

**City of Malvern, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2017**

LEGISLATIVE JOINT AUDITING COMMITTEE

---



CITY OF MALVERN, ARKANSAS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Independent Auditor's Report  
Report on Internal Control Over Financial Reporting, Compliance and Other Matters, and Other Issues Based on an  
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

REGULATORY BASIS FINANCIAL STATEMENTS

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

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis	2
Notes to Schedules 1 and 2	

OTHER INFORMATION

Schedule of Capital Assets (Unaudited)	3
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	4-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	4-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	4-3

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Lance Eads**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Mary Bentley**  
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 Malvern, 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 Malvern, Arkansas, as of and for the year ended December 31, 2017, 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 Malvern, Arkansas, as of December 31, 2017, 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 Malvern, Arkansas, as of December 31, 2017, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Supplementary and Other Information***

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2018, 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  
August 29, 2018  
LOM105517

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Lance Eads**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Mary Bentley**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

City of Malvern, 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 Malvern, Arkansas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2018. 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) to determine 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Other Issues

The following issues are not significant deficiencies, material weaknesses, or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the City.

The commentary contained in this section relates to the following officials that held office during 2017:

Mayor: Brenda Weldon  
Clerk/Treasurer: Phyllis Dial  
District Court Clerk: Melba Russell (January 1, 2017 through December 8, 2017)  
Ashley Laster (December 8, 2017 through December 31, 2018)  
Police Chief: Donnie Taber  
Code Enforcement Officer: Jeremy Harper

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

Our audit procedures indicated that the **Clerk/Treasurer**, **Police Chief**, and **Code Enforcement Officer** offices were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **District Court Clerk**.

#### **Mayor**

The City did not solicit competitive bids for the purchase of a street sweeper costing \$173,367, in noncompliance with Ark. Code Ann. § 14-58-303.

#### **District Court Clerk**

During our examination of selected citations, we noted one defendant's court record was sealed without the District Court Judge's approval. The record of the defendant, who was a relative of the District Court Clerk (Clerk), was accessed and sealed on December 1, 2017, with the user name of Clerk, who retired from employment on December 8, 2017. We question the authority under which these court records were sealed and whether the requirements contained in Ark. Code Ann. §§ 16-90-1405, -1410, -1413 for sealing court records were met. Former Clerk Melba Russell was charged with two counts of tampering with public documents on August 21, 2018, and is scheduled to appear in court on September 11, 2018.

#### 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  
August 29, 2018

CITY OF MALVERN, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2017

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,386,245	\$ 214,087	\$ 1,670,352
Investments			1,551,672
Accounts receivable	<u>445,251</u>	<u>9,652</u>	<u>10,129</u>
TOTAL ASSETS	<u><u>\$ 2,831,496</u></u>	<u><u>\$ 223,739</u></u>	<u><u>\$ 3,232,153</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 155,282	\$ 17,815	\$ 14,965
Settlements pending			56,391
Total Liabilities	<u>155,282</u>	<u>17,815</u>	<u>71,356</u>
Fund Balances:			
Restricted	4,481	5,924	3,160,796
Assigned	1,091	200,000	1
Unassigned	<u>2,670,642</u>		
Total Fund Balances	<u>2,676,214</u>	<u>205,924</u>	<u>3,160,797</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,831,496</u></u>	<u><u>\$ 223,739</u></u>	<u><u>\$ 3,232,153</u></u>

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

CITY OF MALVERN, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
REVENUES			
State aid	\$ 176,144	\$ 709,789	\$ 114,337
Federal aid	32,568	7,046	577,676
Property taxes	437,921	131,307	131,202
Franchise fees	563,273		
Sales taxes	2,992,134		
Fines, forfeitures, and costs	61,521		72,261
Interest	11,303	128	40,933
Local permits and fees	56,558	46,725	
Airport hangar rent			10,439
Net Increase (decrease) in fair market value of investments			92,649
Insurance Proceeds	546,257		
Other	<u>25,362</u>	<u>8,455</u>	<u>1,193</u>
 TOTAL REVENUES	 <u>4,903,041</u>	 <u>903,450</u>	 <u>1,040,690</u>
EXPENDITURES			
Current:			
General government	1,208,363		189,170
Law enforcement	1,680,174		107,876
Highways and streets		1,076,212	
Public safety	1,329,126		199,797
Sanitation	456,978		
Recreation and culture	134,822		168,699
Social services	40,696		
Airport	13,595		425,191
Total Current	<u>4,863,754</u>	<u>1,076,212</u>	<u>1,090,733</u>
Debt Service:			
Lease principal	76,190	42,394	
Lease interest	<u>6,171</u>	<u>5,528</u>	
 TOTAL EXPENDITURES	 <u>4,946,115</u>	 <u>1,124,134</u>	 <u>1,090,733</u>



