

City of Cherokee Village, Arkansas

Financial and Compliance Report

December 31, 2019 and 2018

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF CHEROKEE VILLAGE, ARKANSAS
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 FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

Financial and Compliance Report

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Arkansas

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Sen. Gary Stubblefield
Senate Vice Chair



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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

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

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

We have performed certain limited procedures with respect to cash basis financial information and compliance with certain state laws and accepted accounting practices for the City of Cherokee Village, Arkansas, as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated March 18, 2021. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The findings contained in this section relate to the following officials who held office during 2019 and 2018:

Mayor: Russ Stokes
Clerk: Deborah Weichinger
Treasurer: Kathi Blackwell
District Court Clerk: Sandra Elliot
Police Chief: Rickey Crook

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

Noncompliance with state law and accepted accounting practices was noted in the office of **Mayor**.

Mayor

The governing body did not review the prior report and accompanying comments at the first regularly scheduled meeting following receipt of the report, in noncompliance with Ark. Code Ann. § 10-4-418.

Other Matters

Four (4) unauthorized withdrawals totaling \$8,917 were made from City bank accounts on November 21, 2018 and December 3, 2018. City personnel discovered the unauthorized withdrawals upon reconciliation of the affected bank account, and the funds were recovered from the bank.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
March 18, 2021
LOM110319

CITY OF CHEROKEE VILLAGE, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019
(UNAUDITED)

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,028,784	\$ 176,626	\$ 104,812
Accounts receivable	121,232	171	4,319
TOTAL ASSETS	\$ 1,150,016	\$ 176,797	\$ 109,131
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 31,541	\$ 6,864	
Settlements pending			\$ 41,978
Total Liabilities	31,541	6,864	41,978
Fund Balances:			
Restricted	98,698	169,933	67,153
Committed	211,804		
Assigned	4,667		
Unassigned	803,306		
Total Fund Balances	1,118,475	169,933	67,153
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,150,016	\$ 176,797	\$ 109,131

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 73,845	\$ 334,909	\$ 53,334
Federal aid	3,300		
Property taxes	284,524	52,253	
Franchise fees	230,089		
Sales taxes	776,454		
Fines, forfeitures, and costs	49,169		3,468
Interest	12,318	2,330	674
Local permits and fees	39,622		
Advertising and promotion taxes			27,206
Contribution from improvement district	518,107	301,225	
Alcoholic beverage tax	1,702		
Donations	24,249		15,353
Other	43,157	23,415	2,000
TOTAL REVENUES	2,056,536	714,132	102,035
EXPENDITURES			
Current:			
General government	412,517		
Law enforcement	718,059		3,271
Highways and streets		734,405	
Public safety	854,026		50,513
Advertising and promotion			31,898
Total Current	1,984,602	734,405	85,682
Debt Service:			
Note principal	12,939		
Note interest	256		
TOTAL EXPENDITURES	1,997,797	734,405	85,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	58,739	(20,273)	16,353
OTHER FINANCING SOURCES (USES)			
Transfers in		25,000	
Transfers out	(25,000)		
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	25,000	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	33,739	4,727	16,353
FUND BALANCES - JANUARY 1	1,084,736	165,206	50,800
FUND BALANCES - DECEMBER 31	<u>\$ 1,118,475</u>	<u>\$ 169,933</u>	<u>\$ 67,153</u>

