

City of Fairfield Bay, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF FAIRFIELD BAY, ARKANSAS
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Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinions on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 20, 2021
LOM221020

Arkansas

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



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

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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 Fairfield Bay, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Fairfield Bay, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

2020-1 Arkansas code requires city management to maintain accurate financial records. The City's financial records contained errors that were considered material as indicated below:

Street Fund financial records contained misstatements of assets, fund balance, revenues, and expenditures in the amounts of \$650, \$650, \$33,075, and \$5,650, respectively, primarily due to the misclassification of revenues and expenditures.

The effects of these misstatements constitute a significant control deficiency in the process of preparing financial records.

City officials should implement procedures to ensure financial records are properly posted.

City officials concurred with the above recommendation and approved appropriate entries to the City's financial records.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the Internal Control over Financial Reporting section as item 2020-1.

Entity's Response to Finding

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also reported to management of the City in a separate letter dated December 20, 2021.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 20, 2021

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

Mayor: Paul Wellenberger (January – August)
Linda Duncan (Appointed September 14, 2020)
Recorder/Treasurer: Rose Ostronic-Owen
Police Chief: David Burnett

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

Our review of selected disbursements in the Emergency Medical Services (EMS) Department, for the period January 1, 2019 through July 1, 2021, revealed improper and questionable transactions totaling \$19,388. Many of the questionable purchases detailed below appear to be for items without a business purpose, in apparent conflict with the “public purpose” doctrine and Ark. Const. art. 12, § 5.

The following transactions, totaling \$17,936, were charged to a City credit card by the EMS Captain or paid to an immediate family member:

- \$4,842 in purchases without adequate documentation.
 - \$2,049 for uniforms.
 - \$1,500 for satellite bills without detailed account information.
 - \$519 for hotel charges without invoices.
 - \$444 in conference hotel charges without the invoice and for dates beyond the conference.
 - \$231 for various charges for which documentation was not detailed or did not agree with items charged.
 - \$99 for meals without an adequately documented business purpose.
- \$4,018 in purchases without a documented business purpose.
 - \$1,893 for meals and grocery items.
 - \$872 for various household and kitchen items (65-inch TV, area rug, small furniture and storage items, cleaning and kitchen supplies, bedding).
 - \$582 for small hand tools and miscellaneous parts.
 - \$339 for boat rental for a team-building event that does not appear to have occurred.
 - \$332 for miscellaneous items (earbuds, device chargers, children’s toys, children’s face masks, and a Facebook ad campaign).
- \$2,895 in personal purchases for which the EMS Captain, when questioned by the City Treasurer, paid the credit card company directly.
- \$2,817 in unaccounted for equipment purchases.
 - \$1,784 for miscellaneous hand tools, several of which appear to have been seized during the execution of a search warrant by the Fairfield Bay Police Department; however, we were unable to determine if some of the tools seized matched the items purchased by the City.
 - \$1,033 for miscellaneous household items (furniture and small storage items, appliances, electronics, and accessories).

- \$2,019 in purchases without documentation.
 - \$1,090 from vendors used in the normal course of business; however, without documentation, we could not verify the business purpose of these purchases.
 - \$660 from Amazon, PayPal, and Facebook.
 - \$269 from various department stores and restaurants.
- \$874 for meals that were subsequently reimbursed to the EMS Captain or an immediate family member.
- \$417 in miscellaneous late fees.
- \$54 in grocery items purchased with SNAP benefits that were subsequently reimbursed to the EMS Captain.

It should be noted that the EMS Captain benefitted from promotional discounts, totaling at least \$592, by using City accounts for many of the above purchases of apparent personal or unaccounted for items.

On May 4, 2021, EMS Captain Andrea Notz was placed on administrative leave. On August 27, 2021, she was charged with one count each of felony theft of property and non-financial identity fraud, six counts of fraudulent use of a credit or debit card, and 18 counts of prohibited acts for public employees. Furthermore, according to local law enforcement, some of the personal items purchased with EMS funds were seized from Notz's home. These matters are currently being investigated by law enforcement.

