

CITY OF OSCEOLA, ARKANSAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

CITY OF OSCEOLA
AUDITED FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

To the Honorable Sally Wilson, Mayor
And the Members of the City Council
City of Osceola, Arkansas 72370

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Osceola, Arkansas (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic 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 accounting principles generally accepted in the United States of America; this includes 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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Street Fund	Unmodified
Airport Fund	Unmodified
Electric, Water and Sewer Fund	Unmodified
Sanitation Fund	Unmodified
Riverport Authority Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

Management has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employee pensions to be recognized when the accumulated benefit obligation exceeds the fair value of the plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the City of Osceola, Arkansas, as of December 31, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Osceola, Arkansas, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Errors

As discussed in Note O to the financial statements, during the current year, management discovered certain errors resulting in overstatement of amounts previously reported, for Cash and Net Position, and understatements of amounts previously reported for Capital Lease Obligations and Capital Assets as of December 31, 2018. Accordingly, an adjustment has been made as of January 1, 2019 to correct the errors. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osceola, Arkansas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the City of Osceola, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of 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 of Osceola, Arkansas' internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
December 7, 2020

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 549,094	\$ 1,266,744	\$ 1,815,838
Accounts receivable, net	239,792	2,576,183	2,815,975
Other receivables	-	-	-
Inventories	-	843,389	843,389
Prepaid items	50,405	8,910	59,315
Total Current Assets	839,291	4,695,226	5,534,517
Restricted Assets			
Cash and cash equivalents	173,155	1,563,417	1,736,572
Capital Assets			
Land	2,000	301,279	303,279
Utility plant in service	-	47,852,740	47,852,740
Waste-to-energy	-	1,444,544	1,444,544
Riverport authority	-	4,264,352	4,264,352
Improvements	3,187,801	-	3,187,801
Machinery and equipment	8,485,385	5,129,579	13,614,964
Buildings	10,075,363	-	10,075,363
Furniture and fixtures	-	662,365	662,365
Infrastructure - streets	8,978,786	-	8,978,786
Accumulated depreciation	(23,811,953)	(34,368,067)	(58,180,020)
Total Capital Assets, net	6,917,382	25,286,792	32,204,174
TOTAL ASSETS	\$ 7,929,828	\$ 31,545,435	\$ 39,475,263
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 54,773	\$ 147,067	\$ 201,840
Customer deposits payable	-	316,789	316,789
Accrued expenses	178,488	1,523,436	1,701,924
Accrued interest payable	264	86,079	86,343
Due to other funds	82,556	-	82,556
Due to other agencies	17,643	-	17,643
Current portion - bonds payable	-	564,568	564,568
Current portion - capital leases	86,211	293,545	379,756
Total Current Liabilities	419,935	2,931,484	3,351,419
Noncurrent Liabilities			
Bonds payable	-	5,346,222	5,346,222
Capital lease payable	88,312	563,618	651,930
Due to county	177,388	-	177,388
Compensated absences	354,901	42,523	397,424
Total Noncurrent Liabilities	620,601	5,952,363	6,572,964
TOTAL LIABILITIES	1,040,536	8,883,847	9,924,383

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Total
NET POSITION			
Investment in capital assets, net	6,742,859	18,518,839	25,261,698
Restricted - airport grant	41,380	-	41,380
Restricted - fire department	131,775	-	131,775
Restricted - highways and streets	33,568	-	33,568
Restricted - debt service	-	1,563,417	1,563,417
Unrestricted	(60,290)	2,579,332	2,519,042
TOTAL NET POSITION	6,889,292	22,661,588	29,550,880
TOTAL LIABILITIES AND NET POSITION	\$ 7,929,828	\$ 31,545,435	\$ 39,475,263

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2019

FUNCTION/PROGRAM	Program Revenues				Net [Expenses] Revenues and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities							
General government	\$ (930,967)	\$ 110,157	\$ 4,641	\$ -	\$ (816,169)	\$ -	\$ (816,169)
Law enforcement	(2,975,272)	180,171	22,574	-	(2,772,527)	-	(2,772,527)
Public safety	(1,346,240)	-	-	-	(1,346,240)	-	(1,346,240)
Recreation and culture	(1,110,789)	229,771	-	-	(881,018)	-	(881,018)
Public works	(948,231)	-	-	-	(948,231)	-	(948,231)
Municipal airport	(181,058)	6,000	-	58,500	(116,558)	-	(116,558)
Interest on long-term debt	(11,178)	-	-	-	(11,178)	-	(11,178)
Total Government							
Activities	(7,503,735)	526,099	27,215	58,500	(6,891,921)	-	(6,891,921)
Business type activities							
Electric, water & sewer							
department	(15,387,310)	17,304,601	-	1,075,643	-	2,992,934	2,992,934
Sanitation department	(1,094,604)	989,245	-	-	-	(105,359)	(105,359)
Riverport authority	(81,162)	25,693	-	-	-	(55,469)	(55,469)
Total Business-Type							
Activities	(16,563,076)	18,319,539	-	1,075,643	-	2,832,106	2,832,106
Total Primary							
Government	<u>\$ (24,066,811)</u>	<u>\$ 18,845,638</u>	<u>\$ 27,215</u>	<u>\$ 1,134,143</u>	<u>\$ (6,891,921)</u>	<u>\$ 2,832,106</u>	<u>\$ (4,059,815)</u>
General Revenues (Expenses)							
Intergovernmental					738,956	-	
Property taxes					1,529,978	-	
Franchise taxes					117,393	-	
Sales tax					2,303,045	-	
Miscellaneous income					184,120	-	
Investment earnings					355	43,656	
Interest expense and other charges					-	(289,504)	
Transfers					<u>1,634,287</u>	<u>(1,634,287)</u>	
Total general revenues and transfers					6,508,134	(1,880,135)	
Change in net position					(383,787)	951,971	
Net position, beginning					7,294,081	21,709,617	
Restatement adjustment					<u>(21,002)</u>		
Net position, ending					<u>\$ 6,889,292</u>	<u>\$ 22,661,588</u>	