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

CITY OF CHEROKEE VILLAGE, 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, 2019
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 77,475	\$ 73,845	\$ (3,630)	\$ 210,000	\$ 334,909	\$ 124,909
Federal aid		3,300	3,300			
Property taxes	285,000	284,524	(476)		52,253	52,253
Franchise fees	222,000	230,089	8,089			
Sales taxes	708,600	776,454	67,854	171,000		(171,000)
Fines, forfeitures, and costs	50,000	49,169	(831)			
Interest		12,318	12,318		2,330	2,330
Local permits and fees	33,300	39,622	6,322			
Contribution from improvement district		518,107	518,107		301,225	301,225
Alcoholic beverage tax		1,702	1,702			
Donations		24,249	24,249			
Other	437,200	43,157	(394,043)	233,180	23,415	(209,765)
TOTAL REVENUES	1,813,575	2,056,536	242,961	614,180	714,132	99,952
EXPENDITURES						
Current:						
General government	384,548	412,517	(27,969)			
Law enforcement	724,926	718,059	6,867			
Highways and streets				734,302	734,405	(103)
Public safety	721,875	854,026	(132,151)			
Total Current	1,831,349	1,984,602	(153,253)	734,302	734,405	(103)
Debt Service:						
Note principal		12,939	(12,939)			
Note interest		256	(256)			
TOTAL EXPENDITURES	1,831,349	1,997,797	(166,448)	734,302	734,405	(103)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,774)	58,739	76,513	(120,122)	(20,273)	99,849
OTHER FINANCING SOURCES (USES)						
Transfers in					25,000	25,000
Transfers out		(25,000)	(25,000)			
TOTAL OTHER FINANCING SOURCES (USES)		(25,000)	(25,000)		25,000	25,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(17,774)	33,739	51,513	(120,122)	4,727	124,849
FUND BALANCES - JANUARY 1	997,831	1,084,736	86,905	248,010	165,206	(82,804)
FUND BALANCES - DECEMBER 31	<u>\$ 980,057</u>	<u>\$ 1,118,475</u>	<u>\$ 138,418</u>	<u>\$ 127,888</u>	<u>\$ 169,933</u>	<u>\$ 42,045</u>

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018
(UNAUDITED)

Exhibit A-1

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 997,855	\$ 164,604	\$ 115,090
Accounts receivable	<u>117,003</u>	<u>6,667</u>	<u>2,527</u>
TOTAL ASSETS	<u>\$ 1,114,858</u>	<u>\$ 171,271</u>	<u>\$ 117,617</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 30,122	\$ 6,065	
Settlements pending			\$ 66,817
Total Liabilities	<u>30,122</u>	<u>6,065</u>	<u>66,817</u>
Fund Balances:			
Restricted	8,025	165,206	50,800
Committed	198,704		
Assigned	9,702		
Unassigned	868,305		
Total Fund Balances	<u>1,084,736</u>	<u>165,206</u>	<u>50,800</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,114,858</u>	<u>\$ 171,271</u>	<u>\$ 117,617</u>

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Exhibit B-1

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 73,987	\$ 327,157	\$ 51,467
Federal aid	500		
Property taxes	279,450	51,964	
Franchise fees	220,825		
Sales taxes	709,769		
Fines, forfeitures, and costs	50,788		3,560
Interest	1,992	222	26
Local permits and fees	34,618		
Advertising and promotion taxes			19,132
Contribution from improvement district	384,646	223,631	
Alcoholic beverage tax	2,648		
Donations	8,641		16,076
Other	22,625	10,344	904
TOTAL REVENUES	1,790,489	613,318	91,165
EXPENDITURES			
Current:			
General government	318,404		
Law enforcement	603,628		3,580
Highways and streets		585,190	
Public safety	692,466		54,570
Advertising and promotion			20,912
Total Current	1,614,498	585,190	79,062
Debt Service:			
Note principal	12,622		
Note interest	573		
TOTAL EXPENDITURES	1,627,693	585,190	79,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	162,796	28,128	12,103
OTHER FINANCING SOURCES (USES)			
Transfers in			1,393
Transfers out	(1,393)		
TOTAL OTHER FINANCING SOURCES (USES)	(1,393)		1,393
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	161,403	28,128	13,496
FUND BALANCES - JANUARY 1	923,333	137,078	37,304
FUND BALANCES - DECEMBER 31	\$ 1,084,736	\$ 165,206	\$ 50,800

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

CITY OF CHEROKEE VILLAGE, 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, 2018
(UNAUDITED)