CITY OF MALVERN, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (43,074)</u>	<u>\$ (220,684)</u>	<u>\$ (50,043)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		200,000	51,385
Transfers out	<u>(251,385)</u>	<u>                    </u>	<u>                    </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(251,385)</u>	<u>200,000</u>	<u>51,385</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(294,459)	(20,684)	1,342
FUND BALANCES - JANUARY 1	<u>2,970,673</u>	<u>226,608</u>	<u>3,159,455</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,676,214</u></u>	<u><u>\$ 205,924</u></u>	<u><u>\$ 3,160,797</u></u>

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

CITY OF MALVERN, 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, 2017

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 189,212	\$ 176,144	\$ (13,068)	\$ 670,000	\$ 709,789	\$ 39,789
Federal aid	36,000	32,568	(3,432)		7,046	7,046
Property taxes	425,000	437,921	12,921	128,000	131,307	3,307
Franchise fees	600,000	563,273	(36,727)			
Sales taxes	2,762,580	2,992,134	229,554			
Fines, forfeitures, and costs	66,021	61,521	(4,500)			
Interest	15,685	11,303	(4,382)	100	128	28
Local permits and fees	55,600	56,558	958	45,000	46,725	1,725
Insurance Proceeds	546,257	546,257				
Other	291,143	25,362	(265,781)	7,000	8,455	1,455
<b>TOTAL REVENUES</b>	<b>4,987,498</b>	<b>4,903,041</b>	<b>(84,457)</b>	<b>850,100</b>	<b>903,450</b>	<b>53,350</b>
EXPENDITURES						
Current:						
General government	1,342,812	1,208,363	134,449			
Law enforcement	2,024,536	1,680,174	344,362			
Highways and streets				1,281,317	1,076,212	205,105
Public safety	1,344,435	1,329,126	15,309			
Sanitation	457,931	456,978	953			
Recreation and culture	190,301	134,822	55,479			
Social services	40,621	40,696	(75)			
Airport	13,548	13,595	(47)			
Total Current	5,414,184	4,863,754	550,430	1,281,317	1,076,212	205,105
Debt Service:						
Lease principal		76,190	(76,190)		42,394	(42,394)
Lease interest		6,171	(6,171)		5,528	(5,528)
<b>TOTAL EXPENDITURES</b>	<b>5,414,184</b>	<b>4,946,115</b>	<b>468,069</b>	<b>1,281,317</b>	<b>1,124,134</b>	<b>157,183</b>

CITY OF MALVERN, 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, 2017

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (426,686)	\$ (43,074)	\$ 383,659	\$ (431,217)	\$ (220,684)	\$ 210,533
OTHER FINANCING SOURCES (USES)						
Transfers in				200,000	200,000	
Transfers out		(251,385)	(251,385)			
TOTAL OTHER FINANCING SOURCES (USES)		(251,385)	(251,385)	200,000	200,000	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(426,686)	(294,459)	132,274	(231,217)	(20,684)	210,533
FUND BALANCES - JANUARY 1	2,621,275	2,970,673	349,398	245,000	226,608	(18,392)
FUND BALANCES - DECEMBER 31	<u>\$ 2,194,589</u>	<u>\$ 2,676,214</u>	<u>\$ 481,672</u>	<u>\$ 13,783</u>	<u>\$ 205,924</u>	<u>\$ 192,141</u>

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

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**A. Financial Reporting Entity**

The City of Malvern was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Water and Sewer and Economic Development Administration Grant. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are not included in this report.

**B. Basis of Presentation – Regulatory**

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

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. 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 Capital Projects Funds as reported with other funds in the aggregate.

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

**Agency Funds** - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Agency Funds as reported with other funds in the aggregate.

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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. 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.

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

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand accounts, certificates of deposit, and money market accounts.

Investments

Investments are reported at fair value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and other funds 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. 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 tax 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 MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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.