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

CITY OF OSCEOLA, ARKANSAS
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Street Fund	Airport	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 477,105	\$ 56,756	\$ 500	\$ 14,733	\$ 549,094
Accounts receivable	<u>239,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,792</u>
Total Current Assets	<u>716,897</u>	<u>56,756</u>	<u>500</u>	<u>14,733</u>	<u>788,886</u>
Restricted Assets					
Restricted cash and equivalents	<u>41,380</u>	<u>-</u>	<u>131,775</u>	<u>-</u>	<u>173,155</u>
TOTAL ASSETS	<u><u>\$ 758,277</u></u>	<u><u>\$ 56,756</u></u>	<u><u>\$ 132,275</u></u>	<u><u>\$ 14,733</u></u>	<u><u>\$ 962,041</u></u>
LIABILITIES					
Accounts payable	\$ 51,784	\$ 2,989	\$ -	\$ -	\$ 54,773
Accrued expenditures	163,410	15,078	-	-	178,488
Due to other funds	82,556	-	-	-	82,556
Due to other agencies	<u>10,551</u>	<u>-</u>	<u>-</u>	<u>7,092</u>	<u>17,643</u>
TOTAL LIABILITIES	<u>308,301</u>	<u>18,067</u>	<u>-</u>	<u>7,092</u>	<u>333,460</u>
FUND BALANCES					
Restricted	41,380	38,689	131,775	7,641	219,485
Unassigned	<u>408,596</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>409,096</u>
TOTAL FUND BALANCES	<u>449,976</u>	<u>38,689</u>	<u>132,275</u>	<u>7,641</u>	<u>628,581</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 758,277</u></u>	<u><u>\$ 56,756</u></u>	<u><u>\$ 132,275</u></u>	<u><u>\$ 14,733</u></u>	<u><u>\$ 962,041</u></u>

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

CITY OF OSCEOLA, ARKANSAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Total fund balances - governmental funds	\$ 628,581
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,917,382
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(706,812)
Prepaid items are not expended from current resources and, therefore, are not reported in the funds.	50,405
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.	<u>(264)</u>
Net position of governmental activities	<u>\$ 6,889,292</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total Funds
REVENUES					
Intergovernmental	\$ 209,127	\$ 552,403	\$ -	\$ -	\$ 761,530
Property taxes	1,374,288	155,689	-	-	1,529,977
Franchise fees	117,393	-	-	-	117,393
Sales taxes	2,303,045	-	-	-	2,303,045
Fines, forfeitures, and costs	168,431	-	-	-	168,431
Interest	171	48	40	97	356
Local permits and fees	234,379	-	-	-	234,379
Golf course fees	49,682	-	-	-	49,682
Jail fees	7,915	-	-	-	7,915
Rental income	24,574	-	6,000	-	30,574
Other revenues	221,988	1,890	58,500	-	282,378
TOTAL REVENUES	4,710,993	710,030	64,540	97	5,485,660
EXPENDITURES					
Current					
General government	840,001	-	-	-	840,001
Law enforcement	2,556,248	-	-	-	2,556,248
Highways and streets	-	812,417	-	-	812,417
Public safety	1,432,067	-	-	-	1,432,067
Recreation and culture	901,524	-	-	-	901,524
Airport	-	-	21,746	-	21,746
TOTAL CURRENT	5,729,840	812,417	21,746	-	6,564,003
Capital outlays	668,405	51,692	-	-	720,097
TOTAL EXPENDITURES	6,398,245	864,109	21,746	-	7,284,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,687,252)	(154,079)	42,794	97	(1,798,440)
OTHER FINANCING SOURCES (USES)					
Capital leases	(125,427)	(46,548)	-	-	(171,975)
PILOT paid to county	(166,048)	-	-	-	(166,048)
Operating transfers in/(out)	1,657,165	(36,442)	13,564	-	1,634,287
TOTAL OTHER FINANCING SOURCES (USES)	1,365,690	(82,990)	13,564	-	1,296,264
Net changes in fund balance	(321,562)	(237,069)	56,358	97	(502,176)
Fund balance, beginning of year	789,955	275,758	75,917	7,544	1,149,174
Restatement adjustment	(18,417)	-	-	-	(18,417)
Fund balance, end of year	\$ 449,976	\$ 38,689	\$ 132,275	\$ 7,641	\$ 628,581

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

CITY OF OSCEOLA, ARKANSAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	\$ (502,176)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(182,735)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal or long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	326,845
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(25,721)</u>
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Change in net position of governmental activities	\$ <u><u>(383,787)</u></u>
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CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,212,178	\$ 24,066	\$ 30,500	\$ 1,266,744
Accounts receivable, net	2,556,490	-	19,693	2,576,183
Inventories	843,389	-	-	843,389
Prepaid items	7,648	1,262	-	8,910
Total Current Assets	<u>4,619,705</u>	<u>25,328</u>	<u>50,193</u>	<u>4,695,226</u>
Restricted Assets				
Cash and cash equivalents	1,563,417	-	-	1,563,417
Capital Assets				
Land	203,971	47,258	50,050	301,279
Utility plant in service	47,852,740	-	-	47,852,740
Waste-to-energy	-	1,444,544	-	1,444,544
Riverport authority	-	-	4,264,352	4,264,352
Machinery and equipment	2,744,186	2,385,393	-	5,129,579
Furniture and fixtures	662,365	-	-	662,365
Accumulated depreciation	<u>(30,578,047)</u>	<u>(2,041,908)</u>	<u>(1,748,112)</u>	<u>(34,368,067)</u>
Total Capital Assets, net	<u>20,885,215</u>	<u>1,835,287</u>	<u>2,566,290</u>	<u>25,286,792</u>
TOTAL ASSETS	<u>\$ 27,068,337</u>	<u>\$ 1,860,615</u>	<u>\$ 2,616,483</u>	<u>\$ 31,545,435</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	Total Enterprise Funds
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 145,030	\$ 2,037	\$ -	\$ 147,067
Customer deposits payable	316,789	-	-	316,789
Accrued expenses	1,509,093	14,343	-	1,523,436
Accrued interest payable	84,975	1,104	-	86,079
Current portion - bonds payable	564,568	-	-	564,568
Current portion - capital leases	63,666	229,879	-	293,545
Total Current Liabilities	<u>2,684,121</u>	<u>247,363</u>	<u>-</u>	<u>2,931,484</u>
Noncurrent Liabilities				
Bonds payable	5,346,222	-	-	5,346,222
Capital lease payable	122,366	441,252	-	563,618
Compensated absences	34,477	8,046	-	42,523
Total Noncurrent Liabilities	<u>5,503,065</u>	<u>449,298</u>	<u>-</u>	<u>5,952,363</u>
TOTAL LIABILITIES	8,187,186	696,661	-	8,883,847
NET POSITION				
Investment in capital assets, net	14,788,393	1,164,156	2,566,290	18,518,839
Restricted	1,563,417	-	-	1,563,417
Unrestricted	<u>2,529,341</u>	<u>(202)</u>	<u>50,193</u>	<u>2,579,332</u>
TOTAL NET POSITION	<u>18,881,151</u>	<u>1,163,954</u>	<u>2,616,483</u>	<u>22,661,588</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,068,337</u>	<u>\$ 1,860,615</u>	<u>\$ 2,616,483</u>	<u>\$ 31,545,435</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	Total Enterprise Funds
OPERATING REVENUES				
Electric meter sales	\$ 15,119,649	\$ -	\$ -	\$ 15,119,649
Water meter sales	1,235,030	-	-	1,235,030
Sewer collections	903,157	-	-	903,157
Reconnection fees	20,750	-	-	20,750
Miscellaneous income	26,015	26,062	-	52,077
Rental income	-	-	25,693	25,693
Pest control	-	110,815	-	110,815
Trash collections	-	852,368	-	852,368
TOTAL OPERATING REVENUES	17,304,601	989,245	25,693	18,319,539
OPERATING EXPENSES				
Salaries and benefits	2,204,569	451,176	-	2,655,745
Utilities	142,817	6,165	-	148,982
Administrative costs	505,847	18,979	-	524,826
Electric power purchased	11,123,942	-	-	11,123,942
Operating expenses	101,916	50,819	-	152,735
Supplies	251,181	109,936	-	361,117
Repairs	156,322	38,100	-	194,422
Depreciation	860,151	234,427	81,162	1,175,740
Bad debts	40,565	-	-	40,565
Dumping	-	169,953	-	169,953
Garbage bags	-	15,049	-	15,049
TOTAL OPERATING EXPENSES	15,387,310	1,094,604	81,162	16,563,076
OPERATING INCOME (LOSS)	1,917,291	(105,359)	(55,469)	1,756,463
NONOPERATING REVENUE (EXPENSES)				
Interest income	43,606	50	-	43,656
Interest expense	(263,699)	(23,955)	-	(287,654)
Capital contributions	605,643	-	470,000	1,075,643
Bond costs and other	(1,850)	-	-	(1,850)
TOTAL NONOPERATING REVENUE (EXPENSES)	383,700	(23,905)	470,000	829,795
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 2,300,991	\$ (129,264)	\$ 414,531	\$ 2,586,258

