

City of Newport, Arkansas

Financial and Compliance Report

December 31, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF NEWPORT, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Financial and Compliance Report

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

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Combining Balance Sheet – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Funds in the Aggregate – Regulatory Basis (Unaudited)	2
Notes to Schedules 1 and 2 (Unaudited)	
Other General Information (Unaudited)	
Schedule of Selected Information for the Last Five Years – General Fund - Regulatory Basis (Unaudited)	3-1
Schedule of Selected Information for the Last Five Years – Street Fund - Regulatory Basis (Unaudited)	3-2
Schedule of Selected Information for the Last Five Years – Other Funds in the Aggregate - Regulatory Basis (Unaudited)	3-3

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

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

A priority of Arkansas Legislative Audit is to assist local government officials by promoting sound financial management and accountability of government resources. The Legislative Auditor reports on the fiscal affairs of local governments, as well as compliance with relevant state laws and observance of good business practices to provide accountability for tax dollars expended to support government operations.

We have performed certain limited procedures with respect to cash basis financial information and compliance with certain state laws and accepted accounting practices for the City of Newport, Arkansas, as of and for the year ended December 31, 2024, and have issued our report thereon dated June 24, 2025. These procedures were not performed for the Water and Sewer Funds. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The finding contained in this section relates to the following officials who held office during 2024:

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

We evaluated the City's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **Clerk/Treasurer**.

Mayor and Clerk/Treasurer

During review of unused leave payments for retirement or other separation, we identified the following issues:

- Two individuals were paid a total of \$1,673 for unused vacation leave, in excess of the maximum allowed by City policy.
- One individual was underpaid \$849 for unused vacation leave, in noncompliance with Ark. Code Ann. § 14-52-106.

In addition, the individual responsible for maintaining leave records was paid \$538 and \$179 for sick leave and vacation leave, respectively, in excess of the amounts allowed by the City policy and began receiving payments for unused leave three months prior to retirement. City management indicated there was no oversight for these calculations or payments. Subsequently, on May 19, 2025, this individual reimbursed the City for the overpayments.

We recommend the City investigate the remaining unused leave payments to determine if payments were properly calculated.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight 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 dark ink, appearing to read "Kevin White", with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
June 24, 2025
LOM106824

CITY OF NEWPORT, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2024
(UNAUDITED)

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 1,267,782	\$ 667,043	\$ 3,817,418
Accounts receivable	452,379	13,103	396,086
Interfund receivables	88,488		
	<u>1,808,649</u>	<u>680,146</u>	<u>4,213,504</u>
TOTAL ASSETS	<u>\$ 1,808,649</u>	<u>\$ 680,146</u>	<u>\$ 4,213,504</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 237,332	\$ 3,239	\$ 277,751
Interfund payables		34,294	54,194
Settlements pending	71,625		111,519
Total Liabilities	<u>308,957</u>	<u>37,533</u>	<u>443,464</u>
Fund Balances:			
Restricted	87,275	642,613	2,796,103
Assigned	27,487		973,937
Unassigned	1,384,930		
Total Fund Balances	<u>1,499,692</u>	<u>642,613</u>	<u>3,770,040</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,808,649</u>	<u>\$ 680,146</u>	<u>\$ 4,213,504</u>

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

CITY OF NEWPORT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 288,353	\$ 658,257	\$ 311,505
Federal aid	31,599		705,099
Property taxes	516,495	126,752	
Franchise fees	395,693		
Sales taxes	3,497,081		1,055,927
Fines, forfeitures, and costs	184,417		51,498
Interest	50,699	19,650	53,792
Local permits and fees	17,248		258,169
Sanitation fees	849,679		
Advertising and promotion taxes			267,129
Ambulance fees	283,572		
Mosquito control	217,535		
Airport sales and rental income			367,863
911 surcharge fees			28,000
Other	262,482	5,192	59,296
TOTAL REVENUES	6,594,853	809,851	3,158,278
EXPENDITURES			
Current:			
General government	1,090,744		
Law enforcement	1,995,695		66,938
Highways and streets	223,542	483,089	
Public safety	1,290,188		268,331
Sanitation	1,109,728		
Health	755,138		
Recreation and culture	396,024		
Advertising and promotion			186,908
Economic development	3,913		748,019
Airport	2,369		1,368,771
Water grant			88,822
Total Current	6,867,341	483,089	2,727,789
Debt Service:			
Financed purchase principal	87,408	42,699	66,340
Financed purchase interest	12,809	2,933	17,666
TOTAL EXPENDITURES	6,967,558	528,721	2,811,795

