

City of Warren, Arkansas

Financial and Compliance Report

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF WARREN, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Financial and Compliance Report

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

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	2
Notes to Schedules 1 and 2	
Other General Information	
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	3-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	3-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate - Regulatory Basis (Unaudited)	3-3

Arkansas

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Sen. John Payton
Senate Vice Chair



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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

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

A priority of Arkansas Legislative Audit is to assist local government officials by promoting sound financial management and accountability of government resources. The Legislative Auditor reports on the fiscal affairs of local governments, as well as compliance with relevant state laws and observance of good business practices to provide accountability for tax dollars expended to support government operations.

We have performed certain limited procedures with respect to cash basis financial information and compliance with certain state laws and accepted accounting practices for the City of Warren, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated January 17, 2023. These procedures were not performed for the Water and Sewer Funds. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The findings/commentary contained in this section relates to the following officials who held office during 2021:

Mayor: Denisa Pennington
Clerk: Helen Boswell
Treasurer: Robert Milton
Police Chief: Shaun Hildreth

We evaluated the City's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Noncompliance with state law and accepted accounting practices was noted in the offices of **Treasurer** and **Police Chief**.

Treasurer

The City paid \$11,847 to an employee for sick leave upon retirement, in conflict with City policy, which states, "Non-uniformed employees will not be paid for accrued sick days upon termination of employment with the City." The City has entered into an agreement with the employee to repay these funds.

Police Chief

Balances remaining in the Police Department Bond and Fine bank account were not identified with receipts issued but not yet entered on the arrest report, in accordance with Ark. Code Ann. § 16-10-207. The unidentified balance was \$1,060.

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

ARKANSAS LEGISLATIVE AUDIT

Handwritten signature of Roger A. Norman in cursive.

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

Little Rock, Arkansas
January 17, 2023
LOM109221

CITY OF WARREN, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2021
(UNAUDITED)

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 2,672,880	\$ 524,055	\$ 601,484
Investments			422,728
Accounts receivable	338,218	687	151
Interfund receivables	<u>579</u>	<u></u>	<u>211</u>
TOTAL ASSETS	<u>\$ 3,011,677</u>	<u>\$ 524,742</u>	<u>\$ 1,024,574</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 118,735	\$ 20,574	
Interfund payables	211	579	
Settlements pending			\$ 27,663
Total Liabilities	<u>118,946</u>	<u>21,153</u>	<u>27,663</u>
Fund Balances:			
Restricted	270,232	298,589	950,788
Committed			4,220
Assigned	2,304,299	205,000	41,903
Unassigned	<u>318,200</u>	<u></u>	<u></u>
Total Fund Balances	<u>2,892,731</u>	<u>503,589</u>	<u>996,911</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,011,677</u>	<u>\$ 524,742</u>	<u>\$ 1,024,574</u>

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

CITY OF WARREN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 129,059	\$ 483,778	\$ 5,351
Federal aid	312,048	13,219	645,844
Property taxes	277,176	83,888	
Franchise fees	352,429		
Sales taxes	1,698,828		
Fines, forfeitures, and costs	129,796		30,208
Interest	3,262	312	11,403
Local permits and fees	70,969	5,133	2,190
Sanitation fees	616,765		
Employee contributions			35,815
Employer contributions			1,959
Net increase/(decrease) in fair value of investments			23,952
Jail fees	72,000		
Donations			8,847
Reimburse court expense	14,132		
Other	156,471	4,050	5,946
TOTAL REVENUES	3,832,935	590,380	771,515
EXPENDITURES			
Current:			
General government	643,562		22,898
Law enforcement	1,454,698		85,529
Highways and streets	19,790	545,313	36,147
Public safety	354,620		106,729
Sanitation	685,213		50,953
Recreation and culture	587,738		21,471
Social services	4,763		
Airport	17,328		22,512
Total Current	3,767,712	545,313	346,239
Debt Service:			
Note principal	75,835	9,257	1,103
Note interest	3,161	229	35
TOTAL EXPENDITURES	3,846,708	554,799	347,377