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	Total Enterprise Funds
OPERATING TRANSFERS				
Transfers in	\$ -	\$ 71,870	\$ -	\$ 71,870
Transfers out	<u>(1,671,260)</u>	<u>-</u>	<u>(34,897)</u>	<u>(1,706,157)</u>
NET OPERATING TRANSFERS	<u>(1,671,260)</u>	<u>71,870</u>	<u>(34,897)</u>	<u>(1,634,287)</u>
CHANGE IN NET POSITION	629,731	(57,394)	379,634	951,971
Total net position - beginning	<u>18,251,420</u>	<u>1,221,348</u>	<u>2,236,849</u>	<u>21,709,617</u>
Total net position - ending	<u>\$ 18,881,151</u>	<u>\$ 1,163,954</u>	<u>\$ 2,616,483</u>	<u>\$ 22,661,588</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			Total Enterprise Funds
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 16,975,232	\$ 989,245	\$ 34,897	\$ 17,999,374
Payments to suppliers	(12,023,719)	(427,994)	-	(12,451,713)
Payments to employees	(2,185,153)	(453,239)	-	(2,638,392)
Net cash provided by (used in) operating activities	2,766,360	108,012	34,897	2,909,269
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	(1,671,260)	-	(34,897)	(1,706,157)
Transfer from other funds	-	71,870	-	71,870
Net cash provided by (used in) noncapital financing activities	(1,671,260)	71,870	(34,897)	(1,634,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,470,520)	-	(484,000)	(1,954,520)
Principal paid on capital debt	(1,206,131)	(149,349)	-	(1,355,480)
Interest paid on capital debt	(253,002)	(23,693)	-	(276,695)
Payment of related debt costs	(1,850)	-	-	(1,850)
Capital contributions	605,643	-	470,000	1,075,643
Net cash provided by (used in) capital and related financing activities	(2,325,860)	(173,042)	(14,000)	(2,512,902)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	43,606	50	-	43,656
Net cash provided by investing activities	43,606	50	-	43,656
Net Increase (Decrease) in Cash and Cash Equivalents	(1,187,154)	6,890	(14,000)	(1,194,264)
Cash and Cash Equivalents, January 1	3,962,749	17,176	44,500	4,024,425
Cash and Cash Equivalents, December 31	<u>\$ 2,775,595</u>	<u>\$ 24,066</u>	<u>\$ 30,500</u>	<u>\$ 2,830,161</u>
CASH AND CASH EQUIVALENTS				
Unrestricted Cash and Cash Equivalents				\$ 1,266,744
Restricted Cash and Cash Equivalents				1,563,417
				<u>\$ 2,830,161</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities-Enterprise Funds			
	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority Funds	Total Enterprise Funds
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 1,917,291	\$ (105,359)	\$ (55,469)	\$ 1,756,463
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	860,151	234,427	81,162	1,175,740
Decrease (increase) in accounts receivable	(338,088)	-	9,204	(328,884)
Decrease (increase) in inventories	235,954	-	-	235,954
Decrease (increase) in prepaid items	(856)	(247)	-	(1,103)
Increase (decrease) in accounts payable	89,138	(18,746)	-	70,392
Increase (decrease) in compensated absences	11,669	(877)	-	10,792
Increase (decrease) in customer deposits payable	8,719	-	-	8,719
Increase (decrease) in accrued expenses	(17,618)	(1,186)	-	(18,804)
Total adjustments	<u>849,069</u>	<u>213,371</u>	<u>90,366</u>	<u>1,152,806</u>
Net cash provided by (used in) operating activities	<u>\$ 2,766,360</u>	<u>\$ 108,012</u>	<u>\$ 34,897</u>	<u>\$ 2,909,269</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

	<u>Firemen's Pension and Relief</u>
ASSETS	
Cash	\$ 3,368
Due from other funds	82,557
Investments	<u>2,931,925</u>
TOTAL ASSETS	<u>\$ 3,017,850</u>
NET POSITION	
Reserved for retirement benefits	<u>\$ 3,017,850</u>

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

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF CHANGES OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Firemen's Pension and Relief
	<u> </u>
ADDITIONS	
Contributions from state	\$ 16,680
Local contributions	148,815
Earnings on investments	145,262
Net appreciation in fair value of investments	<u>310,901</u>
TOTAL ADDITIONS	<u>621,658</u>
DEDUCTIONS	
Benefit payments	229,458
Administrative	<u>29,155</u>
TOTAL DEDUCTIONS	<u>258,613</u>
CHANGE IN PLAN NET POSITION	363,045
Net position, beginning of year	<u>2,654,805</u>
Net position, end of year	\$ <u><u>3,017,850</u></u>

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

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Osceola, Arkansas (the "City") is a municipal corporation operating under the authority of Arkansas state statute. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. A description of the more significant accounting and financial reporting policies and practices of the City follows.

