

**City of Bull Shoals, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2020**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF BULL SHOALS, ARKANSAS  
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# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

City of Bull Shoals, 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 Bull Shoals, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

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

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

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

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

**Unmodified Opinions on Regulatory Basis of Accounting**

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

**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 April 5, 2022, 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  
April 5, 2022  
LOM201920

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

City of Bull Shoals, 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 Bull Shoals, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2022. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

2020-1 Arkansas Code requires City management to maintain financial records. The financial records contained omissions/errors that are considered material as specified below:

The General Fund financial records contained misstatements in assets, fund balance, revenues, and expenditures in the amounts of \$354,284, \$94,613, \$435,650, \$35,768, respectively, primarily due to revenue and expense transactions posted to balance sheet accounts and unrecorded accounts receivable and payable.

The Street Fund financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures in the amounts of \$304,901, \$2,272, \$5,375, \$3,103, and \$304,069, respectively, primarily due to revenue and expense transactions posted to balance sheet accounts.

The Other Funds in the Aggregate financial records contained misstatements in assets, liabilities, fund balance, revenues, and expenditures in the amounts of \$13,110, \$2,430, \$75, \$23,526, and \$13,355, respectively, primarily due to revenue and expense transactions posted to balance sheet accounts and unrecorded accounts payable and receivable.

The effect of these omissions/errors constitutes a control deficiency in the process of preparing financial statements.

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

The Mayor and Recorder/Treasurer concurred with the above recommendation and have approved the appropriate adjustments to the City's financial records.

Compliance and Other Matters

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

Entity's Response to Findings

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

We also reported to management of the City in a separate letter dated April 5, 2022.

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  
April 5, 2022

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

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

Mayor: David Nixon  
Recorder/Treasurer: Tina Bailey  
District Court Clerk: Jessica Wilkinson  
Police Chief: James Kuchenbecker

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

#### Mayor and Recorder/Treasurer

1. The City paid a total of \$10,001 to operate a Shop with a Cop program: \$2,000 in 2021, \$5,543 in 2020, \$2,358 in 2019, and \$100 in 2018. These payments conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 91-410. Although the City received private donations to fund these purchases, we were unable to determine which donations were for the Shop with a Cop program because documentation was not available for all donations and expenditures were recorded in multiple accounts. It should be noted that all funds were spent in 2021, and the program is now being administered by the Fire Department auxiliary.
2. The Local Police and Fire Retirement System (LOPFI) completed a formal review of City records for January 2017 through April 2021. This review noted a \$17,813 underpayment of member and employer contributions. The City was assessed penalties of \$1,425 as a result of these errors. The City paid \$19,238 to LOPFI in June 2021.
3. An accountant hired by the City failed to withhold \$2,146 in employee insurance premiums. The accountant acknowledged the error in November 2021 and reimbursed the City on March 30, 2022. A similar clerical error was noted in the 2019-2018 Financial and Compliance Report.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Marti Steel".

Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
April 5, 2022

## *City of Bull Shoals*

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April 12, 2022

Dear Arkansas Legislative Audit Committee,

It has come to my attention for the 2018-2020 Audit that we have 2 reported findings, 7 sub-findings, and recommendations for the 2019 engagement year.

To the first reportable finding LOM201919-023, we have corrected this finding by making sure the payroll and taxes are verified for each payroll. The accountant also paid the city back for the mistake on March 31, 2022. This check was deposited into the general account to cover the reimbursement of the payroll and taxes.

To the second reportable finding LOM201919-024, we have corrected this finding by changing our software to develop a receipts and disbursements journal for each month. We are also verifying each journal with initials from the recorder/treasurer.

To the Sub-Finding LOM201919-005, we have corrected this by creating a fixed assets listing with additions, deletions, and total for each department.

To the Sub-Finding LOM201919-07, we have corrected this finding by creating a transfer slip that has to be signed by both the Mayor and Recorder/Treasurer for electronic transfers.

To the Sub-Finding LOM201919-008, we started receipting all items of income with prenumbered receipts and list them on all deposits.