Questionable transactions totaling \$1,452 were charged to another City credit card by EMS personnel other than the Captain:

- \$639 in hotel and parking fees related to a conference in New Orleans but outside the documented conference dates.
- \$427 in purchases without documentation.
 - \$244 at a hotel in New Orleans.
 - \$183 from vendors used in the normal course of business; however, without documentation, we could not verify the business purpose of the purchases.
- \$386 in purchases without adequate documentation.
 - \$196 for meals without detailed documentation.
 - \$180 for satellite bills without detailed account information, plus \$10 in late fees assessed on the account.

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



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 20, 2021

CITY OF FAIRFIELD BAY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2020

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 248,960	\$ 120,720	\$ 448,114
Accounts receivable	85,278	100	11,825
Interfund receivables		650	
	TOTAL ASSETS	\$ 121,470	\$ 459,939
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,787		\$ 81,907
Interfund payables	650		
Total Liabilities	69,437		81,907
Fund Balances:			
Restricted		\$ 114,370	302,442
Assigned	71,959	7,100	75,590
Unassigned	192,842		
Total Fund Balances	264,801	121,470	378,032
TOTAL LIABILITIES AND FUND BALANCES	\$ 334,238	\$ 121,470	\$ 459,939

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

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

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 38,599	\$ 204,573	\$ 23,075
Federal aid	183,469		210,031
Property taxes	244,836	65,586	
Franchise fees	64,552		62,005
Sales taxes	703,600	1,200	63,873
Fines, forfeitures, and costs	15,372		
Interest	200	132	646
Local permits and fees	9,775		
Advertising and promotion taxes			29,662
Dispatch reimbursements	369,496		
Ambulance fees	261,949		
Donations	26,881		950
Conference Center	78,091		
Other	114,618	953	7,364
TOTAL REVENUES	2,111,438	272,444	397,606
EXPENDITURES			
Current:			
General government	340,624		
Law enforcement	864,123		
Highways and streets		44,959	
Public safety	177,865		1,775
Health	260,986		303,964
Recreation and culture	11,855		
Social services	37,809		
Advertising and promotion			40,059
Capital outlay	650		
Conference Center	252,356		
Total Current	1,946,268	44,959	345,798
Debt Service:			
Bond principal			112,860
Bond interest and other charges			117,731
Note principal	51,870	22,739	
Note interest	8,362	6,289	
TOTAL EXPENDITURES	2,006,500	73,987	576,389

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 104,938</u>	<u>\$ 198,457</u>	<u>\$ (178,783)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	74,000		173,150
Transfers out	(18,500)	(214,650)	(14,000)
Loan proceeds			150,990
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,500</u>	<u>(214,650)</u>	<u>310,140</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	160,438	(16,193)	131,357
FUND BALANCES - JANUARY 1	<u>104,363</u>	<u>137,663</u>	<u>246,675</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 264,801</u></u>	<u><u>\$ 121,470</u></u>	<u><u>\$ 378,032</u></u>

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

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 33,774	\$ 38,599	\$ 4,825	\$ 324,600	\$ 204,573	\$ (120,027)
Federal aid	288,745	183,469	(105,276)			
Property taxes	238,564	244,836	6,272	65,586	65,586	
Franchise fees	64,552	64,552				
Sales taxes	766,583	703,600	(62,983)	1,200	1,200	
Fines, forfeitures, and costs	15,372	15,372				
Interest	188	200	12	132	132	
Local permits and fees	6,390	9,775	3,385			
Dispatch reimbursements	332,660	369,496	36,836			
Ambulance fees	262,944	261,949	(995)			
Donations	6,420	26,881	20,461			
Conference Center	130,924	78,091	(52,833)			
Other	188,918	114,618	(74,300)	34,029	953	(33,076)
TOTAL REVENUES	2,336,034	2,111,438	(224,596)	425,547	272,444	(153,103)
EXPENDITURES						
Current:						
General government	361,741	340,624	21,117			
Law enforcement	847,528	864,123	(16,595)			
Highways and streets				180,467	44,959	135,508
Public safety	168,587	177,865	(9,278)			
Health	262,348	260,986	1,362			
Recreation and culture	11,895	11,855	40			
Social services	37,761	37,809	(48)			
Capital outlay		650	(650)			
Conference Center	253,283	252,356	927			
Total Current	1,943,143	1,946,268	(3,125)	180,467	44,959	135,508
Debt Service:						
Note principal	60,232	51,870	8,362	37,000	22,739	14,261
Note interest		8,362	(8,362)		6,289	(6,289)
TOTAL EXPENDITURES	2,003,375	2,006,500	(3,125)	217,467	73,987	143,480

