

# **City of Newport, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**December 31, 2022**

LEGISLATIVE JOINT AUDITING COMMITTEE

---



CITY OF NEWPORT, ARKANSAS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Independent Auditor's Report  
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*  
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

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

SUPPLEMENTARY INFORMATION

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

OTHER INFORMATION

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

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
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 Newport, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the regulatory basis financial statements of the City of Newport, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2022, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying regulatory basis 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 Newport, Arkansas as of December 31, 2022; 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.

#### ***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 section of our report, the accompanying regulatory basis 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 general fund, street fund, and other funds in the aggregate of the City of Newport, Arkansas, as of December 31, 2022, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Regulatory Basis Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 and pervasive.

#### ***Emphases of Matter***

As discussed in Note 1 to the financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this 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 Governmental 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.

### ***Responsibilities of Management 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The 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 regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents 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.

### ***Other Information***

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023, on our consideration of the City's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The 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  
May 10, 2023  
LOM106822



**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
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 Newport, 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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Newport, Arkansas (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated May 10, 2023. 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.

#### **Report on 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### **Report on 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, regulation, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also reported to management of the City in a separate letter dated May 10, 2023.

### **Purpose of This Report**

The purpose of this report is solely to described 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. 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 black ink, appearing to read "Timothy R. Jones", written in a cursive style.

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
May 10, 2023

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

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

The commentary contained in this letter relates to the following officials who held office during 2022:

Mayor: David Stewart  
Clerk/Treasurer: Deborah Hembrey  
District Court Clerk: Lindsey Rudisill  
Police Chief: Allen Edwards (resigned July 29, 2022)  
Larry Dulaney (appointed July 29, 2022)

No issues came to our attention that we considered necessary to report to management.

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 black ink, appearing to read "Timothy R. Jones".

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
May 10, 2023



CITY OF NEWPORT, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2022

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,756,645	\$ 218,374	\$ 3,090,624
Accounts receivable	608,534	5,142	251,534
Interfund receivables	59,526		12,122
TOTAL ASSETS	<u>\$ 2,424,705</u>	<u>\$ 223,516</u>	<u>\$ 3,354,280</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 206,930	\$ 919	\$ 134,966
Interfund payables	12,122	3,847	55,679
Settlements pending	59,571		109,016
Total Liabilities	<u>278,623</u>	<u>4,766</u>	<u>299,661</u>
Fund Balances:			
Restricted	124,565	218,750	2,473,055
Assigned	14,205		581,564
Unassigned	2,007,312		
Total Fund Balances	<u>2,146,082</u>	<u>218,750</u>	<u>3,054,619</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,424,705</u>	<u>\$ 223,516</u>	<u>\$ 3,354,280</u>

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

CITY OF NEWPORT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 334,738	\$ 691,125	
Federal aid	64,932		\$ 3,185,934
Property taxes	448,148	73,726	
Franchise fees	367,430		
Sales taxes	3,252,161		994,038
Fines, forfeitures, and costs	181,129		27,196
Interest	11,426	1,430	14,053
Local permits and fees	21,845		275,811
Sanitation fees	850,593		
Advertising and promotion taxes			252,083
Ambulance fees	243,200		
Mosquito control	222,003		
Insurance proceeds	343,753		
Airport sales and rental income			199,400
Principal on note receivable			20,657
Interest on note receivable			732
Other	285,182		92,439
TOTAL REVENUES	6,626,540	766,281	5,062,343
EXPENDITURES			
Current:			
General government	1,067,288		62,878
Law enforcement	1,262,590		733,068
Highways and streets	382,083	821,651	97,539
Public safety	750,325		791,890
Sanitation	1,027,402		
Health	472,746		173,821
Recreation and culture	901,797		
Social services	15,000		
Advertising and promotion			201,660
Economic development	65,155		3,568,309
Airport	6,735		448,626
Total Current	5,951,121	821,651	6,077,791
Debt Service:			
Note principal	104,743	20,167	625,000
Note interest	5,379	2,649	
TOTAL EXPENDITURES	6,061,243	844,467	6,702,791

CITY OF NEWPORT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 565,297</u>	<u>\$ (78,186)</u>	<u>\$ (1,640,448)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			195,965
Transfers out	(195,965)		
Contribution to sewer department	(353,964)		
Note proceeds		170,931	
Line of credit proceeds	<u>353,786</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(196,143)</u>	<u>170,931</u>	<u>195,965</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	369,154	92,745	(1,444,483)
FUND BALANCES - JANUARY 1	<u>1,776,928</u>	<u>126,005</u>	<u>4,499,102</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 2,146,082</u></u>	<u><u>\$ 218,750</u></u>	<u><u>\$ 3,054,619</u></u>

