

**City of Newport, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2023**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas

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



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

Kevin William White, CPA, JD  
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, 2023, 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, 2023; 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, 2023, 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 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.

##### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the City would have included other 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 June 27, 2024, 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

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD  
Legislative Auditor

Little Rock, Arkansas  
June 27, 2024  
LOM106823

# Arkansas

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



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

**Kevin William White, CPA, JD**  
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, 2023, 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 June 27, 2024. 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

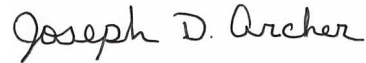
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 June 27, 2024.

### **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. 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



Joseph D. Archer, CPA,  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 27, 2024

# Arkansas



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

**Rep. Jimmy Gazaway**  
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**Kevin William White, CPA, JD**  
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 2023:

Mayor: Derrick Ratliffe  
Clerk/Treasurer: Deborah Hembrey  
District Court Clerk: Lindsey Rudisill  
Police Chief: Larry Dulaney

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 that reads "Joseph D. Archer".

Joseph D. Archer, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 27, 2024



CITY OF NEWPORT, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2023

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,607,922	\$ 350,607	\$ 3,172,106
Accounts receivable	529,015	22,124	122,766
Interfund receivables	35,695		
	<u>2,172,632</u>	<u>372,731</u>	<u>3,294,872</u>
<b>TOTAL ASSETS</b>			
	<u>\$ 2,172,632</u>	<u>\$ 372,731</u>	<u>\$ 3,294,872</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 35,776	\$ 7,792	\$ 17,634
Interfund payables		3,456	32,239
Settlements pending	30,490		91,935
Total Liabilities	<u>66,266</u>	<u>11,248</u>	<u>141,808</u>
Fund Balances:			
Restricted	92,926	361,483	2,040,904
Assigned	5,067		1,112,160
Unassigned	2,008,373		
Total Fund Balances	<u>2,106,366</u>	<u>361,483</u>	<u>3,153,064</u>
	<u>\$ 2,172,632</u>	<u>\$ 372,731</u>	<u>\$ 3,294,872</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			

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, 2023

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 276,234	\$ 675,274	\$ 50,000
Federal aid	268,064		1,667,319
Property taxes	492,387	120,571	
Franchise fees	390,838		
Sales taxes	3,562,431		1,077,646
Fines, forfeitures, and costs	197,442		30,932
Interest	52,777	13,463	62,483
Local permits and fees	20,840		269,828
Sanitation fees	844,504		
Advertising and promotion taxes			273,150
Ambulance fees	247,048		
Mosquito control	219,548		
Airport sales and rental income			369,179
Principal on note receivable			21,073
Interest on note receivable			317
Other	314,499	8,280	103,953
<b>TOTAL REVENUES</b>	<b>6,886,612</b>	<b>817,588</b>	<b>3,925,880</b>
EXPENDITURES			
Current:			
General government	887,149		4,773
Law enforcement	2,068,797		131,579
Highways and streets	166,479	629,223	328,000
Public safety	1,431,624		412,776
Sanitation	998,421		
Health	690,071		
Recreation and culture	523,467		
Social services	15,000		
Advertising and promotion			221,236
Economic development	191,081		2,772,495
Airport	4,309		455,669
Total Current	6,976,398	629,223	4,326,528
Debt Service:			
Financed purchases principal	93,939	41,345	16,049
Financed purchases interest	14,438	4,287	4,953
Line of credit principal	72,257		47,677
Line of credit interest	6,681		4,509
<b>TOTAL EXPENDITURES</b>	<b>7,163,713</b>	<b>674,855</b>	<b>4,399,716</b>

CITY OF NEWPORT, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (277,101)	\$ 142,733	\$ (473,836)
OTHER FINANCING SOURCES (USES)			
Transfers in			153,868
Transfers out	(153,868)		
Contribution to sewer department	(16,193)		
Financed purchase proceeds	274,832		
Line of credit proceeds	132,614		
Proceeds from lawsuit settlement			1,000,000
Distribution of proceeds from lawsuit settlement			(581,587)
TOTAL OTHER FINANCING SOURCES (USES)	<u>237,385</u>		<u>572,281</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(39,716)	142,733	98,445
FUND BALANCES - JANUARY 1	<u>2,146,082</u>	<u>218,750</u>	<u>3,054,619</u>
FUND BALANCES - DECEMBER 31	<u>\$ 2,106,366</u>	<u>\$ 361,483</u>	<u>\$ 3,153,064</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, 2023