The City of Osceola, Arkansas was incorporated in 1875 and operates under an elected Mayor/Council form of government. The City provides the following services: public safety (police and fire), planning and zoning, street maintenance, sanitation, pest control, animal shelter, municipal airport, public golf course, health, parks, recreation, electric, water and sewer, riverport authority and general administrative services. In addition, the City exercises sufficient control over other governmental agencies and authorities that are included as part of the City's reporting entity. The funds and entities related to the City of Osceola, Arkansas included in this report are controlled by or dependent on the City's governing body.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results differ from these estimates.

Related Organization: The City's Mayor and City Council are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. The Mayor and Council Members appoint the members of the Osceola Housing Authority; however, the city cannot impose its will upon the Housing Authority as stated in GASB 14; therefore, the financial operations of these related organizations have not been included in the City's general purpose financial statements.

Complete financial statements for the Housing Authority may be obtained directly from its administrative office: Osceola Housing Authority; 501 Coston; Osceola, Arkansas 72370.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, they report all of the assets (including general infrastructure assets), deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses (rather than expenditures), and gains and losses of the entire government. They do not report fund information but rather focus on two types of activities carried out by governments – governmental activities and business-type activities. Each statement distinguishes between the governmental and business-type activities of the primary government. Fiduciary activities (such as pension trusts) are excluded from the statements because their resources are not available to support the government's own programs.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Government-wide financial statements include the following:

Statement of Net Position - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense in the statement of activities.

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Investment in capital assets, net – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment of capital assets, net. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net position.

Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "investment in capital assets, net."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Program revenues include 1) charges to customers or applicants who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. Taxes and other items not identifiable with a program are reported as general revenues. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, property taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

The City reports the following major governmental funds:

The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement cost that are not paid through other funds.

The Street Fund is reported as a special revenue fund to account for all activities associated with maintaining and constructing streets and drainage improvements. Arkansas statutes that provide funding for street and drainage projects require that these activities be accounted for separately.

The Airport Fund is used to account for rents received from hangers. These hangers are rented to various crop dusters, corporate planes and commercial pilots.

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

- 1) Nonspendable – includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories and prepaid items are classified as non-spendable fund balances.
- 2) Restricted – includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legalization.
- 3) Committed – includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposed for which committed funds can be used should have the consent of both the legislative and executive branches of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments. (The City does not have any committed balances.)
- 4) Assigned – includes amounts that are intended to be used for specific purpose, but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposed through Council files, ordinances and resolutions.
- 5) Unassigned – includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

Proprietary Fund Financial Statements - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

The City reports the following major proprietary funds:

The Electric, Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing electric, water and sewer services to the citizens of the City. This fund also accounts for the activities of maintaining sanitary sewer and storm drain systems within the City.

The Sanitation Fund is an enterprise fund which accounts for the activities of providing solid waste collection and disposal and pest control.

The Riverport Authority Fund is an enterprise fund. The City leases rights to the river port to an independent grain company. The lessee is responsible for the day-to-day operations and general up keep of the property.

Additionally, the City reports the following fund types:

Fiduciary Fund Financial Statements – Fiduciary fund financial statements are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The city has one pension trust fund: The Firemen's Pension and Relief Fund.

As a general rule, the effect of inter fund activity has been eliminated from the government-wide financial statements. Exception to this general rule is changes among the City's sanitation, sewer, water, electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Receivables and Payables: Activity among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter fund loans). All other outstanding balances among funds are reported as "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The City's property tax is levied by May 31 of each year based on property value assessments established no later than the third Monday in January by Mississippi County. Taxes are due on the establishment of the tax rolls on March 1 and become delinquent if not collected by October 16 of each year succeeding the year in which the levy was made. A tax lien is attached and becomes enforceable on October 11 of each year. Mississippi County is the collection agent for the levy and remits the collections to the City, net of a collection fee.

The amount of property taxes the City can levy is subject to a statutory limitation by the state of Arkansas. The tax levy cannot be increased except by amendment to the state constitution.

Inventories and Prepaid items: Expenditures relating to inventory usage are recognized at the time of use. Inventories are recorded in the proprietary fund types at cost or first-in-first-out method of valuation. All obsolete or unusable items are excluded from inventory valuations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Restricted Assets: The proprietary fund types restrict assets on the statement of net position in accordance with requirements of bond obligation agreements, donor and membership restrictions, and support obligations made by the City. Assets are also restricted to finance capital asset renewals and replacements. Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenant. The assets consist primarily of cash and short-term investment funds.

Governmental fund types restrict assets on the statement of net position in accordance with state law and various grant agreements.

Capital Assets: Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructures are long-lived assets that are stationary in nature such as streets, bridges, street lighting and sidewalks. The City's recorded infrastructure is included in the statement of net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets being constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following, estimated useful lives:

Assets	Primary Government Years
Buildings	40
Buildings improvements	20
Public domain infrastructures	50
System infrastructures	33
Vehicles	5-10
Office equipment	5-10
Computer equipment	3

Compensated Absences: The City allows non-uniformed employees to be compensated for unused vacation days up to 80 hours at year end. Uniformed employees are compensated for unused vacation days only if approved by the Mayor. Upon retirement both uniformed and non-uniformed employees are paid for unused vacation days. Generally, non-uniformed City employees are allowed to accumulate unused sick days up to 480 hours and policemen and firemen are allowed to accumulate unused sick days up to 480 hours. Upon retirement, policemen and fire fighters shall be paid for any unused sick leave to a maximum of 480 hours. In the government-wide and proprietary fund statements vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees.

In the governmental fund financial statements, government funds recognize a liability for compensated absences only when the underlying event (i.e., retirement) takes place and remains unpaid at the balance sheet date.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Long-term Obligations: In the government-wide financial statements and proprietary fund financial statements, long-term debts and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt-service expenditures.