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

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 332,659	\$ 104,938	\$ (227,721)	\$ 208,080	\$ 198,457	\$ (9,623)
OTHER FINANCING SOURCES (USES)						
Transfers in	213,057	74,000	(139,057)			
Transfers out	(547,324)	(18,500)	528,824	(117,650)	(214,650)	(97,000)
TOTAL OTHER FINANCING SOURCES (USES)	(334,267)	55,500	389,767	(117,650)	(214,650)	(97,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,608)	160,438	162,046	90,430	(16,193)	(106,623)
FUND BALANCES - JANUARY 1		104,363	104,363		137,663	137,663
FUND BALANCES - DECEMBER 31	\$ (1,608)	\$ 264,801	\$ 266,409	\$ 90,430	\$ 121,470	\$ 31,040

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

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Fairfield Bay 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.

B. Basis of Presentation – Regulatory

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

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

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

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

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

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

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

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

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

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

Fund Balance Classifications

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

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.

CITY OF FAIRFIELD BAY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 except for the Emergency Relief Fund.

G. Fund Balance Classification Policies and Procedures

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

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

There were no committed fund balances at year-end.

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)	\$ 298,652	\$ 298,847
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	365,460	410,192
Uncollateralized	153,682	153,682
Total Deposits	\$ 817,794	\$ 862,721

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2: Cash Deposits with Financial Institutions (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$153,682 of the City's bank balances were 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.

NOTE 4: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Sales taxes	\$ 48,442	\$ 100	\$ 11,825
Dispatch reimbursements	36,836		
Totals	\$ 85,278	\$ 100	\$ 11,825

NOTE 5: Accounts Payable

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

Description	General Fund	Other Funds in the Aggregate
Vendor payables	\$ 46,952	\$ 81,907
Payroll taxes payable	21,835	
Totals	\$ 68,787	\$ 81,907

NOTE 6: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivables	Interfund Payables
General Fund		\$ 650
Street Fund	\$ 650	
Totals	\$ 650	\$ 650

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6: Interfund Balances (Continued)

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances were repaid on September 16, 2021.

NOTE 7: Details of Fund Balance Classifications

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
Highways and streets		\$ 114,370	
Public safety			\$ 12,889
Advertising and promotion			4,197
Debt service			285,356
Total Restricted		<u>114,370</u>	<u>302,442</u>
Assigned to:			
Highways and streets		7,100	
Public safety	\$ 18,152		
Health	53,807		
Capital outlay			75,590
Total Assigned	<u>71,959</u>	<u>7,100</u>	<u>75,590</u>
Unassigned	<u>192,842</u>		
Totals	<u>\$ 264,801</u>	<u>\$ 121,470</u>	<u>\$ 378,032</u>

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$8,794,020. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$2,221,229. The amount of short-term financing obligations was \$449,250, leaving a legal debt margin of \$1,771,979.

NOTE 9: Commitments

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

	December 31, 2020
Long-term liabilities	\$ 3,244,687
Construction contracts	<u>71,594</u>
Total Commitments	<u>\$ 3,316,281</u>

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9: Commitments (Continued)