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 267,474	\$ 276,234	\$ 8,760	\$ 640,000	\$ 675,274	\$ 35,274
Federal aid	284,000	268,064	(15,936)			
Property taxes	437,800	492,387	54,587	90,000	120,571	30,571
Franchise fees	400,000	390,838	(9,162)			
Sales taxes	3,400,000	3,562,431	162,431			
Fines, forfeitures, and costs	192,800	197,442	4,642			
Interest	35,000	52,777	17,777	12,000	13,463	1,463
Local permits and fees	20,250	20,840	590			
Sanitation fees	846,000	844,504	(1,496)			
Ambulance fees	260,000	247,048	(12,952)			
Mosquito control	220,000	219,548	(452)			
Other	303,669	314,499	10,830	5,500	8,280	2,780
<b>TOTAL REVENUES</b>	<b>6,666,993</b>	<b>6,886,612</b>	<b>219,619</b>	<b>747,500</b>	<b>817,588</b>	<b>70,088</b>
EXPENDITURES						
Current:						
General government	1,262,443	887,149	375,294			
Law enforcement	2,280,323	2,068,797	211,526			
Highways and streets	334,372	166,479	167,893	744,750	629,223	115,527
Public safety	1,783,344	1,431,624	351,720			
Sanitation	1,139,397	998,421	140,976			
Health	809,217	690,071	119,146			
Recreation and culture	659,071	523,467	135,604			
Social services		15,000	(15,000)			
Economic development	10,591	191,081	(180,490)			
Airport	4,309	4,309	0			
<b>Total Current</b>	<b>8,283,067</b>	<b>6,976,398</b>	<b>1,306,669</b>	<b>744,750</b>	<b>629,223</b>	<b>115,527</b>
Debt Service:						
Financed purchases principal	108,596	93,939	14,657	45,630	41,345	4,285
Financed purchases interest	14,250	14,438	(188)	4,500	4,287	213
Line of credit principal	72,319	72,257	62			
Line of credit interest	6,681	6,681	0			
<b>TOTAL EXPENDITURES</b>	<b>8,484,913</b>	<b>7,163,713</b>	<b>1,321,200</b>	<b>794,880</b>	<b>674,855</b>	<b>120,025</b>

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, 2023

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,817,920)	\$ (277,101)	\$ 1,540,819	\$ (47,380)	\$ 142,733	\$ 190,113
OTHER FINANCING SOURCES (USES)						
Transfers in	569,910		(569,910)			
Transfers out	(153,868)	(153,868)	0			
Contribution to sewer department	(131,000)	(16,193)	114,807			
Financed purchase proceeds	274,000	274,832	832			
Line of credit proceeds	224,000	132,614	(91,386)			
TOTAL OTHER FINANCING SOURCES (USES)	783,042	237,385	(545,657)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,034,878)	(39,716)	995,162	(47,380)	142,733	190,113
FUND BALANCES - JANUARY 1	1,200,000	2,146,082	946,082	200,000	218,750	18,750
FUND BALANCES - DECEMBER 31	\$ 165,122	\$ 2,106,366	\$ 1,941,244	\$ 152,620	\$ 361,483	\$ 208,863

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

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**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 or committed for maintaining and constructing highways and streets.

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

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

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

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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

**C. Basis of Accounting - Regulatory**

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

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

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

Cash and Cash Equivalents

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

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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

**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.

**F. Budget Law**

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

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

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

Basis of Accounting

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

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

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

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

There were no committed fund balances at year-end.



CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**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)	\$ 1,409,093	\$ 1,410,094
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	3,719,397	3,809,489
Total Deposits	\$ 5,128,490	\$ 5,219,583

The above total deposits do not include cash on hand of \$2,145.