Exhibit C-1

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 77,450	\$ 73,987	\$ (3,463)	\$ 207,000	\$ 327,157	\$ 120,157
Federal aid		500	500			
Property taxes	685,000	279,450	(405,550)	237,000	51,964	(185,036)
Franchise fees	207,000	220,825	13,825			
Sales taxes	670,500	709,769	39,269	174,000		(174,000)
Fines, forfeitures, and costs	50,590	50,788	198			
Interest		1,992	1,992		222	222
Local permits and fees	30,825	34,618	3,793			
Contribution from improvement district		384,646	384,646		223,631	223,631
Alcoholic beverage tax		2,648	2,648			
Donations		8,641	8,641			
Other	319,800	22,625	(297,175)	7,980	10,344	2,364
TOTAL REVENUES	2,041,165	1,790,489	(250,676)	625,980	613,318	(12,662)
EXPENDITURES						
Current:						
General government	621,690	318,404	303,286			
Law enforcement	715,054	603,628	111,426			
Highways and streets				625,347	585,190	40,157
Public safety	700,328	692,466	7,862			
Total Current	2,037,072	1,614,498	422,574	625,347	585,190	40,157
Debt Service:						
Note principal		12,622	(12,622)			
Note interest		573	(573)			
TOTAL EXPENDITURES	2,037,072	1,627,693	409,379	625,347	585,190	40,157
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,093	162,796	158,703	633	28,128	27,495
OTHER FINANCING SOURCES (USES)						
Transfers out		(1,393)	(1,393)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,093	161,403	157,310	633	28,128	27,495
FUND BALANCES - JANUARY 1	857,325	923,333	66,008	141,394	137,078	(4,316)
FUND BALANCES - DECEMBER 31	<u>\$ 861,418</u>	<u>\$ 1,084,736</u>	<u>\$ 223,318</u>	<u>\$ 142,027</u>	<u>\$ 165,206</u>	<u>\$ 23,179</u>

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS					CUSTODIAL FUNDS		Totals
	District Court Automation	Advertising and Promotion	Fire Equipment and Training (Act 833)	Federal Emergency Management Agency (FEMA)	Cherokee Village Tornado Siren	District Court	Payroll	
ASSETS								
Cash and cash equivalents	\$ 258	\$ 36,780	\$ 24,125	\$ 240	\$ 1,431	\$ 10,561	\$ 31,417	\$ 104,812
Accounts receivable	370	3,949						4,319
TOTAL ASSETS	\$ 628	\$ 40,729	\$ 24,125	\$ 240	\$ 1,431	\$ 10,561	\$ 31,417	\$ 109,131
LIABILITIES AND FUND BALANCES								
Liabilities:								
Settlements pending						\$ 10,561	\$ 31,417	\$ 41,978
Fund Balances:								
Restricted	\$ 628	\$ 40,729	\$ 24,125	\$ 240	1,431			67,153
TOTAL LIABILITIES AND FUND BALANCES	\$ 628	\$ 40,729	\$ 24,125	\$ 240	\$ 1,431	\$ 10,561	\$ 31,417	\$ 109,131

CITY OF CHEROKEE VILLAGE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS					Totals
	District Court Automation	Advertising and Promotion	Fire Equipment and Training (Act 833)	Federal Emergency Management Agency (FEMA)	Cherokee Village Tornado Siren	
REVENUES						
State aid			\$ 53,334			\$ 53,334
Fines, forfeitures, and costs	\$ 3,468					3,468
Interest		\$ 407	247	\$ 3	\$ 17	674
Advertising and promotion taxes		27,206				27,206
Donations		15,353				15,353
Other			2,000			2,000
TOTAL REVENUES	3,468	42,966	55,581	3	17	102,035
EXPENDITURES						
Current:						
Law enforcement	3,271					3,271
Public safety			50,513			50,513
Advertising and promotion		31,898				31,898
TOTAL EXPENDITURES	3,271	31,898	50,513			85,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	197	11,068	5,068	3	17	16,353
FUND BALANCES - JANUARY 1, AS RESTATED	431	29,661	19,057	237	1,414	50,800
FUND BALANCES - DECEMBER 31	<u>\$ 628</u>	<u>\$ 40,729</u>	<u>\$ 24,125</u>	<u>\$ 240</u>	<u>\$ 1,431</u>	<u>\$ 67,153</u>

CITY OF CHEROKEE VILLAGE, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2018
 (UNAUDITED)

Schedule 3

	SPECIAL REVENUE FUNDS					CUSTODIAL FUNDS		Totals
	District Court Automation	Advertising and Promotion	Fire Equipment and Training (Act 833)	Federal Emergency Management Agency (FEMA)	Cherokee Village Tornado Siren	District Court	Payroll	
ASSETS								
Cash and cash equivalents	\$ 206	\$ 28,268	\$ 18,148	\$ 237	\$ 1,414	\$ 5,550	\$ 61,267	\$ 115,090
Accounts receivable	225	1,393	909					2,527
TOTAL ASSETS	\$ 431	\$ 29,661	\$ 19,057	\$ 237	\$ 1,414	\$ 5,550	\$ 61,267	\$ 117,617
LIABILITIES AND FUND BALANCES								
Liabilities:								
Settlements pending						\$ 5,550	\$ 61,267	\$ 66,817
Fund Balances:								
Restricted	\$ 431	\$ 29,661	\$ 19,057	\$ 237	\$ 1,414			50,800
TOTAL LIABILITIES AND FUND BALANCES	\$ 431	\$ 29,661	\$ 19,057	\$ 237	\$ 1,414	\$ 5,550	\$ 61,267	\$ 117,617