Long-term liabilities

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

	December 31, 2020
<u>Bonds</u>	
Sales and Use Tax Bonds, Series 2015, dated June 30, 2015, in the amount of \$1,980,000, due in annual installments of \$40,000 to \$115,000 plus interest through June 1, 2045; interest rates from 1% to 4.75%. Payments are to be made from the Sales and Use Tax Bonds - Series 2015 Fund.	\$ 1,780,000
Sales and Use Tax Bonds, Series 2016 (Fire Protection Project), dated January 1, 2016, in the amount of \$745,000, due in semiannual installments of \$17,599 to \$32,424 plus interest through February 1, 2031; interest rate of 3.89%. Payments are to be made from the Sales and Use Tax Bonds - Fire Fund.	565,437
Franchise Fee Revenue Improvement Bonds, Series 2017, dated October 24, 2017, in the amount of \$525,000, due in annual installments of \$15,000 to \$45,000 plus interest through June 1, 2032; interest rate of 2.99%. Payments are to be made from the Franchise Fee Revenue Improvement Bonds Fund.	450,000
Total Bonds	2,795,437
<u>Direct Borrowings</u>	
Promissory note dated September 12, 2016, with White River Planning and Development District in the amount of \$67,079 to refinance capital improvements; 60 monthly payments of \$1,251 at 4.5% interest. Payments are to be made from the General Fund.	11,047
General obligation contract dated September 7, 2018, with KS State Bank in the amount of \$43,874 for LED lighting installation; 60 monthly payments of \$839 at 5.54% interest. Payments are to be made from the General Fund.	24,901
Loan agreement dated March 1, 2019, with Arkansas Natural Resources Commission in the amount of \$250,805 for repair and replacement of a drainage culvert. Payment terms amended on October 29, 2020 call for four annual payments of \$29,028 with a final payment of \$136,657 due March 1, 2024. The interest rate is 2.75%. Payments are to be made from the Street Fund.	205,935
Promissory note dated June 30, 2020, with White River Planning and Development District in the amount of \$224,186 to fund capital improvements and refinance existing capital improvement loans; 60 monthly payments of \$4,180 at 4.5% interest. Payments are to be made from the General Fund.	207,367
Total Direct Borrowings	449,250
Total Long-term liabilities	\$ 3,244,687

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 \$1,780,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 25% 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.

CITY OF FAIRFIELD BAY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 9: Commitments (Continued)

The City's outstanding bonds payable of \$565,437 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 its banker's lien or right of set-off, may proceed to protect its right by suit in equity, action at law or other appropriate proceedings.

The City's outstanding bonds payable of \$450,000 contain a provision that in an event of default, the registered owners of not less than 50% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City under laws of Arkansas.

The City's outstanding notes from direct borrowings of \$449,250 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Compensated Absences

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

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Bonds</u>					
6/30/15	6/1/45	1%-4.75%	\$ 1,980,000	\$ 1,780,000	\$ 200,000
1/1/16	2/1/31	3.89%	745,000	565,437	179,563
10/24/17	6/1/32	2.99%	525,000	450,000	75,000
Total Bonds			<u>3,250,000</u>	<u>2,795,437</u>	<u>454,563</u>
<u>Direct Borrowings</u>					
9/12/16	9/12/21	4.5%	67,079	11,047	56,032
9/7/18	9/7/23	5.54%	43,874	24,901	18,973
3/1/19	6/1/28	2.75%	250,805	205,935	44,870
6/30/20	6/30/25	4.5%	224,186	207,367	16,819
Total Direct Borrowings			<u>585,944</u>	<u>449,250</u>	<u>136,694</u>
Total Long-Term Debt			<u>\$ 3,835,944</u>	<u>\$ 3,244,687</u>	<u>\$ 591,257</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
Bonds payable	\$ 2,908,297		\$ 112,860	\$ 2,795,437
<u>Direct Borrowings</u>				
Notes payable	372,583	\$ 224,186	147,519 *	449,250
Total Long-Term Debt	<u>\$ 3,280,880</u>	<u>\$ 224,186</u>	<u>\$ 260,379</u>	<u>\$ 3,244,687</u>

*Includes \$72,910 refinanced on June 30, 2020.

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 114,544	\$ 112,439	\$ 226,983	\$ 84,998	\$ 15,506	\$ 100,504
2022	126,293	108,462	234,755	77,014	12,235	89,249
2023	128,112	104,179	232,291	76,833	9,059	85,892
2024	130,002	99,724	229,726	73,033	6,149	79,182
2025	136,966	95,014	231,980	54,866	3,419	58,285
2026 through 2030	757,095	394,246	1,151,341	82,506	4,579	87,085
2031 through 2035	452,425	266,956	719,381			
2036 through 2040	425,000	176,857	601,857			
2041 through 2045	525,000	64,719	589,719			
Totals	<u>\$2,795,437</u>	<u>\$1,422,596</u>	<u>\$4,218,033</u>	<u>\$ 449,250</u>	<u>\$ 50,947</u>	<u>\$ 500,197</u>

Construction Contracts

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

Project Name	Completion Date	Contract Balance December 31, 2020
Steep Creek, LLC	July 2021	<u>\$ 71,594</u>