Statements of Cash Flows: For purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying statement of net assets.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Government Fund Balance Sheet and the Government-Wide Statement of Net Position The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of the reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$326,845 difference are as follows:

Payment of debt principal and interest	\$ 160,797
PILOT payment made to county	<u>166,048</u>
Net adjustment to reduce net changes in fund balances - total government funds to arrive at changes in net assets of government activities	<u>\$ 326,845</u>

Explanation of certain differences between the Government Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities: The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total government funds and changes in net position of governmental activities as reported in the government - wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures." However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$182,735 difference are as follows:

Capital outlays	\$ 753,510
Depreciation expense	<u>(936,245)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (182,735)</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (CONT'D)

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$25,721 difference are as follows:

Compensated absences	\$ (29,230)
Prepaid expense	3,511
Accrued interest	<u>(2)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (25,721)</u></u>

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. Governmental operating funds include the general Fund and street Fund. Budgets are also adopted for all business-type funds. Enterprise funds include Electric, Water and Sewer and Sanitation Fund. On November 20, 2018, the City Council approved the appropriations for the 2019 budget presented by the finance director as required by Arkansas statutes. The annual budget is used as a revenue and expenditure control feature in the City's management and accountability systems.

The budget process begins with an informal work session held between the mayor and finance director to obtain direction for the next year's budget. The finance director meets with department heads to discuss the budget process and provide direction for budget development. Department heads explain their requests for changes in the level of services currently provided and prioritize new projects they want to include. Department heads submit their budget requests and the finance department produces a working document. Work sessions are held with each department head to discuss and adjust budget submissions. The city council then discusses the budget at a public council meeting and any discussion is held before the budget is adopted.

The appropriated budget is prepared by fund, function and department. The legal level of control is the fund level. The budget is presented at the major-category level. Department heads may make transfers of appropriations in a major category. The finance director may approve transfers between major categories in the same fund. The City Council must approve any changes beyond the fund level.

NOTE D – 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 no 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.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE D – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS – (CONT'D)

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

The City's deposits are categorized to give an indication of the level of risk assumed by the city. The categories are described as follows:

Category 1 – Insured or collateralized by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

Category 3 – Uncollateralized.

At December 31, 2019, cash deposits categorized by level of risks are as follows:

	Category 1	Category 2	Category 3
Deposits per Bank	\$1,289,772	\$914,951	\$1,351,056

NOTE E – INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as described below:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets.

Level 2 – Other than quoted prices that are observable for an asset.

Level 3 – Unobservable inputs for an asset.

The City's Firemen's Pension and Relief Fund had the following investments at level 1 fair value measurements as of December 31, 2019.

Corporate bonds	\$ 1,993,147
Equities	864,102
Money Market	74,676
	<u>\$ 2,931,925</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE F – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS

Restricted assets as of December 31, 2019 consisted of the following:

General - Fire Department	\$ 41,380
Airport - Grant Funds	131,775
Electric, Water and Sewer - Bond proceeds	1,427,853
Electric, Water and Sewer - Debt Service	135,564
	<u>\$ 1,736,572</u>

NOTE G – ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2019, for the City's individual, major funds and non-major, internal service and fiduciary funds, taken together, including applicable allowances for uncollectible accounts were as follows:

Description	Electric. Water, and Sewer Fund	Riverport Authority Fund	General Fund	Airport Fund	Total
Accounts	\$ 2,556,490	\$ -	\$ 12,498	\$ -	\$ 2,568,988
Property taxes	-	-	8,951	-	8,951
Franchise fees	-	-	23,778	-	23,778
Sales taxes	-	-	194,565	-	194,565
Rental income	-	19,693	-	-	19,693
Total	<u>\$ 2,556,490</u>	<u>\$ 19,693</u>	<u>\$ 239,792</u>	<u>\$ -</u>	<u>\$ 2,815,975</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE H – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets being depreciated:				
Infrastructure - streets	8,978,785	-	-	8,978,785
Buildings	9,176,631	-	-	9,176,631
Improvements	4,066,934	19,600	-	4,086,534
Machinery and equipment	7,611,122	874,263	-	8,485,385
Total capital assets being depreciated	29,833,472	893,863	-	30,727,335
Less accumulated depreciation for:				
Infrastructure - streets	8,529,354	45,437	-	8,574,791
Buildings	6,406,085	178,453	-	6,584,538
Improvements	1,639,225	254,373	-	1,893,598
Machinery and equipment	6,301,041	457,985	-	6,759,026
Total accumulated depreciation	22,875,705	936,248	-	23,811,953
Net Capital Assets Being Depreciated	6,957,767	(42,385)	-	6,915,382
Net Governmental Capital Assets	<u>\$ 6,959,767</u>	<u>\$ (42,385)</u>	<u>\$ -</u>	<u>\$ 6,917,382</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE H – CAPITAL ASSETS – CONT'D

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land and right-of-way	\$ 301,279	\$ -	\$ -	\$ 301,279
Capital assets being depreciated				
Utility plant in service	46,382,220	1,470,520	-	47,852,740
Riverport authority	3,780,352	484,000	-	4,264,352
Waste-to-energy conversion facility	1,444,544	-	-	1,444,544
Furniture and fixtures	662,365	-	-	662,365
Machinery and equipment	5,129,579	-	-	5,129,579
Total capital assets being depreciated	57,399,060	1,954,520	-	59,353,580
Less accumulated depreciation for				
Utility plant in service	27,173,872	712,422	-	27,886,294
Riverport authority	1,666,951	81,162	-	1,748,113
Waste-to-energy conversion facility	608,953	36,114	-	645,067
Furniture and fixtures	642,380	6,062	-	648,442
Machinery and equipment	3,100,171	339,980	-	3,440,151
Total accumulated depreciation	33,192,327	1,175,740	-	34,368,067
Net Capital Assets Being Depreciated	24,206,733	778,780	-	24,985,513
Net Business-Type Capital Assets	<u>\$ 24,508,012</u>	<u>\$ 778,780</u>	<u>\$ -</u>	<u>\$ 25,286,792</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE H – CAPITAL ASSETS – (CONT'D)

Depreciation expense was charged to functions/programs of the City as follows:

<u>Government Activities</u>	
General government	\$ 90,850
Law enforcement	237,625
Highways and streets	133,508
Public safety	112,594
Recreation and culture	202,354
Airport	159,317
Total Depreciation Expense - Governmental Activities	<u>\$ 936,248</u>
 Business-Type Activities	
Electric, water & sewer	\$ 860,151
Sanitation	234,427
Riverport authority	81,162
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,175,740</u>

NOTE I – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Type Activities					
Capital leases	\$ 335,365	\$ -	\$ 160,842	\$ 174,523	\$ 86,211
Total Governmental Activity Long-term Liabilities	<u>\$ 335,365</u>	<u>\$ -</u>	<u>\$ 160,842</u>	<u>\$ 174,523</u>	<u>\$ 86,211</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Business Type Activities					
Revenue Bond Series	\$ 7,017,639	\$ -	\$ 1,106,849	\$ 5,910,790	\$ 564,568
Capital leases	1,105,794	-	248,631	857,163	293,545
Total Business Activity Long-term Liabilities	<u>\$ 8,123,433</u>	<u>\$ -</u>	<u>\$ 1,355,480</u>	<u>\$ 6,767,953</u>	<u>\$ 858,113</u>

Capital Leases - Primary Government: At December 31, 2019, the City had lease agreements for financing capital equipment. Governmental type leases are for a fire truck, utility vehicle, street sweeper, radio system, mowers, and golf carts.

These lease agreements qualify as a capital lease for accounting purposes and, therefore, are recorded at the present value of future minimum lease payments as of the inception dates.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I – LONG-TERM DEBT – (CONT'D)

As of December 31, 2019, the future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year ended December 31,	Governmental Activities	Business-Type Activities
2020	96,310	317,093
2021	52,220	518,802
2022	28,047	58,796
2023	12,249	-
Total minimum lease payments	188,826	894,691
Less interest	(14,303)	(37,528)
Present value of minimum lease payments	<u>\$ 174,523</u>	<u>\$ 857,163</u>

As of December 31, 2019, bonds payable consisted of the following:

2007 Revenue Bond issue - ANRC, 4.75%, \$2,755,250; principal and interest payments of \$87,291 semiannually beginning June 1, 2008; matures June 1, 2037	\$ 1,950,790
2014 Revenue Bond issue - ANRC, 3.50%, \$2,030,000; principal and interest payments of \$27,283 monthly beginning July 23, 2014; matures June 23, 2021	477,324
2017 Revenue Bond issue - ANRC, 3.90%, \$3,605,000; principal and interest payments of \$262,919 annually beginning June 1, 2019; matures June 1, 2037	3,482,676
	<u>5,910,790</u>
Less: current portion of bonds payable	(564,568)
Bonds payable, net	<u>\$ 5,346,222</u>

Revenue bonds debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	\$ 564,568	\$ 200,328	\$ 764,896
2021	418,807	181,677	600,484
2022	265,805	171,696	437,501
2023	274,716	162,785	437,501
2024	283,936	153,565	437,501
Thereafter	4,102,958	1,051,794	5,154,752
Total	<u>\$ 5,910,790</u>	<u>\$ 1,921,845</u>	<u>\$ 7,832,635</u>

Interest expense for bonds payable totaled \$244,965 in 2019.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I – LONG-TERM DEBT – (CONT'D)

Total Business-Type Activity Long-term Liabilities: The long-term liabilities other than bonds (capital leases) will be retired with current financial resources (operating revenues) annually. The capital leases will be paid from the General Fund or Sanitation Fund (i.e., the fund that uses the asset acquired). The electric, water and sewer's improvement district improvements will be paid from the Electric, Water and Sewer Fund. Compensated absences will be liquidated by the fund that pays the employees. These funds include the General Fund, Street Fund, and Electric, Water and Sewer Fund and Sanitation Fund.

NOTE J – DUE TO COUNTY

In 2012 the City entered into an agreement with Mississippi County, Arkansas (the "County") to submit 16% of annual PILOT payments received from Plum Point Energy Associates. It was determined in 2017 that no payments related to this agreement had been made to the County for this since 2012. In 2019, the City paid the County 16% of the PILOT payment received and the amount due for 2015 resulting in an amount due the County at December 31, 2019 of \$177,388.

NOTE K – FUND BALANCE

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

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total
Restricted					
Public safety	\$ 41,380	\$ -	\$ -	\$ -	\$ 41,380
Highways and streets	-	38,689	-	-	38,689
Grants	-	-	131,775	-	131,775
Total restricted	41,380	38,689	131,775	-	211,844
Assigned					
Recreation and culture	-	-	-	7,641	7,641
Unassigned					
General government	408,596	-	500	-	409,096
Total Fund Balances	<u>\$ 449,976</u>	<u>\$ 38,689</u>	<u>\$ 132,275</u>	<u>\$ 7,641</u>	<u>\$ 628,581</u>

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE L – TRANSFERS BETWEEN FUNDS

Operating transfers recorded in the statement of revenues, expenditures and changes in fund balances - governmental funds are as follows:

	General Fund	Street Fund	Airport Fund	Nonmajor Funds	Total
Operating transfers in	\$ 1,657,165	\$ -	\$ 13,564	\$ -	\$ 1,670,729
Operating transfers out	\$ -	\$ 36,442	\$ -	\$ -	\$ 36,442

Operating transfers recorded in the statement of revenues, expenses and changes in fund net position proprietary funds as follows:

	Electric, Water and Sewer Fund	Sanitation Fund	Riverport Authority	Total
Operating transfers in	\$ -	\$ 71,870	\$ -	\$ 71,870
Operating transfers out	\$ 1,671,260	\$ -	\$ 34,897	\$ 1,706,157

Reconciliation of operating transfers governmental funds and business-type funds:

	Governmental- Type Funds	Enterprise Funds	Total
Operating transfers in	\$ 1,670,729	\$ 71,870	\$ 1,742,599
Operating transfers out	36,442	1,706,157	1,742,599
Difference			<u>\$ -</u>

NOTE M – PENSION PLANS

Osceola Police and Fire (LOPFI): The following brief description of the Arkansas Local Police and Fire Retirement System ("LOPFI") is provided for general information purposes only.