CITY OF NEWPORT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (372,705)</u>	<u>\$ 281,130</u>	<u>\$ 346,483</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			156,946
Transfers out	(156,946)		
Contribution from water department			261,572
Distribution of proceeds from lawsuit settlement			(148,025)
Contribution to sewer department	<u>(77,023)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(233,969)</u>		<u>270,493</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(606,674)	281,130	616,976
FUND BALANCES - JANUARY 1	<u>2,106,366</u>	<u>361,483</u>	<u>3,153,064</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,499,692</u></u>	<u><u>\$ 642,613</u></u>	<u><u>\$ 3,770,040</u></u>

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

CITY OF NEWPORT, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 282,593	\$ 288,353	\$ 5,760	\$ 654,000	\$ 658,257	\$ 4,257
Federal aid	23,750	31,599	7,849			
Property taxes	530,300	516,495	(13,805)	135,000	126,752	(8,248)
Franchise fees	375,000	395,693	20,693			
Sales taxes	3,390,000	3,497,081	107,081			
Fines, forfeitures, and costs	184,000	184,417	417			
Interest	20,000	50,699	30,699	18,000	19,650	1,650
Local permits and fees	17,300	17,248	(52)			
Sanitation fees	833,000	849,679	16,679			
Ambulance fees	285,000	283,572	(1,428)			
Mosquito control	218,000	217,535	(465)			
Other	347,429	262,482	(84,947)	4,800	5,192	392
TOTAL REVENUES	6,506,372	6,594,853	88,481	811,800	809,851	(1,949)
EXPENDITURES						
Current:						
General government	1,185,042	1,090,744	94,298			
Law enforcement	2,236,769	1,995,695	241,074			
Highways and streets	380,350	223,542	156,808	557,806	483,089	74,717
Public safety	1,482,626	1,290,188	192,438			
Sanitation	1,243,233	1,109,728	133,505			
Health	839,641	755,138	84,503			
Recreation and culture	428,382	396,024	32,358			
Economic development	4,200	3,913	287			
Airport	3,300	2,369	931			
Total Current	7,803,543	6,867,341	936,202	557,806	483,089	74,717
Debt Service:						
Financed purchase principal	156,566	87,408	69,158	45,630	42,699	2,931
Financed purchase interest	14,000	12,809	1,191	3,000	2,933	67
TOTAL EXPENDITURES	7,974,109	6,967,558	1,006,551	606,436	528,721	77,715

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, 2024
(UNAUDITED)

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,467,737)	\$ (372,705)	\$ 1,095,032	\$ 205,364	\$ 281,130	\$ 75,766
OTHER FINANCING SOURCES (USES)						
Transfers in	339,370		(339,370)			
Transfers out	(100,000)	(156,946)	(56,946)			
Contribution to sewer department		(77,023)	(77,023)			
Financed purchase proceeds	190,000		(190,000)			
TOTAL OTHER FINANCING SOURCES (USES)	429,370	(233,969)	(663,339)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,038,367)	(606,674)	431,693	205,364	281,130	75,766
FUND BALANCES - JANUARY 1	1,100,000	2,106,366	1,006,366	150,000	361,483	211,483
FUND BALANCES - DECEMBER 31	\$ 61,633	\$ 1,499,692	\$ 1,438,059	\$ 355,364	\$ 642,613	\$ 287,249