NOTE 10: Interfund Transfers

The Street Fund transferred \$154,650 to Other Funds in the Aggregate (Sales and Use Tax Bonds - Series 2015 \$117,650 and Franchise Fee Revenue Bonds \$37,000) for street related debt service payments. Also, the Street Fund transferred \$60,000 to the General Fund to reimburse highway and street expenses paid in 2019. The General Fund transferred \$18,500 to Other Funds in the Aggregate (Delta Regional Authority – Medical Transport Flight Hanger) for Capital Outlay expenses. Other Funds in the Aggregate (Franchise Fee Revenue Bonds) transferred \$14,000 to the General Fund, which was the remaining franchise fees after debt service payments were paid.

NOTE 11: Pledged Revenues

The City has pledged a future one cent sales and use tax to repay \$1,980,000 in bonds that were issued in 2015 to provide funding for street improvements. Total principal and interest remaining on the bonds at December 31, 2020, were \$1,780,000 and \$1,209,706, respectively, payable through December 1, 2045. Revenues from the pledged tax are deposited to the General Fund. For 2020, revenues in the Street Fund were sufficient to fund the debt service requirements and pledged revenues were utilized for other allowable City expenditures in the General Fund. Transfers from the Street Fund to Debt Service Fund were \$117,650 and the required principal and interest payments for 2020 were \$118,936.

The City has pledged a future one half cent sales and use tax to repay \$745,000 in bonds that were issued in 2016 to provide funding for three fire trucks and related fire equipment. Total principal and interest remaining on the bonds at December 31, 2020, were \$565,437 and \$128,722, respectively, payable through February 1, 2031. Revenues from the pledged tax for 2020 were \$63,873 and the required principal and interest payments for 2020 were \$66,110. Any sales tax collected in excess of the debt service on this bond issue can be used for fire protection expenditures.

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11: Pledged Revenues (Continued)

The City pledged future franchise fee revenue to repay \$525,000 in bonds that were issued in 2017 to provide funding for acquiring, expanding and constructing betterments and improvements to the municipal parking facilities and infrastructure within the City. Total principal and interest remaining on the bonds at December 31, 2020 were \$450,000 and \$84,168, respectively, payable through June 1, 2032. Revenues from the pledged fees for 2020 were \$62,005 and the required principal and interest payments for 2020 were \$43,904. Any franchise fees collected in excess of the debt service payments on this bond issue can be used for any lawful municipal purpose.

NOTE 12: Risk Management

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

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

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

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

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

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.

CITY OF FAIRFIELD BAY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

**NOTE 13: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

On December 1, 1994, administration of the City of Fairfield Bay Firemen's Pension and Relief Fund and the City of Fairfield Bay Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$57,382 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$40,894 for the year ended December 31, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$556,083.

NOTE 14: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2020, the City Received \$92,626 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. On July 26, 2021, the City received \$226,168 in federal aid from the American Rescue Plan Act of 2021. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain, however, the City is expecting to receive additional federal aid for coronavirus relief.

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

Schedule 1

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Emergency Relief	Fire Equipment and Training (Act 833)	Advertising and Promotion	Delta Regional Authority - Medical Transport Flight Hangar	Sales and Use Tax Bonds - Series 2015	Sales and Use Tax Bonds - Fire	Franchise Fee Revenue Bonds	
ASSETS								
Cash and cash equivalents	\$ 29	\$ 12,860	\$ 4,197	\$ 157,497	\$ 153,682	\$ 75,395	\$ 44,454	\$ 448,114
Accounts receivable						11,825		11,825
TOTAL ASSETS	\$ 29	\$ 12,860	\$ 4,197	\$ 157,497	\$ 153,682	\$ 87,220	\$ 44,454	\$ 459,939
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable				\$ 81,907				\$ 81,907
Fund Balances:								
Restricted	\$ 29	\$ 12,860	\$ 4,197		\$ 153,682	\$ 87,220	\$ 44,454	302,442
Assigned				75,590				75,590
Total Fund Balances	29	12,860	4,197	75,590	153,682	87,220	44,454	378,032
TOTAL LIABILITIES AND FUND BALANCES	\$ 29	\$ 12,860	\$ 4,197	\$ 157,497	\$ 153,682	\$ 87,220	\$ 44,454	\$ 459,939