To the Sub-Finding LOMO201919-010, we will contact the State Treasurer's Office to research how to take care of the old outstanding checks. I had found extra checks in the Solid Waste file and did not know this would be a problem to use them. I will not use checks that are not in sequential order.

To the Sub-Finding LOM201919-017, we have changed the internal controls of the reconciliations by the accountant does the reconciliation and the recorder/treasurer approves it.

To the Sub-Finding LOM201919-020, we make sure each payment is coded to the budget and correct fund.

To the Sub-Finding LOM201919-021, we will reimburse the City Court accordingly.

  
To the first reportable finding LOM201920-020, we have corrected our internal controls so that this may not happen again.

## *City of Bull Shoals*

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To the second reportable finding LOM201920-021, we no longer accept donations for the Shop with a Cop and Fireman program and the program is administered by the Fire Department Auxiliary.

To the third reportable finding LOM201920-024 which is the same as, LOM201919-023, we have corrected this finding by making sure the payroll and taxes are verified for each payroll. The accountant also paid the city back for the mistake on March 31, 2022. This check was deposited into the general account to cover the reimbursement of the payroll and taxes.

To the Sub-Finding LOM201920-004, we have corrected this by creating a fixed assets listing with additions, deletions, and total for each department.

To the Sub-Finding LOM201920-011, we began a payout program at the end of the year 2021, according to the city personnel policies.

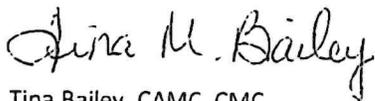
To the Sub-Finding LOM201920-013, I try very hard to make the deposits at least once per week. Our bank has moved to neighboring town and sometimes there is no one to verify the deposit so I wait until the next day.

To the Sub-Finding LOM201920-017, we have created a "journal entry adjustment approval" document for the Mayor or Recorder/Treasurer to approve the accountants' entries.

To the Sub-Finding LOM201920-018, we will contact the State Treasurer's Office to research how to take care of the old outstanding checks.

To the Sub-Finding LOM201920-023, we determined the extra funds that are in the payroll fund belong in the LOPFI fund. We will transfer the funds monthly for the LOPFI payment.

Thank you for your time and patience,



Tina Bailey, CAMC, CMC

City Clerk

City of Bull Shoals

870-445-4775 x102

## City of Bull Shoals

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State of Arkansas  
Arkansas Legislative Audit

Dear Audit Authority,

I write today to address Mayoral Findings for three years of Legislative Audits (2018, 2019 & 2020) which have recently been concluded.

In response to Engagement Year 2019, Mayoral Reportable Finding #2 -ALA finding ID LOM201919-023; Accountants overpayment to Mayor Salary and subsequent wage and tax form errors.

It had become obvious in 2017 that an entirely new Financial Management System was needed in the City of Bull Shoals. That new system was created and implemented at City Council direction. As with any new complex system a few inaccuracies occurred. When they were detected, they were corrected. *Particularly embarrassing* was the 2017 error in Mayoral salary which resulted from an initial misapplication of a formula for calculating that payment. Once the formula error was noted it was corrected, and a full-scale review of salary formulas was undertaken. As I recall, no other errors were found. The tax documentation component of this finding will not recur because the initial error is corrected, and both internal controls, and reporting documents have been strengthened.

In response to Engagement Year 2019, Mayoral Supplemental Findings #1 and 2 --

#1 -ALA Finding ID LOM201919-002; General Fund expenditure of \$109,557 -- it is my understanding that these referenced funds were largely related to reimbursements received in association with a large-scale construction project (wastewater plant) and were composed of transfers among our internal City accounts. Greater care to document amendments and internal transfers have already been established by staff.

#2 -LOM201919-018; Mayor approved payroll summaries (... not individually authorized in minutes or budget ...). The City has increased the specificity of individual salary documentation in Council's annual budget approval process and supporting supplemental documents. This change has alleviated this issue.