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

CITY OF NEWPORT, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2024
 (UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS						
	Airport	Intoxication Detection	CMRS 911 Board	Drug Control	District Court Automation	District Court Cost	Newport Economic Development Commission
ASSETS							
Cash and cash equivalents	\$ 662,586	\$ 10,266	\$ 110,529	\$ 22,332	\$ 155,692	\$ 28,883	\$ 2,278,615
Accounts receivable	263,410	82	1,534	7,377	1,522	453	99,800
TOTAL ASSETS	<u>\$ 925,996</u>	<u>\$ 10,348</u>	<u>\$ 112,063</u>	<u>\$ 29,709</u>	<u>\$ 157,214</u>	<u>\$ 29,336</u>	<u>\$ 2,378,415</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 245,906		\$ 26,971		\$ 68		\$ 4,806
Interfund payables	11,845		8,606				31,663
Settlements pending							
Total Liabilities	<u>257,751</u>		<u>35,577</u>		<u>68</u>		<u>36,469</u>
Fund Balances:							
Restricted		\$ 10,348	76,486	\$ 29,709	157,146	\$ 29,336	2,037,343
Assigned	668,245						304,603
Total Fund Balances	<u>668,245</u>	<u>10,348</u>	<u>76,486</u>	<u>29,709</u>	<u>157,146</u>	<u>29,336</u>	<u>2,341,946</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 925,996</u>	<u>\$ 10,348</u>	<u>\$ 112,063</u>	<u>\$ 29,709</u>	<u>\$ 157,214</u>	<u>\$ 29,336</u>	<u>\$ 2,378,415</u>

CITY OF NEWPORT, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2024
(UNAUDITED)

Schedule 1

	SPECIAL REVENUE FUNDS			CUSTODIAL FUND	
	Municipal Judge and Clerk Retirement	Advertising and Promotion	Grant	District Court	Totals
ASSETS					
Cash and cash equivalents	\$ 14,141	\$ 104,163	\$ 318,692	\$ 111,519	\$ 3,817,418
Accounts receivable	380	21,528			396,086
TOTAL ASSETS	\$ 14,521	\$ 125,691	\$ 318,692	\$ 111,519	\$ 4,213,504
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 277,751
Interfund payables		\$ 2,080			54,194
Settlements pending				\$ 111,519	111,519
Total Liabilities		2,080		111,519	443,464
Fund Balances:					
Restricted	\$ 13,732	123,611	\$ 318,392		2,796,103
Assigned	789		300		973,937
Total Fund Balances	14,521	123,611	318,692		3,770,040
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,521	\$ 125,691	\$ 318,692	\$ 111,519	\$ 4,213,504

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, 2024
(UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS						
	Airport	Intoxication Detection	CMRS 911 Board	Drug Control	District Court Automation	District Court Cost	Newport Economic Development Commission
REVENUES							
State aid	\$ 261,505						\$ 50,000
Federal aid	609,538						6,765
Sales taxes	8,953						1,046,974
Fines, forfeitures, and costs		\$ 982		\$ 19,624	\$ 20,897	\$ 5,431	
Interest	11,130	5	\$ 625	14	4,722	14	37,258
Local permits and fees			258,169				
Advertising and promotion taxes							
Airport sales and rental income	367,863						
911 surcharge fees			28,000				
Other	3,235						56,061
TOTAL REVENUES	1,262,224	987	286,794	19,638	25,619	5,445	1,197,058
EXPENDITURES							
Current:							
Law enforcement		716		29,945	33,439	2,838	
Public safety			268,331				
Advertising and promotion							
Economic development							748,019
Airport	1,368,771						
Water grant							
Total Current	1,368,771	716	268,331	29,945	33,439	2,838	748,019
Debt Service:							
Financed purchase principal							
Financed purchase interest							
TOTAL EXPENDITURES	1,368,771	716	268,331	29,945	33,439	2,838	748,019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(106,547)	271	18,463	(10,307)	(7,820)	2,607	449,039
OTHER FINANCING SOURCES (USES)							
Transfers in	100,000						
Contribution from water department							
Distribution of proceeds from lawsuit settlement							(148,025)
TOTAL OTHER FINANCING SOURCES (USES)	100,000						(148,025)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,547)	271	18,463	(10,307)	(7,820)	2,607	301,014
FUND BALANCES - JANUARY 1	674,792	10,077	58,023	40,016	164,966	26,729	2,040,932
FUND BALANCES - DECEMBER 31	\$ 668,245	\$ 10,348	\$ 76,486	\$ 29,709	\$ 157,146	\$ 29,336	\$ 2,341,946