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

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Emergency Relief	Fire Equipment and Training (Act 833)	Advertising and Promotion	Delta Regional Authority - Medical Transport Flight Hangar	Sales and Use Tax Bonds - Series 2015	Sales and Use Tax Bonds - Fire	Franchise Fee Revenue Bonds	
REVENUES								
State aid		\$ 23,075						\$ 23,075
Federal aid				\$ 210,031				210,031
Franchise fees							\$ 62,005	62,005
Sales taxes						\$ 63,873		63,873
Interest		5		32	\$ 589	20		646
Advertising and promotion taxes			\$ 29,662					29,662
Donations	\$ 400		550					950
Other			7,364					7,364
TOTAL REVENUES	400	23,080	37,576	210,063	589	63,893	62,005	397,606
EXPENDITURES								
Current:								
Public safety	1,775							1,775
Health				303,964				303,964
Advertising and promotion			40,059					40,059
Total Current	1,775		40,059	303,964				345,798
Debt Service:								
Bond principal		11,670			40,000	31,190	30,000	112,860
Bond interest and other charges		6,330			80,136	16,920	14,345	117,731
TOTAL EXPENDITURES	1,775	18,000	40,059	303,964	120,136	48,110	44,345	576,389
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,375)	5,080	(2,483)	(93,901)	(119,547)	15,783	17,660	(178,783)
OTHER FINANCING SOURCES (USES)								
Transfers in				18,500	117,650		37,000	173,150
Transfers out							(14,000)	(14,000)
Loan proceeds				150,990				150,990
TOTAL OTHER FINANCING SOURCES (USES)				169,490	117,650		23,000	310,140
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,375)	5,080	(2,483)	75,589	(1,897)	15,783	40,660	131,357
FUND BALANCES - JANUARY 1	1,404	7,780	6,680	1	155,579	71,437	3,794	246,675
FUND BALANCES - DECEMBER 31	\$ 29	\$ 12,860	\$ 4,197	\$ 75,590	\$ 153,682	\$ 87,220	\$ 44,454	\$ 378,032

CITY OF FAIRFIELD BAY, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2020

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

<u>Fund Name</u>	<u>Fund Description</u>
Emergency Relief	Established fund to monitor receipts and disbursements of donations for disaster assistance.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Advertising and Promotion	Fairfield Bay Ordinance no. 1999-67 (May 10, 1999) authorizes the levy of a 3 percent tax on gross receipts of hotel or motel accommodations for promotion and development of tourism within the City.
Delta Regional Authority - Medical Transport Flight Hangar	Established to monitor receipts and disbursements of a grant from the Delta Regional Authority to contract a medical transport flight hangar.
Sales and Use Tax Bonds - Series 2015	Fairfield Bay Ordinance no. 2015-08 (May 27, 2015) authorized the issuance of sales and use tax bonds for the purpose of financing all or a portion of the cost of improvements to the streets and infrastructure, pledging collections of a one percent sales and use tax to pay the principal of, and interest on the bonds.
Sales and Use Tax Bonds - Fire	Fairfield Bay Ordinance no. 2015-14 (December 7, 2015) authorized the issuance of sales and use tax bonds (Fire Protection Project) for the purpose of financing all or a portion of the costs of certain fire protection equipment consisting primarily of three (3) pumper trucks.
Franchise Fee Revenue Bonds	Fairfield Bay Ordinance no. 2017-05 (September 11, 2017) authorized the issuance of Franchise Fee Revenue Improvement Bonds (Franchise Fee Revenue Bonds Project) for the purpose of financing the acquisition, expansion and construction of betterments and improvements to municipal parking facilities and infrastructure within the City.

