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# **City of Bella Vista, Arkansas**

## **Independent Auditor's Reports and Financial Statements**

December 31, 2022

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**City of Bella Vista, Arkansas**  
**December 31, 2022**

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## Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Bella Vista, AR  
Bella Vista, Arkansas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the regulatory basis financial statements of the City of Bella Vista, Arkansas (the City), which are comprised of the Statement of Assets, Liabilities and Fund Balances – 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 Revenues, Expenses, and Changes in Fund Balances Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

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

In our opinion, the accompanying 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 as of December 31, 2022; the regulatory basis revenues, expenditures, and changes in fund balance and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the State of Arkansas described in *Note 2*.

#### *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 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 each fund of the City as of December 31, 2022, or the revenues, expenditures, and changes in fund balances 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 (*Government Auditing Standards*). 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 2* of the financial statements, the financial statements are prepared by the City on the basis of accounting practices prescribed or permitted by the State of Arkansas (State) to demonstrate compliance with the State's regulatory basis of accounting and budget laws, 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 2* and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***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 Arkansas Code Annotation (A.C.A.) § 10-4-412, as described in *Note 2*, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the report. The other information is comprised of the schedule of capital assets but does not include the regulatory basis financial statements 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 basic 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 basic regulatory basis 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 also have issued our report dated September 26, 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 that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**FORVIS,LLP**

Rogers, Arkansas  
September 26, 2023

**City of Bella Vista, Arkansas**  
**Statement of Assets, Liabilities, and Fund Balances -**  
**Regulatory Basis**  
**December 31, 2022**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 4,525,609	\$ -	\$ -	\$ 4,525,609
Restricted	2,095,016	295,536	7,045,938	9,436,490
Investments	9,132,593	-	-	9,132,593
Accounts receivable, net	4,388,160	65,155	-	4,453,315
Due from other funds	240,251	-	-	240,251
Other assets	6,034	-	-	6,034
	<u>20,387,663</u>	<u>360,691</u>	<u>7,045,938</u>	<u>27,794,292</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	1,251,899	55,328	-	1,307,227
Due to other funds	-	240,251	-	240,251
	<u>1,251,899</u>	<u>295,579</u>	<u>-</u>	<u>1,547,478</u>
Total liabilities				
<b>Fund Balance</b>				
Restricted	1,268,481	65,112	7,045,938	8,379,531
Assigned	170,656	-	-	170,656
Unassigned	17,696,627	-	-	17,696,627
	<u>19,135,764</u>	<u>65,112</u>	<u>7,045,938</u>	<u>26,246,814</u>
Total fund balance				
Total liabilities and fund balance	<u>\$ 20,387,663</u>	<u>\$ 360,691</u>	<u>\$ 7,045,938</u>	<u>\$ 27,794,292</u>

**City of Bella Vista, Arkansas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Regulatory Basis**  
**Years Ended December 31, 2022**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
<b>Revenues</b>				
State awards	\$ 234,465	\$ -	\$ -	\$ 234,465
Federal awards	6,294,103	-	-	6,294,103
Property taxes	3,293,624	-	-	3,293,624
Franchise taxes	2,096,983	-	-	2,096,983
State turnbacks	449,100	2,599,078	-	3,048,178
County road turnbacks	-	569,847	-	569,847
Sales taxes	12,167,205	-	3,408,632	15,575,837
Fines, forfeitures, and costs	153,278	-	-	153,278
Interest	88,969	634	93,353	182,956
Local permits and fees	838,789	-	-	838,789
Sanitation fees	315,807	-	-	315,807
Ambulance fees	931,505	-	-	931,505
Other	1,337,498	-	-	1,337,498
	<u>28,201,326</u>	<u>3,169,559</u>	<u>3,501,985</u>	<u>34,872,870</u>
<b>Expenditures</b>				
General government	4,064,674	-	-	\$ 4,064,674
Law enforcement	5,219,478	-	-	5,219,478
Public safety	6,350,546	-	-	6,350,546
Highways and streets	-	4,937,457	-	4,937,457
Recreation and culture	665,527	-	-	665,527
Capital outlay	6,269,383	-	11,089,294	17,358,677
Debt service				
Principal	99,390	-	3,470,000	3,569,390
Interest	-	-	477,609	477,609
	<u>22,668,998</u>	<u>4,937,457</u>	<u>15,036,903</u>	<u>42,643,358</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>5,532,328</u>	<u>(1,767,898)</u>	<u>(11,534,918)</u>	<u>(7,770,488)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,500,000	-	1,500,000
Transfers out	(1,500,000)	-	-	(1,500,000)
	<u>(1,500,000)</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	4,032,328	(267,898)	(11,534,918)	(7,770,488)
<b>Fund balances, beginning of year</b>	<u>15,103,436</u>	<u>333,010</u>	<u>18,580,856</u>	<u>34,017,302</u>
<b>Fund balances, end of year</b>	<u>\$ 19,135,764</u>	<u>\$ 65,112</u>	<u>\$ 7,045,938</u>	<u>\$ 26,246,814</u>