In response to Engagement Year 2020, Mayoral Reportable Findings #1, 2, & 4

#1 -LOM201920-20 LOPFI Retirement review -- As discussed earlier the year 2017 comprised a complete restructuring of the City's financial and organizational format. As part of that restructuring, I

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assumed report filing duties for LOPFI. I was trained by the city staff person who had revised the reporting system in consultation with LOPFI. Unbeknownst to me, information regarding variation for Holiday payments and work hour verification was not provided to me at that time. In early 2021 while entering data for a new Police hire, I noticed that my report numbers did not “add up”. Our City Treasurer confirmed my observation. WE immediately notified LOPFI, and WE began an internal audit of every LOPFI eligible individual’s report information for every monthly report filed from 2017 to date. When our lengthy review was completed, we entered all corrections necessary and made financial adjustments to each and every file/individual. We informed all affected individuals of the anomaly and a LOPFI internal audit confirmed the accuracy and comprehensiveness of our revisions. In response to this incident, we have developed a new internal informational document to prevent any possible recurrence of this issue. Our LOPFI program has run smoothly from that date forward.

#2 -LOM201920-021 – Shop with A Cop program - This program was in place prior to 2017. When I came on duty, I asked that funds received from ALL sources of private donation be separately accounted and held in a bank account independently from Public City Revenues. It seems expenditures from the funds in this private program were not clearly identified. Prior to this Legislative Audit all Shop with a Cop finances and operations were transferred to our private Fire Auxiliary Association. Thus, the program now runs entirely separate from any direct governmental association.

#4 -LOM201920-024 – Failure to withhold employee insurance – Once we became aware of the recurring issue procedures are now in place to monitor and prevent future recurrences of this issue.

In response to Engagement Year 2020, Mayoral Supplemental Finding #1

#1-LOM201920-011 Leave Balances not paid out. Efforts by previous Administrations to codify/clarify personnel policies had been sporadic. In 2021 the City Council approved a new Personnel Manual that specifies a process for paying out sick leave/comp time and similar work absence compensation. At the end of our annual financial cycle all such monies are now dispersed.

In response to Engagement Year 2020 MATERIAL WEAKNESS –

When I first heard this finding, my immediate question was “Are there any funds missing?!” I was assured by your auditors that ALL funds are accounted for, and NO funds are missing or unaccounted for. Thank goodness. We as a City have worked hard to create and maintain a very vigorous set of internal financial controls that we believe allow us to track receipts, expenditures and reconciliations clearly and accurately. After further questioning, it is now my understanding that this weakness is due

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to the mechanism that our accountant uses to receipt and post funds and to receipt and post disbursements. In effect, we have some accounting practices that lack specificity guidelines set by Legislative Audit. Consequently, reconciliations between some components are awkward.

Apparently, the software that our accountant uses does not label/maintain accounts in keeping with Legislative Audit best practices. Thus, certain sums are held in a large receiving account and not labeled with sufficient specificity. This in turn causes ambiguity in the ways that certain disbursements track by Legislative Audit methods.

We have begun consultations on needed corrections in the software and tracking systems being used for all monies associated with the City of Bull Shoals. I am informed that our accounting firm is working with Legislative Audit resources to craft and implement procedural and software modifications to correct this issue.

We will immediately conduct a series of meetings among our treasurer, myself, and our accounting firm to design and implement procedures to correct this matter. We will submit a proposed series of remedies to Legislative Audit personnel for review as soon as an aggressive timeline allows. Having been alerted to the misalignment – we will correct it forthwith.



David L. Nixon

Mayor

City of Bull Shoals

CITY OF BULL SHOALS, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 DECEMBER 31, 2020

	General	Street	Other Funds in the Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,132,776	\$ 107,180	\$ 171,972
Accounts receivable	258,569	3,103	13,001
<b>TOTAL ASSETS</b>	<b>\$ 1,391,345</b>	<b>\$ 110,283</b>	<b>\$ 184,973</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,167	\$ 2,271	\$ 2,430
Settlements pending			49,031
<b>Total Liabilities</b>	<b>8,167</b>	<b>2,271</b>	<b>51,461</b>
<b>Fund Balances:</b>			
Restricted	100,975	2,305	133,512
Assigned	387,763	105,707	
Unassigned	894,440		
<b>Total Fund Balances</b>	<b>1,383,178</b>	<b>108,012</b>	<b>133,512</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,391,345</b>	<b>\$ 110,283</b>	<b>\$ 184,973</b>