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

CITY OF NEWPORT, 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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 336,032	\$ 334,738	\$ (1,294)	\$ 690,000	\$ 691,125	\$ 1,125
Federal aid	791,950	64,932	(727,018)			
Property taxes	449,000	448,148	(852)	74,000	73,726	(274)
Franchise fees	375,000	367,430	(7,570)			
Sales taxes	3,100,000	3,252,161	152,161			
Fines, forfeitures, and costs	181,900	181,129	(771)			
Interest	11,000	11,426	426	1,300	1,430	130
Local permits and fees	21,250	21,845	595			
Sanitation fees	842,000	850,593	8,593			
Ambulance fees	200,000	243,200	43,200			
Mosquito control	220,000	222,003	2,003			
Insurance proceeds	340,000	343,753	3,753			
Other	358,368	285,182	(73,186)			
TOTAL REVENUES	7,226,500	6,626,540	(599,960)	765,300	766,281	981
EXPENDITURES						
Current:						
General government	1,140,531	1,067,288	73,243			
Law enforcement	1,416,665	1,262,590	154,075			
Highways and streets	323,677	382,083	(58,406)	1,043,337	821,651	221,686
Public safety	1,108,870	750,325	358,545			
Sanitation	1,142,191	1,027,402	114,789			
Health	579,081	472,746	106,335			
Recreation and culture	856,236	901,797	(45,561)			
Social services		15,000	(15,000)			
Economic development	10,775	65,155	(54,380)			
Airport	6,739	6,735	4			
Total Current	6,584,765	5,951,121	633,644	1,043,337	821,651	221,686
Debt Service:						
Note principal	105,047	104,743	304	20,167	20,167	0
Note interest	5,379	5,379	0	2,649	2,649	0
TOTAL EXPENDITURES	6,695,191	6,061,243	633,948	1,066,153	844,467	221,686

CITY OF NEWPORT, 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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 531,309	\$ 565,297	\$ 33,988	\$ (300,853)	\$ (78,186)	\$ 222,667
OTHER FINANCING SOURCES (USES)						
Transfers in	1,853,135		(1,853,135)	153,029		(153,029)
Transfers out	(1,171,968)	(195,965)	976,003			
Contribution to sewer department	(416,438)	(353,964)	62,474			
Note proceeds				171,000	170,931	(69)
Line of credit proceeds	242,000	353,786	111,786			
TOTAL OTHER FINANCING SOURCES (USES)	506,729	(196,143)	(702,872)	324,029	170,931	(153,098)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,038,038	369,154	(668,884)	23,176	92,745	69,569
FUND BALANCES - JANUARY 1	850,000	1,776,928	926,928	120,000	126,005	6,005
FUND BALANCES - DECEMBER 31	\$ 1,888,038	\$ 2,146,082	\$ 258,044	\$ 143,176	\$ 218,750	\$ 75,574

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

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

**A. Financial Reporting Entity**

The City of Newport 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 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 the Custodial Fund reported with other funds in the aggregate.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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.

In 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, Leases. The significant/material effect on the Regulatory Basis of Accounting in the current period is that certain items included in debt service in the previous period are included in the expenditure/function code of the applicable opinion unit.

**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 and certificates of deposit.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and proceeds from the sale of forfeited assets 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 NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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)	\$ 1,366,185	\$ 1,375,637
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	3,698,933	3,780,918
Total Deposits	<u>\$ 5,065,118</u>	<u>\$ 5,156,555</u>

The above total deposits do not include cash on hand of \$525.



CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Federal aid	\$ 45,958		\$ 132,689
Property taxes	30,859	\$ 5,142	
Franchise fees	36,387		
Sales taxes	274,464		84,450
Fines, forfeitures, and costs	16,947		2,313
Interest	228		
Local permits and fees	20		2,169
Advertising and promotion taxes			21,292
Ambulance fees	77,466		
Airport sales and rental income			8,571
Line of credit proceeds	111,749		
Other	14,456		50
Totals	<u>\$ 608,534</u>	<u>\$ 5,142</u>	<u>\$ 251,534</u>

**NOTE 5: Accounts Payable**

The accounts payable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 198,378	\$ 919	\$ 133,294
Payroll taxes payable	436		
Sales tax payable	8,116		1,672
Totals	<u>\$ 206,930</u>	<u>\$ 919</u>	<u>\$ 134,966</u>

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 59,526	\$ 12,122
Street Fund		3,847
Other Funds in the Aggregate:		
Special Revenue Funds:		
Airport		6,874
Commercial Mobile Radio Service 911 Board		6,577
Newport Economic Development Commission		20,866
American Rescue Plan Act	12,122	
Grant		21,362
Totals	<u>\$ 71,648</u>	<u>\$ 71,648</u>

Interfund receivables and payables consist of interfund loans. These balances were repaid in 2023.

