ 500	$ 131,507	$ 1	136,191
Total Liabilities					4,182	1	500	131,507	1	355,758
Fund Balances:										
Restricted	$ 346,354	$ 147,805	$ 174,367	$ 1,703,139						4,492,507
Committed										192,589
Assigned										100,648
Total Fund Balances	346,354	147,805	174,367	1,703,139						4,785,744
TOTAL LIABILITIES AND FUND BALANCES	$ 346,354	$ 147,805	$ 174,367	$ 1,703,139	$ 4,182	$ 1	$ 500	$ 131,507	$ 1	$ 5,141,502

CITY OF MORRILTON, 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 Cost	Landfill	Airport Commission	Parks and Recreation	Municipal Judge's and Clerk's Retirement	Police Chief Special	Franchise Fee	Economic Development - Morrilton Packing
REVENUES								
State aid				$ 4,196				
Federal aid			$ 137,781					
Property taxes				71,204				
Franchise fees		$ 25,610					$ 20,540	
Sales taxes			1,716					
Fines, forfeitures, and costs	$ 39,271				$ 4,247	$ 46,969		
Interest	390	18,133		43	8		140	
Sanitation fees		2,859,069						
Airport hangar fees and fuel sales			149,706					
Recreation fees				635,508				
Concession sales				160,523				
Loan proceeds		150,000						
Net increase/(decrease) in fair value of investments		57,266						
Other	150	18,851	1,195	6,644				
TOTAL REVENUES	39,811	3,128,929	290,398	878,118	4,255	46,969	20,680	
EXPENDITURES								
Current:								
Law enforcement	50,566					35,306		
Public safety								
Sanitation		2,215,543						
Recreation and culture				1,151,173				
Airport			357,283					
Total Current	50,566	2,215,543	357,283	1,151,173		35,306		
Debt Service:								
Bond principal								
Bond interest and other charges								
TOTAL EXPENDITURES	50,566	2,215,543	357,283	1,151,173		35,306		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,755)	913,386	(66,885)	(273,055)	4,255	11,663	20,680	
OTHER FINANCING SOURCES (USES)								
Transfers in			20,000	300,000				
Transfers out		(500,000)					(214,900)	
TOTAL OTHER FINANCING SOURCES (USES)		(500,000)	20,000	300,000			(214,900)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,755)	413,386	(46,885)	26,945	4,255	11,663	(194,220)	
FUND BALANCES - JANUARY 1	74,534	1,748,720	100,082	(18,665)	791	22,520	232,599	$ 1
FUND BALANCES - DECEMBER 31	$ 63,779	$ 2,162,106	$ 53,197	$ 8,280	$ 5,046	$ 34,183	$ 38,379	$ 1

CITY OF MORRILTON, 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

	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			TRUST FUND	
	2021B Refunding and Capital Improvement Bond - Capital Projects	2020 Refunding and Improvement Bond - Debt Service	2021A Capital Improvement Revenue Bond - Debt Service	2021B Refunding and Capital Improvement Bond - Debt Service	Firemen's Pension and Relief	Totals
REVENUES						
State aid					$ 5,431	$ 9,627
Federal aid						137,781
Property taxes					52,408	123,612
Franchise fees			$ 144,782	$ 139,269		330,201
Sales taxes						1,716
Fines, forfeitures, and costs						90,487
Interest	$ 2,831	$ 19,798	5,048	8,080	109,833	164,304
Sanitation fees		266,917				3,125,986
Airport hangar fees and fuel sales						149,706
Recreation fees						635,508
Concession sales						160,523
Loan proceeds						150,000
Net increase/(decrease) in fair value of investments					98,094	155,360
Other						26,840
TOTAL REVENUES	2,831	286,715	149,830	147,349	265,766	5,261,651
EXPENDITURES						
Current:						
Law enforcement						85,872
Public safety					168,368	168,368
Sanitation						2,215,543
Recreation and culture						1,151,173
Airport	28,000					385,283
Total Current	28,000				168,368	4,006,239
Debt Service:						
Bond principal		240,000	130,000			370,000
Bond interest and other charges		36,321	20,200	146,350		202,871
TOTAL EXPENDITURES	28,000	276,321	150,200	146,350	168,368	4,579,110
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,169)	10,394	(370)	999	97,398	682,541
OTHER FINANCING SOURCES (USES)						
Transfers in						320,000
Transfers out						(714,900)
TOTAL OTHER FINANCING SOURCES (USES)						(394,900)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(25,169)	10,394	(370)	999	97,398	287,641
FUND BALANCES - JANUARY 1	74,277	335,960	148,175	173,368	1,605,741	4,498,103
FUND BALANCES - DECEMBER 31	$ 49,108	$ 346,354	$ 147,805	$ 174,367	$ 1,703,139	$ 4,785,744

CITY OF MORRILTON, 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.