**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.

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,250,000	\$ 1,250,000
Collateralized:		
Collateral held by the City's agent, pledging bank, or pledging bank's trust department or agent in the City's name	3,020,332	3,238,266
Total Deposits	\$ 4,270,332	\$ 4,488,266

The above total deposits do not include cash on hand of \$352.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**Pension Trust Funds**

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

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 4: Public Fund Investments**

A summary of investments by fund types is as follows:

Fund Type	December 31, 2017 Fair Value
Firemen's Pension Trust	\$ 1,551,672

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

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

The City's investments are composed of the following:

December 31, 2017 Investment Type	Quoted Prices in Active Markets for Identical Investments Level I	Other Observable Inputs Level II	Total
Equities	\$ 550,837		\$ 550,837
Mutual Funds	822,115		822,115
Bonds		\$ 178,720	178,720
Totals	\$ 1,372,952	\$ 178,720	\$ 1,551,672

The fair value of equities and mutual funds are measured on a recurring basis and is based on quoted marked prices obtained from independent pricing sources, and are classified as Level I inputs. Bonds are valued at fair value using quoted market prices from third parties that use, as their basis readily observable market inputs, such as yields of similar instruments with comparable inputs. As a result, these were classified as Level II inputs.



CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 5: Accounts Receivable**

The accounts receivable balance at December 31, 2017, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Federal aid	\$ 4,704		
Property taxes	20,171	\$ 6,052	\$ 6,055
Franchise fees	109,950		
Sales taxes	259,680		
Fines, forfeitures, and costs	4,317		4,074
Local permits and fees	3,233	3,600	
Other	43,196		
Totals	<u>\$ 445,251</u>	<u>\$ 9,652</u>	<u>\$ 10,129</u>

**NOTE 6: Accounts Payable**

The accounts payable balance at December 31, 2017, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	<u>\$ 155,282</u>	<u>\$ 17,815</u>	<u>\$ 14,965</u>

CITY OF MALVERN, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**NOTE 7: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2017, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement	\$ 3,457		\$ 236,528
Highways and streets		\$ 5,924	
Public safety	1,024		73,058
Recreation and culture			348,927
Pension benefits			2,152,037
Capital outlay			350,246
Total Restricted	<u>4,481</u>	<u>5,924</u>	<u>3,160,796</u>
Assigned to:			
Law enforcement	662		
Highways and streets		200,000	
Public safety	429		
Capital outlay			1
Total Assigned	<u>1,091</u>	<u>200,000</u>	<u>1</u>
Unassigned	<u>2,670,642</u>		
Totals	<u>\$ 2,676,214</u>	<u>\$ 205,924</u>	<u>\$ 3,160,797</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, 2017, the legal debt limit for the bonded debt was \$16,546,686. 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, 2017, the legal debt limit for short-term financing obligations was \$4,590,366. The amount of short-term financing obligations was \$314,786, leaving a legal debt margin of \$4,275,580.

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 9: Commitments**

Total commitments consist of the following at December 31, 2017:

	December 31, 2017
Long-term liabilities	\$ 874,968
Construction contract	17,852
Total Commitments	\$ 892,820

Long-term liabilities

Long-term liabilities at December 31, 2017, are comprised of the following:

	December 31, 2017
Lease-purchase agreement with Oshkosh Capital for the purchase of a fire truck, five annual payments of \$82,360; 2.63% interest. Payments are to be made from the General Fund.	\$ 158,443
Lease-purchase agreement with Welch State Bank for the purchase of an excavator, 60 months of \$1,419; 3.26% interest. Payments are to be made from the Street Fund.	40,836
Lease purchase agreement with Tymco, Inc. for the purchase Street Sweeper, five annual payments of \$30,889; 2.75% interest. Payments are to be made from the Street Fund.	115,507
Compensated Absences	560,182
Total Long-term liabilities	\$ 874,968

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

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

CITY OF MALVERN, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**NOTE 9: Commitments (Continued)**

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2017:

<u>Years Ending December 31,</u>	<u>Lease-purchases</u>
2018	\$ 130,283
2019	130,283
2020	39,405
2021	<u>30,889</u>
Total Obligations	330,860
Less Interest	<u>16,074</u>
Total Principal	<u><u>\$ 314,786</u></u>

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2017:

<u>Project Name</u>	<u>Completion Date</u>	<u>December 31, 2017</u>
Millenium Park Dressing Room	February 2018	<u><u>\$ 17,852</u></u>

**NOTE 10: Interfund Transfers**

The General Fund transferred \$200,000 and \$51,385, respectively to the Street fund and Other Funds in the Aggregate (Airport Runway, Capital Projects Fund) to supplement operations.

