

City of Lake Village, Arkansas

Financial and Compliance Report

December 31, 2021 and 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF LAKE VILLAGE, ARKANSAS
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Financial and Compliance Report		<u>Schedule</u>
	2021	
Schedule of Financial Information (Unaudited)		1
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)		2
Combining Schedule of Financial Information – Capital Projects Funds (Unaudited)		3
	2020	
Schedule of Financial Information (Unaudited)		4
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)		5
Combining Schedule of Financial Information – Capital Projects Funds (Unaudited)		6
	2021 and 2020	
Other Information (Unaudited)		7

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Lake Village, 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 Lake Village, Arkansas, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated July 2, 2024. 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 findings contained in this section relate to the following officials who held office during 2021 and 2020:

Mayor: Joe Dan Yee
Chief Financial Officer: Gina Garner
City Clerk: Dominique Toney
District Court Clerk: Scilar McCaughan
Police Chief: Percy Wilburn

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, Chief Financial Officer, City Clerk, District Court Clerk, and Police Chief.**

Chief Financial Officer

- The Chief Financial Officer (CFO), who resigned in March 2023, was paid \$11,159 over a four-year period for taxes and insurance premiums that were not withheld from payroll checks:
 - \$403 in 2023
 - \$4,937 in 2022
 - \$4,650 in 2021
 - \$1,169 in 2020
- The City paid health insurance premiums of \$1,716, and \$6,865 in 2023 and 2022, respectively, for City Council members' health insurance benefits and did not collect premiums from the Council members. This transaction conflicts with the City's personnel policy, which limits health insurance benefits to full-time employees, and with Ark. Const. Art. 12, § 5, which states, in part, "No county, city, town or other municipal corporation, shall...loan its credit to any corporation, association, institution, or individual."
- Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 – 14-59-119. The City was not in compliance with these codes during the fiscal years 2021 and 2020 as noted below:
 - A detailed fixed asset listing was not provided, nor was a fixed assets policy adopted by the governing body.
 - An examination of 25 disbursements for each fiscal year disclosed adequate supporting documentation was not maintained for 5 disbursements in 2021 totaling \$19,659 and 6 disbursements in 2020 totaling \$122,749.
 - Bank reconciliations were not prepared for all bank accounts. Additionally, when reconciliations were prepared and reconciled, they were not approved by a municipal official or employee, other than the person preparing the reconciliation.
 - Cash receipts and disbursements journals were not properly maintained for all accounts.
 - Annual financial statements were not published for 2021 and 2020.
- The City did not provide documentation to determine if accounts were collateralized at December 31, 2021, in noncompliance with Ark. Code Ann. § 19-8-107.
- During the test of disbursements, we noted in 2021 the improper paying of telephone expenses totaling \$1,200 from the Street Fund and in 2020 the improper paying of inmate jail meals totaling \$2,913 from the District Court Cost Fund.

6. Required payroll forms (W-2, W-3 and AR3) were not properly filed to the IRS or the Arkansas Department of Finance and Administration for the 2021 and 2020 years. As a result of filing issues, we noted penalties and interest totaling \$10,207 remitted to the taxing authorities during the 2024 year.

Police Chief

1. Our review of Police Department bank records revealed undocumented cash withdrawals of \$640 and \$400 for the 2021 and 2020 fiscal years, respectively; therefore, the validity of these disbursements could not be determined.
2. Deficiencies in the accounting of police department bank accounts included:
 - Bank reconciliations were not prepared for one bank account in the 2021 and 2020 years.
 - Prenumbered receipts were not issued for all sources of income. Also noted were instances of failing to follow sound accounting practices of depositing intact and in a timely manner.
 - Disbursements were made by electronic fund transfers (EFTs) without approval from the governing body and supporting documentation for these disbursements were not maintained.
 - Cash receipts and disbursements journals were not properly maintained for all accounts.
 - Bank balances for custodial accounts held by the police department were not remitted to the court clerk and treasurer.

