

**CITY OF GOSNELL  
GOSNELL, ARKANSAS  
REGULATORY BASIS FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**(With Independent Auditor's Report Thereon)**

Baker Firm, P.A.  
110 W. Huntington Ave., Ste A  
Jonesboro, AR 72401  
(870) 203-0075

CITY OF GOSNELL, ARKANSAS – December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

### **To the Honorable Mayor and City Council of Gosnell, Arkansas**

I have audited the accompanying regulatory basis financial statements of the general fund, street fund and other fund in the aggregate of the City of Gosnell, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by the City of Gosnell, Arkansas, on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Gosnell, Arkansas, as of December 31, 2019, or changes in financial position, or cash flows thereof for the year then ended.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Gosnell, Arkansas, as of December 31, 2019, and the regulatory basis revenues, expenditures, and changes in fund balance, and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

### **Emphasis of matter**

As discussed in Note 1 to the financial statements, the City would have included some funds under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity.

### **Other Matters**

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and


other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, I do not express an opinion or provide assurance on it.

#### **Other Reports Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated July 31, 2023 on my consideration of the City's internal control over financial reporting and on my test of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the resulting of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

BAKER FIRM, P.A.

By:   
\_\_\_\_\_  
Zac Baker, CPA  
Jonesboro, Arkansas  
July 31, 2023

Baker Firm, P.A.  
 Certified Public Accountant  
 110 W. Huntington Ave., Ste A  
 Jonesboro, AR 72401  
 (870) 203-0075

July 31, 2023

**To the Honorable Mayor and City Council of  
 Gosnell, Arkansas**

In planning and performing my audit of the regulatory basis financial statements of the City of Gosnell as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, I considered the City of Gosnell'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

During my audit I noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

**1. Credit Card Purchases**

The City did not maintain adequate supporting documentation for purchases made with its credit cards. The City failed to maintain original receipts or invoices for such purchases. The only available documentation of the purchases were the monthly credit card statements and the bookkeeping entries associated therewith. As a result, the public purpose of the purchases could not be confirmed.

A table, based on the City's general ledger, summarizing the expenditures associated with the various cards is as follows:

	<b>General Fund</b>	<b>Street Fund</b>	<b>Sewer Fund</b>	<b>TOTAL</b>
Walmart	\$ 13,654.47	\$ 5,234.57	\$ 976.02	\$ <b>19,865.06</b>
Tractor Supply	\$ 1,066.31	\$ 3,383.90	\$ 1,127.91	\$ <b>5,578.12</b>
NEAFCU Visa	\$ 14,041.18	\$ 7,937.63	\$ 2,338.15	\$ <b>24,316.96</b>
Lowe's	\$ 5,059.21	\$ 6,490.65	\$ 5,420.56	\$ <b>16,970.42</b>
Dollar General	\$ 1,730.86		\$ 425.63	\$ <b>2,156.49</b>
WEX Card	\$ 7,002.32			\$ <b>7,002.32</b>
<b>TOTAL</b>	<b>\$ 42,554.35</b>	<b>\$ 23,046.75</b>	<b>\$ 10,288.27</b>	<b>\$ <u>75,889.37</u></b>

For the WEX card in particular, upon information and belief, the City allowed employees to use the card for the purchase of, among other things, gasoline for privately owned vehicles. Due to a lack of documentation, the total amount used for privately owned vehicles could not be determined.

*Recommendation: I recommend the City maintain adequate documentation of all purchases, sufficient to determine the public purpose thereof. Further, I recommend that the City follow reasonable procedures and protocol regarding the payment to or reimbursement of employees' fuel or automobile expenses.*

## **2. General Recordkeeping**

The City failed to have any original or source documentation for its general expenditures for the months of January and February of 2020. Further, the City routinely failed to have adequate supporting documentation for purchases in general or, alternatively, the documentation was not stored or maintained in an orderly manner sufficient to ensure that third-parties who viewed the same would be able to easily determine the existence of any particular document sought. In addition, the City failed to retain documentation regarding the publication of its annual financial statement(s), e.g. a copy of the documents submitted to the newspaper and a proof of publication from the newspaper.