Fund Name	Fund Description
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Landfill	Morrilton Ordinance no. 1969-2 (March 3, 1969) established a fund to receive monies for the operations and maintenance of the City dump (Landfill).
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.
Parks and Recreation	Ark. Code Ann. § 14-269-303 authorizes Municipal Park Commissions. The Commission is authorized to collect monies derived from the use of park and recreation programs and to use these funds for the operations of the recreational park. The Commission has chosen to submit all revenues collected in the operating of the parks to the City for accounting purposes. Expenditures of the park monies are made by the City as requested by the Commission.
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.
Police Chief Special	Ark Code Ann. § 5-64-505 established a fund to receive asset forfeiture resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Franchise Fee	Morrilton Ordinance no. 2016-2 (February 8, 2016) established to account for franchise fee revenue. In the event that the fees collected under this ordinance exceed the cost of maintaining the landfill, any surplus shall be paid into the General Fund.
Economic Development - Morrilton Packing	Established to account for grant funds received.

CITY OF MORRILTON, 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.

Fund Name	Fund Description
2021B Refunding and Capital Improvement Bond - Capital Projects	Morrilton Ordinance no. 2021-14 (November 16, 2021) authorized the issuance and sale of capital improvement revenue bonds for the purpose of financing various capital improvements and refunding the city's capital improvement refunding and construction revenue bonds, series 2016; providing for the payment of the principal of and interest on the bonds, prescribing other matters relating thereto; and declaring an emergency.
2020 Refunding and Improvement Bond - Debt Service	Morrilton Ordinance no. 2020-18 (September 14, 2020) authorized the issuance and sale of solid waste refunding and improvement revenue bonds; providing for the payment of principal and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency. This fund is to be used to refund a promissory noted dated February 19, 2019 and repayment of improvement revenue bonds.
2021A Capital Improvement Revenue Bond - Debt Service	Morrilton Ordinance no. 2021-14 (November 16, 2021) established a debt service fund to maintain principal and interest payment of bonds and debt service reserve requirements on the bonds.
2021B Refunding and Capital Improvement Bond - Debt Service	Morrilton Ordinance no. 2021-14 (November 16, 2021) established a debt service fund to maintain principal and interest payment of bonds and debt service reserve requirements on the bonds.
Firemen's Pension and Relief	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Payroll	Established to facilitate disbursements relating to payroll and payroll withholdings.
Property Tax	Established to receive and distribute property taxes to the appropriate fund.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established an account to receive fines, forfeitures, and costs collected by the police department.
District Court Bond and Fine	Ark. Code Ann. § 16-10-204 established an account to receive fines, forfeitures, and costs collected by the district court.
Administration of Justice	Ark. Code Ann. § 16-10-308 established a 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 MORRILTON, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2024
(Unaudited)