**NOTE 11: Jointly Governed Organizations**

Group "6" Narcotics Enforcement Unit

The Prosecuting Attorneys of the Seventh and Ninth (East) Judicial Districts, the Sheriff's Departments of Clark, Grant, and Hot Spring Counties, and the Police Departments of Arkadelphia, Malvern, and Sheridan entered into an agreement on June 8, 2017 to continue the Group "6" Narcotics Enforcement Unit (agreement expires June 30, 2018). Funding is provided through federal and state grants in addition to contributions from the participating entities. The City made payments of \$2,500 to the Group "6" Narcotics Enforcement Unit in 2017. Separate financial statements of the Group "6" Narcotics Enforcement are not available.

Southwest Central Regional Solid Waste Management District

Pursuant to Act 752 of the Acts of Arkansas of 1991, the Southwest Central Regional Solid Waste Management District and Board were organized to protect public health and environmental quality for its service area by establishing a regional solid waste management system in Arkansas Counties of Clark, Garland, and Hot Spring. The District's board of directors is composed in accordance with the requirements of the Act and is comprised of representatives of the counties in the District and representatives of all first class cities, of all cities with a population over 2,000 and of the largest city of each county in the District. The City made no contributions to or disbursements on behalf of the District in 2017. Separate financial statements of the Southwest Central Regional Solid Waste Management District are available at 1000 Central Avenue, Hot Springs, AR, 71903.

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 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 MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 13: Firemen's Pension and Relief Plan**

Plan Description

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

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$ 88,332 for the year ended December 31, 2017. Based on the December 31, 2017 actuarial valuation, the plan has no pension liability.

Deferred Retirement Option Plan

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

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

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

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

**NOTE 14: Policemen's Pension and Relief Plan**

Plan Description

The Policemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal policemen 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 MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 14: Policemen's Pension and Relief Plan (Continued)**

Contributions

Active participants of the plan are required to make contributions of 6% of their salary to the plan, provided that such monthly deduction shall be 4% for policemen contributing to the social security system unless increased, but not to exceed 6%, by the majority of the contributing members of the police department covered by social security. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary; provided, however, that the City's contributions shall not exceed the amount contributed by the policemen except where authorized by appropriation of the City's governing body. The plan is also funded with state insurance tax; property tax on real estate and personal property; all forfeitures and fines imposed upon any member of the police department by way of discipline; all money given or donated to such fund; all money deducted from the salary of any member of the police department on account of absence or loss of time; all rewards paid for any purpose and 10% of all fines and forfeitures collected for violation of ordinances or state law. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, the beneficiaries shall be paid prorating the funds available among them. The City made no contribution to the plan for the year ended December 31, 2017. Based on the December 31, 2016 actuarial valuation, the plan has no net pension liability.

Deferred Retirement Option Plan

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

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

The participant has certain options regarding the method of payment.

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

**NOTE 15: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

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

CITY OF MALVERN, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 15: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan) (Continued)**

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 \$327,781 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$138,270 for the year ended December 31, 2017.

Net Pension Liability

The City's proportionate share of the collective net pension liability at December 31, 2017 (actuarial valuation date and measurement date) was \$3,251,894.

**NOTE 16: Arkansas Public Employees Retirement System**

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose Municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. 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 \$148,337 for the year ended June 30, 2017.

Net Pension Liability

The City's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$ 1,466,784.