LOPFI is a cost-sharing, multi-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan consists of police officers and firefighters of political subdivisions of the State of Arkansas hired by the respective local government unit after January 1, 1983. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 364 of 1981. LOPFI also maintains an agent multiple-employer defined benefit pension plan for Political subdivisions that had a local pension and relief fund (local plan) for its firefighters and police officers prior to the establishment of LOPFI. LOPFI policy is established by a seven member Board of Trustees (Board): two trustees who are active members of the system, one police officer and one firefighter, nominated by their respected employee groups, and appointed by the Governor; two employer representatives from governing bodies of participating political subdivisions and appointed by the Governor from a list submitted by the Arkansas Municipal League; two retired members, one police officer and one firefighter, appointed by the Governor from a list provided by the Joint Committee on Public Retirement and Social Security Programs; and one citizen who is neither an employee nor employer of the system appointed by the Governor from a list submitted by the Joint Committee on Public Retirement and Social Security Programs. An Executive Director is appointed by the Board and administers the System in a manner consistent with law and Board policy.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE M – PENSION PLANS (CONT'D)

Benefits Provided: Benefit provisions are set forth in Arkansas Code. LOPFI provides retirement, disability and death benefits. There are two (2) benefit programs offered by LOPFI for the firefighters and police officers.

Benefit Program 1: Pension benefits to a member with five or more years (10 or more years for members hired after July 1, 2013) of credited service in force who has attained his or her normal retirement age consist of an annuity equal to the following:

- a. For each year of paid service resulting from employment in a position not also covered by social security, 2.94% of his or her final average pay (2.7% for those with retirement date prior to July 1, 2009); plus
- b. For each year of paid service resulting from employment in a position also covered by social security, 1.94% of his or her final average pay (1.7% for those with retirement date prior to July 1, 2009). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his or her final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his or her attainment of such social security minimum age for unreduced benefits.
- c. In no event will the total of a. plus b. exceed, at time of retirement, 100% of such final average pay; plus
- d. Effective July 1, 2014, for each year of volunteer service, \$6.37 per month, to a maximum of \$254.80 monthly.
- e. Before the date that the first payment of his or her annuity becomes due, but not thereafter, a member may elect in writing to receive his or her annuity as a life annuity or he or she may elect to have his or her life annuity reduced but not any temporary annuity which may be payable, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his or her annuity shall be paid to him as a life annuity.

Benefit Program 2: For each year of paid service rendered on or after the election date of Benefit 2 and resulting from employment in a position not also covered by social security, 3.28% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by social security, 2.94% of his or her final average pay.

Members are eligible for disability benefits with 5 years of service (or 10 years of actual service if hired on or after July 1, 2013) and terminates employment because of becoming totally and permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit would be 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

Contributions: The employer contribution rate is adjusted every year to reflect changes in the composition of the employee group and other factors with affect cost. Contributions are determined on an actuarial basis in order to ensure that the individual system employers can honor their benefit commitments to covered employees. An individual entry age actuarial cost method of valuation is used in determining normal cost.

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 are as follows:

- a. Paid service not covered by social security: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- b. Paid service also covered by social security: 2.5% of gross pay beginning July 1, 2009; no employee contributions prior to that date.
- c. Paid service-benefit program 2: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date.
- d. Volunteer service: no employee contribution

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE M – PENSION PLANS (CONT'D)

The City's contributions for the year ended December 31, 2019 was \$285,635.

Osceola Fire (Old Plan): Osceola Firefighters Pension Fund is a single employer plan.

Benefits Provided: Members are eligible to retirement at any age with 20 years of service while receiving 63% of the employee's final salary, but not less than \$4,200.

For members whose service exceeds 20 years, the annual benefit is increase by \$240 for each year over 20, up to \$1,200 per year extra.

For members who have 25 years or more of service, the member receives an extra 1.25% (for each year over 25) of final salary, payable once the retiree reaches age 60. The benefit cannot exceed 100% of final salary.

Members are eligible for disability benefits with permanent physical or mental disability not acquired while performing work in gainful employment outside the fire department.

- For Full Paid Non-duty disability, the employee will be paid a retirement benefit but not less than \$4,200 per year
- For Full Paid Duty-related disability, the employee will receive a retirement benefit of no less than 65% of final salary of \$4,200 per year

Contributions: The employer contributes a matching contribution dollar for dollar equal to the employee contribution. The employee contributes 6% of salary. Volunteers contribute \$12 per year. The contributions are refundable if the member terminates employment before they are eligible to retire.

The City's contributions for the year ended December 31, 2019 was \$16,680.

NOTE N - OTHER INFORMATION

Risk Management: During the course of daily operations, the City is exposed to various risks of loss relating to theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City manages these risks by the following coverage procedures:

The City participates in the Arkansas Municipal League insurance program (Program) for coverage in the following areas:

Municipal League Defense Program: This insurance program provides coverage for legal defense, expenses and damages in suits against City officials and employees and civil-rights suits against the municipal government. The Program is a participant in a funded trust with pooled risk involving approximately 500 cities in Arkansas. The coverage of each case is at the sole discretion of the Program's administrator. The maximum coverage of any one loss cannot exceed 25% of the Programs' fund reserve; therefore, the City could be at risk if any suit against the City exceeds 25% of the Program's reserve. For the year ended December 31, 2019, and for the prior three fiscal years, there were no settlements that exceeded insurance coverage.

Municipal Property Program: This insurance program provides coverage for insurable property and equipment exclusive of motor vehicles that belong to the participating municipality and for which coverage has been applied and approved. The limit of the Program's liability is 1) actual cash value, or 2) the cost to repair or replace the property of like kind and quality, or 3) the applicable limit of liability stated on the enumeration schedule, or 4) 25% of the Program's available funds at the time of settlement. For the year ended December 31, 2019, and for the prior three fiscal years, there were no claims that exceeded insurance coverage.

CITY OF OSCEOLA, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE N - OTHER INFORMATION (CONT'D)

Municipal Vehicle Program: This insurance program provides coverage in the event that the City legally must pay for damages due to bodily injury, death or property damage involving a covered City vehicle and for which the City is liable under Act 165 of 1969. Coverage under this insurance program meets the current, statutory liability limits, and the City's risk of loss is effectively transferred.

Arkansas Fidelity Bond Trust Fund: Coverage is provided for losses incurred by the municipality as a result of fraudulent or dishonest acts committed by municipal employees or officials. Municipal public official or municipal public employee means any elected officer of the municipalities and the employees or deputies of any elected officer, specifically including salaried municipal employees of municipally owned utilities, members of the city council including the mayor and the members of the various municipal boards and commissions, but excluding officials and employees of municipal hospitals, nursing homes and improvement districts.

Workers' Compensation: This insurance program provides compensation to employees in the event of injury suffered while conducting City business. The Program covers all statutory requirements, and the City's risk of loss is effectively transferred.