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, 2024
 (UNAUDITED)

Schedule 2

	SPECIAL REVENUE FUNDS				
	Municipal Judge and Clerk Retirement	Advertising and Promotion	American Rescue Plan Act - Arkansas Natural Resources Commission	Grant	Totals
REVENUES					
State aid					\$ 311,505
Federal aid			\$ 88,796		705,099
Sales taxes					1,055,927
Fines, forfeitures, and costs	\$ 4,564				51,498
Interest	24				53,792
Local permits and fees					258,169
Advertising and promotion taxes		\$ 267,129			267,129
Airport sales and rental income					367,863
911 surcharge fees					28,000
Other					59,296
TOTAL REVENUES	4,588	267,129	88,796		3,158,278
EXPENDITURES					
Current:					
Law enforcement					66,938
Public safety					268,331
Advertising and promotion		186,908			186,908
Economic development					748,019
Airport					1,368,771
Water grant			88,796	\$ 26	88,822
Total Current		186,908	88,796	26	2,727,789
Debt Service:					
Financed purchase principal		66,340			66,340
Financed purchase interest		17,666			17,666
TOTAL EXPENDITURES		270,914	88,796	26	2,811,795
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,588	(3,785)		(26)	346,483
OTHER FINANCING SOURCES (USES)					
Transfers in				56,946	156,946
Contribution from water department				261,572	261,572
Distribution of proceeds from lawsuit settlement					(148,025)
TOTAL OTHER FINANCING SOURCES (USES)				318,518	270,493
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,588	(3,785)		318,492	616,976
FUND BALANCES - JANUARY 1	9,933	127,396		200	3,153,064
FUND BALANCES - DECEMBER 31	\$ 14,521	\$ 123,611	\$ 0	\$ 318,692	\$ 3,770,040

CITY OF NEWPORT, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2024
(UNAUDITED)

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.
CMRS 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.
District 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, 2024
(UNAUDITED)

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 - Arkansas Natural Resources Commission	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 GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

1. **A. 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. The Special Revenue Funds presented on Schedules 1 and 2 are 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). The Custodial Fund presented on Schedule 1 is reported with other funds in the aggregate.

B. 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.

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

1. (Continued)

B. Basis of Accounting – Regulatory (Continued)

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.

C. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand, savings, and money market 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.

D. 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.

E. 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.

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

1. (Continued)

E. Budget Law (Continued)

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.

F. 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.

2. **Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2024, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
Law enforcement	\$ 798		\$ 297,117
Highways and streets		\$ 642,613	
Public safety	86,477		76,486
Advertising and promotion			123,611
Economic development			2,037,343
Water grant			261,546
Total Restricted	<u>87,275</u>	<u>642,613</u>	<u>2,796,103</u>
Assigned to:			
General government			300
Law enforcement	22,420		789
Health	5,067		
Economic development			304,603
Airport			668,245
Total Assigned	<u>27,487</u>		<u>973,937</u>
Unassigned	<u>1,384,930</u>		
Totals	<u>\$ 1,499,692</u>	<u>\$ 642,613</u>	<u>\$ 3,770,040</u>

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

3. Commitments

Total commitments consist of the following at December 31, 2024:

	December 31, 2024
Long-term liabilities	\$ 994,617
Construction contracts	960,895
Total Commitments	<u>\$ 1,955,512</u>

Long-term liabilities

Long-term liabilities at December 31, 2024, are comprised of the following:

	December 31, 2024
<u>Direct Borrow ings</u>	
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.	\$ 66,720
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.	183,069
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.	284,077
Total Direct Borrow ings	<u>533,866</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	460,751
Total Long-term liabilities	<u>\$ 994,617</u>

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 \$533,866 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
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