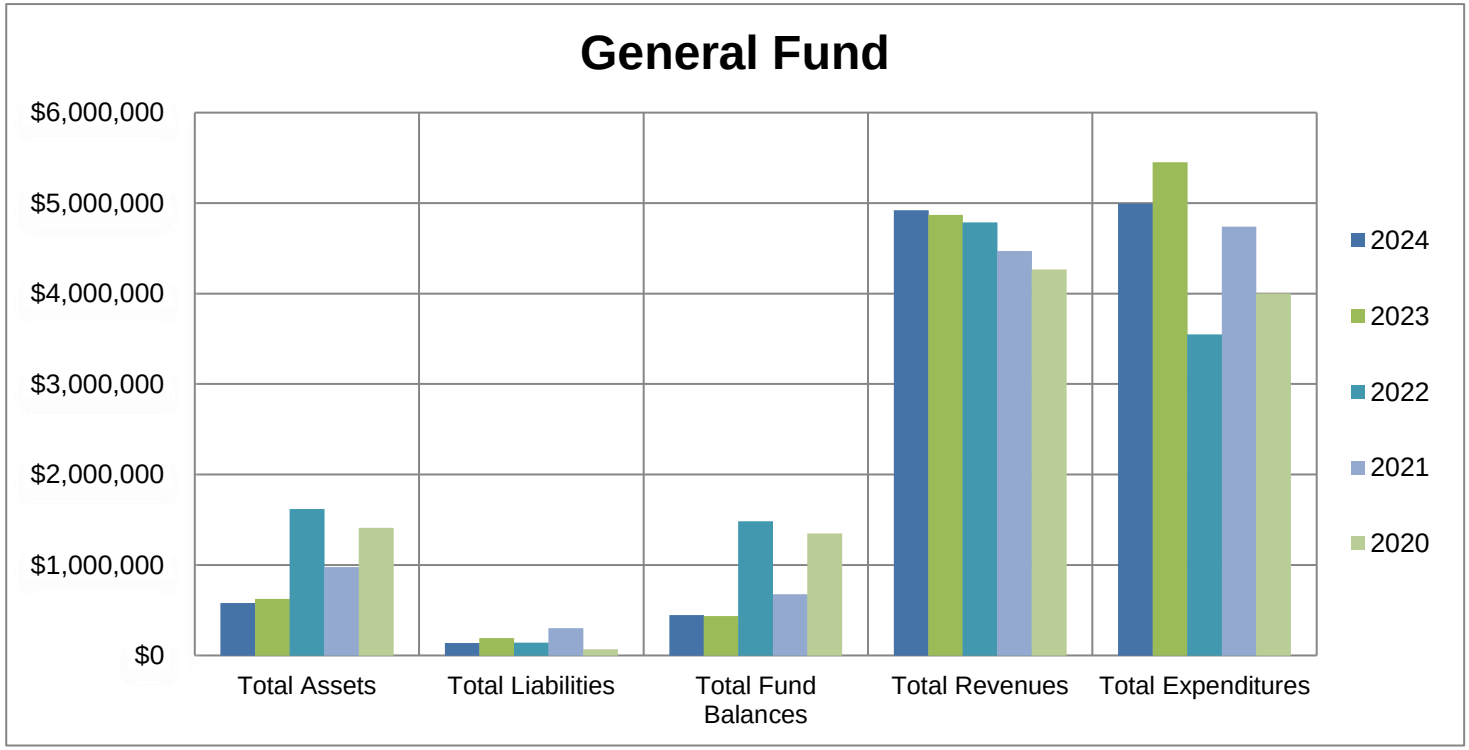
Schedule 3

	December 31, 2024
Land	$ 1,694,778
Buildings	17,077,975
Equipment	9,200,866
Total	$ 27,973,619