CITY OF CHEROKEE VILLAGE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (UNAUDITED)

Schedule 4

	SPECIAL REVENUE FUNDS					Totals
	District Court Automation	Advertising and Promotion	Fire Equipment and Training (Act 833)	Federal Emergency Management Agency (FEMA)	Cherokee Village Tornado Siren	
REVENUES						
State aid			\$ 51,467			\$ 51,467
Fines, forfeitures, and costs	\$ 3,560					3,560
Interest		\$ 18	3		\$ 5	26
Advertising and promotion taxes		19,132				19,132
Donations		13,786			2,290	16,076
Other		904				904
TOTAL REVENUES	3,560	33,840	51,470		2,295	91,165
EXPENDITURES						
Current:						
Law enforcement	3,580					3,580
Public safety			48,487		6,083	54,570
Advertising and promotion		20,912				20,912
TOTAL EXPENDITURES	3,580	20,912	48,487		6,083	79,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20)	12,928	2,983		(3,788)	12,103
OTHER FINANCING SOURCES (USES)						
Transfers in					1,393	1,393
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(20)	12,928	2,983		(2,395)	13,496
FUND BALANCES - JANUARY 1	451	16,733	16,074	\$ 237	3,809	37,304
FUND BALANCES - DECEMBER 31	\$ 431	\$ 29,661	\$ 19,057	\$ 237	\$ 1,414	\$ 50,800

CITY OF CHEROKEE VILLAGE, ARKANSAS
NOTES TO SCHEDULES 1 THROUGH 4
DECEMBER 31, 2019

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

<u>Fund Name</u>	<u>Fund Description</u>
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.
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
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.
Federal Emergency Management Agency (FEMA)	Established to account for FEMA grants for damages from disasters.
Cherokee Village Tornado Siren	Established to receive donations and grants for the purchase of tornado sirens.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Established to disburse City's payroll expenditures.

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

1. **A. Basis of Presentation – Regulatory**

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

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

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

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

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

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

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

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

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The Custodial Funds presented on Schedule 1 are reported with other funds in the aggregate.

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

1. (Continued)

B. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

C. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts.

Settlements Pending

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

Fund Balance Classifications

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

1. (Continued)

D. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

E. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds.

F. Fund Balance Classification Policies and Procedures

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

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

2. Details of Fund Balance Classifications

Fund balance classifications at December 31, 2019, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 628
Highways and streets		\$ 169,933	240
Public safety	\$ 98,698		25,556
Advertising and promotion			40,729
Total Restricted	<u>98,698</u>	<u>169,933</u>	<u>67,153</u>
Committed for:			
General government	<u>211,804</u>		
Assigned to:			
General government	180		
Law enforcement	4,437		
Public safety	50		
Total Assigned	<u>4,667</u>		
Unassigned	<u>803,306</u>		
Totals	<u>\$ 1,118,475</u>	<u>\$ 169,933</u>	<u>\$ 67,153</u>

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

2. Details of Fund Balance Classifications (Continued)

Fund balance classifications at December 31, 2018, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 431
Highways and streets		\$ 165,206	237
Public safety	\$ 8,025		20,471
Advertising and promotion			29,661
Total Restricted	<u>8,025</u>	<u>165,206</u>	<u>50,800</u>
Committed for:			
General government	<u>198,704</u>		
Assigned to:			
General government	180		
Law enforcement	9,472		
Public safety	50		
Total Assigned	<u>9,702</u>		
Unassigned	<u>868,305</u>		
Totals	<u>\$ 1,084,736</u>	<u>\$ 165,206</u>	<u>\$ 50,800</u>

3. Commitments

Total commitments consist of the following at December 31, 2019:

	December 31, 2019	December 31, 2018
Long-term liabilities	<u>\$ 2,322</u>	<u>\$ 15,261</u>

Long-term liabilities

Long-term liabilities at December 31, 2019 and 2018, are comprised of the following:

	December 31, 2019	December 31, 2018
<u>Direct Borrowings</u>		
First Community Bank loan, dated April 5, 2017, in the amount of \$38,107, issued for the purpose of purchasing two new police vehicles. 36 payments of \$1,100 are to be made monthly, beginning May 21, 2017. Interest rate is 2.45%. Payments are to be made from the General Fund (Police Department account).	<u>\$ 2,322</u>	<u>\$ 15,261</u>

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

3. Commitments (Continued)

The City's outstanding notes from direct borrowings of \$15,261 and \$2,322 in 2019 and 2018, respectively, 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.