**City of Bella Vista, Arkansas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Regulatory Basis – General Fund Budget to Actual**  
**Year Ended December 31, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
State awards	\$ 177,623	\$ 234,465	\$ 56,842
Federal awards	6,276,003	6,294,103	18,100
Property taxes	3,358,000	3,293,624	(64,376)
Franchise taxes	1,812,000	2,096,983	284,983
State turnbacks	451,000	449,100	(1,900)
Sales taxes	9,889,000	12,167,205	2,278,205
Fines, forfeitures, and costs	140,000	153,278	13,278
Interest	64,000	88,969	24,969
Local permits and fees	565,000	838,789	273,789
Sanitation fees	305,000	315,807	10,807
Ambulance fees	870,000	931,505	61,505
Other income	711,398	1,337,498	626,100
	<u>24,619,024</u>	<u>28,201,326</u>	<u>3,582,302</u>
Total revenues			
<b>Expenditures</b>			
General government	4,454,124	4,064,674	389,450
Law enforcement	5,449,271	5,219,478	229,793
Public safety	6,666,988	6,350,546	316,442
Recreation and culture	673,794	665,527	8,267
Capital outlay	7,537,755	6,269,383	1,268,372
Debt service	98,290	99,390	(1,100)
	<u>24,880,222</u>	<u>22,668,998</u>	<u>2,211,224</u>
Total expenditures			
<b>Excess (Deficiency) of Revenues Over (Under)</b>	<u>(261,198)</u>	<u>5,532,328</u>	<u>5,793,526</u>
<b>Expenditures</b>			
<b>Other Financing Sources</b>			
Transfers Out	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(1,761,198)	4,032,328	5,793,526
<b>Fund Balances, Beginning of the Year</b>	<u>15,103,436</u>	<u>15,103,436</u>	<u>-</u>
<b>Fund Balances, End of the Year</b>	<u>\$ 13,342,238</u>	<u>\$ 19,135,764</u>	<u>\$ 5,793,526</u>



**City of Bella Vista, Arkansas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Regulatory Basis – Street Fund Budget to Actual**  
**Year Ended December 31, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
State Turnbacks	\$ 2,408,000	\$ 2,599,078	\$ 191,078
County Road Turnbacks	580,000	569,847	(10,153)
Interest	<u>-</u>	<u>634</u>	<u>634</u>
Total revenues	<u>2,988,000</u>	<u>3,169,559</u>	<u>181,559</u>
<b>Expenditures</b>			
Highways and Streets	<u>5,276,531</u>	<u>4,937,457</u>	<u>339,074</u>
Total expenditures	<u>5,276,531</u>	<u>4,937,457</u>	<u>339,074</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>(2,288,531)</u>	<u>(1,767,898)</u>	<u>520,633</u>
<b>Other Financing Sources</b>			
Transfers In	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(788,531)	(267,898)	(520,633)
<b>Fund Balances, Beginning of the Year</b>	<u>333,010</u>	<u>333,010</u>	<u>-</u>
<b>Fund Balances (Deficit), End of the Year</b>	<u>\$ (455,521)</u>	<u>\$ 65,112</u>	<u>\$ (520,633)</u>

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 1: Nature of Activities**

The City of Bella Vista, Arkansas (the City) 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.