**NOTE 7: Federal Funds Program Compliance**

The federal grants of the City have not yet received a compliance audit in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. However, a federal compliance audit is currently being conducted. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 8: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2022, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government			\$ 16,895
Law enforcement			218,488
Highways and streets		\$ 218,750	
Public safety	\$ 124,565		135,773
Advertising and promotion			148,670
Economic development			1,953,229
Total Restricted	<u>124,565</u>	<u>218,750</u>	<u>2,473,055</u>
Assigned to:			
General government			100
Law enforcement			788
Health	14,205		
Airport			580,676
Total Assigned	<u>14,205</u>		<u>581,564</u>
Unassigned	<u>2,007,312</u>		
Totals	<u>\$ 2,146,082</u>	<u>\$ 218,750</u>	<u>\$ 3,054,619</u>

**NOTE 9: 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, 2022, the legal debt limit for the bonded debt was \$14,753,542. 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, 2022, the legal debt limit for short-term financing obligations was \$4,082,140. The amount of short-term financing obligations was \$594,134, leaving a legal debt margin of \$3,488,006.

**NOTE 10: Commitments**

Total commitments consist of the following at December 31, 2022:

	December 31, 2022
Long-term liabilities	\$ 1,047,128
Construction contracts	<u>1,390,061</u>
Total Commitments	<u>\$ 2,437,189</u>

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 10: Commitments (Continued)**

Long-term liabilities

Long-term liabilities at December 31, 2022, are comprised of the following:

	December 31, 2022
<u>Direct Borrowings</u>	
Promissory note dated January 22, 2019, with White River Planning and Development District, Inc. in the amount of \$125,000, with interest rate of 4.5% for fire station construction. The City will make monthly payments of \$2,850 for 48 months. Payments are to be made from the General Fund.	\$ 2,887
Promissory note dated August 7, 2019, with Merchants and Planters Bank in the amount of \$69,000, with interest rate of 4.04% for the purchase of a Freightliner Recycling truck. The City will make monthly payments of \$1,559 for 48 months. Payments are to be made from the General Fund.	12,289
Promissory note dated November 12, 2020, with Merchants and Planters Bank in the amount of \$149,838, with interest rate of 3.5% for the purchase of a Peterbilt truck. The City will make monthly payments of \$3,350 for 48 months. Payments are to be made from the General Fund.	74,408
Promissory note dated June 16, 2022, with Merchants and Planters Bank in the amount of \$170,931, with interest rate of 3.25% for the purchase of a Freightliner truck. The City will make monthly payments of \$3,803 for 48 months. Payments are to be made from the Street Fund.	150,764
Line of credit with Merchants and Planters Bank dated September 19, 2022 to construct a new concession stand and restrooms at George Kell Park. The maximum draw line of credit was \$353,786.41. Terms of the agreement are 1 annual payment of outstanding principal balance plus interest of 3.25%. Payments are to be made from the General Fund.	353,786
Total Direct Borrowings	<u>594,134</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost.	452,994
Total Long-term liabilities	<u>\$ 1,047,128</u>

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 \$594,134 contain provisions 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.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 10: Commitments (Continued)**

Long-Term Debt Issued and Outstanding

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2022</u>	<u>Maturities to December 31, 2022</u>
<u>Direct Borrowings</u>					
1/22/19	1/24/23	4.50%	\$ 125,000	\$ 2,887	\$ 122,113
8/7/19	8/7/23	4.04%	69,000	12,289	56,711
11/12/20	11/12/24	3.50%	149,838	74,408	75,430
6/16/22	6/19/26	3.25%	170,931	150,764	20,167
9/19/22	9/19/23	3.25%	353,786	353,786	
Total Long-Term Debt			<u>\$ 1,565,587</u>	<u>\$ 594,134</u>	<u>\$ 971,453</u>

Changes in Long-Term Debt

	<u>Balance January 01, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2022</u>
<u>Direct Borrowings</u>				
Notes payable	\$ 819,327	\$ 170,931	\$ 749,910	\$ 240,348
Line of credit	0	353,786	0	353,786
Total Long-Term Debt	<u>\$ 819,327</u>	<u>\$ 524,717</u>	<u>\$ 749,910</u>	<u>\$ 594,134</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2022:

<u>Years Ending December 31,</u>	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 448,508	\$ 17,977	\$ 466,485
2024	78,907	3,571	82,478
2025	44,117	1,514	45,631
2026	22,602	214	22,816
Totals	<u>\$ 594,134</u>	<u>\$ 23,276</u>	<u>\$ 617,410</u>

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 10: Commitments (Continued)**

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2022:

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2022
Regional Information Technology Center	June 30, 2023	\$ 954,979
Regional Information Center Parking Lot	July 31, 2023	193,283
George Kell Park Concession Stands	March 31, 2023	151,899
City Dog Pound	March 23, 2023	89,900
Total Construction Contracts		<u>\$ 1,390,061</u>

**NOTE 11: Interfund Transfers**

The General Fund transferred \$195,965 to the Other Funds in the Aggregate (Airport and Grant Funds) for supplemental funding.