Post Employment Benefits Other Than Pensions

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

Long-Term Debt Issued and Outstanding

The City is presently paying on the following long-term debt at December 31, 2019:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2019</u>	<u>Maturities to December 31, 2019</u>
<u>Direct Borrowings</u>					
4/5/17	4/21/20	2.45%	\$ 38,107	\$ 2,322	\$ 35,785

The City is presently paying on the following long-term debt at December 31, 2018:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2018</u>	<u>Maturities to December 31, 2018</u>
<u>Direct Borrowings</u>					
4/5/17	4/21/20	2.45%	\$ 38,107	\$ 15,261	\$ 22,846

Changes in Long-Term Debt

Changes in Long-Term Debt comprised of the following at December 31, 2019:

	<u>Balance January 01, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2019</u>
<u>Direct Borrowings</u>				
Notes payable	\$ 15,261	\$ 0	\$ 12,939	\$ 2,322

Changes in Long-Term Debt comprised of the following at December 31, 2018:

	<u>Balance January 01, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2018</u>
<u>Direct Borrowings</u>				
Notes payable	\$ 27,883	\$ 0	\$ 12,622	\$ 15,261

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

3. Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2019:

Years Ending December 31,	Direct Borrow ings		
	Principal	Interest	Total
2020	\$ 2,322	\$ 14	\$ 2,336

The City is obligated for the following amounts at December 31, 2018:

Years Ending December 31,	Direct Borrow ings		
	Principal	Interest	Total
2019	\$ 12,939	\$ 256	\$ 13,195
2020	2,322	14	2,336
Totals	\$ 15,261	\$ 270	\$ 15,531

4. Interfund Transfers

The General Fund transferred \$25,000 to the Street Fund in 2019 for future street projects.

The General Fund transferred \$1,393 to Other Funds in the Aggregate (Cherokee Village Tornado Siren) in 2018 to supplement the purchase and installation of tornado sirens.

**5. Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

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

Funding Policy

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

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

CITY OF CHEROKEE VILLAGE, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2019 and 2018

**5. Local Police and Fire Retirement System (LOPFI) (Continued)
(A Defined Benefit Pension Plan)**

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 contributions to the plan were \$138,403 and \$119,189, and the amounts of insurance tax paid by the state to the plan for the benefit of the City were \$73,117 and \$71,849 for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018 (actuarial valuation date and measurement date) was \$1,636,872 and \$1,994,516.

6. Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contributions to the plan were \$6,668 and \$5,306 for the years ended June 30, 2019 and 2018, respectively.

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 shares of the collective net pension liability at June 30, 2019 and 2018 (actuarial valuation date and measurement date) were \$54,869 and \$42,367, respectively.

CITY OF CHEROKEE VILLAGE, ARKANSAS
 OTHER GENERAL INFORMATION
 DECEMBER 31, 2019 and 2018

7. Capital Assets

The Municipality's capital assets records are summarized below :

	December 31, 2019	December 31, 2018
Land and Buildings	\$ 770,820	\$ 770,820
Equipment	3,086,829	2,972,689
Total	\$ 3,857,649	\$ 3,743,509