Mayor and Chief Financial Officer

The City failed to remit withholdings of \$429, \$1,619, and \$940 in 2022, 2021, and 2020, respectively, to the retirement plan on behalf of employees; these withholdings consisted of employee contributions and City matching. In addition, retirement benefits for March through November 2023 and December 2023 through April 2024 were not remitted to employees' individual retirement accounts until November 2023 and April 2024, respectively.

Furthermore, to receive the City matching, employees must contribute 1% of their salary. However, the Mayor contributed less than .5%, and the City paid the full matching amount.

Mayor

1. The City has not obtained an audit or agreed-upon procedures report for the City's Water and Sewer Department since 2019, as required by Ark. Code Ann. § 14-234-119.
2. The governing body did not adopt the budgets by ordinance for 2021 and 2020, as required by Ark. Code Ann. § 14-58-202. Additionally, budget detail was insufficient to determine if salaries paid were authorized.

City Clerk

City Council minutes, ordinances, and resolutions were not available for meetings held in May 2021, September 2021, and all meetings held after November 2, 2021, through end of fieldwork, in noncompliance with Ark. Code Ann. § 14-59-114.

District Court Clerk

1. The District Court was in noncompliance with Ark. Code Ann. § 16-10-209 and proper accounting procedures as follows:
 - Receipts were not deposited intact daily.
 - Bank deposit slips did not contain the range of receipt numbers evidencing such collections.
 - Virtual Justice receipts and disbursements were not reconciled monthly to the bank deposits and withdrawals as indicated on the bank statements.
 - A monetary settlement to the appropriate entities who receive fines or fees assessed by the court and collected pursuant to law was not always made on or before the tenth day of the next following month.
 - During fiscal years 2021 and 2020, expenses of \$11,831 and \$20,635, respectively, was improperly disbursed from the bond and fine account.
 - All bank balances were not identified with receipts issued for cases not yet adjudicated and payments on all unpaid individual time accounts. The unidentified amounts were \$70,578 and \$35,104 for 2021 and 2020, respectively.
 - Due to inadequate documentation, bank deposits could not always be reconciled to receipts.
 - Interest earned was not receipted or disbursed to the General Fund.
 - The electronic check register did not indicate the correct date, payee, check number or amount for each check written.
 - Bond refunds issued by check, did not indicate the court docket number for authorization.
2. The District Court Clerk was designated the primary collector of fines assessed in the District Court, as a result, Ark. Code Ann. § 16-10-209 requires the court judge to determine who outside of the court clerk's office will be responsible for reconciling completed citation books. The court judge's designee was not determinable.

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

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 2, 2024
LOM105021

CITY OF LAKE VILLAGE, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds	Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>
Cash Balance, January 1, 2021	\$ 1,007,474	\$ 774,772	\$ 17,361
Receipts:			
State aid	40,411	293,253	
Federal aid	2,550	912,273	
Property taxes	632	29,994	
Franchise fees	112,934		
Sales taxes	1,327,668	3,859	
Fines, forfeitures, and costs	99,727	193,838	
Interest	1,666	1,116	
Local permits and fees	10,260		
Rent	11,769		
Jail fees	29,153		
Contribution from water department	405,108	627	
Other	68,126	38,660	1,650
Transfers in		625,455	
Unclassified	9,805	5,958	
Total Receipts	<u>2,119,809</u>	<u>2,105,033</u>	<u>1,650</u>
Disbursements:			
General government	884,517		
Law enforcement	504,625	202,392	
Highways and streets		503,616	
Public safety		61,481	
Sanitation	121,255		
Recreation and culture		45,685	
Community development		4,408	
Airport		774,234	
Transfers out	625,455		
Unclassified	34,180		
Total Disbursements	<u>2,170,032</u>	<u>1,591,816</u>	
Cash Balance, December 31, 2021	<u>\$ 957,251</u>	<u>\$ 1,287,989</u>	<u>\$ 19,011</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 2