CITY OF WARREN, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (13,773)	\$ 35,581	\$ 424,138
OTHER FINANCING SOURCES (USES)			
Transfers in			53,291
Transfers out	(53,291)		
Contribution to water department	(27,451)		
Loan proceeds	16,701	25,859	
TOTAL OTHER FINANCING SOURCES (USES)	(64,041)	25,859	53,291
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(77,814)	61,440	477,429
FUND BALANCES - JANUARY 1	2,970,545	442,149	519,482
FUND BALANCES - DECEMBER 31	\$ 2,892,731	\$ 503,589	\$ 996,911

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

CITY OF WARREN, 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, 2021
(UNAUDITED)

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 228,180	\$ 129,059	\$ (99,121)	\$ 494,484	\$ 483,778	\$ (10,706)
Federal aid	49,122	312,048	262,926		13,219	13,219
Property taxes	276,597	277,176	579	73,073	83,888	10,815
Franchise fees	354,461	352,429	(2,032)			
Sales taxes	1,680,042	1,698,828	18,786			
Fines, forfeitures, and costs	136,457	129,796	(6,661)			
Interest	3,262	3,262	0	312	312	0
Local permits and fees	69,485	70,969	1,484	5,133	5,133	0
Sanitation fees	674,182	616,765	(57,417)			
Jail fees	72,000	72,000	0			
Reimburse court expense		14,132	14,132			
Other	152,559	156,471	3,912	28,823	4,050	(24,773)
TOTAL REVENUES	3,696,347	3,832,935	136,588	601,825	590,380	(11,445)
EXPENDITURES						
Current:						
General government	707,635	643,562	64,073			
Law enforcement	1,513,779	1,454,698	59,081			
Highways and streets		19,790	(19,790)	542,242	545,313	(3,071)
Public safety	310,376	354,620	(44,244)			
Sanitation	758,391	685,213	73,178			
Recreation and culture	301,941	587,738	(285,797)			
Social services	3,170	4,763	(1,593)			
Airport	17,105	17,328	(223)			
Total Current	3,612,397	3,767,712	(155,315)	542,242	545,313	(3,071)
Debt Service:						
Note principal		75,835	(75,835)		9,257	(9,257)
Note interest		3,161	(3,161)		229	(229)
TOTAL EXPENDITURES	3,612,397	3,846,708	(234,311)	542,242	554,799	(12,557)

CITY OF WARREN, 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, 2021
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 83,950	\$ (13,773)	\$ (97,723)	\$ 59,583	\$ 35,581	\$ (24,002)
OTHER FINANCING SOURCES (USES)						
Transfers in				14,301		(14,301)
Transfers out	(5,020)	(53,291)	(48,271)			
Contribution to water department		(27,451)	(27,451)			
Loan proceeds		16,701	16,701		25,859	25,859
TOTAL OTHER FINANCING SOURCES (USES)	(5,020)	(64,041)	(59,021)	14,301	25,859	11,558
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	78,930	(77,814)	(156,744)	73,884	61,440	(12,444)
FUND BALANCES - JANUARY 1		2,970,545	2,970,545		442,149	442,149
FUND BALANCES - DECEMBER 31	\$ 78,930	\$ 2,892,731	\$ 2,813,801	\$ 73,884	\$ 503,589	\$ 429,705

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

CITY OF WARREN, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2021
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS								
	Local Police and Fire Retirement (LOPFI)	Breathalyzer (Intoxication Detection)	Child Passenger Protection	Municipal Judge and Clerk Retirement	District Court Automation	Emergency Vehicle	Rural Services Wildlife Recreational Facility Project - Shooting Range	American Rescue Plan Act	Townscape
ASSETS									
Cash and cash equivalents	\$ 4,814	\$ 3,534	\$ 4,207	\$ 15,743	\$ 82,334	\$ 26,022	\$ 29,656	\$ 366,670	\$ 7,830
Investments									
Accounts receivable						151			
Interfund receivables							211		
TOTAL ASSETS	<u>\$ 4,814</u>	<u>\$ 3,534</u>	<u>\$ 4,207</u>	<u>\$ 15,743</u>	<u>\$ 82,334</u>	<u>\$ 26,173</u>	<u>\$ 29,867</u>	<u>\$ 366,670</u>	<u>\$ 7,830</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Settlements pending									
Total Liabilities									
Fund Balances:									
Restricted	\$ 4,814	\$ 3,534	\$ 4,207	\$ 15,743	\$ 82,334	\$ 21,953		\$ 366,670	
Committed						4,220			
Assigned							\$ 29,867		\$ 7,830
Total Fund Balances	<u>4,814</u>	<u>3,534</u>	<u>4,207</u>	<u>15,743</u>	<u>82,334</u>	<u>26,173</u>	<u>29,867</u>	<u>366,670</u>	<u>7,830</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,814</u>	<u>\$ 3,534</u>	<u>\$ 4,207</u>	<u>\$ 15,743</u>	<u>\$ 82,334</u>	<u>\$ 26,173</u>	<u>\$ 29,867</u>	<u>\$ 366,670</u>	<u>\$ 7,830</u>