**Note 2: Summary of Significant Accounting Policies**

As discussed further below, these financial statements are presented in accordance with the regulatory basis of presentation as prescribed by Arkansas Code Annotated §10-4-412. The City maintains its records on regulatory basis of accounting, as discussed below. This regulatory basis of presentation and the modified accrual basis of accounting differ from accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies:

***Basis of Accounting***

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code Annotated Section 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 federal and state aid received 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. 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, long-term debt, and net pension liability are not recorded in these financial statements and investments are carried at cost.

***Regulatory Accounting***

The Arkansas Legislature enacted a law in 2005 that allows municipalities to present their financial statements in a prescribed format and also restricts the basis of accounting for this format to one of three methods. The City's governing body, however, can adopt a resolution annually to adopt GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as their reporting model in lieu of reporting on this regulatory basis established by Arkansas Code 10-4-412. The City's Council did not adopt such a resolution for 2022.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

The regulatory presentation is on a fund basis with no distinction being made as to the type of funds (Proprietary, Governmental, etc.) being presented. The required financial statements consist of a balance sheet (or statement of assets, liabilities, and fund balances), statement of revenues, expenditures, and changes in fund balances, and a statement of budget versus actual for the General Fund and the Street Fund. A schedule of capital assets is also required to be presented. Columnar headings are required for the General Fund, the Street Fund and All Other Funds in the Aggregate, but additional funds (columns) may be presented separately. The basis of accounting is limited to cash basis, modified cash basis or modified accrual. The City has elected to utilize the modified accrual basis of accounting.

***Fund Accounting***

The accounting system is organized and operated on a fund basis. 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 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 is a special revenue fund used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific 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 Fund and Street Fund. The following types of funds are included in this column:

**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 specific purposes other than debt service or capital projects.

**Debt Service Funds** – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Capital Projects Funds** – Capital project funds are used to account for financial resources to be used for acquisition or construction of major capital facilities which are not financed by general operating funds.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Use of Estimates***

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates.

***Investments***

Investments consist of money market funds held within an investment portfolio, certificates of deposit with original maturities greater than ninety days and governmental securities. These investments are reported at cost. Interest and earnings on these investments are recorded when received. Also see *Note 4*.

***Accounts Receivable***

The City has provided an allowance for doubtful accounts as of December 31, 2022. The allowance is based on management's estimate of the overall collectability of accounts receivable, considering historical losses and economic conditions. Based on these same factors, individual accounts are charged off against the allowance when management determines those individual accounts are uncollectible. Credit extended to customers is generally uncollateralized. Past-due status is based on contractual terms. Past-due accounts are not charged interest.

***Fund Balance – Governmental Funds***

Fund balances are classified and could be displayed in the following components:

*Nonspendable* – Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

*Restricted* – Restricted fund balance represents 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.

*Committed* – Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

*Assigned* – Assigned fund balance represents amounts that are constrained by the City Council’s intent to be used for specific purposes but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance represents 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.