	<u>Street</u>	<u>Act 833</u>	<u>Airport</u>	<u>District Court Cost</u>	<u>Judge & Clerk Retirement</u>	<u>Lake Village House</u>	<u>Economic Development</u>	<u>LOPFI</u>
Cash Balance, January 1, 2021	\$ 136,831	\$ 42,075	\$ 513	\$ 31,482	\$ 241,919	\$ 28,175	\$ 54,260	\$ 11,133
Receipts:								
State aid	202,014	22,166	69,073					
Federal aid			684,994					
Property taxes	29,994							
Sales taxes			3,859					
Fines, forfeitures, and costs				193,838				
Interest	280			97	694		37	8
Contribution from water department								
Other	683	7,000	1,088	17,160	5,926			
Transfers in	398,667		51,138				20,000	36,983
Unclassified	3,564							
Total Receipts	<u>635,202</u>	<u>29,166</u>	<u>810,152</u>	<u>211,095</u>	<u>6,620</u>		<u>20,037</u>	<u>36,991</u>
Disbursements:								
Law enforcement				164,467	37,925			
Highways and streets	503,616							
Public safety		14,851						46,630
Recreation and culture								
Community development							4,408	
Airport			774,234					
Total Disbursements	<u>503,616</u>	<u>14,851</u>	<u>774,234</u>	<u>164,467</u>	<u>37,925</u>		<u>4,408</u>	<u>46,630</u>
Cash Balance, December 31, 2021	<u>\$ 268,417</u>	<u>\$ 56,390</u>	<u>\$ 36,431</u>	<u>\$ 78,110</u>	<u>\$ 210,614</u>	<u>\$ 28,175</u>	<u>\$ 69,889</u>	<u>\$ 1,494</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 2

	<u>Parks & Recreation</u>	<u>Farmers Market</u>	<u>American Rescue Plan Act</u>	<u>Total</u>
Cash Balance, January 1, 2021	\$ 227,052	\$ 1,332		\$ 774,772
Receipts:				
State aid				293,253
Federal aid			\$ 227,279	912,273
Property taxes				29,994
Sales taxes				3,859
Fines, forfeitures, and costs				193,838
Interest				1,116
Contribution from water department	627			627
Other	6,803			38,660
Transfers in	118,667			625,455
Unclassified	2,394			5,958
Total Receipts	<u>128,491</u>		<u>227,279</u>	<u>2,105,033</u>
Disbursements:				
Law enforcement				202,392
Highways and streets				503,616
Public safety				61,481
Recreation and culture	45,685			45,685
Community development				4,408
Airport				774,234
Total Disbursements	<u>45,685</u>			<u>1,591,816</u>
Cash Balance, December 31, 2021	<u>\$ 309,858</u>	<u>\$ 1,332</u>	<u>\$ 227,279</u>	<u>\$ 1,287,989</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 3

	Brush Truck	Sidewalk Grant	Total
Cash Balance, January 1, 2021	\$ 16,771	\$ 590	\$ 17,361
Receipts:			
Other	1,650		1,650
Cash Balance, December 31, 2021	\$ 18,421	\$ 590	\$ 19,011

CITY OF LAKE VILLAGE, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Schedule 4

	General Fund	Special Revenue Funds	Capital Projects Funds
Cash Balance, January 1, 2020	\$ 739,972	\$ 703,412	
Receipts:			
State aid	38,204	214,182	\$ 45,090
Federal aid	143,123		
Property taxes		31,533	
Franchise fees	117,986		
Sales taxes	1,263,432	2,592	
Fines, forfeitures, and costs	89,085	149,677	
Interest	2,331	1,286	
Local permits and fees	13,717		
Rent	8,264		
Jail fees	15,952		
Contribution from water department	384,817		
Other	73,678	35,658	
Transfers in		507,954	16,771
Unclassified	34,370		
Total Receipts	<u>2,184,959</u>	<u>942,882</u>	<u>61,861</u>
Disbursements:			
General government	839,887		
Law enforcement	410,327	193,569	
Highways and streets		488,948	
Public safety		64,024	
Sanitation	142,518		
Recreation and culture		75,467	
Community development		2,830	44,500
Airport		46,684	
Transfers out	524,725		
Total Disbursements	<u>1,917,457</u>	<u>871,522</u>	<u>44,500</u>
Cash Balance, December 31, 2020	<u>\$ 1,007,474</u>	<u>\$ 774,772</u>	<u>\$ 17,361</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (UNAUDITED)