CITY OF WARREN, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2021
 (UNAUDITED)

Schedule 1

	<u>CAPITAL PROJECTS FUNDS</u>		<u>TRUST FUND</u>	<u>CUSTODIAL FUNDS</u>			
	<u>Warren Bypass Project</u>	<u>FAA Aviation Grant</u>	<u>Firemen's Pension</u>	<u>Police Bond and Fine</u>	<u>Payroll</u>	<u>State Funds (Direct Deposit)</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ 19,556	\$ 4,206	\$ 9,249	\$ 8,823	\$ 18,839	\$ 1	\$ 601,484
Investments			422,728				422,728
Accounts receivable							151
Interfund receivables							211
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 19,556</u>	<u>\$ 4,206</u>	<u>\$ 431,977</u>	<u>\$ 8,823</u>	<u>\$ 18,839</u>	<u>\$ 1</u>	<u>\$ 1,024,574</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Settlements pending				\$ 8,823	\$ 18,839	\$ 1	\$ 27,663
Total Liabilities				<u>8,823</u>	<u>18,839</u>	<u>1</u>	<u>27,663</u>
Fund Balances:							
Restricted	\$ 19,556		\$ 431,977				950,788
Committed							4,220
Assigned		\$ 4,206					41,903
Total Fund Balances	<u>19,556</u>	<u>4,206</u>	<u>431,977</u>				<u>996,911</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,556</u>	<u>\$ 4,206</u>	<u>\$ 431,977</u>	<u>\$ 8,823</u>	<u>\$ 18,839</u>	<u>\$ 1</u>	<u>\$ 1,024,574</u>

CITY OF WARREN, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS						
	Local Police and Fire Retirement (LOPFI)	Breathalyzer (Intoxication Detection)	Child Passenger Protection	Municipal Judge and Clerk Retirement	District Court Automation	Emergency Vehicle	
REVENUES							
State aid							
Federal aid							
Fines, forfeitures, and costs		\$ 476	\$ 155	\$ 3,248	\$ 16,986	\$ 9,343	
Interest							
Local permits and fees						2,190	
Employee contributions	\$ 35,815						
Employer contributions	1,959						
Net increase/(decrease) in fair value of investments							
Donations							
Other							\$ 5,606
TOTAL REVENUES	37,774	476	155	3,248	16,986	11,533	5,606
EXPENDITURES							
Current:							
General government							
Law enforcement					2,705	6,049	
Highways and streets							
Public safety	35,387						
Sanitation							
Recreation and culture							6,852
Airport							
Total Current	35,387				2,705	6,049	6,852
Debt Service:							
Note principal							1,103
Note interest							35
TOTAL EXPENDITURES	35,387				2,705	6,049	7,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,387	476	155	3,248	14,281	5,484	(2,384)
OTHER FINANCING SOURCES (USES)							
Transfers in							31,591
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,387	476	155	3,248	14,281	5,484	29,207
FUND BALANCES - JANUARY 1	2,427	3,058	4,052	12,495	68,053	20,689	660
FUND BALANCES - DECEMBER 31	<u>\$ 4,814</u>	<u>\$ 3,534</u>	<u>\$ 4,207</u>	<u>\$ 15,743</u>	<u>\$ 82,334</u>	<u>\$ 26,173</u>	<u>\$ 29,867</u>