Fund balance components of the General Fund, Street Fund, and Other Funds in the Aggregate are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>	<u>Total</u>
<b>Restricted</b>				
Law Enforcement	\$ 195,538	\$ -	\$ -	\$ 195,538
Recreation and Culture	512,622	-	-	512,622
Public Safety	528,890	-	-	528,890
Highways and Streets	-	65,112	-	65,112
Capital Projects	31,431	-	7,045,938	7,077,369
<b>Assigned</b>				
Law Enforcement	16,006	-	-	16,006
Recreation and Culture	70,065	-	-	70,065
Public Safety	84,585	-	-	84,585
<b>Unassigned</b>				
General Government	<u>17,696,627</u>	<u>-</u>	<u>-</u>	<u>17,696,627</u>
Total Fund Balances	<u>\$ 19,135,764</u>	<u>\$ 65,112</u>	<u>\$ 7,045,938</u>	<u>\$ 26,246,814</u>

**Restricted Assets and Fund Balances**

Restricted assets are cash and investment reserves restricted by state acts and bond covenants. The state acts require funds to be used for designated purposes that are outlined in the act. The bond covenants establish the reserve funds, the manner of accumulation, and allowable expenditures. The City was in compliance with restricted asset requirements as of December 31, 2022. Fund balances are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City’s policy to use restricted resources first.

**Advertising**

The City follows the policy of charging advertising to expense as incurred.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Adoption of GASB Statement No. 87 (GASB 87), Leases***

GASB Statement No. 87, *Leases* is effective for the City in the fiscal year 2022. The statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability and the lessor will recognize a lease receivable and related deferred inflow of resources. There was no impact to beginning of year net position due to this statement being adopted in 2022.

***Upcoming Accounting Pronouncements***

GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*, is effective for the City in the fiscal year 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). GASB 96 establishes capitalization criteria for implementation costs which will reduce diversity and improve comparability in financial reporting, enhances the relevance and reliability of the financial statements by requiring reporting of a subscription asset and liability for a SBITA and disclose essential information about the arrangement, and allows users to understand the scale and important aspects of SBITA activities and evaluate a government's SBITA assets and obligations.

Management is currently evaluating the impact of implementation of GASB 96 but does not expect implementation to significantly impact the financial statements of the City.

***Budgets and Budgetary Accounting***

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

1. Prior to December 1 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The proposed budget is discussed at a City Council meeting prior to adoption.
3. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
4. Appropriation lapse at the end of each year.
5. Under certain conditions, the budget may be amended subsequent to 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.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 3: Deposits in Financial Institutions**

Deposits in financial institutions are financial instruments that could potentially subject the City to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The City maintains deposit balances in various financial institutions, and all deposit balances are carried at cost. The City classifies money market funds and certificates of deposits with original maturities of ninety days or less as "cash equivalents" for financial reporting purposes.

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/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations, the principal and interest on which are full guaranteed by the United States of America.

The City maintains separate bank accounts in various banks. Deposits (cash and cash equivalents and certificates of deposit) at December 31, 2022, amounted to \$14,050,278 (carrying value of \$13,962,099), of which \$957,560 was insured with the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was collateralized by marketable securities held in the City's name. Cash and cash equivalents include petty cash of \$400.

**Note 4: Investments**

Arkansas statutes authorize the City to invest in U.S. Government and its collateralized agency securities and bank certificates of deposit. A summary of investments by fund types at December 31, 2022 is as follows:

<b>Fund Type</b>	<b>December 31, 2022</b>	
	<b>Reported Amount</b>	<b>Fair Value</b>
General Fund	\$ 9,132,593	\$ 8,712,936

These investments are composed of the following:

<b>General Fund</b>	
Certificates of Deposits	\$ 2,225,148
Asset Backed Securities	136,566
Fixed Income Securities	4,001,800
Municipal Bonds	700,000
Corporate Bonds	2,069,079
<b>Total Investments</b>	<b>\$ 9,132,593</b>

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Risk of Accounting Loss***

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy is to attempt to match investment maturities with cash flow requirements. The City's investments generally are certificates of deposit with laddered maturities from one year or less up to five years.

*Credit Risk* - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to minimize credit risk losses due to default of security, issuers or backers by limiting investments to the safest types of securities.

*Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City does not have a formal policy for custodial credit risk. As of December 31, 2022, all investments are registered in the name of the City or the City's trustee.