*Recommendation: I recommend the City to devise document retention policies and procedures to organize all of the relevant documents and ensure that they are maintained in a manner consistent with an expectation of long-term storage and for a duration no less than required by all applicable law and contractual covenant.*

## **3. Compliance with Arkansas law**

The City failed to publish its annual financial statement by April 1 of 2020 as required by Ark. Code Ann. § 14-59-116.

*Recommendation: I recommend the City to assign two (2) persons responsible for the publication, each of whom should utilize a ticker or reminder system with sufficient advance warning to ensure that the matter may be timely published.*

This communication is intended solely for the information and use of the City Council of the City of Gosnell, Legislative Auditing Committee, and City management and is not intended to be and should not be used by anyone other than these specified parties.

BAKER FIRM, P.A.

By: 

Zac Baker, CPA  
Jonesboro, Arkansas  
July 31, 2023

**CITY OF GOSNELL, ARKANSAS  
BALANCE SHEET  
REGULATORY BASIS  
DECEMBER 31, 2019**

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 128,217	\$ 251,570	\$ 170,766
Certificate of deposits	218,090	68,942	80,770
Accounts receivable	45,946	24,703	19,928
Interfund receivable		6,127	
<b>TOTAL ASSETS</b>	<u>\$ 392,252</u>	<u>\$ 351,342</u>	<u>\$ 271,464</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 35,819	\$ 8,533	\$ 9,798
Interfund payable	\$ 6,127		
Settlements pending			38,236
<b>TOTAL LIABILITIES</b>	<u>41,946</u>	<u>8,533</u>	<u>48,034</u>
<b>Fund Balances:</b>			
Restricted		342,809	34,137
Unassigned	350,306		189,293
<b>TOTAL FUND BALANCES</b>	<u>350,306</u>	<u>342,809</u>	<u>223,430</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 392,252</u>	<u>\$ 351,342</u>	<u>\$ 271,464</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GOSNELL, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**REGULATORY BASIS**  
**DECEMBER 31, 2019**

<b>REVENUES</b>	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
State aid	\$ 59,840	\$ 279,094	\$ 17,589
Federal aid	2,300		
Property taxes	50,960	20,552	
Franchise taxes	109,566		
Sales taxes	720,554		
Fines, forfeitures and costs	47,210		1,798
Interest	1,902	587	710
Local permits and fees	1,842		
Sanitation fees	233,484		
Sewer fees			184,234
Post office	33,827		
Other	27,307		246
<b>TOTAL REVENUES</b>	<u>1,288,792</u>	<u>300,233</u>	<u>204,577</u>
 <b>EXPENDITURES</b>			
Current:			
General government	559,546		319
Law enforcement	488,917		
Highways and streets		328,751	
Public safety	42,705		2,936
Sanitation	195,181		
Recreation and culture	5,873		196
Post office	49,754		
Health			
Sewer operating expenses			217,777
<b>Total Current</b>	<u>1,341,976</u>	<u>328,751</u>	<u>221,228</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GOSNELL, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
REGULATORY BASIS  
DECEMBER 31, 2019**

Debt Service:			
Principal	26,983		
Interest	4,492		
Total Debt service	<u>31,475</u>		
<b>TOTAL EXPENDITURES</b>	<u>1,373,451</u>	<u>328,751</u>	<u>221,228</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(84,659)</u>	<u>(28,518)</u>	<u>(16,651)</u>
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCE (USES)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (84,659)</b>	<b>\$ (28,518)</b>	<b>\$ (16,651)</b>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	<u>434,965</u>	<u>371,327</u>	<u>240,081</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 350,306</u></u>	<u><u>\$ 342,809</u></u>	<u><u>\$ 223,430</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF GOSNELL, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS**  
**DECEMBER 31, 2019**