CITY OF MALVERN, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2017

Schedule 1

SPECIAL REVENUE FUNDS

	Intoxication Detection	District Court Cost	Fire Equipment and Training (Act 833)	Police Block Grant	Seized and Forfeited Property	Library Tax	District Court Automation	Emergency Vehicle	Municipal Judge's and Clerk's Retirement
ASSETS									
Cash and cash equivalents	\$ 1,511	\$ 65,037	\$ 73,058	\$ 1,090	\$ 9,877	\$ 348,927	\$ 136,820	\$ 20,948	\$ 33,951
Investments									
Accounts receivable	14	30					1,201		648
<b>TOTAL ASSETS</b>	<b><u>\$ 1,525</u></b>	<b><u>\$ 65,067</u></b>	<b><u>\$ 73,058</u></b>	<b><u>\$ 1,090</u></b>	<b><u>\$ 9,877</u></b>	<b><u>\$ 348,927</u></b>	<b><u>\$ 138,021</u></b>	<b><u>\$ 20,948</u></b>	<b><u>\$ 34,599</u></b>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable									
Settlements pending									
Total Liabilities									
Fund Balances:									
Restricted	\$ 1,525	\$ 65,067	\$ 73,058	\$ 1,090	\$ 9,877	\$ 348,927	\$ 138,021	\$ 20,948	\$ 34,599
Assigned									
Total Fund Balances	<u>1,525</u>	<u>65,067</u>	<u>73,058</u>	<u>1,090</u>	<u>9,877</u>	<u>348,927</u>	<u>138,021</u>	<u>20,948</u>	<u>34,599</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,525</u></b>	<b><u>\$ 65,067</u></b>	<b><u>\$ 73,058</u></b>	<b><u>\$ 1,090</u></b>	<b><u>\$ 9,877</u></b>	<b><u>\$ 348,927</u></b>	<b><u>\$ 138,021</u></b>	<b><u>\$ 20,948</u></b>	<b><u>\$ 34,599</u></b>

CITY OF MALVERN, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2017

Schedule 1

	CAPITAL PROJECTS FUNDS			TRUST FUNDS		AGENCY FUNDS			Totals	
	Urban Development Action Grant	Ouachita River Park	Airport Runway	Firemen's Pension	Policemen's Pension	District Court	Administration of Justice	Payroll		State Fund Clearing
<b>ASSETS</b>										
Cash and cash equivalents	\$ 295,615	\$ 69,596	\$ 1	\$ 391,430	\$ 166,100	\$ 44,616	\$ 8	\$ 10,005	\$ 1,762	\$ 1,670,352
Investments				1,551,672						1,551,672
Accounts receivable				4,036	4,200					10,129
<b>TOTAL ASSETS</b>	<u>\$ 295,615</u>	<u>\$ 69,596</u>	<u>\$ 1</u>	<u>\$ 1,947,138</u>	<u>\$ 170,300</u>	<u>\$ 44,616</u>	<u>\$ 8</u>	<u>\$ 10,005</u>	<u>\$ 1,762</u>	<u>\$ 3,232,153</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable		\$ 14,965								\$ 14,965
Settlements pending						\$ 44,616	\$ 8	\$ 10,005	\$ 1,762	56,391
Total Liabilities		<u>14,965</u>				<u>44,616</u>	<u>8</u>	<u>10,005</u>	<u>1,762</u>	<u>71,356</u>
Fund Balances:										
Restricted	\$ 295,615	54,631		\$ 1,947,138	\$ 170,300					3,160,796
Assigned			\$ 1							1
Total Fund Balances	<u>295,615</u>	<u>54,631</u>	<u>1</u>	<u>1,947,138</u>	<u>170,300</u>					<u>3,160,797</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 295,615</u>	<u>\$ 69,596</u>	<u>\$ 1</u>	<u>\$ 1,947,138</u>	<u>\$ 170,300</u>	<u>\$ 44,616</u>	<u>\$ 8</u>	<u>\$ 10,005</u>	<u>\$ 1,762</u>	<u>\$ 3,232,153</u>

CITY OF MALVERN, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 2

	SPECIAL REVENUE FUNDS							
	Intoxication Detection	District Court Cost	Fire Equipment and Training (Act 833)	Police Block Grant	Seized and Forfeited Property	Library Tax	Arkansas Department of Economic Development Grant # 790-08868-14	District Court Automation
REVENUES								
State aid			\$ 32,078					
Federal aid				\$ 3,500			\$ 189,170	
Property taxes								
Fines, forfeitures, and costs	\$ 163	\$ 6,796			\$ 267			\$ 18,939
Interest		13	5		1	\$ 1,852		196
Airport hangar rent								
Net Increase (decrease) in fair market value of investments								
Other								
<b>TOTAL REVENUES</b>	<b>163</b>	<b>6,809</b>	<b>32,083</b>	<b>3,500</b>	<b>268</b>	<b>1,852</b>	<b>189,170</b>	<b>19,135</b>
EXPENDITURES								
Current:								
General government							189,170	
Law enforcement				3,500	1,609			7,103
Public safety						11,820		
Recreation and culture								
Airport								
<b>TOTAL EXPENDITURES</b>				<b>3,500</b>	<b>1,609</b>	<b>11,820</b>	<b>189,170</b>	<b>7,103</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>163</b>	<b>6,809</b>	<b>32,083</b>		<b>(1,341)</b>	<b>(9,968)</b>		<b>12,032</b>
OTHER FINANCING SOURCES (USES)								
Transfers in								
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>163</b>	<b>6,809</b>	<b>32,083</b>		<b>(1,341)</b>	<b>(9,968)</b>		<b>12,032</b>
FUND BALANCES - JANUARY 1	1,362	58,258	40,975	1,090	11,218	358,895		125,989
FUND BALANCES - DECEMBER 31	<u>\$ 1,525</u>	<u>\$ 65,067</u>	<u>\$ 73,058</u>	<u>\$ 1,090</u>	<u>\$ 9,877</u>	<u>\$ 348,927</u>	<u>\$ 0</u>	<u>\$ 138,021</u>