CITY OF WARREN, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		TRUST FUND	Totals
	American Rescue Plan Act	Townscape	Warren Bypass Project	FAA Aviation Grant	Firemen's Pension	
REVENUES						
State aid					\$ 5,351	\$ 5,351
Federal aid	\$ 578,763			\$ 67,081		645,844
Fines, forfeitures, and costs						30,208
Interest	329	\$ 2			11,072	11,403
Local permits and fees						2,190
Employee contributions						35,815
Employer contributions						1,959
Net increase/(decrease) in fair value of investments					23,952	23,952
Donations		8,847				8,847
Other					340	5,946
TOTAL REVENUES	579,092	8,849		67,081	40,715	771,515
EXPENDITURES						
Current:						
General government	22,898					22,898
Law enforcement	76,775					85,529
Highways and streets	36,147					36,147
Public safety	12,049				59,293	106,729
Sanitation	50,953					50,953
Recreation and culture	13,600	1,019				21,471
Airport				22,512		22,512
Total Current	212,422	1,019		22,512	59,293	346,239
Debt Service:						
Note principal						1,103
Note interest						35
TOTAL EXPENDITURES	212,422	1,019		22,512	59,293	347,377
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	366,670	7,830		44,569	(18,578)	424,138
OTHER FINANCING SOURCES (USES)						
Transfers in				5,020	16,680	53,291
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	366,670	7,830		49,589	(1,898)	477,429
FUND BALANCES - JANUARY 1			\$ 19,556	(45,383)	433,875	519,482
FUND BALANCES - DECEMBER 31	\$ 366,670	\$ 7,830	\$ 19,556	\$ 4,206	\$ 431,977	\$ 996,911

CITY OF WARREN, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Breathalyzer (Intoxication Detection)	Ark. Code Ann. § 16-10-308 authorized a portion of district court costs to be used to purchase and maintain alcohol testing devices.
Child Passenger Protection	Ark. Code Ann. § 27-34-108 established fund to receive 25% of the district court fines collected for violations of the Child Passenger Protection Act to be used for promotion of public safety.
Municipal Judge and Clerk 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.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for the fine for failure to insure motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles, communication equipment, animals owned or used by law enforcement agencies, life-saving medical apparatus, and law enforcement apparatus.
Rural Services Wildlife Recreational Facility Project - Shooting Range	Established to monitor and account for funds received from the Arkansas Rural Development Commission in order to construct a shooting range and for related expenses. The fund also collects fees for use of the facility.
American Rescue Plan Act	Established to account for federal stimulus funding bill due to the Coronavirus Pandemic.
Townscape	Established to account for donations to improve the City Park.
Warren Bypass Project	Established to monitor and account for funds received from the U.S. Environmental Protection Agency Grant for the Warren Water and Sewer bypass extension.
FAA Aviation Grant	Established to monitor and account for funds received from the U.S. Federal Aeronautics and Aviation Grant for the Warren Airport.

CITY OF WARREN, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

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

<u>Fund Name</u>	<u>Fund Description</u>
Firemen's Pension	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.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
Payroll	Maintained to process payroll for the city's employees.
State Funds (Direct Deposit)	Maintained to receive direct deposits of state funds and sales taxes.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

1. A. **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 local permits and fees 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. The Special Revenue Funds presented on Schedules 1 and 2 are 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. The Capital Projects Funds presented on Schedules 1 and 2 are 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. The Pension Trust Fund presented on Schedules 1 and 2 is 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). The Custodial Funds presented on Schedule 1 are reported with other funds in the aggregate.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

1. (Continued)

B. 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.

C. 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..

Investments

Investments are reported at fair market value.

Settlements Pending

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

Fund Balance Classifications

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

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

1. (Continued)

D. 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.

E. 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 except for the AEDC Grant – JE Food Group account, Street Fund, and the other operating funds except for the Child Passenger Protection, Municipal Judge and Clerk Retirement, Emergency Vehicle, American Rescue Plan Act, Townscape, and the FAA Aviation Grant.