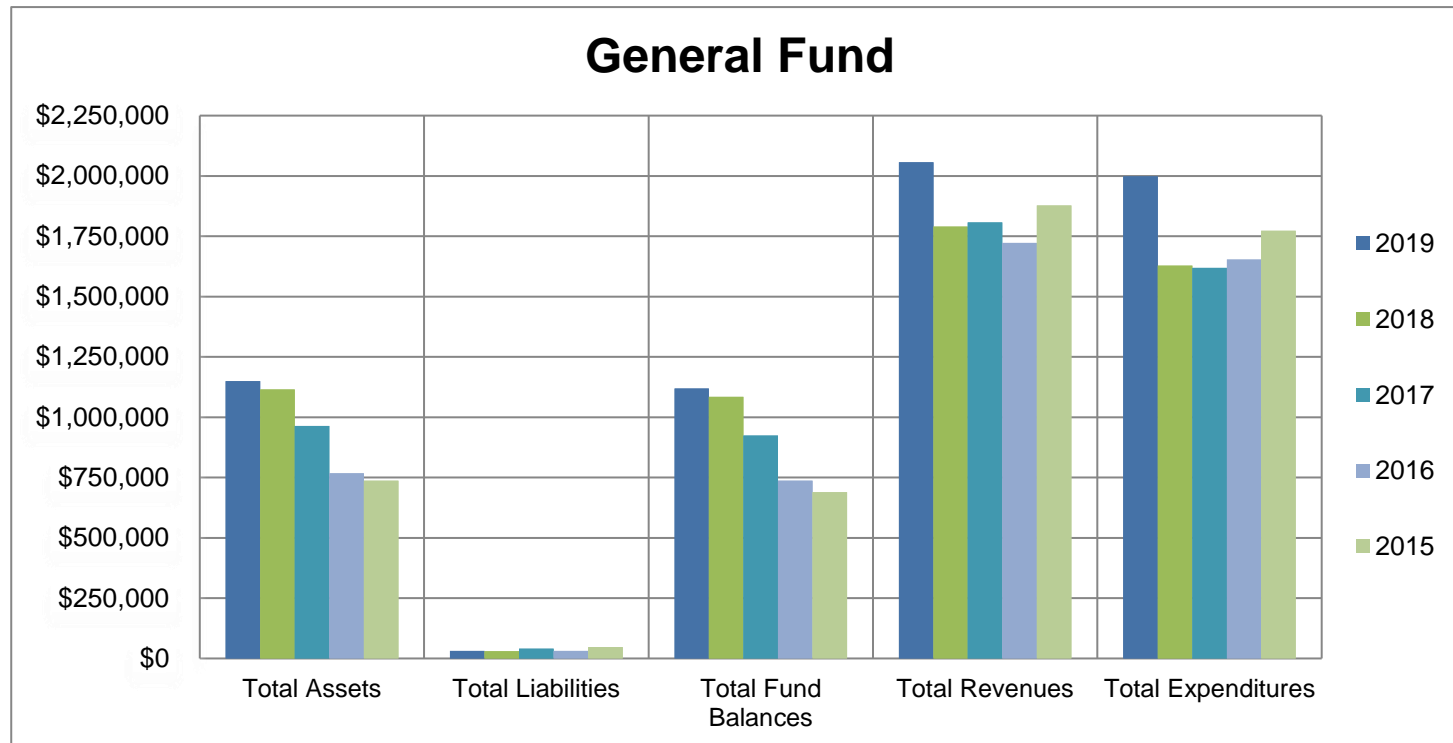
8. Subsequent Event

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on the financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak, revenue collections, and any other possible issues – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the City is uncertain. On December 14, 2020, the City received \$185,054 in federal aid from the Coronavirus Aid, Relief, and Economic Securities (CARES) Act.

CITY OF CHEROKEE VILLAGE, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
 DECEMBER 31, 2019
 (Unaudited)