CITY OF MALVERN, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 2

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			TRUST FUNDS		Totals
	Emergency Vehicle	Municipal Judge's and Clerk's Retirement	Urban Development Action Grant	Ouachita River Park	Airport Runway	Firemen's Pension	Policemen's Pension	
REVENUES								
State aid					\$ 60,022	\$ 22,237		\$ 114,337
Federal aid					385,006			577,676
Property taxes						87,466	\$ 43,736	131,202
Fines, forfeitures, and costs	\$ 10,585	\$ 8,300					27,211	72,261
Interest	25	44	\$ 291	\$ 193		38,298	15	40,933
Airport hangar rent			10,439					10,439
Net Increase (decrease) in fair market value of investments						92,649		92,649
Other						1,193		1,193
<b>TOTAL REVENUES</b>	<b>10,610</b>	<b>8,344</b>	<b>10,730</b>	<b>193</b>	<b>445,028</b>	<b>241,843</b>	<b>70,962</b>	<b>1,040,690</b>
EXPENDITURES								
Current:								
General government								189,170
Law enforcement	6,105						89,559	107,876
Public safety						199,797		199,797
Recreation and culture				156,879				168,699
Airport					425,191			425,191
<b>TOTAL EXPENDITURES</b>	<b>6,105</b>			<b>156,879</b>	<b>425,191</b>	<b>199,797</b>	<b>89,559</b>	<b>1,090,733</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,505	8,344	10,730	(156,686)	19,837	42,046	(18,597)	(50,043)
OTHER FINANCING SOURCES (USES)								
Transfers in					51,385			51,385
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,505	8,344	10,730	(156,686)	71,222	42,046	(18,597)	1,342
FUND BALANCES - JANUARY 1	16,443	26,255	284,885	211,317	(71,221)	1,905,092	188,897	3,159,455
FUND BALANCES - DECEMBER 31	\$ 20,948	\$ 34,599	\$ 295,615	\$ 54,631	\$ 1	\$ 1,947,138	\$ 170,300	\$ 3,160,797

CITY OF MALVERN, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2017

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
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.
Police Block Grant	Malvern Ordinance no. 06-08 (August 14, 2006) established fund to process various state and federal grants received to fund equipment and supplies for the Police Department.
Seized and Forfeited Property	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Library Tax	Malvern Ordinance no. 06-08 (August 14, 2006) established fund for a one cent sales and use tax effective July 1, 2000 for a 24 month period to fund the constructing, improving, equipping, capital improvements, etc. for the public library.
Arkansas Department of Economic Development Grant # 790-08868-14	Malvern Resolution no. 20-15 (August 10, 2015) established fund to account for a grant to be received from the Arkansas Economic Development to construct additional loading docks and employee parking at the DLM - DIV of Systems, Inc. facility located in Malvern.
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.

CITY OF MALVERN, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2017

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

<u>Fund Name</u>	<u>Fund Description</u>
Municipal Judge's and Clerk's Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
Urban Development Action Grant	Malvern Ordinance no. 06-08 (August 14, 2006) established fund to process Urban Development Action Grants used to provide permanent finances for industrial facilities.
Ouachita River Park	Malvern Ordinance no. 06-08 (August 14, 2006) established fund to process grants and donations transferred from other entities to support the construction of the Ouachita River park.
Airport Runway	Established to process grants to improve the airport runway.
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.
Policemen's Pension	Ark. Code Ann. § 24-11-403 established fund to receive property taxes, state aid, and other revenues allowed by law for support of police retirement programs.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Payroll	Malvern Ordinance no. 06-08 (August 14, 2006) established account to process all employees payroll.
State Fund Clearing	Malvern Ordinance no. 06-08 (August 14, 2006) established account to process all state funds and distribute the funds appropriately.