**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, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 36,942		
Federal aid	13,174		\$ 2,500
Property taxes	77,383	\$ 22,124	
Franchise fees	47,189		
Sales taxes	283,043		85,383
Fines, forfeitures, and costs	15,054		2,307
Local permits and fees	10		2,272
Sanitation fees	159		
Advertising and promotion taxes			24,275
Ambulance fees	35,117		
Airport sales and rental income			6,029
Other	20,944		
Totals	\$ 529,015	\$ 22,124	\$ 122,766

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 5: Accounts Payable**

The accounts payable balance at December 31, 2023, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 27,548	\$ 7,792	\$ 16,072
Payroll taxes payable	140		
Sales tax payable	8,088		1,562
<b>Totals</b>	<b>\$ 35,776</b>	<b>\$ 7,792</b>	<b>\$ 17,634</b>

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2023	
	Interfund Receivables	Interfund Payables
General Fund	\$ 35,695	
Street Fund		\$ 3,456
Other Funds in the Aggregate:		
Special Revenue Funds:		
Airport		6,765
New port Economic Development Commission		25,474
<b>Totals</b>	<b>\$ 35,695</b>	<b>\$ 35,695</b>

Interfund receivables and payables consist of interfund loans. These balances were repaid in 2024.

**NOTE 7: Federal Funds Program Compliance**

As of the report date, the City's federal grants were in the process of being audited. Therefore, any instances of noncompliance with federal grant requirements have not been determined. 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, 2023

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

Fund balance classifications at December 31, 2023, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
Law enforcement			\$ 250,932
Highways and streets		\$ 361,483	
Public safety	\$ 92,926		58,023
Advertising and promotion			127,396
Economic development			1,604,553
Total Restricted	<u>92,926</u>	<u>361,483</u>	<u>2,040,904</u>
Assigned to:			
General government			200
Law enforcement			789
Health	5,067		
Economic development			436,379
Airport			674,792
Total Assigned	<u>5,067</u>		<u>1,112,160</u>
Unassigned	<u>2,008,373</u>		
Totals	<u>\$ 2,106,366</u>	<u>\$ 361,483</u>	<u>\$ 3,153,064</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, 2023, the legal debt limit for the bonded debt was \$15,009,575. 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, 2023, the legal debt limit for short-term financing obligations was \$4,121,318. The amount of short-term financing obligations, was \$730,313, leaving a legal debt margin of \$3,391,005.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 10: Commitments**

Total commitments consist of the following at December 31, 2023:

	December 31, 2023
Long-term liabilities	\$ 1,208,678
Construction contract	478,455
 Total Commitments	 \$ 1,687,133

Long-term liabilities

Long-term liabilities at December 31, 2023, are comprised of the following:

	December 31, 2023
<u>Direct Borrowings</u>	
Financed purchase agreement 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.	\$ 36,207
Financed purchase agreement 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.	109,419
Financed purchase agreement dated February 9, 2023, with Merchants and Planters Bank in the amount of \$274,832, with interest rate of 5.75% for the purchase of a Freightliner fire truck. The City will make monthly payments of \$5,281 for 60 months. Payments are to be made from the General Fund.	234,270
Financed purchase agreement dated September 19, 2023, with Merchants and Planters Bank in the amount of \$366,466, with interest rate of 5.5%. The City will make monthly payments of \$7,001 for 60 months. Payments are to be made from the Advertising and Promotion Fund.	350,417
Total Direct Borrowings	730,313
Compensated absences consisting of accrued vacation and sick leave and compensatory time adjusted to current salary cost.	478,365
Total Long-term liabilities	\$ 1,208,678

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

The City's outstanding financed purchase agreements from direct borrowings of \$730,313 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, 2023

**NOTE 10: Commitments (Continued)**

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2023	Maturities to December 31, 2023
<u>Direct Borrowings</u>					
11/12/20	11/12/24	3.50%	\$ 149,838	\$ 36,207	\$ 113,631
6/16/22	6/16/26	3.25%	170,931	109,419	61,512
2/9/23	2/9/28	5.75%	274,832	234,270	40,562
9/19/23	9/19/28	5.50%	366,466	350,417	16,049
Total Long-Term Debt			<u>\$ 962,067</u>	<u>\$ 730,313</u>	<u>\$ 231,754</u>