**Note 5: Accounts Receivable**

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

	<b>General Fund</b>	<b>Street Fund</b>	<b>Total</b>
Property Taxes	\$ 377,044	\$ 65,155	\$ 442,199
Franchise Fees	325,963	-	325,963
Sales Taxes	1,042,638	-	1,042,638
Grants	2,316,585	-	2,316,585
Sanitation Fees	79,813	-	79,813
Ambulance Fees, net of allowance for doubtful accounts of \$152,719	102,107	-	102,107
Other	144,010	-	144,010
<b>Total Accounts Receivables</b>	<b>\$ 4,388,160</b>	<b>\$ 65,155</b>	<b>\$ 4,453,315</b>

**Note 6: Federal and State Awards**

The City receives federal and state awards. These programs are subject to audit by the federal and state governments or their representatives.



**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 7: Property Tax**

A lien attached to real and personal property is assessed in January 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.

**Note 8: Interfund Receivables, Payables and Transfers**

***Due to/from Other Funds***

The composition of interfund balances as of December 31, 2022, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Street fund	<u>\$ 240,251</u>
<b>Total</b>		<u>\$ 240,251</u>

***Interfund transfers***

During the year ended December 31, 2022, the City transferred \$1,500,000 from the General Fund to the Street Fund to supplement street improvements.

**Note 9: 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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in public entity risk pools. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from the prior year.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

The City 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.

The City also 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 the municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the Workers' Compensation Commission.

*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 - no punitive damages) imposed on municipal officers 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 percent of the program's available funds at the 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 aggregated cost for all expenses on each lawsuit. The cost deposit is not refundable.

*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 the depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$10,000 for class 1 rates, \$7,500 for class 2 rates, and \$5,000 for class 3 and 4 rates. 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 Vehicle Program***

*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 \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the City.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

*Physical Damage* - This program covers 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 the covered property.

**Note 10: Litigation**

The City is subject to claims and lawsuits that arise primarily in the ordinary course of business including, but not limited to, cases of eminent domain arising from development projects. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the assets, liabilities, fund balances, revenues, expenditures and changes in the fund balances, where applicable, of the City.

**Note 11: Retirement Plans**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended, was effective for the City on January 1, 2015, and established accounting and financial reporting requirements related to pensions for governmental entities whose employees are provided with pensions through pension plans that are covered by the scope set forth in the statement.

Although the pension plans in which City employees participate meet the criteria for implementation of GASB Statement No. 68, reporting the liability and certain disclosures related to actuarial calculations for determining the total and net pension liability are not relevant to *modified accrual basis* financial statements. However, required disclosures related to the description of the plans, types of benefits provided, funding policy, contribution requirements and rates, and actual cash contributions are applicable to the *modified accrual basis* of accounting and are provided in the paragraphs that follow.

**Local Police and Fire Retirement System**

***Plan Description***

The City contributes to the Arkansas Local Police and Fire Retirement System (“LOPFI”), an agent multiple-employer defined benefit pension plan administered by the State of Arkansas. LOPFI provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The LOPFI Board of Trustees has no authority to establish and amend benefit provisions to LOPFI.

LOPFI 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

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

Police and Fire Retirement System, 620 West Third Street, Suite 200, Little Rock, Arkansas 72201, by calling 1-501-682-1745, or online at [www.loppi-prb.com](http://www.loppi-prb.com).

***Funding Policy***

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

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

The City is required to contribute at actuarially determined rates. The plan may also be funded with state insurance tax. For 2022, the City's contribution to the plan was \$1,605,463 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$0 for the year ended December 31, 2022.

***Net Pension Liability***

The City's proportionate share of the total collective net pension liability attributable to employees of the City was \$17,675,941 at December 31, 2022 (the actuarial valuation date and measurement date).