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

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

	General	Street	Other Funds in the Aggregate
<b>REVENUES</b>			
State aid	\$ 38,634	\$ 147,207	
Federal aid	77,255		
Property taxes	144,967	43,510	
Franchise fees	122,304		
Sales taxes	620,542	53,317	
Fines, forfeitures, and costs	17,870		\$ 3,350
Interest	3,377	2,077	223
Local permits and fees	68,075		
Sanitation fees	100		160,306
Donations	5,956	29,859	7,100
Other			
<b>TOTAL REVENUES</b>	1,099,080	275,970	170,979
<b>EXPENDITURES</b>			
Current:			
General government	238,810		26,561
Law enforcement	204,017		
Highways and streets		324,378	
Public safety	141,898		5,715
Sanitation			153,797
Recreation and culture	28,366		
Total Current	613,091	324,378	186,073
Debt Service:			
Note principal	2,902	5,090	
Note interest	526	89	
<b>TOTAL EXPENDITURES</b>	616,519	329,557	186,073
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	482,561	(53,587)	(15,094)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	290,556		22,368
Transfers out	(22,368)	(290,556)	
Sales taxes remitted to sewer department	(222,327)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	45,861	(290,556)	22,368

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

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 528,422	\$ (344,143)	\$ 7,274
FUND BALANCES - JANUARY 1	854,756	452,155	126,238
FUND BALANCES - DECEMBER 31	\$ 1,383,178	\$ 108,012	\$ 133,512

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

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

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
State aid	\$ 40,407	\$ 38,634	\$ (1,773)	\$ 139,550	\$ 147,207	\$ 7,657
Federal aid		77,255	77,255			
Property taxes	123,712	144,967	21,255	39,401	43,510	4,109
Franchise fees	96,662	122,304	25,642			
Sales taxes	237,112	620,542	383,430	127,960	53,317	(74,643)
Fines, forfeitures, and costs	14,711	17,870	3,159			
Interest	5,483	3,377	(2,106)	3,456	2,077	(1,379)
Local permits and fees	69,310	68,075	(1,235)			
Donations		100	100			
Other	10,525	5,956	(4,569)		29,859	29,859
<b>TOTAL REVENUES</b>	<b>597,922</b>	<b>1,099,080</b>	<b>501,158</b>	<b>310,367</b>	<b>275,970</b>	<b>(34,397)</b>
<b>EXPENDITURES</b>						
Current:						
General government	183,025	238,810	(55,785)			
Law enforcement	255,287	204,017	51,270	414,453	324,378	90,075
Highways and streets						
Public safety	143,071	141,898	1,173			
Recreation and culture	36,270	28,366	7,904			
Total Current	617,653	613,091	4,562	414,453	324,378	90,075
Debt Service:						
Note principal		2,902	(2,902)		5,090	(5,090)
Note interest		526	(526)		89	(89)
<b>TOTAL EXPENDITURES</b>	<b>617,653</b>	<b>616,519</b>	<b>1,134</b>	<b>414,453</b>	<b>329,557</b>	<b>84,896</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(19,731)</b>	<b>482,561</b>	<b>502,292</b>	<b>(104,086)</b>	<b>(53,587)</b>	<b>50,499</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	340,126	290,556	(49,570)			
Transfers out		(22,368)	(22,368)		(290,556)	(290,556)
Sales taxes remitted to sewer department		(222,327)	(222,327)			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>340,126</b>	<b>45,861</b>	<b>(294,265)</b>	<b>(104,086)</b>	<b>(290,556)</b>	<b>(290,556)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>320,395</b>	<b>528,422</b>	<b>208,027</b>	<b>(104,086)</b>	<b>(344,143)</b>	<b>(240,057)</b>
<b>FUND BALANCES - JANUARY 1</b>		<b>854,756</b>	<b>854,756</b>	<b>200,000</b>	<b>452,155</b>	<b>252,155</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 320,395</b>	<b>\$ 1,383,178</b>	<b>\$ 1,062,783</b>	<b>\$ 95,914</b>	<b>\$ 108,012</b>	<b>\$ 12,098</b>

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

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

**A. Financial Reporting Entity**

The City of Bull Shoals 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. 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.