Contingent Liabilities: Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, mainly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time. The City expects any disallowed claims, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material, adverse effect on the financial condition of the City.

Post-Employment Benefits: Post-employment benefits for City employees are limited to health insurance continuation coverage under federal law (COBRA) with all costs associated with the benefits borne by the electing participant.

NOTE O – RESTATEMENT OF NET POSITION

During the current year, management determined that certain accounting errors were made in prior years. An adjustment has been made to the January 1, 2019 net position to correct the errors. A summary of the effect of the restatement is as follows:

	Increase (Decrease)
Cash	\$ (18,417)
Capital Assets	140,351
Capital Lease Payable	(142,936)
	<u>\$ (21,002)</u>

NOTE P – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2020, the date which the financial statements were available to be issued.

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 122,931	\$ 209,127	\$ 86,196
Property taxes	1,356,692	1,374,288	17,596
Franchise fees	110,400	117,393	6,993
Sales taxes	2,105,434	2,303,045	197,611
Fines, forfeitures, and costs	241,800	168,431	(73,369)
Interest	1,200	171	(1,029)
Local permits and fees	184,587	234,379	49,792
Golf course fees	57,909	49,682	(8,227)
Jail fees	22,000	7,915	(14,085)
Rental income	30,780	24,574	(6,206)
Other revenues	28,000	221,988	193,988
TOTAL REVENUES	4,261,733	4,710,993	449,260
EXPENDITURES			
Current			
General government	611,606	840,001	(228,395)
Law enforcement	2,736,268	2,556,248	180,020
Public safety	1,156,673	1,432,067	(275,394)
Recreation and culture	782,896	901,524	(118,628)
TOTAL CURRENT	5,287,443	5,729,840	(442,397)
Capital outlays	-	668,405	(668,405)
TOTAL EXPENDITURES	5,287,443	6,398,245	(1,110,802)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,025,710)	(1,687,252)	(661,542)
OTHER FINANCING SOURCES (USES)			
Capital leases	(223,114)	(125,427)	97,687
PILOT paid to county	-	(166,048)	(166,048)
Operating transfers in	-	1,657,165	1,657,165
TOTAL OTHER FINANCING SOURCES (USES)	(223,114)	1,365,690	1,588,804
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (1,248,824)	(321,562)	\$ 927,262
Fund balance, beginning of year		789,955	
Restatement Adjustment		(18,417)	
Fund balance, end of year		\$ 449,976	

CITY OF OSCEOLA, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 538,435	\$ 552,403	\$ 13,968
Property taxes	-	155,689	155,689
Interest	36	48	12
Other revenues	-	1,890	1,890
TOTAL REVENUES	<u>538,471</u>	<u>710,030</u>	<u>171,559</u>
EXPENDITURES			
Current			
Highways and streets	<u>1,125,319</u>	<u>812,417</u>	<u>312,902</u>
TOTAL CURRENT	<u>1,125,319</u>	<u>812,417</u>	<u>312,902</u>
Capital outlays	-	51,692	(51,692)
TOTAL EXPENDITURES	<u>1,125,319</u>	<u>864,109</u>	<u>261,210</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(586,848)	(154,079)	432,769
OTHER FINANCING SOURCES(USES)			
Capital leases	(47,000)	(46,548)	452
Operating transfers in	<u>-</u>	<u>(36,442)</u>	<u>(36,442)</u>
TOTAL OTHER FINANCING SOURCES(USES)	<u>(47,000)</u>	<u>(82,990)</u>	<u>(35,990)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ <u>(633,848)</u>	(237,069)	\$ <u>396,779</u>
Fund balance, beginning of year		<u>275,758</u>	
Fund balance, end of year		<u>\$ 38,689</u>	

CITY OF OSCEOLA, ARKANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Bicentennial Fund	Bonds and Fines Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,641	\$ 7,092	\$ 14,733
Total Assets	<u>\$ 7,641</u>	<u>\$ 7,092</u>	<u>\$ 14,733</u>
LIABILITIES			
Due to other agencies	\$ -	\$ 7,092	\$ 7,092
Total Liabilities	<u>-</u>	<u>7,092</u>	<u>7,092</u>
FUND BALANCES			
Assigned	7,641	-	7,641
			<u>-</u>
Total Fund Balances	<u>7,641</u>	<u>-</u>	<u>7,641</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,641</u>	<u>\$ 7,092</u>	<u>\$ 14,733</u>

CITY OF OSCEOLA, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Bicentennial Fund	Bonds and Fines Fund	Total Nonmajor Governmental Funds
INCOME			
Interest Income	\$ 97	\$ -	\$ 97
	<u>97</u>	<u>-</u>	<u>97</u>
EXPENDITURES			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	97	-	97
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	97	-	97
Fund Balance, beginning of year	<u>7,544</u>	<u>-</u>	<u>7,544</u>
Fund Balance, end of year	\$ <u><u>7,641</u></u>	\$ <u><u>-</u></u>	\$ <u><u>7,641</u></u>

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WYNNE, AR 72396

INDEPENDENT AUDITORS' 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*

To the Honorable Sally Wilson, Mayor
And the Members of the City Council
City of Osceola, Arkansas

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 financial statements of the City of Osceola, Arkansas (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

2019-1 To ensure proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The City's management did not segregate these duties to sufficiently reduce the risks of fraud and error and properly safeguard assets, because of limited resources. We recommend that the financial accounting duties be segregated among employees to the extent possible.

Management responded and indicated that accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions will be segregated to the extent possible with current staffing levels.

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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City of Osceola, Arkansas' Response to Findings

Management's response to the findings identified in our audit is described above. Management'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.

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 results 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.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, AR 72396
December 7, 2020

MEYER & WARD, P.A.
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Wynne, AR 72396

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS – STATE OF ARKANSAS**

To the Honorable Sally Wilson Mayor
And the Members of the City Council
City of Osceola, Arkansas

We have audited the financial statements of the City of Osceola, Arkansas, as of and for the year ended December 31, 2019, and have issued our report thereon dated December 7, 2020.

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 of material misstatement.

Compliance with laws and regulations of Arkansas applicable to the City of Osceola, Arkansas, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain laws and regulations. However, the objective of our audit of the basic financial statements was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements under Arkansas laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those requirements. Also the results of our procedures did not disclose any immaterial instance of noncompliance with those requirements.

This report is intended solely for the information and use of management and State regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, AR 72396
December 7, 2020