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

Schedule 4-1

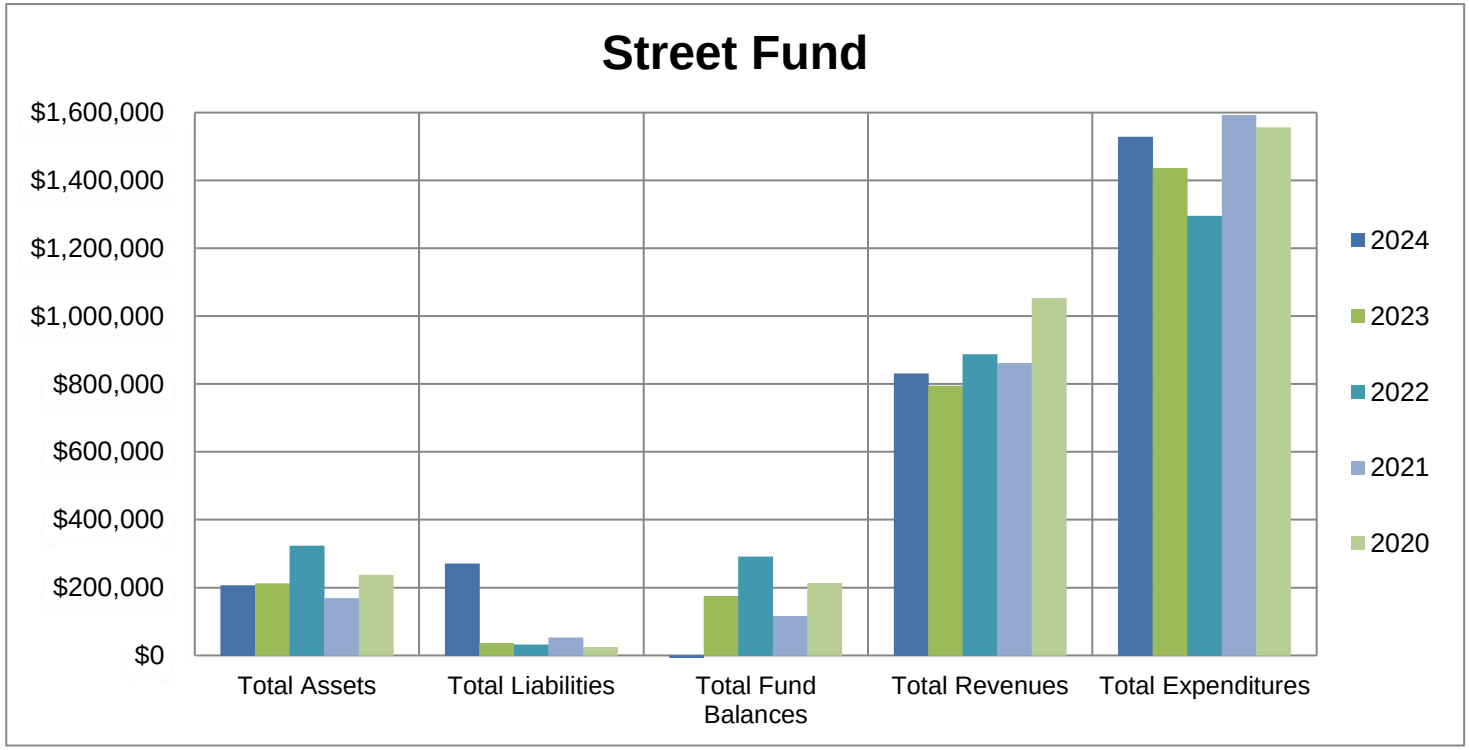
General	2024	2023	2022	2021	2020
Total Assets	$ 578,833	$ 624,558	$ 1,619,123	$ 974,815	$ 1,410,645
Total Liabilities	134,732	189,991	139,424	300,178	64,229
Total Fund Balances	444,101	434,567	1,479,699	674,637	1,346,416
Total Revenues	4,916,980	4,867,537	4,785,476	4,470,444	4,265,201
Total Expenditures	4,994,013	5,450,469	3,547,081	4,738,890	3,996,924
Total Other Financing Sources/Uses	86,567	(462,200)	(433,333)	(403,333)	4,500



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

Schedule 4-2

Street	2024	2023	2022	2021	2020
Total Assets	$ 205,706	$ 211,623	$ 322,791	$ 167,970	$ 237,020
Total Liabilities	270,504	36,671	31,783	52,647	23,928
Total Fund Balances	(64,798)	174,952	291,008	115,323	213,092
Total Revenues	830,574	794,620	887,427	861,659	1,053,191
Total Expenditures	1,528,657	1,435,676	1,295,075	1,592,761	1,555,528
Total Other Financing Sources/Uses	458,333	525,000	583,333	633,333	450,000



CITY OF MORRILTON, ARKANSAS

Schedule 4-3

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS

DECEMBER 31, 2024

(Unaudited)

Other Funds in the Aggregate	2024	2023	2022	2021	2020
Total Assets	$ 5,141,502	$ 4,915,756	$ 4,829,596	$ 7,251,261	$ 5,177,678
Total Liabilities	355,758	417,653	405,966	352,303	502,330
Total Fund Balances	4,785,744	4,498,103	4,423,630	6,898,958	4,675,348
Total Revenues	5,261,651	4,960,442	4,366,236	4,609,409	3,870,892
Total Expenditures	4,579,110	5,023,169	6,841,564	4,161,456	5,308,686
Total Other Financing Sources/Uses	(394,900)	137,200		1,775,657	2,035,500