3. Commitments (Continued)

Long-Term Debt Issued and Outstanding

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding December 31, 2024</u>	<u>Maturities to December 31, 2024</u>
<u>Direct Borrowings</u>					
6/16/22	6/16/26	3.25%	\$ 170,931	\$ 66,720	\$ 104,211
2/9/23	2/9/28	5.75%	274,832	183,069	91,763
9/19/23	9/19/28	5.50%	366,466	284,077	82,389
Total Long-Term Debt			<u>\$ 812,229</u>	<u>\$ 533,866</u>	<u>\$ 278,363</u>

Changes in Long-Term Debt

	<u>Balance January 01, 2024</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2024</u>
Financed purchases	<u>\$ 730,313</u>	<u>\$ 0</u>	<u>\$ 196,447</u>	<u>\$ 533,866</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2024:

<u>Years Ending December 31,</u>	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 533,866</u>	<u>\$ 50,279</u>	<u>\$ 584,145</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2024:

<u>Project Name</u>	<u>Completed or Estimated Completion Date</u>	<u>Contract Balance December 31, 2024</u>
Runway 18-36 Rehabilitation	July 31, 2025	\$ 94,104
M19 Hangar Construction	April 24, 2025	276,270
Airport Ramp Rehabilitation	July 31, 2025	96,157
Water Treatment Facility Filter	July 15, 2025	494,364
Total Construction Contracts		<u>\$ 960,895</u>

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

4. Interfund Transfers

The General Fund transferred \$156,946 to the Other Funds in the Aggregate (Airport and Grant Funds) to supplement operations and for a matching portion of a grant.

5. Jointly Governed Organization – Third Judicial District Drug 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 District Drug Task Force by the City of Newport. The financial statements of the Third Judicial District Drug Task Force have not been audited.

**6. 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. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website 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 \$491,916 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$209,015 for the year ended December 31, 2024.

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, 2024, (actuarial valuation date and measurement date) was \$3,502,096.

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

7. 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.

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 5.75% as of July 1, 2024. 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, 2024, was \$6,658.

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, 2024, (actuarial valuation date and measurement date) was \$47,598.

8. 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, 2024.

9. 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, 2024.

CITY OF NEWPORT, ARKANSAS
OTHER GENERAL INFORMATION
DECEMBER 31, 2024
(UNAUDITED)

10. 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 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, 2024.

11. Capital Assets

The Municipality's capital assets records are summarized below :

	December 31, 2024
Land	\$ 1,280,207
Construction in progress	1,023,333
Improvements	5,903,449
Buildings	9,023,434
Equipment	5,317,664
Total	<u>\$ 22,548,087</u>

12. 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.

13. 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 \$148,025 and \$375,608 to various economic development projects in 2024 and 2023, respectively. The remaining \$304,603, including interest earned of \$34,215, will be distributed to various economic development projects per discretion of the Newport Economic Development Commission.