CITY OF MALVERN, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2017  
(Unaudited)

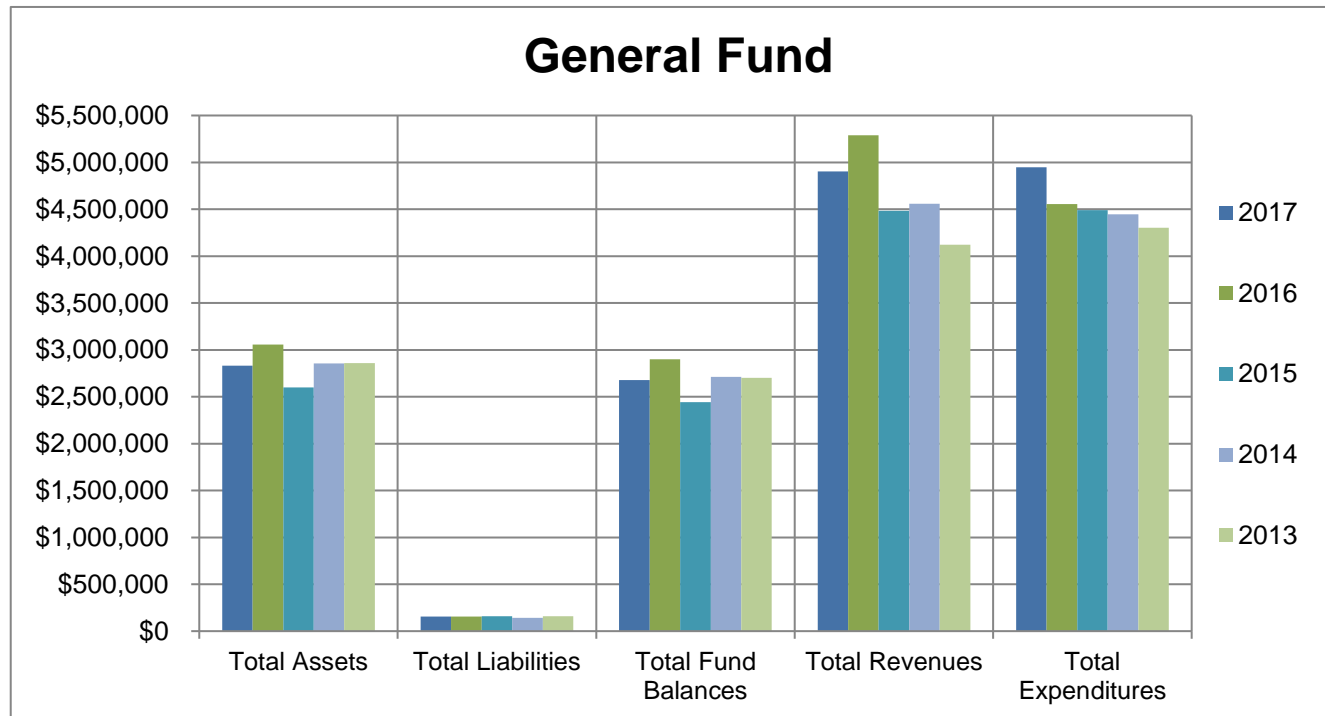
Schedule 3

	<u>December 31, 2017</u>
Land	\$ 1,003,463
Buildings & improvements	16,652,591
Equipment	3,215,005
Construction in progress	<u>156,879</u>
Total	<u>\$ 21,027,938</u>

CITY OF MALVERN, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2017  
 (Unaudited)

Schedule 4-1

<u>General</u>	2017	2016	2015	2014	2013
Total Assets	\$ 2,831,496	\$ 3,056,231	\$ 2,599,530	\$ 2,856,434	\$ 2,859,891
Total Liabilities	155,282	156,960	157,255	143,290	159,564
Total Fund Balances	2,676,214	2,899,271	2,442,275	2,713,144	2,700,327
Total Revenues	4,903,041	5,288,693	4,482,585	4,558,120	4,122,068
Total Expenditures	4,946,115	4,553,580	4,489,556	4,446,290	4,302,623
Total Other Financing Sources/Uses	(251,385)	(278,117)	(263,898)	(99,013)	(140,200)