**NOTE 12: Risk Management**

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

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

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

Municipal Vehicle Program

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

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

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 12: 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 13: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 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).

Administration of the City of Newport's Firemen's Pension and Relief Fund and Policemen's Pension and Relief Fund was transferred to LOPFI on September 25, 2017 and November 30, 2014, respectively. The benefit structure of these plans was not changed.

Funding Policy

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

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

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$354,207 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$191,871 for the year ended December 31, 2022.

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, 2021, (actuarial valuation date and measurement date) was \$2,112,391.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 14: Arkansas Public Employees Retirement System**

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$6,275 for the year ended June 30, 2022.

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 June 30, 2022, (actuarial valuation date and measurement date) was \$52,840.

**NOTE 15: Mayor's Retirement Benefits**

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayors Wayne Beard, Jr. and William Dean Young \$15,300 and \$24,798, respectively, for the year ended December 31, 2022.

**NOTE 16: Clerk/Treasurer Retirement Benefits**

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurers Elwanda Templeton and Linda Treadway \$14,750 and \$23,225, respectively, for the year ended December 31, 2022.



CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 17: City Attorney Retirement Benefits (Continued)**

Plan Description

Ark. Code Ann. § 24-12-120 establishes retirement benefits for city attorneys in cities of the first class at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the city attorney at the time of retirement. Retirement benefits are to be paid monthly from the City's General Fund. A city attorney may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of service. The City paid former City Attorney Steve Howard \$20,122 for the year ended December 31, 2022.

**NOTE 18: 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 2021, the City was awarded \$1,548,469 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$1,548,469 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

**NOTE 19: Newport Economic Development Loan – City of Diaz**

On January 24, 2014, the City entered into a promissory note with the City of Diaz, Arkansas, in the amount of \$200,000 for sewer system repairs. Terms are interest .55%, 9 semi-annual payments of \$10,283 with a final payment of \$111,574.

On December 26, 2018, the City renewed the promissory note with the City of Diaz, Arkansas, in the amount of \$101,292 for sewer system repairs. Terms are interest 2%, 9 semi-annual payments of \$10,695 with a final payment of \$10,559. The City of Diaz remitted principal and interest of \$20,657 and \$732, respectively, leaving a principal balance due at December 31, 2022 of \$21,073.

**NOTE 20: Newport Economic Development Loan – Granges America**

On July 24, 2018, the City entered into a grant reimbursement arrangement with Granges America (the "Company") in the amount of \$1,000,000 to create employment opportunities for Jackson County, Arkansas residents. The reimbursement shall be made in the form of verifiable benefits to Jackson County as follows: The Company shall receive a \$10,000 credit for every employee they hire for full-time employment at the facility in Jackson County. The Company's credit shall increase to a \$12,000 credit for every employee they hire for full-time employment in Jackson County provided that employee also resides in Jackson County. The terms of this agreement were fulfilled with no remaining balance at December 31, 2022.

On January 1, 2023, the City entered into a new grant reimbursement arrangement with the Company in the amount of \$645,000 to create employment opportunities for Jackson County, Arkansas residents. The reimbursement shall be made in the form of verifiable benefits to Jackson County as follows: The Company shall receive a \$15,000 credit for every employee they hire for full-time employment at the facility in Jackson County. The Company's credit shall increase to a \$17,000 credit for every employee they hire for full-time employment in Jackson County provided that employee also resides in Jackson County. The term of this grant shall be 36 months from the date of the agreement. At the end of the 36 months, all credit earned by the Company shall be applied to the balance. Any remaining balance shall become due and payable immediately after the application of credits.

**NOTE 21: Subsequent Events**

On March 21, 2023, the City of Newport, the Northeast Arkansas Charitable Foundation, and the Newport-Jackson County Industrial Development Bond Board (collectively, "Plaintiffs") executed a Settlement and Release Agreement with Henry "Hank" Wilkins V, Harvest Health & Recreation, Inc., BRLS Properties AR-Newport LLC, Good Day Farm, LLC, Good Day Farm, Arkansas, LLC, Regina Thurman, and Natural State Wellness Enterprises, LLC (collectively, "Defendants"). In accordance with the agreement, the Defendants agreed to pay \$1,040,000 to the Plaintiffs. Of this payment, \$40,000 will be allocated to David A. Couch PLLC for attorney fees incurred by Plaintiffs, the City of Newport plans to retain \$169,979 for costs incurred and distribute \$26,400 and \$9,600 to Holden Conner Land and ASU-Newport, respectively. The parties agree that the amount paid is a compromise amount for settlement of claims and potential claims. All amounts were paid as of April 26, 2023. The remaining \$794,021 will be distributed to various economic development projects per discretion of the Newport Economic Development Commission.