Changes in Long-Term Debt

	Balance January 01, 2023	Issued	Retired	Balance December 31, 2023
<u>Direct Borrowings</u>				
Financed purchases	\$ 240,348	\$ 641,298	\$ 151,333	\$ 730,313
Line of credit	353,786	132,614	486,400 *	0
Total Long-Term Debt	<u>\$ 594,134</u>	<u>\$ 773,912</u>	<u>\$ 637,733</u>	<u>\$ 730,313</u>

\*Includes \$366,466 line of credit converted to a financed purchase agreement.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2023:

Years Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2024	\$ 196,447	\$ 33,407	\$ 229,854
2025	168,514	24,495	193,009
2026	154,158	16,035	170,193
2027	139,128	8,248	147,376
2028	72,066	1,501	73,567
Totals	<u>\$ 730,313</u>	<u>\$ 83,686</u>	<u>\$ 813,999</u>

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2023:

Project Name	Completion date	Contract Balance December 31, 2023
Runway 18-36 Rehabilitation	April 30, 2024	<u>\$ 478,455</u>

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 11: Interfund Transfers**

The General Fund transferred \$153,868 to the Other Funds in the Aggregate (Airport and Grant Funds) for supplemental funding.

**NOTE 12: Jointly Governed Organization - Third Judicial Task Force**

The Prosecuting Attorney's Office of the Third Judicial District, the Sheriffs' Departments of Jackson, Lawrence, Randolph, Sharp, and the Police Departments of Ash Flat, Cherokee Village, Highland, Newport, Pocahontas, and Walnut Ridge entered into an agreement to establish the Third Judicial District Drug Task Force. Funding is provided through a Drug Law Enforcement Program grant, applied for by the Prosecuting Attorney of the Third Judicial District. No contributions or payment for expenditures were made to the Third Judicial Drug Task Force by the City of Newport. The financial statements of the Third Judicial Drug Task Force have not been audited.

**NOTE 13: 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.

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.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 13: Risk Management (Continued)**

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 14: 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 \$361,553 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$207,903 for the year ended December 31, 2023.

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, 2023, (actuarial valuation date and measurement date) was \$4,289,478.

CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 15: 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. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.5% as of July 1, 2023. 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 for the year ended June 30, 2023, was \$6,464.

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, 2023, (actuarial valuation date and measurement date) was \$55,474.

**NOTE 16: 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., William Dean Young, and David Stewart \$15,300, \$24,798, and \$38,622, respectively, for the year ended December 31, 2023.

**NOTE 17: 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, 2023.



CITY OF NEWPORT, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**NOTE 18: City Attorney Retirement Benefits**

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 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, 2023.

**NOTE 19: Newport Economic Development Loan – Gränges America**

On January 1, 2023, the City entered into a grant reimbursement arrangement with Gränges America (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 20: Settlement and Release Agreement**

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 was allocated to David A. Couch PLLC for attorney fees incurred by Plaintiffs, the City of Newport retained \$169,979 for costs incurred and distributed easement reimbursements of \$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. The City also distributed \$375,608 to various economic development projects. The remaining \$436,379, including interest earned of \$17,966, will be distributed to various economic development projects per discretion of the Newport Economic Development Commission.

**NOTE 21: Subsequent Event**

On June 10, 2024, the City executed a \$520,519 construction contract with Olympus Construction, Inc. for the construction of new airport hangars. On June 22, 2024, the City executed a change order decreasing the price to \$503,825.