F. Fund Balance Classification Policies and Procedures

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

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

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

2. Details of Fund Balance Classifications

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
General government	\$ 105,465		\$ 366,670
Law enforcement	90,779		127,771
Highways and streets		\$ 298,589	
Public safety	33,018		4,814
Sanitation	1,355		
Airport	39,615		
Pension benefits			431,977
Capital outlay			19,556
Total Restricted	270,232	298,589	950,788
Committed for:			
Law enforcement			4,220
Assigned to:			
General government	2,147,692		7,830
Law enforcement	41,990		
Highways and streets		205,000	
Public safety	11,841		
Sanitation	11,825		
Recreation and culture	90,951		29,867
Capital outlay			4,206
Total Assigned	2,304,299	205,000	41,903
Unassigned	318,200		
Totals	\$ 2,892,731	\$ 503,589	\$ 996,911

3. Commitments

Total commitments consist of the following at December 31, 2021:

	December 31, 2021
Long-term liabilities	\$ 468,776
Construction contracts	760,064
Total Commitments	\$ 1,228,840

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

3. Commitments (Continued)

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	December 31, 2021
<u>Direct Borrowings</u>	
Note payable dated July 11, 2017, with First State Bank in the amount of \$136,932, with interest rate of 3% for the purchase of a 2018 Mack garbage truck. Monthly payments of \$2,449 for 60 months. Payments are to be made from the General Fund.	\$ 16,921
Note payable (refinancing) dated April 25, 2021, with Warren Bank and Trust in the amount of \$15,088, with interest rate of 4.75% for the purchase of land (Shooting Range). Monthly payments of \$1,137 for 14 months. Payments are to be made from the Rural Services Wildlife Recreational Facility Project- Shooting Range.	6,349
Note payable dated May 12, 2020, with Warren Bank and Trust in the amount of \$42,942, with interest rate of 1.49% for the purchase of a 2005 Mack truck. Monthly payments of \$743 for 60 months. Payments are to be made from the Street Fund.	29,688
Note payable dated September 2, 2020, with Warren Bank and Trust in the amount of \$102,954, with interest rate of 1.25% for the purchase of a 2003 Freightliner ladder truck, equipment, and building modifications for truck. On June 29, 2021, an additional \$16,701 was obtained for building modifications. Monthly payments of \$2,058 for 60 months. Payments are to be made from the Economic Development Fund.	69,922
Note payable dated February 23, 2021, with First State Bank in the amount of \$25,859, with interest rate of 1.15% for the purchase of a 2021 Dodge Ram 1500 truck. Monthly payments of \$444 for 60 months. Payments are to be made from the Street Fund.	21,651
Total Direct Borrowings	144,531
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	81,831
Landfill closure and postclosure care costs	242,414
Total Long-term liabilities	\$ 468,776

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

The City's outstanding notes from direct borrowings of \$144,531 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.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

3. Commitments (Continued)

Landfill Closure and Postclosure Care Costs

The City of Warren is the owner of permit #0126-S4 to operate a Class IV solid waste landfill. State and federal regulations require a final cover to be placed on the landfill site when it stops accepting waste and performance of certain maintenance and monitoring functions at the site for two years after closure. Although closure and postclosure care cost will be paid on or near or after the date of the landfill stops accepting waste, a portion of these closure and postclosure care costs are being recognized as a commitment each year based on the landfill capacity used as of the balance sheet date. The estimated liability for the landfill closure and postclosure care cost has a balance of \$242,414 as of December 31, 2021.

Estimated costs are based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2021. However, the actual cost of closure and postclosure may be higher due to inflations, changes in technology, or changes in landfill laws and regulations.