**Note 12: Non-Uniformed Employees Pension Plan**

In June 2007, the City established a defined contribution plan for all non-uniformed and nonelected employees and has contracted with a private insurance carrier who maintains the accounts for the City. In a defined contribution plan benefits depend solely on amounts contributed to the plan, plus investment earnings. The contribution plan requires the City to contribute an amount up to two times the employee contribution, up to 10% of the employee's base salary, provided the employee contributes up to 5% of their base salary. The City's contributions shall be invested ratably in the guaranteed benefit portion of the annuity contract unless the employee chooses not to participate. Interest earned is credited to each employee's account. Eligibility to enter the plan commences immediately upon employment and employees who leave employment receive all benefits deposited in their account.

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 13: Commitments**

The City’s commitments consist of the following:

***Noncancellable Leases***

The City entered into noncancellable lease agreements on May 1, 2020 and December 1, 2016 for the use of the District Court Building and Community Development Services building, respectively. The District Court Building lease terms are monthly rental payments of \$4,272 through April 30, 2023. The Community Development Services building lease terms are monthly rental payments of \$2,200 through November 30, 2024. The City is also leasing computer equipment for 36 months through July 1, 2024 for \$4,858 per month. Future minimum payments required under the above noncancellable leases are as follows:

Years ending December 31,	
2023	\$ 127,962
2024	<u>78,326</u>
	<u>\$ 206,288</u>

***Construction Contracts***

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

**Project Name**

**Street Projects**

Mercy Way Bridge and Corridor	\$ 2,690,331
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**Other Projects**

Fire Training Complex	59,069
Public Safety Complex	<u>2,443,932</u>

<b>Total Construction Commitments</b>	<b><u>\$ 5,193,332</u></b>
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**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Long Term Liabilities***

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

	<b>December 31, 2022</b>
2020 Sales and Use Tax Bonds dated September 2020, due in annual installments of \$650,000 - \$1,145,000 plus interest through October 2045 interest varying between 1.125% to 4.000%	\$ 17,875,000
Compensated absences consisting of accrued vacation adjusted to current salary cost	564,096
Total long term liabilities	\$ 18,439,096

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

***Series 2020 Sales and Use Tax Bonds***

In September 2020, the City issued \$23,230,000 Sales and Use Tax Bonds (Series 2020) at interest rates between 1.125% & 4.000% to finance development of Fire Station #3, a new fire complex, that will be used for training purposes and to house fire equipment and apparatus and any necessary land acquisition, furnishings and equipment and parking, lighting, road and utility improvements related to the Fire Station #3 and also to construct a new public safety facility to house the police department, a police and fire dispatch center and a courtroom and any necessary furnishings and equipment and parking, lighting and utility improvements related to the public safety facility. The special obligations bonds of the City mature in October 2045 with principal payments due in December and interest payments due in April and December of each year. Bond costs associated with the offering were \$256,940. In 2022, the City made an additional payment of \$2,815,000 to reduce its total debt service payments over the next 22 years.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 685,000	\$ 473,100	\$ 1,158,100
2024	710,000	445,700	1,155,700
2025	740,000	417,300	1,157,300
2026	770,000	387,700	1,157,700
2027	800,000	363,300	1,163,300
2028-2032	3,475,000	1,140,800	4,615,800
2033-2037	1,900,000	904,200	2,804,200
2038-2042	5,105,000	588,525	5,693,525
2043-2045	3,690,000	348,300	4,038,300
<b>Total</b>	<b>\$ 17,875,000</b>	<b>\$ 5,068,925</b>	<b>\$ 22,943,925</b>

**City of Bella Vista, Arkansas**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Post Employment Benefits Other Than Pensions***

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

**Note 14: Benton County Solid Waste District**

Benton County and the cities of Benton County, including Bella Vista, entered an interlocal agreement pursuant to Arkansas Code Ann. § 8-6-723 creating the Benton County Solid Waste District (BCSWD). The BCSWD was established to dispose of the City's and County's solid waste adequately, reliably, and economically. Payments totaling \$40,772 were made to BCSWD during the year ended December 31, 2022.