CITY OF NEWPORT, ARKANSAS  
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
REGULATORY BASIS  
DECEMBER 31, 2022

Schedule 1

SPECIAL REVENUE FUNDS

	Airport	Intoxication Detection	Commercial Mobile Radio Service 911 Board	Drug Control	Court Automation	District Court Cost	Newport Economic Development Commission
ASSETS							
Cash and cash equivalents	\$ 580,229	\$ 9,008	\$ 140,483	\$ 25,420	\$ 153,015	\$ 24,623	\$ 1,910,288
Accounts receivable	8,993	82	2,169	50	1,399	452	195,355
Interfund receivables							
TOTAL ASSETS	<u>\$ 589,222</u>	<u>\$ 9,090</u>	<u>\$ 142,652</u>	<u>\$ 25,470</u>	<u>\$ 154,414</u>	<u>\$ 25,075</u>	<u>\$ 2,105,643</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,672		\$ 302		\$ 128		\$ 131,548
Interfund payables	6,874		6,577				20,866
Settlements pending							
Total Liabilities	<u>8,546</u>		<u>6,879</u>		<u>128</u>		<u>152,414</u>
Fund Balances:							
Restricted		\$ 9,090	135,773	\$ 25,470	154,286	\$ 25,075	1,953,229
Assigned	580,676						
Total Fund Balances	<u>580,676</u>	<u>9,090</u>	<u>135,773</u>	<u>25,470</u>	<u>154,286</u>	<u>25,075</u>	<u>1,953,229</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 589,222</u>	<u>\$ 9,090</u>	<u>\$ 142,652</u>	<u>\$ 25,470</u>	<u>\$ 154,414</u>	<u>\$ 25,075</u>	<u>\$ 2,105,643</u>

CITY OF NEWPORT, ARKANSAS  
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
REGULATORY BASIS  
DECEMBER 31, 2022

Schedule 1

	SPECIAL REVENUE FUNDS				CUSTODIAL FUND	
	Municipal Judge and Clerk Retirement	Advertising and Promotion	American Rescue Plan Act	Grant	District Court	Totals
ASSETS						
Cash and cash equivalents	\$ 4,975	\$ 128,694	\$ 4,773	\$ 100	\$ 109,016	\$ 3,090,624
Accounts receivable	380	21,292		21,362		251,534
Interfund receivables			12,122			12,122
TOTAL ASSETS	<u>\$ 5,355</u>	<u>\$ 149,986</u>	<u>\$ 16,895</u>	<u>\$ 21,462</u>	<u>\$ 109,016</u>	<u>\$ 3,354,280</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 1,316				\$ 134,966
Interfund payables				\$ 21,362		55,679
Settlements pending					\$ 109,016	109,016
Total Liabilities		<u>1,316</u>		<u>21,362</u>	<u>109,016</u>	<u>299,661</u>
Fund Balances:						
Restricted	\$ 4,567	148,670	\$ 16,895			2,473,055
Assigned	788			100		581,564
Total Fund Balances	<u>5,355</u>	<u>148,670</u>	<u>16,895</u>	<u>100</u>		<u>3,054,619</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,355</u>	<u>\$ 149,986</u>	<u>\$ 16,895</u>	<u>\$ 21,462</u>	<u>\$ 109,016</u>	<u>\$ 3,354,280</u>