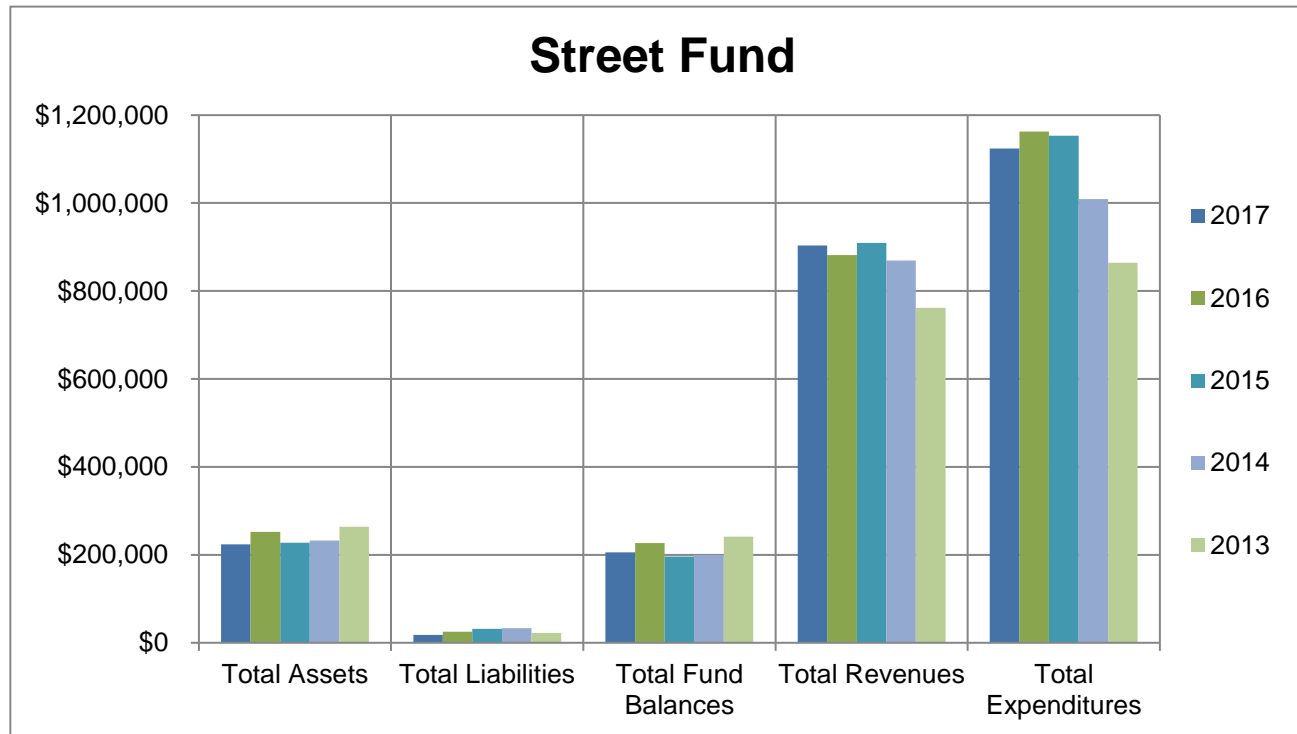




CITY OF MALVERN, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2017  
 (Unaudited)

Schedule 4-2

<u>Street</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 223,739	\$ 252,112	\$ 227,597	\$ 232,872	\$ 263,570
Total Liabilities	17,815	25,504	31,457	32,837	22,278
Total Fund Balances	205,924	226,608	196,140	200,035	241,292
Total Revenues	903,450	881,986	909,065	869,236	761,900
Total Expenditures	1,124,134	1,162,568	1,152,960	1,009,315	863,992
Total Other Financing Sources/Uses	200,000	311,050	240,000	98,822	186,356



CITY OF MALVERN, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2017  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets	\$ 3,232,153	\$ 3,246,156	\$ 3,132,722	\$ 3,184,376	\$ 3,093,009
Total Liabilities	71,356	15,299	26,364	73,124	25,784
Total Fund Balances	3,160,797	3,230,857	3,106,358	3,111,252	3,067,225
Total Revenues	1,040,690	564,866	644,473	693,177	371,383
Total Expenditures	1,090,733	522,121	673,265	649,341	360,404
Total Other Financing Sources/Uses	51,385	(32,933)	23,898	191	(10,238)