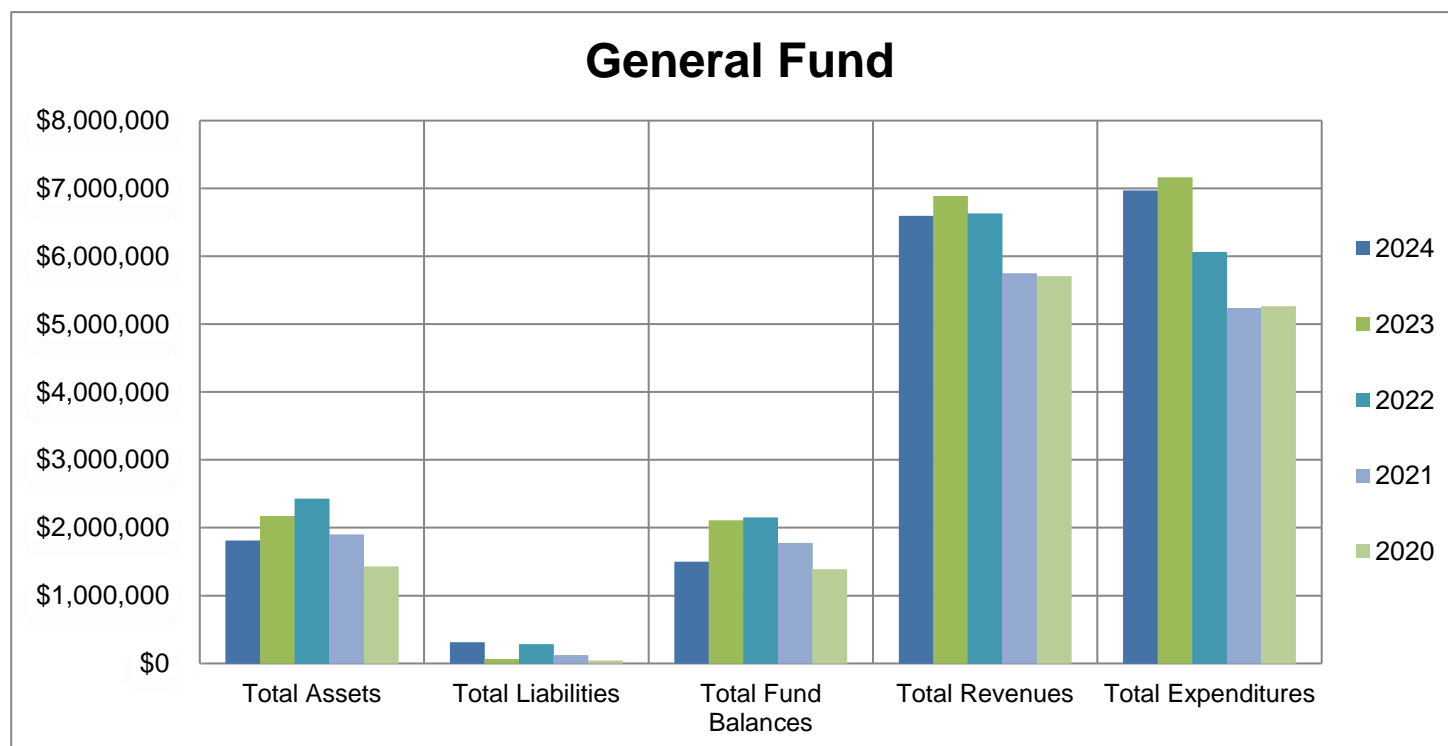
14. Gift Agreement – Arkansas State University - Newport

The City entered into a gift agreement with Arkansas State University - Newport to partially fund the construction of the Center for Nursing and Allied Health on the Newport campus of ASUN, including building and site preparation costs, equipment and furnishings, landscaping, professional fees, and fundraising costs. Terms of the gift agreement are annual installments of \$25,000 beginning March 31, 2024 through March 31, 2028. The payments will be made from the General Fund. The City paid \$25,000 during 2024. At December 31, 2024, the remaining balance was \$100,000.

CITY OF NEWPORT, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2024
(Unaudited)