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

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

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

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

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

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

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

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

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting - Regulatory**

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

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

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

Cash and Cash Equivalents

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

Settlements Pending

Settlements pending are considered fines, forfeitures, costs and payroll withholdings and matching 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 taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

CITY OF BULL SHOALS, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**F. Budget Law**

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

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

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

Basis of Accounting

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

**G. Fund Balance Classification Policies and Procedures**

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

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

There were no committed fund balances at year-end.

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

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 420,808	\$ 423,118
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	990,970	1,053,362
Total Deposits	\$ 1,411,778	\$ 1,476,480

The above total deposits do not include cash on hand of \$150.

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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

**NOTE 4: Accounts Receivable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 8,976	\$ 2,712	
Franchise fees	19,419		
Sales taxes	34,483		
Fines, forfeitures, and costs	850		
Contribution from solid waste	194,841		
Sanitation fees			\$ 13,001
Other		391	
<b>Totals</b>	<b>\$ 258,569</b>	<b>\$ 3,103</b>	<b>\$ 13,001</b>

**NOTE 5: Accounts Payable**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 8,167	\$ 2,271	\$ 2,430

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 6: Details of Fund Balance Classifications**

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement			\$ 8,962
Highways and streets		\$ 2,305	
Public safety	\$ 64,071		
Sanitation			124,550
Recreation and culture	36,904		
Total Restricted	<u>100,975</u>	<u>2,305</u>	<u>133,512</u>
Assigned to:			
General government	287,333		
Highways and streets		105,707	
Capital outlay	100,430		
Total Assigned	<u>387,763</u>	<u>105,707</u>	
Unassigned	<u>894,440</u>		
Totals	<u>\$ 1,383,178</u>	<u>\$ 108,012</u>	<u>\$ 133,512</u>

**NOTE 7: Legal Debt Limit**

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$5,925,594. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$1,547,362. The amount of short-term financing obligations, was \$12,585 leaving a legal debt margin of \$1,534,777.

**NOTE 8: Commitments**

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

	December 31, 2020
Long-term liabilities	<u>\$ 68,369</u>

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 8: Commitments (Continued)**

Long-term liabilities

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

	December 31, 2020
<u>Direct Borrowings</u>	
Installment note dated March 1, 2016, with Arvest in the amount of \$24,500, with interest rate of 2.2% for the purchase of a 2005 Case 580SM plus Backhoe. 60 monthly payments of \$432 beginning April 1, 2016. Payments are to be made from the Street Fund.	\$ 1,290
Installment note dated March 4, 2019, with Arvest in the amount of \$16,735, with interest rate of 4.45% for the purchase of a 2019 Ford Explorer Police Interceptor. 60 monthly payments of \$312 beginning April 4, 2019. Payments are to be made from the General Fund.	11,295
Total Direct Borrowings	12,585
Compensated absences consisting of accrued vacation, compensatory leave, and sick leave (uniformed personnel) adjusted to current salary cost.	55,784
Total Long-term liabilities	\$ 68,369

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

The City's outstanding notes from direct borrowings of \$12,585 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.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Direct Borrowings</u>					
3/1/16	3/1/21	2.2%	\$ 24,500	\$ 1,290	\$ 23,210
3/4/19	3/4/24	4.45%	16,735	11,295	5,440
Total Long-Term Debt			\$ 41,235	\$ 12,585	\$ 28,650

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
<u>Direct Borrowings</u>				
Capital leases	\$ 20,577	\$ 0	\$ 7,992	\$ 12,585

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 8: Commitments (Continued)**

Debt Service Requirements to Maturity

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

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2021	\$ 4,593	\$ 441	\$ 5,034
2022	3,454	286	3,740
2023	3,610	129	3,739
2024	928	7	935
Totals	<u>\$ 12,585</u>	<u>\$ 863</u>	<u>\$ 13,448</u>

**NOTE 9: Interfund Transfers**

The General Fund transferred \$22,368 to the Other Funds in the Aggregate (Local Police and Fire Retirement) for required LOPFI contributions. The Street Fund transferred \$290,556 of previously assigned sales tax revenue back to the General Fund.