CITY OF FAIRFIELD BAY, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2020
(Unaudited)

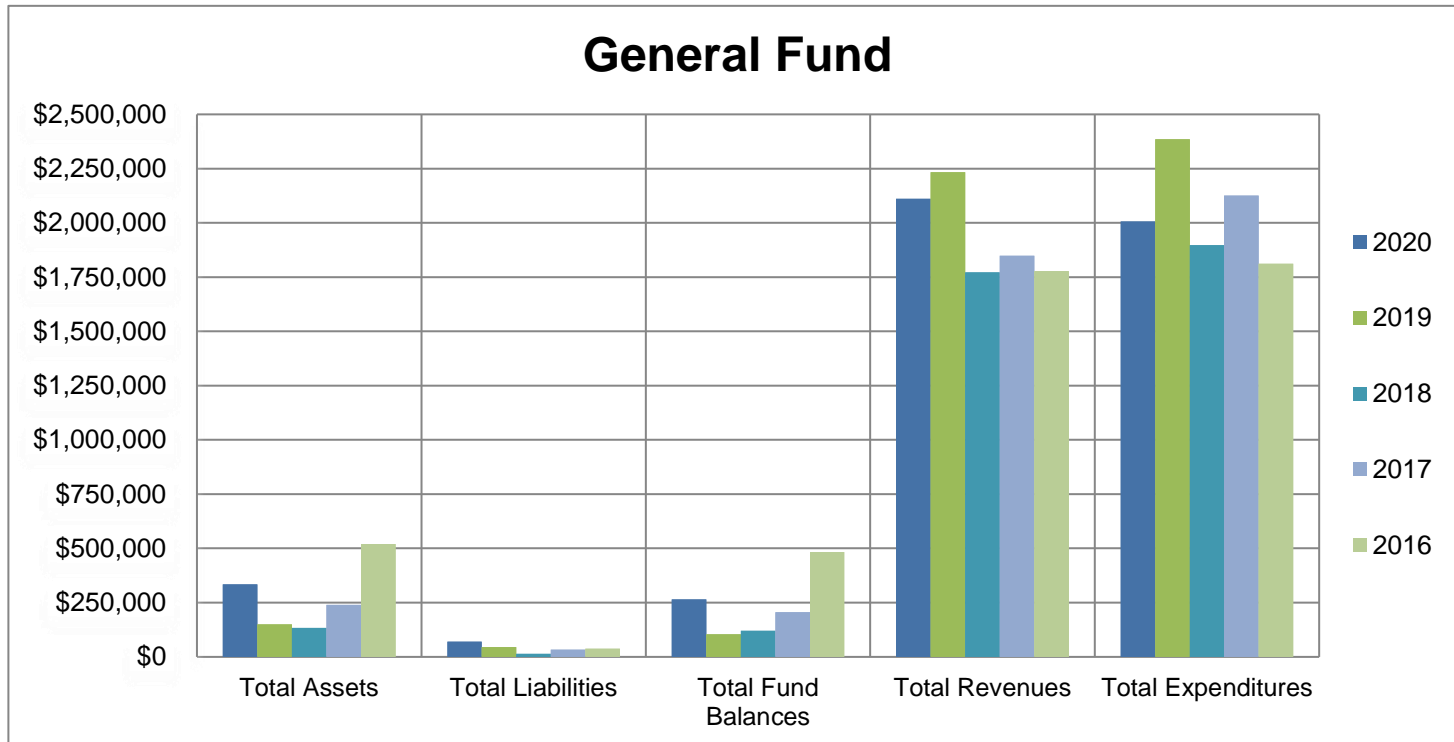
Schedule 3

	December 31, 2020
Land	\$ 187,772
Buildings	3,554,560
Equipment	<u>2,074,853</u>
Total	<u>\$ 5,817,185</u>

CITY OF FAIRFIELD BAY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2020
 (Unaudited)