Schedule 3-1

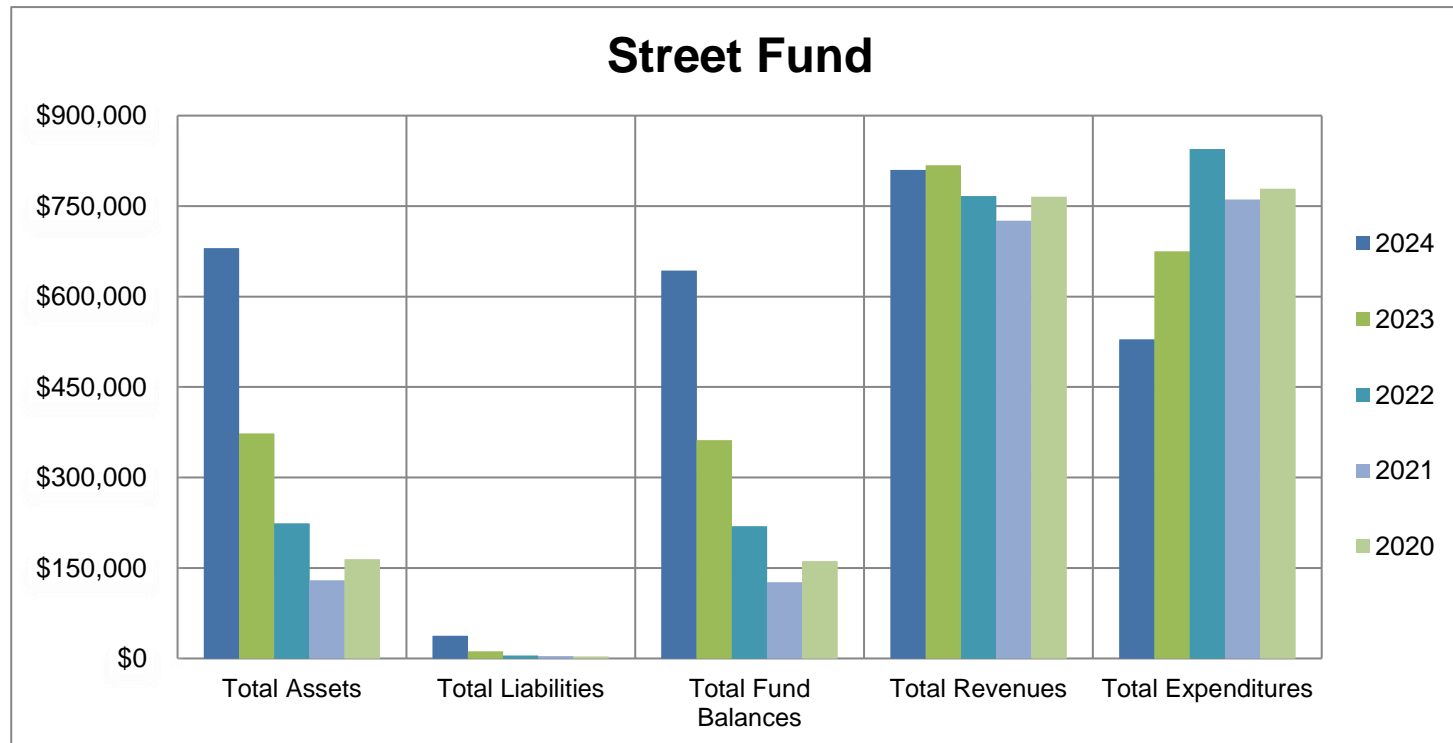
<u>General</u>	2024	2023	2022	2021	2020
Total Assets	\$ 1,808,649	\$ 2,172,632	\$ 2,424,705	\$ 1,896,922	\$ 1,425,655
Total Liabilities	308,957	66,266	278,623	119,994	41,680
Total Fund Balances	1,499,692	2,106,366	2,146,082	1,776,928	1,383,975
Total Revenues	6,594,853	6,886,612	6,626,540	5,744,335	5,701,811
Total Expenditures	6,967,558	7,163,713	6,061,243	5,239,593	5,260,375
Total Other Financing Sources/Uses	(233,969)	237,385	(196,143)	(111,789)	76,940



CITY OF NEWPORT, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2024
(Unaudited)

Schedule 3-2

<u>Street</u>	2024	2023	2022	2021	2020
Total Assets	\$ 680,146	\$ 372,731	\$ 223,516	\$ 129,468	\$ 164,030
Total Liabilities	37,533	11,248	4,766	3,463	3,021
Total Fund Balances	642,613	361,483	218,750	126,005	161,009
Total Revenues	809,851	817,588	766,281	725,556	765,111
Total Expenditures	528,721	674,855	844,467	760,560	778,432
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, 2024
(Unaudited)

Schedule 3-3

Other Funds in the Aggregate	2024	2023	2022	2021	2020
Total Assets	\$ 4,213,504	\$ 3,294,872	\$ 3,354,280	\$ 5,074,724	\$ 3,307,094
Total Liabilities	443,464	141,808	299,661	575,622	184,026
Total Fund Balances	3,770,040	3,153,064	3,054,619	4,499,102	3,123,068
Total Revenues	3,158,278	3,925,880	5,062,343	3,172,327	2,024,912
Total Expenditures	2,811,795	4,399,716	6,702,791	2,571,631	1,645,831
Total Other Financing Sources/Uses	270,493	572,281	195,965	775,338	137,898