Schedule 5-1

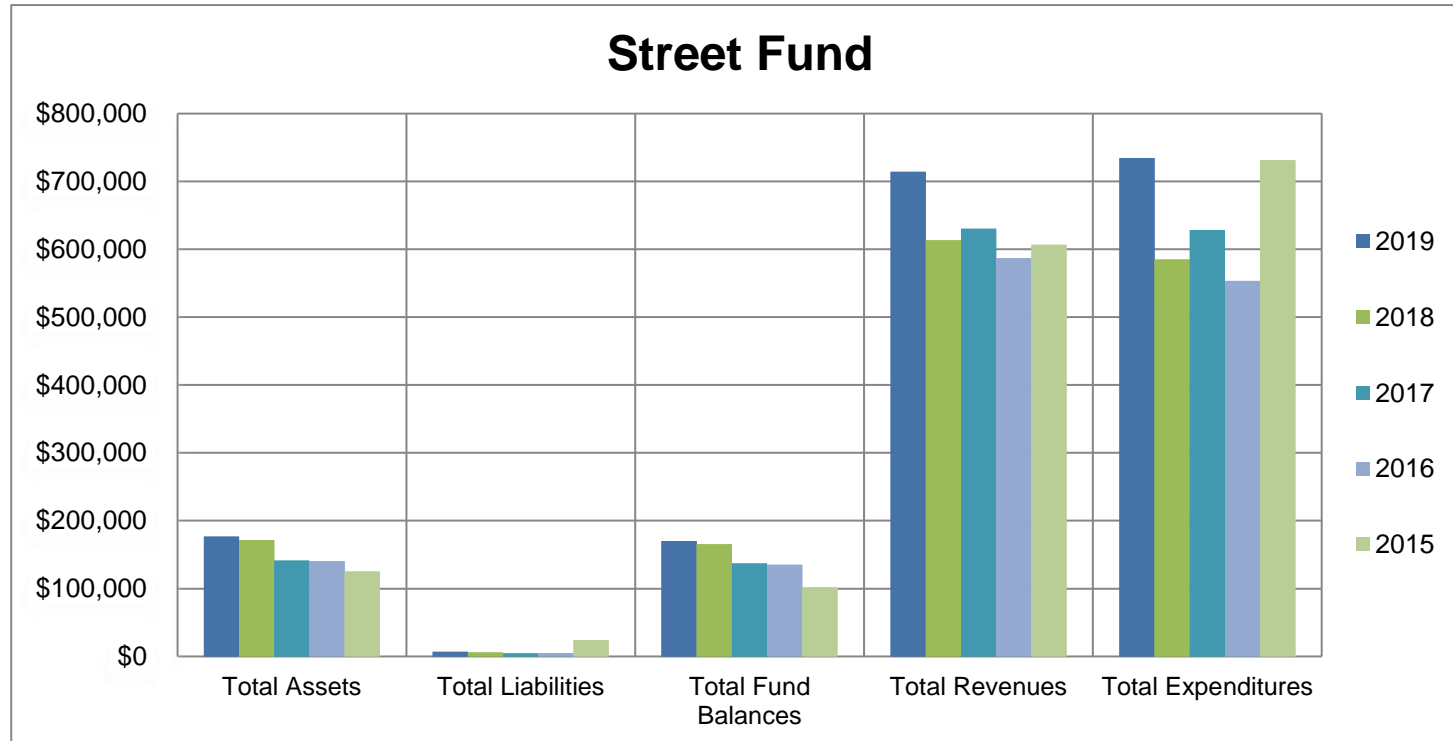
<u>General</u>	2019	2018	2017	2016	2015
Total Assets	\$ 1,150,016	\$ 1,114,858	\$ 964,204	\$ 767,794	\$ 736,497
Total Liabilities	31,541	30,122	40,871	31,163	47,111
Total Fund Balances	1,118,475	1,084,736	923,333	736,631	689,386
Total Revenues	2,056,536	1,790,489	1,807,696	1,722,193	1,876,902
Total Expenditures	1,997,797	1,627,693	1,618,994	1,653,587	1,772,799
Total Other Financing Sources/Uses	(25,000)	(1,393)	(2,000)		(5,000)



CITY OF CHEROKEE VILLAGE, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
 DECEMBER 31, 2019
 (Unaudited)

Schedule 5-2

<u>Street</u>	2019	2018	2017	2016	2015
Total Assets	\$ 176,797	\$ 171,271	\$ 141,493	\$ 140,404	\$ 125,412
Total Liabilities	6,864	6,065	4,415	5,053	23,662
Total Fund Balances	169,933	165,206	137,078	135,351	101,750
Total Revenues	714,132	613,318	630,081	586,866	606,828
Total Expenditures	734,405	585,190	628,354	553,265	731,436
Total Other Financing Sources/Uses	25,000				



CITY OF CHEROKEE VILLAGE, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
 DECEMBER 31, 2019
 (Unaudited)

Schedule 5-3

<u>Other Funds in the Aggregate</u>	2019	2018	2017	2016	2015
Total Assets	\$ 109,131	\$ 117,617	\$ 100,787	\$ 74,635	\$ 51,457
Total Liabilities	41,978	66,817	63,483	49,642	41,243
Total Fund Balances	67,153	50,800	37,304	24,993	10,214
Total Revenues	102,035	91,165	98,541	95,903	15,759
Total Expenditures	85,682	79,062	88,230	102,485	26,870
Total Other Financing Sources/Uses		1,393	2,000		5,000