CITY OF NEWPORT, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2023

Schedule 1

SPECIAL REVENUE FUNDS

	Airport	Intoxication Detection	Commercial Mobile Radio Service 911 Board	Drug Control	Court Automation	District Court Cost
<b>ASSETS</b>						
Cash and cash equivalents	\$ 676,394	\$ 9,995	\$ 57,504	\$ 40,016	\$ 164,537	\$ 26,546
Accounts receivable	6,725	82	2,272		1,392	453
<b>TOTAL ASSETS</b>	<b>\$ 683,119</b>	<b>\$ 10,077</b>	<b>\$ 59,776</b>	<b>\$ 40,016</b>	<b>\$ 165,929</b>	<b>\$ 26,999</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,562		\$ 1,753		\$ 963	\$ 270
Interfund payables	6,765					
Settlements pending						
<b>Total Liabilities</b>	<b>8,327</b>		<b>1,753</b>		<b>963</b>	<b>270</b>
<b>Fund Balances:</b>						
Restricted		\$ 10,077	58,023	\$ 40,016	164,966	26,729
Assigned	674,792					
<b>Total Fund Balances</b>	<b>674,792</b>	<b>10,077</b>	<b>58,023</b>	<b>40,016</b>	<b>164,966</b>	<b>26,729</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 683,119</b>	<b>\$ 10,077</b>	<b>\$ 59,776</b>	<b>\$ 40,016</b>	<b>\$ 165,929</b>	<b>\$ 26,999</b>

CITY OF NEWPORT, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2023

Schedule 1

	SPECIAL REVENUE FUNDS				CUSTODIAL FUND	
	Newport Economic Development Commission	Municipal Judge and Clerk Retirement	Advertising and Promotion	Grant	District Court	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,992,305	\$ 9,553	\$ 103,121	\$ 200	\$ 91,935	\$ 3,172,106
Accounts receivable	84,687	380	24,275	2,500		122,766
<b>TOTAL ASSETS</b>	<u>\$ 2,076,992</u>	<u>\$ 9,933</u>	<u>\$ 127,396</u>	<u>\$ 2,700</u>	<u>\$ 91,935</u>	<u>\$ 3,294,872</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 10,586			\$ 2,500		\$ 17,634
Interfund payables	25,474					32,239
Settlements pending					\$ 91,935	91,935
<b>Total Liabilities</b>	<u>36,060</u>			<u>2,500</u>	<u>91,935</u>	<u>141,808</u>
Fund Balances:						
Restricted	1,604,553	\$ 9,144	\$ 127,396			2,040,904
Assigned	436,379	789		200		1,112,160
<b>Total Fund Balances</b>	<u>2,040,932</u>	<u>9,933</u>	<u>127,396</u>	<u>200</u>		<u>3,153,064</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,076,992</u>	<u>\$ 9,933</u>	<u>\$ 127,396</u>	<u>\$ 2,700</u>	<u>\$ 91,935</u>	<u>\$ 3,294,872</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, 2023

Schedule 2

	SPECIAL REVENUE FUNDS					
	Airport	Intoxication Detection	Commercial Mobile Radio Service 911 Board	Drug Control	Court Automation	District Court Cost
REVENUES						
State aid						
Federal aid	\$ 46,872					
Sales taxes	8,470					
Fines, forfeitures, and costs		\$ 982			\$ 19,955	\$ 5,431
Interest	19,362	5	\$ 2,050	\$ 17	4,599	13
Local permits and fees			269,828			
Advertising and promotion taxes						
Airport sales and rental income	369,179					
Principal on note receivable						
Interest on note receivable						
Other	5,902		51,026	24,676		
<b>TOTAL REVENUES</b>	<b>449,785</b>	<b>987</b>	<b>322,904</b>	<b>24,693</b>	<b>24,554</b>	<b>5,444</b>
EXPENDITURES						
Current:						
General government						
Law enforcement				10,147	13,874	3,790
Highways and streets						
Public safety			400,654			
Advertising and promotion						
Economic development						
Airport	455,669					
Total Current	455,669		400,654	10,147	13,874	3,790
Debt Service:						
Financed purchases principal						
Financed purchases interest						
Line of credit principal						
Line of credit interest						
<b>TOTAL EXPENDITURES</b>	<b>455,669</b>		<b>400,654</b>	<b>10,147</b>	<b>13,874</b>	<b>3,790</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,884)</b>	<b>987</b>	<b>(77,750)</b>	<b>14,546</b>	<b>10,680</b>	<b>1,654</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	100,000					
Proceeds from lawsuit settlement						
Distribution of proceeds from lawsuit settlement						
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>100,000</b>					
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>94,116</b>	<b>987</b>	<b>(77,750)</b>	<b>14,546</b>	<b>10,680</b>	<b>1,654</b>
FUND BALANCES - JANUARY 1	580,676	9,090	135,773	25,470	154,286	25,075
FUND BALANCES - DECEMBER 31	\$ 674,792	\$ 10,077	\$ 58,023	\$ 40,016	\$ 164,966	\$ 26,729