## **Other Information**



**City of Bella Vista, Arkansas**  
**Other Information**  
**Schedule of Capital Assets – Unaudited**  
**December 31, 2022**

	<u><b>2022</b></u>
Land and Buildings	\$ 11,628,972
Equipment	10,004,620
Infrastructure	7,165,836
Construction in Progress	<u>18,286,796</u>
<b>Total Capital Assets</b>	<u><b>\$ 47,086,224</b></u>

## **Single Audit and Compliance Section**

**City of Bella Vista, AR**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>Department of Transportation</u></b>				
Pass-Through From:				
Arkansas Department of Transportation <i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	JOB #090436	\$ -	\$ 2,942,266
<i>Total Highway Planning and Construction Cluster</i>			-	2,942,266
Pass-Through From:				
Arkansas Department of Transportation <i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	OP-2022-02-02-01	-	21,766
<i>Total Highway Safety Cluster</i>			-	21,766
<b>Total Department of Transportation</b>			-	<b>2,964,032</b>
<b><u>Department of Treasury</u></b>				
Direct Programs:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	5,900,000
<b>Total Department of Treasury</b>			-	<b>5,900,000</b>
<b><i>Total Expenditures of Federal Awards</i></b>			<b>\$ -</b>	<b>\$ 8,864,032</b>

**City of Bella Vista, AR**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Bella Vista, Arkansas (City) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in fund balance of the City.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3: Indirect Cost Rate**

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: Federal Loan Programs**

The City did not have any federal loan programs during the year ended December 31, 2022.

**City of Bella Vista, AR**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2022**

**Section I - Summary of Auditor's Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified       Qualified       Adverse       Disclaimer

2. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with regulatory basis of accounting:

Unmodified       Qualified       Adverse       Disclaimer

3. Internal control over financial reporting:

Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

4. Noncompliance material to the financial statements noted?       Yes       No

*Federal Awards*

5. Internal control over major federal awards programs:

Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

6. Type of auditor's report issued on compliance for major federal programs:

Unmodified       Qualified       Adverse       Disclaimer

7. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?

Yes       No

**City of Bella Vista, AR**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

8. Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
<i>Highway Planning and Construction Cluster</i>	
20.205	Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

9. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

10. Auditee qualified as a low-risk auditee?

Yes

No

**City of Bella Vista, AR**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**City of Bella Vista, AR**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.



**City of Bella Vista, AR**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2021-001	The City's Ambulance Department did not have proper segregation of duties in the cash receipts cycle.	Corrected

## 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

Honorable Mayor and Members of the City Council  
City of Bella Vista, Arkansas  
Bella Vista, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the City of Bella Vista, Arkansas, which comprise the statement of assets, liabilities, and fund balances – regulatory basis as of December 31, 2022, and the related statements of revenues, expenditures, and changes in fund balances – regulatory basis and revenues, expenditures and changes in fund balances – regulatory basis – budget to actual (General Fund and Street Fund) for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023, which expressed an adverse opinion on *U.S. Generally Accepted Accounting Principles* and an unmodified opinion on the *Regulatory Basis of Accounting*.

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

### ***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.

**FORVIS,LLP**

Rogers, Arkansas  
September 26, 2023

## Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

### Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Bella Vista, Arkansas  
Bella Vista, Arkansas

#### Report on Compliance for Each Major Federal Program

##### *Opinion on Each Major Federal Program*

We have audited the City of Bella Vista, Arkansas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

##### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

##### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

Rogers, Arkansas  
September 26, 2023

## Independent Accountant's Report on Compliance with Certain State Acts

Honorable Mayor and City Council  
City of Bella Vista, Arkansas  
Bella Vista, Arkansas

We have examined management's assertions that the City of Bella Vista, Arkansas (City), complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2022.

- (1) Arkansas Municipal Accounting Law, §14-59-101 et seq.
- (2) Arkansas District Courts and City Courts Accounting Law, §16-10-201 et seq.
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204
- (4) Budgets, purchases and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.
- (5) Investment of public funds, § 19-1-501 et seq.
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the City of Bella Vista, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

**FORVIS,LLP**

Rogers, Arkansas  
September 26, 2023