	General			Street		
	Budget	Actual	Variable Favorable (Unfavorable)	Budget	Actual	Variable Favorable (Unfavorable)
<b>REVENUES</b>						
State aid	\$ 67,042	\$ 59,840	\$ (7,202)	\$ 244,700	279,094	\$ 34,394
Federal aid	3,500	2,300	(1,200)			
Property taxes	49,028	50,960	1,932	16,624	20,552	3,928
Franchise taxes	130,000	109,566	(20,434)			
Sales taxes	706,792	720,554	13,762			
Fines, forfeitures and costs	51,562	47,210	(4,352)			
Interest	270	1,902	1,632	700	587	(113)
Local permits and fees	3,401	1,842	(1,559)			
Sanitation fees	239,700	233,484	(6,216)			
Post office	33,827	33,827	-			
Other	18,940	27,307	8,367	500	-	(500)
<b>TOTAL REVENUES</b>	<u>1,304,062</u>	<u>1,288,792</u>	<u>(15,270)</u>	<u>262,524</u>	<u>300,233</u>	<u>37,709</u>
<b>EXPENDITURES</b>						
Current:						
General government	464,760	559,546	(94,786)			
Law enforcement	492,339	488,917	3,422			
Highways and streets				262,524	328,751	(66,227)
Public safety	58,400	42,705	15,695			
Sanitation	240,021	195,181	44,840			
Recreation and culture	6,250	5,873	377			
Post office	42,292	49,754	(7,462)			
Health		-	-			
<b>Total Current</b>	<u>1,304,062</u>	<u>1,341,976</u>	<u>(37,914)</u>	<u>262,524</u>	<u>328,751</u>	<u>(66,227)</u>
Debt Service:						
Principal		26,983	(26,983)			
Interest		4,492	(4,492)			
<b>Total Debt service</b>		<u>31,475</u>	<u>(31,475)</u>			
<b>TOTAL EXPENDITURES</b>	<u>1,304,062</u>	<u>1,373,451</u>	<u>(69,389)</u>	<u>262,524</u>	<u>328,751</u>	<u>(66,227)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GOSNELL, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS**  
**DECEMBER 31, 2019**

	General			Street		
	Budget	Actual	Variable Favorable (Unfavorable)	Budget	Actual	Variable Favorable (Unfavorable)
EXCESS OF RECEIPTS OVER (UNDER) EXPENDITURES	\$ -	\$ (84,659)	\$ (84,659)	\$ -	\$ (28,518)	\$ (28,518)
OTHER FINANCING SOURCES (USES)						
FUND BALANCES - JANUARY 1,	456,522	434,965	(21,557)	335,757	371,327	35,570
FUND BALANCES - DECEMBER 31	<u>\$ 456,522</u>	<u>\$ 350,306</u>	<u>\$ (106,216)</u>	<u>\$ 335,757</u>	<u>\$ 342,809</u>	<u>\$ 7,052</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Gosnell (the "City") was incorporated under the laws of the State of Arkansas and operates under an elected Mayor and six-member Council government. The Mayor is the chief executive officer and Council is the legislative body of the City. The reporting entity includes all funds of the City.

**B. Basis of Presentation - Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas 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 the financial statements; and a supplemental schedule of capital assets.

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 the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

**Street Fund**

The Street Fund is used to account for the proceeds of specific receipt sources legally restricted to disbursements 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 following Special Revenue Funds are

**CITY OF GOSNELL, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

reported with other funds in the aggregate: Fire Equipment and Training (Act 833) Fund Veterans Memorial Fund and Court Automation Fund.

**Agency Funds**

Agency funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. The following agency funds are reported with funds in the aggregate: Municipal Court Fund and Payroll Fund.

**Enterprise Fund**

Enterprise funds are used to account for operations that are financed and operated in a manner like a private business, where the intent of the entity is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, federal grants, and other entity funds. The following enterprise funds are reported with other funds in the aggregate: Sewer Fund.