CITY OF NEWPORT, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

	SPECIAL REVENUE FUNDS					
	Airport	Intoxication Detection	Commercial Mobile Radio Service 911 Board	Drug Control	Court Automation	District Court Cost
REVENUES						
Federal aid	\$ 80,063					
Sales taxes	4,070					
Fines, forfeitures, and costs		\$ 983			\$ 16,218	\$ 5,431
Interest	1,690	4	\$ 1,311	\$ 8	1,111	14
Local permits and fees			275,811			
Advertising and promotion taxes						
Aiport sales and rental income	199,400					
Principal on note receivable						
Interest on note receivable						
Other	16,322		28,000	25,495		
<b>TOTAL REVENUES</b>	<b>301,545</b>	<b>987</b>	<b>305,122</b>	<b>25,503</b>	<b>17,329</b>	<b>5,445</b>
EXPENDITURES						
Current:						
General government						
Law enforcement		37		14,258	13,030	7,780
Highways and streets						
Public safety			367,807			
Health						
Advertising and promotion						
Economic development						
Airport	448,626					
<b>Total Current</b>	<b>448,626</b>	<b>37</b>	<b>367,807</b>	<b>14,258</b>	<b>13,030</b>	<b>7,780</b>
Debt Service:						
Note principal						
<b>TOTAL EXPENDITURES</b>	<b>448,626</b>	<b>37</b>	<b>367,807</b>	<b>14,258</b>	<b>13,030</b>	<b>7,780</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<b>(147,081)</b>	<b>950</b>	<b>(62,685)</b>	<b>11,245</b>	<b>4,299</b>	<b>(2,335)</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	100,000					
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)</b>						
<b>EXPENDITURES AND OTHER USES</b>	<b>(47,081)</b>	<b>950</b>	<b>(62,685)</b>	<b>11,245</b>	<b>4,299</b>	<b>(2,335)</b>
FUND BALANCES - JANUARY 1	627,757	8,140	198,458	14,225	149,987	27,410
FUND BALANCES - DECEMBER 31	\$ 580,676	\$ 9,090	\$ 135,773	\$ 25,470	\$ 154,286	\$ 25,075

CITY OF NEWPORT, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 2

	SPECIAL REVENUE FUNDS					
	Newport Economic Development Commission	Municipal Judge and Clerk Retirement	Advertising and Promotion	American Rescue Plan Act	Grant	Totals
REVENUES						
Federal aid	\$ 2,153,889			\$ 849,230	\$ 102,752	\$ 3,185,934
Sales taxes	989,968					994,038
Fines, forfeitures, and costs		\$ 4,564				27,196
Interest	5,322	3		4,590		14,053
Local permits and fees						275,811
Advertising and promotion taxes			\$ 252,083			252,083
Aiport sales and rental income						199,400
Principal on note receivable	20,657					20,657
Interest on note receivable	732					732
Other	22,570	52				92,439
<b>TOTAL REVENUES</b>	<b>3,193,138</b>	<b>4,619</b>	<b>252,083</b>	<b>853,820</b>	<b>102,752</b>	<b>5,062,343</b>
EXPENDITURES						
Current:						
General government				62,878		62,878
Law enforcement		52		596,833	101,078	733,068
Highways and streets					97,539	97,539
Public safety				424,083		791,890
Health				173,821		173,821
Advertising and promotion			201,660			201,660
Economic development	3,568,309					3,568,309
Airport						448,626
<b>Total Current</b>	<b>3,568,309</b>	<b>52</b>	<b>201,660</b>	<b>1,257,615</b>	<b>198,617</b>	<b>6,077,791</b>
Debt Service:						
Note principal	625,000					625,000
<b>TOTAL EXPENDITURES</b>	<b>4,193,309</b>	<b>52</b>	<b>201,660</b>	<b>1,257,615</b>	<b>198,617</b>	<b>6,702,791</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000,171)	4,567	50,423	(403,795)	(95,865)	(1,640,448)
OTHER FINANCING SOURCES (USES)						
Transfers in					95,965	195,965
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,000,171)	4,567	50,423	(403,795)	100	(1,444,483)
FUND BALANCES - JANUARY 1	2,953,400	788	98,247	420,690		4,499,102
FUND BALANCES - DECEMBER 31	\$ 1,953,229	\$ 5,355	\$ 148,670	\$ 16,895	\$ 100	\$ 3,054,619

CITY OF NEWPORT, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Airport	Ark. Code Ann. §§ 14-359-101 - 121 established the Municipal Airport Commission to operate and manage the airport. All revenue derived from the operation of the airport or flying field, after paying the operating expenses and maintenance, shall be set aside and used for additional improvements on the airport or for the retirement of bonds and interest thereon issued or advancement made for the purchase and improvement of the airport or flying field. Also, a perpetual trust was established on July 21, 1999 from proceeds of land sales. Income from the trust estate is to be used for the airport. The perpetual trust was terminated on October 26, 2022.
Intoxication Detection	Ark. Code Ann. § 16-10-308 authorized a portion of district court costs to be used to purchase and maintain alcohol testing devices.
Commercial Mobile Radio Service 911 Board	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
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.
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Newport Economic Development Commission	Ark. Code Ann. § 14-174-104 authorizes the levy of a local sales tax dedicated to the operation of local economic development programs.
Municipal Judge and Clerk Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.