Schedule 4-1

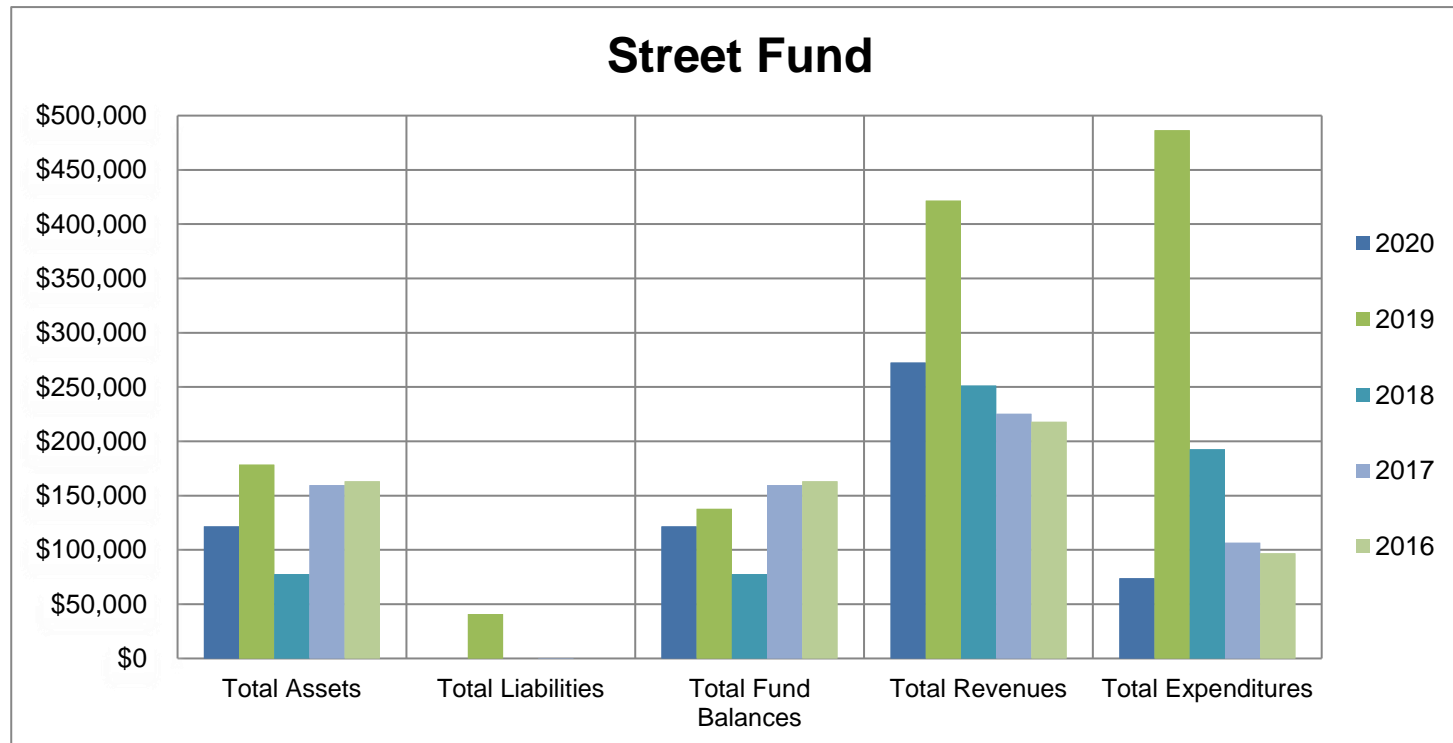
<u>General</u>	2020	2019	2018	2017	2016
Total Assets	\$ 334,238	\$ 149,222	\$ 134,106	\$ 239,972	\$ 520,609
Total Liabilities	69,437	44,859	13,540	33,647	37,378
Total Fund Balances	264,801	104,363	120,566	206,325	483,231
Total Revenues	2,111,438	2,233,055	1,772,420	1,848,109	1,778,397
Total Expenditures	2,006,500	2,385,258	1,897,179	2,125,015	1,812,046
Total Other Financing Sources/Uses	55,500	136,000	39,000		67,500



CITY OF FAIRFIELD BAY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2020
 (Unaudited)

Schedule 4-2

<u>Street</u>	2020	2019	2018	2017	2016
Total Assets	\$ 121,470	\$ 178,493	\$ 77,593	\$ 159,673	\$ 163,296
Total Liabilities		40,830		95	
Total Fund Balances	121,470	137,663	77,593	159,578	163,296
Total Revenues	272,444	421,693	251,217	225,287	218,000
Total Expenditures	73,987	486,519	192,731	106,453	96,974
Total Other Financing Sources/Uses	(214,650)	124,896	(140,471)	(122,552)	(124,833)



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

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Assets	\$ 459,939	\$ 246,675	\$ 544,730	\$ 756,312	\$ 521,171
Total Liabilities	81,907				
Total Fund Balances	378,032	246,675	544,730	756,312	521,171
Total Revenues	397,606	169,288	196,188	98,863	279,103
Total Expenditures	576,389	509,947	509,241	511,274	1,286,443
Total Other Financing Sources/Uses	310,140	42,604	101,471	647,552	869,833