**C. Basis of Accounting – Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This basis differs from accounting principles generally accepted in the United States of America. Revenues 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 current period liabilities. The government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when a liability is incurred. Capital assets and long-term debt are not recorded in these financial statements.

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

**Cash and Cash Equivalents**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit, treasury bills and short-term investments with an original maturity of three months or less.

**Certificate of Deposits**

Certificate of Deposits are reported at fair market value.

**Liabilities**

For the purpose of financial reporting, liabilities include accounts payable, due to other agencies, interfund payables and settlements pending. Settlements pending are considered fines, forfeitures and costs and unremitted payroll account balances that have not been transferred to the appropriate entities.

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Classification**

- Restricted fund balance- amounts that are restricted when constraints places in the use of the resource are either (a) externally imposed by creditors (such as though debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 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 and other funds in the aggregate. This classification may also include negative amounts in the other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**E. Property taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15.

**F. Budget Law**

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

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

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

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

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Fund Balance Procedures**

The municipality does not have a policy addressing whether it considers restricted or unrestricted amount to have been spent when an expenditure is incurred for purpose for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted.

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires that deposits in financial institutions be collateralized with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. At December 31, 2019, the City's carrying balance and bank balance were insured by FDIC or collateralized with securities held by the City's agent in the City's name.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 629,370	\$ 634,409
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	288,985	337,710
Total Deposits	\$ 918,355	\$ 972,119

The above total includes certificates of deposit of \$367,802.

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3: FUND BALANCE CLASSIFICATION**

The December 31, 2019 fund balances consisted of the following:

<u>Description</u>	<u>General</u>	<u>Street</u>	<u>Other Fund in the Aggregate</u>
FUND BALANCES:			
RESTRICTED FOR:			
Law enforcement			\$ 3,837
Highways and streets		\$ 342,809	
Recreation and culture			654
Public safety			29,646
TOTAL RESTRICTED	-	342,809	34,137
UNASSIGNED	\$ 350,306		189,190
TOTAL FUND BALANCE	<u>\$ 350,306</u>	<u>\$ 342,809</u>	<u>\$ 223,327</u>

**NOTE 4: ACCOUNTS RECEIVABLE**

The December 31, 2019 balance of accounts receivable consisted of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
State aid	\$ 7,605	\$ 24,703	
Franchise tax	16,435		
Sanitation fees	18,750		
Property tax	867		
Sewer charges			\$ 19,727
Fines, forfeitures and cost	1,991		98
Interest	20		
Total Accounts Receivable	<u>\$ 45,668</u>	<u>\$ 24,703</u>	<u>\$ 19,825</u>

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 5: ACCOUNTS PAYABLE**

The December 31, 2019 balance of accounts payable consisted of the following:

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
Vendor payables	\$ 35,819	\$ 8,533	\$ 9,798

**NOTE 6: COMMITMENTS**

Long-Term Debt as of December 31, 2019:

<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, 2019</u>	<u>Maturities to December 31, 2019</u>
6/29/2018	7/23/2023	3.74%	\$ 143,332	\$ 105,400	\$ 37,932

Long-term liability activity for the years ended December 31, 2019 as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 132,383	\$ -	\$ 26,983	\$ 105,400	\$ 28,010

**Pledged Revenue - Notes:**

The City's outstanding notes from direct borrowing is secured with the collateral of equipment.

Maturities of long-term debt at December 31, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,010	\$ 3,465	\$ 31,475
2021	\$ 29,075	\$ 2,399	\$ 31,474
2022	\$ 30,182	\$ 1,293	\$ 31,475
2023	\$ 18,133	\$ 227	\$ 18,360
Total	<u>\$ 105,400</u>	<u>\$ 7,384</u>	<u>\$ 112,784</u>

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 6: COMMITMENTS (continued)**

Due to the City's regulatory basis of accounting, this liability is not recorded in the financial statement

**NOTE 7: LEGAL DEBT LIMIT**

**A. TAX SECURED BOND ISSUES**

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value of taxable property located within the municipality as determined by the last tax assessment. At December 31, 2019, the legal debt limit for the City was \$3,581,046. There were no property tax secured bond issues.