Schedule 5

	<u>Street</u>	<u>Act 833</u>	<u>Airport</u>	<u>District Court Cost</u>	<u>Judge & Clerk Retirement</u>	<u>Lake Village House</u>	<u>Economic Development</u>	<u>LOPFI</u>
Cash Balance, January 1, 2020	\$ 93,321	\$ 41,116	\$ 2,414	\$ 6,277	\$ 310,155	\$ 28,175	\$ 42,052	\$ (4,694)
Receipts:								
State aid	194,389	19,793						
Property taxes	31,533							
Sales taxes			2,592					
Fines, forfeitures, and costs				149,677				
Interest	187			32	829		38	11
Other	375		27,191					
Transfers in	305,974		15,000				15,000	61,006
Total Receipts	<u>532,458</u>	<u>19,793</u>	<u>44,783</u>	<u>149,709</u>	<u>829</u>		<u>15,038</u>	<u>61,017</u>
Disbursements:								
Law enforcement				124,504	69,065			
Highways and streets	488,948							
Public safety		18,834						45,190
Recreation and culture							2,830	
Community development								
Airport			46,684					
Total Disbursements	<u>488,948</u>	<u>18,834</u>	<u>46,684</u>	<u>124,504</u>	<u>69,065</u>		<u>2,830</u>	<u>45,190</u>
Cash Balance, December 31, 2020	<u>\$ 136,831</u>	<u>\$ 42,075</u>	<u>\$ 513</u>	<u>\$ 31,482</u>	<u>\$ 241,919</u>	<u>\$ 28,175</u>	<u>\$ 54,260</u>	<u>\$ 11,133</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (UNAUDITED)

Schedule 5

	<u>Parks & Recreation</u>	<u>Farmers Market</u>	<u>Total</u>
Cash Balance, January 1, 2020	\$ 183,264	\$ 1,332	\$ 703,412
Receipts:			
State aid			214,182
Property taxes			31,533
Sales taxes			2,592
Fines, forfeitures, and costs			149,677
Interest	189		1,286
Other	8,092		35,658
Transfers in	110,974		507,954
Total Receipts	<u>119,255</u>		<u>942,882</u>
Disbursements:			
Law enforcement			193,569
Highways and streets			488,948
Public safety			64,024
Recreation and culture	75,467		75,467
Community development			2,830
Airport			46,684
Total Disbursements	<u>75,467</u>		<u>871,522</u>
Cash Balance, December 31, 2020	<u>\$ 227,052</u>	<u>\$ 1,332</u>	<u>\$ 774,772</u>

CITY OF LAKE VILLAGE, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (UNAUDITED)

Schedule 6

	Brush Truck	Sidewalk Grant	Total
Cash Balance, January 1, 2020			
Receipts:			
State aid		\$ 45,090	\$ 45,090
Transfers in	\$ 16,771		16,771
Total Receipts	16,771	45,090	61,861
Disbursements:			
Community development		44,500	44,500
Cash Balance, December 31, 2020	\$ 16,771	\$ 590	\$ 17,361

CITY OF LAKE VILLAGE, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(UNAUDITED)

Schedule 7

1. Cash balances on the Financial Schedules include demand and savings accounts and certificates of deposit.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General, City Sales Tax, County Sales Tax, and City Sales Tax Service.
3. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2021	December 31, 2020
Police	\$ 3,303	\$ 3,387
District Court	155,529	114,608
Payroll	12,624	(7,190)

These balances represent fines, forfeitures, and costs and payroll taxes that have not been transferred to the appropriate entities.

4. The Municipality's capital assets records were not available.
5. The City received federal funding in the following amounts related to COVID-19 relief:

	December 31, 2021	December 31, 2020
Coronavirus Aid, Relief and Economic Security Act (CARES)		\$ 102,015
American Rescue Plan Act (ARPA)	\$ 227,279	
Totals	\$ 227,279	\$ 102,015