In accordance with Ark. Code Ann. § 8-6-1603, the City has provided financial assurance of \$181,735 in the form of contracts of obligation. These contracts of obligation authorize the State Treasurer to withhold from any funds being distributed from the State of Arkansas to the City of Warren the sum of \$181,735 upon receiving notice from the Director of the Arkansas Department of Environmental Quality of the City of Warren's failure to properly disclose operation.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Direct Borrowings</u>					
7/11/17	7/11/22	3.00%	\$ 136,292	\$ 16,921	\$ 119,371
4/25/21	6/25/22	4.75%	15,088	6,349	8,739
5/12/20	5/12/25	1.49%	42,942	29,688	13,254
9/2/20	9/2/25	1.25%	119,655	69,922	49,733
2/23/21	2/23/26	1.15%	25,859	21,651	4,208
Total Direct Borrowings			<u>339,836</u>	<u>144,531</u>	<u>195,305</u>

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
<u>Direct Borrowings</u>				
Notes payable	\$ 188,166	\$ 42,560	\$ 86,195	\$ 144,531

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

3. Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2021:

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2022	\$ 60,869	\$ 1,650	\$ 62,519
2023	38,088	855	38,943
2024	35,710	362	36,072
2025	8,978	57	9,035
2026	886	1	887
Totals	<u>\$ 144,531</u>	<u>\$ 2,925</u>	<u>\$ 147,456</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2021:

Project Name	Completion Date	Contract Balance December 31, 2021
Warren Municipal Airport Apron Reconstruction	September 1, 2022	\$ 516,208
Shooting Range	June 15, 2022	<u>243,856</u>
Total Construction Contracts		<u>\$ 760,064</u>

4. Interfund Transfers

The General Fund transferred \$53,291 to Other Funds in the Aggregate (\$5,020 to FAA Aviation Grant for operations and \$31,591 to Shooting Range Fund for operations, and \$16,680 to Firemen's Pension and Relief Fund) to supplement retirement expenditures.

5. Jointly Governed Organization

Drew and Bradley Counties and the Cities of Monticello and Warren entered into an agreement on May 14, 1998, to establish The Southeast Arkansas Regional Intermodal Facilities Authority pursuant to Ark. Code Ann. § 14-143-101 – 14-143-129. The Southeast Arkansas Regional Intermodal Facilities Authority should be governed by a board of directors consisting of 12 members appointed by the participant's Mayors and County Judges. Each participating City and County will appoint three board members. No payments were made to the Southeast Arkansas Regional Intermodal Facilities Authority in 2021. Separate financial statements may be obtained at 101 Myrtle, Warren, Arkansas 71671.

6. 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.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

6. Firemen's Pension and Relief Plan (Continued)

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. 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 \$15,290 for the year ended December 31, 2021. 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, 2021 actuarial valuation, the plan has a net pension liability of \$41,057.

**7. 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 \$23,660 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$29,322 for the year ended December 31, 2021.

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, 2021 (actuarial valuation date and measurement date) was \$280,116.

CITY OF WARREN, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2021

8. 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 \$229,279 for the year ended June 30, 2021.

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, 2021 (actuarial valuation date and measurement date) was \$576,214.

9. Capital Assets

The Municipality's capital assets records are summarized below :

	December 31, 2021
Land	\$ 492,419
Buildings	7,531,891
Equipment	<u>3,009,170</u>
Total	<u>\$ 11,033,480</u>