**B. SHORT-TERM FINANCING OBLIGATIONS**

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the total assessed value of taxable property located within the municipality as determined by the last tax assessment. At December 31, 2019, the legal debt limit for short-term financing obligations was \$895,262. The City's total short-term obligation as of December 31, 2019 was \$105,400.

**NOTE 8: RISK MANAGEMENT**

The City has various insurance policies to cover its potential liability risk areas (e.g., vehicles, personal property, contents, buildings and worker's compensation). These risks are covered by commercial insurance purchased from independent third parties and participation through Arkansas Municipal League (AML), a public entity risk pool. 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 coverage in the three prior year.

**NOTE 9: LOCAL POLICE AND FIRE RETIREMENT SYSTEM (LOPFI) - (A DEFINED BENEFIT PENSION PLAN)**

**Plan description**

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide retirement plan for police officers and firefighters of political subdivisions of the State of Arkansas. It was established under the authority of ACT 365 of 1981 and bears a fiduciary obligations to the participants of the system. LOPFI maintains a cost-sharing multiple employer defined benefit plan for participants hired by the respective local government until after January 1, 1983. 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

**CITY OF GOSNELL, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 9: LOCAL POLICE AND FIRE RETIREMENT SYSTEM (LOPFI) - (A DEFINED BENEFIT PENSION PLAN) (Continued)**

writing to Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201 or by calling 1-866-859-1745.

**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:

1. Paid service not covered by Social Security: 8.5% of gross pay
2. Paid service also covered by Social Security: 2.5% of gross pay
3. 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 \$39,695.

**Net Pension Liability**

The City's proportionate share of the collective net pension liability at December 31, 2019 (actuarial valuation date and measurement date) was \$623,373.

**NOTE 10: MAYOR'S RETIREMENT PLAN**

Arkansas Code Ann § 24-12-123 established a retirement plan for mayors in all cities of the first class. The code states any mayor who served for the city for a period of not less than ten (10) years, upon reaching age sixty (60), or any person who shall serve as mayor of the city for a period of not less than twenty (20) years, without regard to age, shall be entitled to retire at an annual retirement benefit during the remainder of the person's natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the time of retirement. During 2018, the City paid \$15,010.

**NOTE 11: CLERK/TREASURER'S RETIREMENT PLAN**

Arkansas Code Ann § 24-12-121 established a retirement plan for city clerk's in all cities of the first class. The code states any city clerk who served for the city for a period of not less than ten (10) years, upon reaching age sixty (60), or any person who shall serve as city clerk of the city for a period of not less than twenty (20) years, without regard to age, shall be entitled to retire at an annual retirement benefit during the remainder of the person's natural life, payable at the rate of one-half (1/2) of the salary payable to the city clerk at the time of retirement. During 2018, the City paid \$2,400.

**CITY OF GOSNELL, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 12: DEFERRED COMPENSATION PLAN**

The City sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). The City allows fulltime employees to participate upon hiring. The City is not required to make contributions; however, the City has elected to match up to \$20 per pay period for those employees that participate. Employees are entitled only to funds deposited by them and on their behalf; therefore, there is no unfunded liability. The City's contribution to the plan for 2019 was \$2,122.

**NOTE 13: INTERFUND RECEIVABLE/PAYABLE**

At December 31, 2018, there was an interfund receivable due from the general fund to the street fund in the amount of \$6,127 as a result of the improper recording of property tax revenue. This amount remains to be corrected as of December 31, 2019 and is shown on the balance sheet accordingly.