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, 2023

Schedule 2

	SPECIAL REVENUE FUNDS					
	Newport Economic Development Commission	Municipal Judge and Clerk Retirement	Advertising and Promotion	American Rescue Plan Act	Grant	Totals
REVENUES						
State aid	\$ 50,000					\$ 50,000
Federal aid	1,242,447				\$ 378,000	1,667,319
Sales taxes	1,069,176					1,077,646
Fines, forfeitures, and costs		\$ 4,564				30,932
Interest	36,423	14				62,483
Local permits and fees						269,828
Advertising and promotion taxes			\$ 273,150			273,150
Airport sales and rental income						369,179
Principal on note receivable	21,073					21,073
Interest on note receivable	317					317
Other	22,349					103,953
<b>TOTAL REVENUES</b>	<b>2,441,785</b>	<b>4,578</b>	<b>273,150</b>		<b>378,000</b>	<b>3,925,880</b>
EXPENDITURES						
Current:						
General government				\$ 4,773		4,773
Law enforcement					103,768	131,579
Highways and streets					328,000	328,000
Public safety				12,122		412,776
Advertising and promotion			221,236			221,236
Economic development	2,772,495					2,772,495
Airport						455,669
<b>Total Current</b>	<b>2,772,495</b>		<b>221,236</b>	<b>16,895</b>	<b>431,768</b>	<b>4,326,528</b>
Debt Service:						
Financed purchases principal			16,049			16,049
Financed purchases interest			4,953			4,953
Line of credit principal			47,677			47,677
Line of credit interest			4,509			4,509
<b>TOTAL EXPENDITURES</b>	<b>2,772,495</b>		<b>294,424</b>	<b>16,895</b>	<b>431,768</b>	<b>4,399,716</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(330,710)	4,578	(21,274)	(16,895)	(53,768)	(473,836)
OTHER FINANCING SOURCES (USES)						
Transfers in					53,868	153,868
Proceeds from lawsuit settlement	1,000,000					1,000,000
Distribution of proceeds from lawsuit settlement	(581,587)					(581,587)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>418,413</b>				<b>53,868</b>	<b>572,281</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	87,703	4,578	(21,274)	(16,895)	100	98,445
FUND BALANCES - JANUARY 1	1,953,229	5,355	148,670	16,895	100	3,054,619
FUND BALANCES - DECEMBER 31	\$ 2,040,932	\$ 9,933	\$ 127,396	\$ 0	\$ 200	\$ 3,153,064

CITY OF NEWPORT, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2023

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.
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, 2023

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 (SLRF), 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 federal grants to be used for specific purposes.
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, 2023  
(Unaudited)