CITY OF NEWPORT, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
Advertising and Promotion	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of renting, leasing, or otherwise furnishing hotels, motels, etc. and gross proceeds received by restaurants, cafes, etc. for the sale of prepared food and beverages. The tax shall be used for the advertising and promoting of the city and its environs; construction, reconstruction, extension, equipment, improvement, maintenance, repair, and operation of tourist promotion facilities and city parks system; and payment of principal, interest, and fees in connection with bonds issued. Newport Ordinance no. 1179 (April 6, 2020) levied a three percent tax upon the gross receipts or gross proceeds of renting and leasing accommodations and a one percent tax upon the gross receipts or gross proceeds of sale of prepared food and beverages.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLFR), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Grant	Established to account for grants received from the United States Department of Agriculture.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.

CITY OF NEWPORT, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2022  
(Unaudited)

Schedule 3

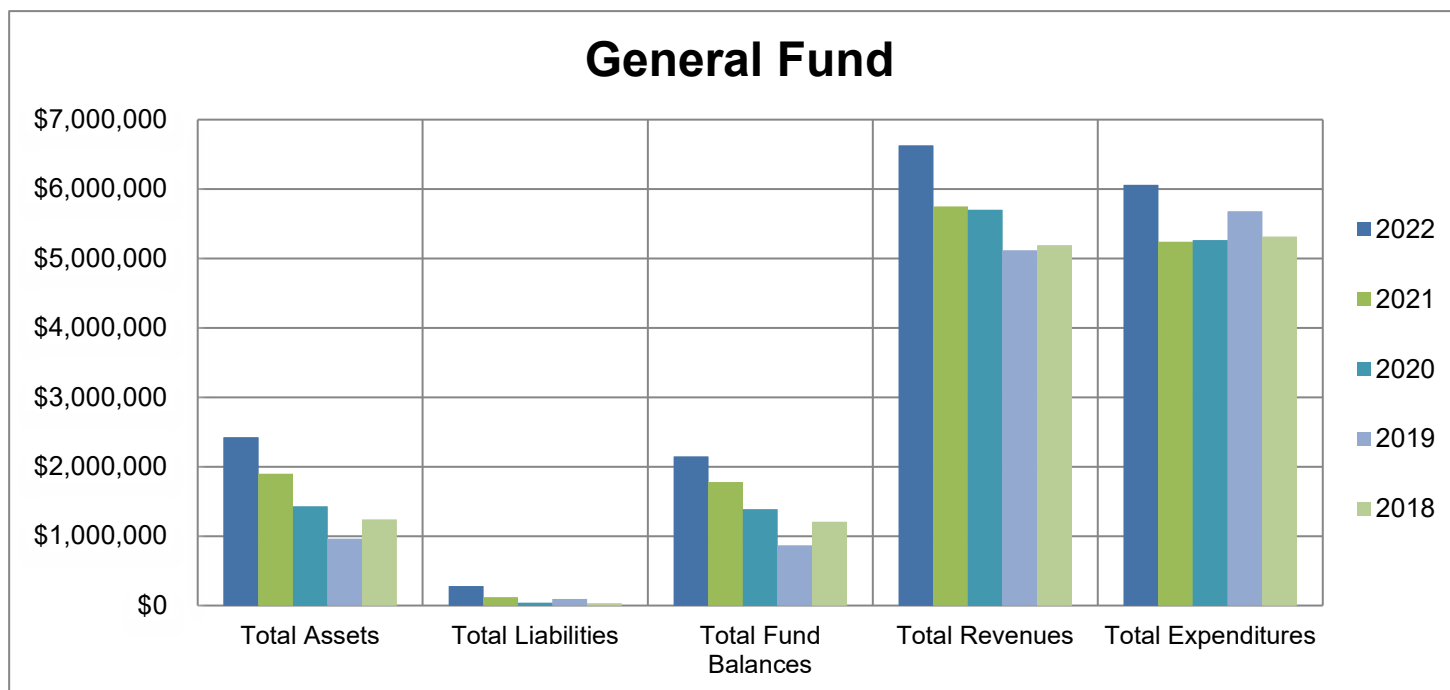
	December 31, 2022
Land	\$ 1,265,080
Construction in progress	2,795,396
Improvements	5,241,818
Buildings	5,134,667
Equipment	4,772,176
	<hr/>
Total	\$ 19,209,137
	<hr/> <hr/>



CITY OF NEWPORT, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
DECEMBER 31, 2022  
(Unaudited)