**NOTE 14: SUBSEQUENT EVENTS**

- a. On March 17, 2020, an employee for the City of Gosnell issued a letter stating that she had used the City's Wal-Mart and WEX credit cards for personal use. She admitted to utilizing the same between January 1, 2018 and December 31, 2018. Due to a lack of supporting documentation, an allocation between her personal use and public use could not be determined. She resigned on March 19, 2020 and a total of \$2,871 in restitution was made to the City.
- b. In 2021, the City purchased a new fire station in the amount of \$39,559.25.
- c. In August and October of 2021, the City received monies through the American Rescue Plan Act (ARPA) collectively totaling \$322,790.
- d. In July of 2022, the City received additional monies through ARPA totaling \$322,785.87.
- e. In 2023, the City had to replace the roof of City Hall, at a cost of \$82,500.
- f. As of July of 2023, the City is participating in an ARDoT improvement project in which the City will be responsible for a portion of the costs. The City's expected share of the project is \$42,733.

**CITY OF GOSNELL, ARKANSAS  
COMBINING BALANCE SHEET  
OTHER FUNDS IN THE AGGREGATE  
REGULATORY BASIS  
DECEMBER 31, 2019**

	<u>SPECIAL REVENUE</u>			<u>AGENCY</u>		<u>ENTERPRISE</u>	
	<u>Fire Equipment and Training (Act 833)</u>	<u>Veterans Memorial Fund</u>	<u>Court Automation Fund</u>	<u>Municipal Court Clerk</u>	<u>Payroll</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 29,646	\$ 654	\$ 3,739	\$ 12,235	\$ 26,001	\$ 98,491	\$ 170,112
Certificate(s) of deposit						80,770	80,770
Accounts receivable			98			19,830	19,928
<b>TOTAL ASSETS</b>	<u>\$ 29,646</u>	<u>\$ 654</u>	<u>\$ 3,837</u>	<u>\$ 12,235</u>	<u>\$ 26,001</u>	<u>\$ 199,091</u>	<u>\$ 270,810</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable						\$ 9,798	\$ 9,798
Settlements pending				\$ 12,235	\$ 26,001		38,236
<b>TOTAL LIABILITIES</b>	<u>-</u>			<u>12,235</u>	<u>26,001</u>	<u>9,798</u>	<u>48,034</u>
<b>Fund Balances:</b>							
Restricted	29,646	654	3,837				33,483
Unassigned						189,293	189,293
<b>TOTAL FUND BALANCES</b>	<u>29,646</u>	<u>654</u>	<u>3,837</u>			<u>189,293</u>	<u>222,776</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 29,646</u>	<u>\$ 654</u>	<u>\$ 3,837</u>	<u>\$ 12,235</u>	<u>\$ 26,001</u>	<u>\$ 199,091</u>	<u>\$ 270,810</u>

**CITY OF GOSNELL, ARKANSAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER FUNDS IN THE AGGREGATE**  
**REGULATORY BASIS**  
**DECEMBER 31, 2019**

	<u>SPECIAL REVENUE</u>			<u>ENTERPRISE</u>
	<u>Fire Equipment and Training (Act 833)</u>	<u>Veterans Memorial Fund</u>	<u>Court Automation Fund</u>	<u>Sewer Fund</u>
<b>REVENUES</b>				
State Aid	\$ 17,589			
Fines, forfeitures and costs			\$ 1,798	
Interest				\$ 710
Sewer fees				184,234
Other		\$ 246		
<b>TOTAL REVENUES</b>	<u>17,589</u>	<u>246</u>	<u>1,798</u>	<u>184,944</u>
<b>EXPENDITURES</b>				
Current:				
General government			319	
Public safety	2,936			
Recreation and culture		196		
Sewer operating expenses				217,777
<b>TOTAL EXPENDITURES</b>	<u>2,936</u>	<u>196</u>	<u>319</u>	<u>217,777</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,653</u>	<u>50</u>	<u>1,479</u>	<u>(32,833)</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCE (USES)				
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	14,653	50	1,479	(32,833)
FUND BALANCES - JANUARY 1	<u>14,993</u>	<u>604</u>	<u>2,358</u>	<u>222,126</u>
FUND BALANCES - DECEMBER 31	<u>\$ 29,646</u>	<u>\$ 654</u>	<u>\$ 3,837</u>	<u>\$ 189,293</u>