Schedule 3

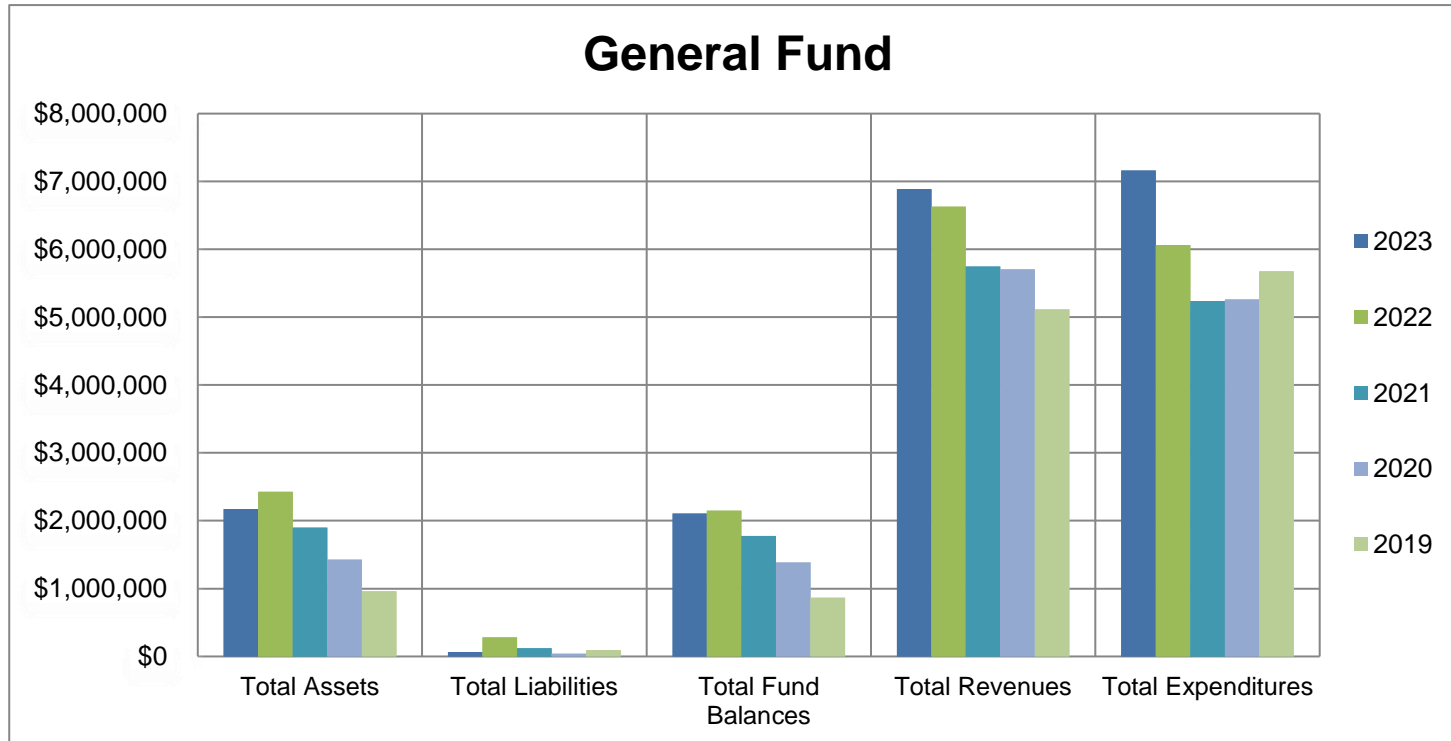
	<u>December 31,</u> <u>2023</u>
Land	\$ 1,265,080
Construction in progress	51,035
Improvements	5,739,761
Buildings	9,023,434
Equipment	<u>5,116,429</u>
Total	<u>\$ 21,195,739</u>



CITY OF NEWPORT, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2023  
 (Unaudited)