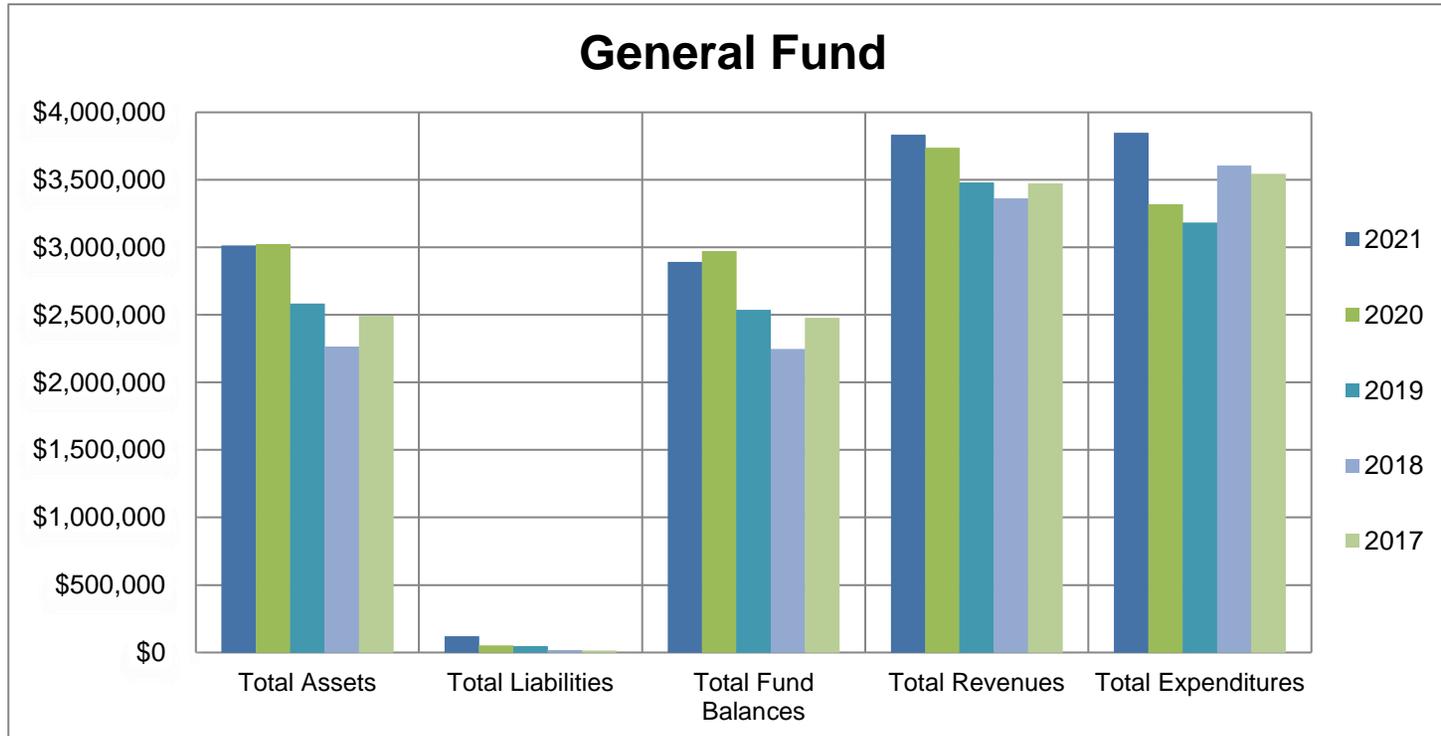
10. Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2021, the City received \$3,754 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. The City was awarded \$1,157,526 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$1,157,519 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

CITY OF WARREN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2021
 (Unaudited)

Schedule 3-1

<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 3,011,677	\$ 3,024,542	\$ 2,582,411	\$ 2,264,421	\$ 2,490,388
Total Liabilities	118,946	51,107	46,439	17,793	13,557
Total Fund Balances	2,892,731	2,973,435	2,535,972	2,246,628	2,476,831
Total Revenues	3,832,935	3,736,097	3,478,390	3,362,030	3,471,201
Total Expenditures	3,846,708	3,319,147	3,183,012	3,604,936	3,543,721
Total Other Financing Sources/Uses	(64,041)	20,513	(22,396)	12,703	136,190



CITY OF WARREN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2021
 (Unaudited)

Schedule 3-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 524,742	\$ 450,252	\$ 379,199	\$ 375,471	\$ 330,976
Total Liabilities	21,153	8,103	6,242	4,038	5,773
Total Fund Balances	503,589	442,149	372,957	371,433	325,203
Total Revenues	590,380	547,664	549,038	510,468	505,779
Total Expenditures	554,799	478,472	547,514	522,238	462,977
Total Other Financing Sources/Uses	25,859			58,000	



CITY OF WARREN, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2021
 (Unaudited)

Schedule 3-3

<u>Other Funds in the Aggregate</u>	2021	2020	2019	2018	2017
Total Assets	\$ 1,024,574	\$ 628,380	\$ 551,094	\$ 657,775	\$ 682,576
Total Liabilities	27,663	108,898	27,370	132,936	110,867
Total Fund Balances	996,911	519,482	523,724	524,839	571,709
Total Revenues	771,515	156,800	195,178	108,486	252,148
Total Expenditures	347,377	178,374	202,327	170,653	222,323
Total Other Financing Sources/Uses	53,291	17,332	22,396	15,297	