**CITY OF GOSNELL, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2019  
(Unaudited)**

	<u>December 31, 2019</u>
Land, buildings and improvements	\$ 2,184,311
Equipment	1,019,959
<b>Total</b>	<u><u>\$ 3,204,270</u></u>

Baker Firm, P.A.  
Certified Public Accountant  
110 W. Huntington Ave., Ste A  
Jonesboro, AR 72401  
(870) 203-0075

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor and City Council of  
Gosnell, Arkansas**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Gosnell, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated July 31, 2023. I have issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, a regulatory basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, my opinion on the general fund, street fund, and other funds in the aggregate were unmodified.

**Internal Control over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I considered to be significant deficiencies. I did identify a certain deficiency in internal control described below that I consider to be a material weakness. The material weakness was as follows:

**2019-001**  
**Segregation of Duties**

**Criteria:** Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements.

**Condition:** The City has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the City's objectives with regard to reliability of financial reporting.

**Cause:** Cost/benefit implications hinder the City's ability to adequately segregate financial accounting duties among employees.

**Effect of Potential Effect:** Financial accounting duties are not distributed among the City's employees to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected.

**Recommendation:** To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

**Views of Responsible Officials and Planned Corrective Action:** The City is aware of the deficiency and will continue to mitigate the deficiency with increased oversight by the governing body.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.


**The City of Gosnell, Arkansas Response to Finding**

The City's response to the finding identified in my audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

BAKER FIRM, P.A.

By:   
\_\_\_\_\_  
Zac Baker, CPA  
Jonesboro, Arkansas  
July 31, 2023

Baker Firm, P.A.  
Certified Public Accountant  
110 W. Huntington Ave., Ste A  
Jonesboro, AR 72401  
(870) 203-0075

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH ARKANSAS STATE REQUIREMENTS**

**To the Honorable Mayor and City Council of  
Gosnell, Arkansas**

I have examined management's assertions that City of Gosnell, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statues during the year ended December 31, 2019.

- Arkansas Municipal Accounting Law, (§§ 14-59-101 – 14-5-111, 14-59-114 – 14-59-118);
- Budgets, (§§14-58-201 – 14-58-203)
- Deposit of Public Funds, (§§ 19-8-101 -- 19-8-107)
- Review of Report by Governing Body (§10-4-418)
- Improvement Contracts, (§§22-9-202 -- 22-9-204);
- Investment of Public Funds, (§§ 19-1-501 -- 19-1-505);
- Arkansas District Courts Accounting Law, (§§ 16-10-201 – 16-10-210);
- Purchases, and Payments of Claims, Etc. (§§ 14-58-301 – 14-58-305, -307, -308)

Management is responsible for the City's compliance with those requirements. My responsibility is to express an opinion on the City's compliance based on my examination.

My examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examinations provides a reasonable basis for my opinion. My examinations does not provide a legal determination on the City's compliance with specified requirements.

In my opinion, the City of Gosnell, Arkansas complied, in all material respects, with the aforementioned requirements for the year ending December 31, 2019, except the following:

1. The City was not in compliance with A.C.A §14-59-116 due to its inability to provide evidence that it published its financial statement(s) in accordance with Arkansas law. Upon information and belief, it failed to publish any financial statement. If any publication did occur, it was not reflected in the City's meeting minutes and the City failed to keep any record or proof of the same.

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

BAKER FIRM, P.A.

By:   
\_\_\_\_\_

Zac Baker, CPA  
Jonesboro, Arkansas  
July 31, 2023