Schedule 4-1

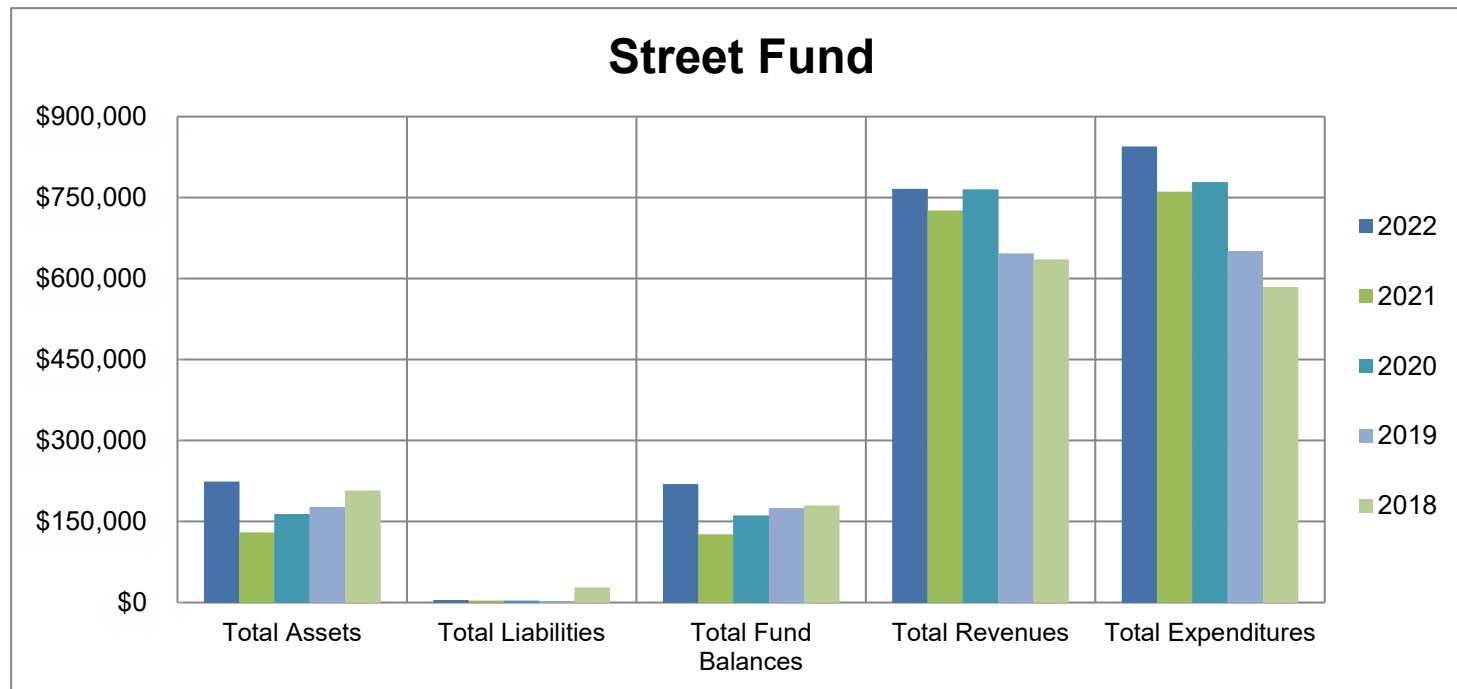
<b>General</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Assets	\$ 2,424,705	\$ 1,896,922	\$ 1,425,655	\$ 960,061	\$ 1,235,732
Total Liabilities	278,623	119,994	41,680	94,462	28,697
Total Fund Balances	2,146,082	1,776,928	1,383,975	865,599	1,207,035
Total Revenues	6,626,540	5,744,335	5,701,811	5,115,449	5,189,713
Total Expenditures	6,061,243	5,239,593	5,260,375	5,677,697	5,312,508
Total Other Financing Sources/Uses	(196,143)	(111,789)	76,940	220,812	(9,546)



CITY OF NEWPORT, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
DECEMBER 31, 2022  
(Unaudited)

Schedule 4-2

<b><u>Street</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total Assets	\$ 223,516	\$ 129,468	\$ 164,030	\$ 177,098	\$ 207,015
Total Liabilities	4,766	3,463	3,021	2,768	27,781
Total Fund Balances	218,750	126,005	161,009	174,330	179,234
Total Revenues	766,281	725,556	765,111	646,145	635,319
Total Expenditures	844,467	760,560	778,432	651,049	583,956
Total Other Financing Sources/Uses	170,931				



CITY OF NEWPORT, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
DECEMBER 31, 2022  
(Unaudited)

Schedule 4-3

<b><u>Other Funds in the Aggregate</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total Assets	\$ 3,354,280	\$ 5,074,724	\$ 3,307,094	\$ 2,804,914	\$ 2,870,556
Total Liabilities	299,661	575,622	184,026	198,825	153,891
Total Fund Balances	3,054,619	4,499,102	3,123,068	2,606,089	2,716,665
Total Revenues	5,062,343	3,172,327	2,024,912	1,283,347	2,983,556
Total Expenditures	6,702,791	2,571,631	1,645,831	1,539,143	3,430,104
Total Other Financing Sources/Uses	195,965	775,338	137,898	145,220	75,482