**NOTE 10: Risk Management**

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

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

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

**Municipal Vehicle Program**

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

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

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 10: Risk Management (Continued)**

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

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

**NOTE 11: 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).

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 \$17,710 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$24,343 for the year ended December 31, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$322,509.

CITY OF BULL SHOALS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE: 12 Corona Virus (COVID-19)**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2020, the City Received \$77,255 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. The City received \$201,061 in federal aid from the American Rescue Plan Act of 2021 in July 2021. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

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

	SPECIAL REVENUE FUNDS				CUSTODIAL FUNDS			Totals
	Local Police and Fire Retirement (LOPFI)	Solid Waste	Court Automation	Private Donation Account	District Court	Payroll		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 458	\$ 113,979	\$ 118	\$ 8,386	\$ 2,712	\$ 46,319	\$	\$ 171,972
Accounts receivable		13,001						13,001
<b>TOTAL ASSETS</b>	<b>\$ 458</b>	<b>\$ 126,980</b>	<b>\$ 118</b>	<b>\$ 8,386</b>	<b>\$ 2,712</b>	<b>\$ 46,319</b>	<b>\$</b>	<b>\$ 184,973</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$	2,430			\$	2,712	\$	\$ 2,430
Settlements pending								49,031
Total Liabilities		<u>2,430</u>			<u>2,712</u>	<u>46,319</u>		<u>51,461</u>
<b>Fund Balances:</b>								
Restricted	\$ 458	124,550	\$ 118	\$ 8,386				133,512
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 458</b>	<b>\$ 126,980</b>	<b>\$ 118</b>	<b>\$ 8,386</b>	<b>\$ 2,712</b>	<b>\$ 46,319</b>	<b>\$</b>	<b>\$ 184,973</b>

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

	SPECIAL REVENUE FUNDS					Totals
	Local Police and Fire Retirement (LOPFI)	Solid Waste	Court Automation	Private Donation Account		
REVENUES						
Fines, forfeitures, and costs			\$ 3,350		\$ 3,350	
Interest		193		30	223	
Sanitation fees		160,306		7,100	160,306	
Donations					7,100	
<b>TOTAL REVENUES</b>		<u>160,499</u>	<u>3,350</u>	<u>7,130</u>	<u>170,979</u>	
EXPENDITURES						
Current:						
Law enforcement	\$ 17,110		3,308	6,143	26,561	
Public safety	5,715				5,715	
Sanitation		153,797			153,797	
<b>TOTAL EXPENDITURES</b>	<u>22,825</u>	<u>153,797</u>	<u>3,308</u>	<u>6,143</u>	<u>186,073</u>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(22,825)</u>	<u>6,702</u>	<u>42</u>	<u>987</u>	<u>(15,094)</u>	
OTHER FINANCING SOURCES (USES)						
Transfers in	22,368				22,368	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(457)</u>	<u>6,702</u>	<u>42</u>	<u>987</u>	<u>7,274</u>	
<b>FUND BALANCES - JANUARY 1</b>	<u>915</u>	<u>117,848</u>	<u>76</u>	<u>7,399</u>	<u>126,238</u>	
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 458</u>	<u>\$ 124,550</u>	<u>\$ 118</u>	<u>\$ 8,386</u>	<u>\$ 133,512</u>	

CITY OF BULL SHOALS, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2020

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

<u>Fund Name</u>	<u>Fund Description</u>
Local Police and Fire Retirement (LOPFI)	Ark. Code Ann. § 24-10-409 requires cities receiving revenues from the state derived from taxes levied on foreign and domestic insurers or any other state funds designated for support of fire and police retirement programs to be applied to the employer contribution to support this system.
Solid Waste	Established to account for user sanitation billing payments.
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.
Private Donation Account	Established to account for donations received for multiple purposes.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Payroll	Established to process the City's payroll.

CITY OF BULL SHOALS, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2020  
(Unaudited)

Schedule 3

	<u>December 31, 2020</u>
Land Buildings	\$ 14,507,150
Equipment	<u>2,085,608</u>
Total	<u><u>\$ 16,592,758</u></u>