Schedule 4-1

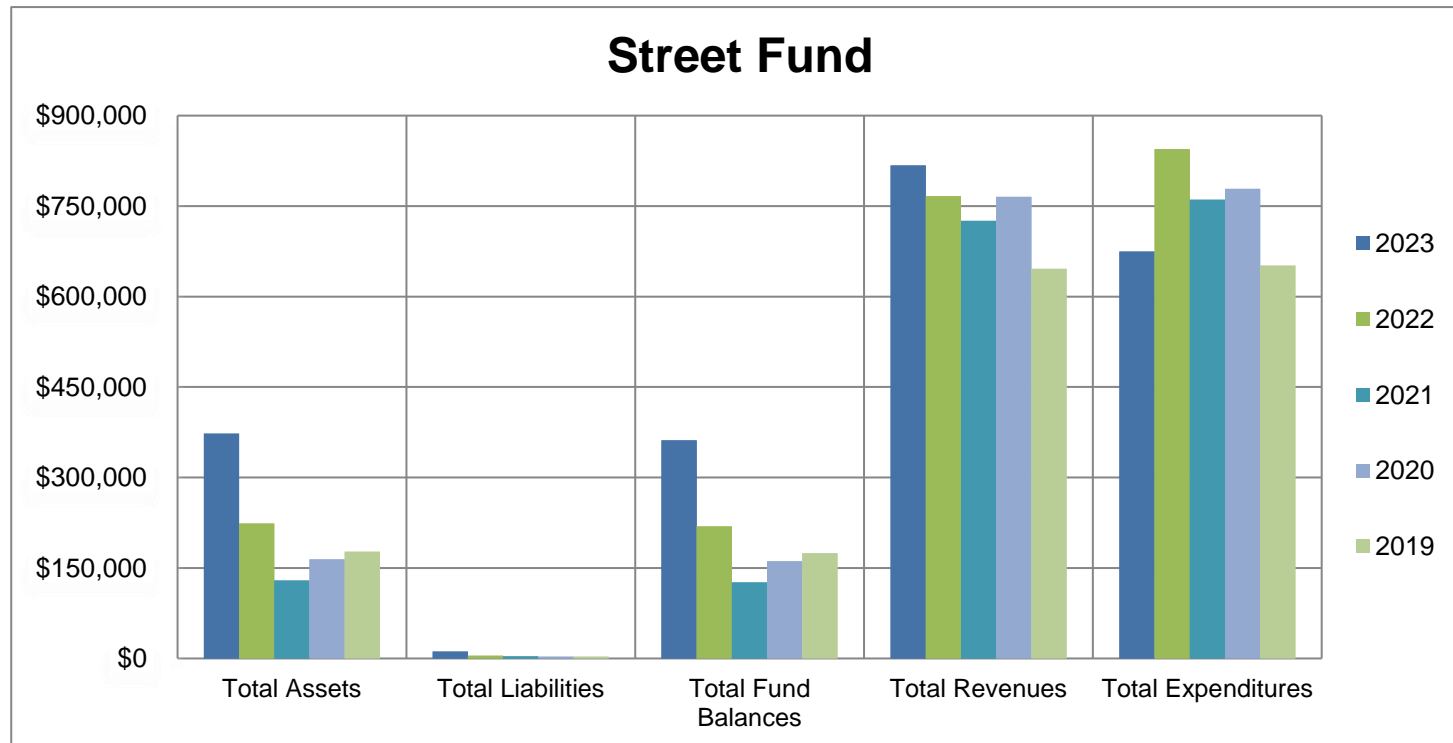
<u>General</u>	2023	2022	2021	2020	2019
Total Assets	\$ 2,172,632	\$ 2,424,705	\$ 1,896,922	\$ 1,425,655	\$ 960,061
Total Liabilities	66,266	278,623	119,994	41,680	94,462
Total Fund Balances	2,106,366	2,146,082	1,776,928	1,383,975	865,599
Total Revenues	6,886,612	6,626,540	5,744,335	5,701,811	5,115,449
Total Expenditures	7,163,713	6,061,243	5,239,593	5,260,375	5,677,697
Total Other Financing Sources/Uses	237,385	(196,143)	(111,789)	76,940	220,812



CITY OF NEWPORT, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2023  
 (Unaudited)

Schedule 4-2

<u>Street</u>	2023	2022	2021	2020	2019
Total Assets	\$ 372,731	\$ 223,516	\$ 129,468	\$ 164,030	\$ 177,098
Total Liabilities	11,248	4,766	3,463	3,021	2,768
Total Fund Balances	361,483	218,750	126,005	161,009	174,330
Total Revenues	817,588	766,281	725,556	765,111	646,145
Total Expenditures	674,855	844,467	760,560	778,432	651,049
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, 2023  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Assets	\$ 3,294,872	\$ 3,354,280	\$ 5,074,724	\$ 3,307,094	\$ 2,804,914
Total Liabilities	141,808	299,661	575,622	184,026	198,825
Total Fund Balances	3,153,064	3,054,619	4,499,102	3,123,068	2,606,089
Total Revenues	3,925,880	5,062,343	3,172,327	2,024,912	1,283,347
Total Expenditures	4,399,716	6,702,791	2,571,631	1,645,831	1,539,143
Total Other Financing Sources/Uses	572,281	195,965	775,338	137,898	145,220

