

City of Horatio, Arkansas

Financial and Compliance Report

December 31, 2022

***Including Financial Information
For
December 31, 2021 and 2020***

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HORATIO, ARKANSAS
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FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

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Arkansas

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Sen. John Payton
Senate Vice Chair



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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Horatio, 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 Horatio, Arkansas, as of and for the year ended December 31, 2022. Additionally, we requested certain cash basis information and your acknowledgement of compliance with certain state laws and accepted accounting practices for the years ended December 31, 2021, and 2020, and have issued our report thereon dated June 13, 2023. These procedures were not performed for the Water and Sewer Department. 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 2022, 2021, and 2020:

Mayor: Richard Dorsey (Resigned September 3, 2021)
Borden Neel (Appointed September 7, 2021)
Recorder/Treasurer: Deborah Neel

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.

During our evaluation, other matters came to our attention that would warrant disclosure in this report.

Other Matters

On March 23, 2022, the City initiated an ACH transaction totaling \$7,377 after receiving a fictitious payment request from an email address that appeared to belong to a vendor the City utilizes. Vendor personnel discovered the error on March 28, 2022, and notified the City. The City reported the incident to the respective financial institutions, as well as the City Attorney, Arkansas Municipal League, Sevier County Sheriff's Office, and Federal Bureau of Investigation. As of report date, the City had not recovered the funds.

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 cursive script, reading "Roger A. Norman".

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
June 13, 2023
LOM208622

CITY OF HORATIO, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2022	\$ 405,283	\$ 340,825
Receipts:		
State aid	29,959	79,430
Federal aid		106,698
Property taxes	31,330	9,399
Franchise fees	40,780	
Sales taxes	188,224	79,116
Interest	4,201	2,603
Local permits and fees	18,523	
Membership dues		9,665
Donations	10,000	
Other	18,388	2,226
Total Receipts	<u>341,405</u>	<u>289,137</u>
Disbursements:		
General government	219,059	
Law enforcement	4,672	25,000
Highways and streets	20,000	150,637
Public safety	9,832	8,222
Recreation and culture	12,030	74,525
Debt service	6,254	
Unclassified	9,053	
Total Disbursements	<u>280,900</u>	<u>258,384</u>
Cash Balance, December 31, 2022	<u>\$ 465,788</u>	<u>\$ 371,578</u>

CITY OF HORATIO, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

Schedule 2

	Street	Fire Department	LOPFI	Fun Park	American Rescue Plan Act	Total
Cash Balance, January 1, 2022	\$ 152,045	\$ 3,245	\$ 3,509	\$ 75,179	\$ 106,847	\$ 340,825
Receipts:						
State aid	79,430					79,430
Federal aid					106,698	106,698
Property taxes	9,399					9,399
Sales taxes	79,116					79,116
Interest	1,533	38	17	33	982	2,603
Membership dues		9,665				9,665
Other	2,226					2,226
Total Receipts	171,704	9,703	17	33	107,680	289,137
Disbursements:						
Law enforcement					25,000	25,000
Highways and streets	150,637					150,637
Public safety		6,881	1,341			8,222
Recreation and culture				74,525		74,525
Total Disbursements	150,637	6,881	1,341	74,525	25,000	258,384
Cash Balance, December 31, 2022	\$ 173,112	\$ 6,067	\$ 2,185	\$ 687	\$ 189,527	\$ 371,578

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

Schedule 3

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2021	\$ 521,744	\$ 156,202
Receipts:		
State aid	31,520	158,566
Federal aid		106,699
Property taxes	31,021	9,306
Franchise fees	38,461	
Sales taxes	162,270	83,676
Interest	4,091	2,110
Local permits and fees	6,730	
Membership dues		5,000
Donations	19,610	450
Other	13,401	1,938
Unclassified	817	
Total Receipts	<u>307,921</u>	<u>367,745</u>
Disbursements:		
General government	209,880	
Law enforcement	4,023	
Highways and streets		171,505
Public safety	7,112	7,757
Recreation and culture	5,764	
Water and sewer	175,148	
Debt service	22,455	
Unclassified		3,860
Total Disbursements	<u>424,382</u>	<u>183,122</u>
Cash Balance, December 31, 2021	<u>\$ 405,283</u>	<u>\$ 340,825</u>

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

Schedule 4

	Street	Fire Department	LOPFI	Fun Park	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 147,189	\$ 3,992	\$ 5,021			\$ 156,202
Receipts:						
State aid	83,566			\$ 75,000.0		158,566
Federal aid					\$ 106,699	106,699
Property taxes	9,306					9,306
Sales taxes	83,676					83,676
Interest	1,735	31	17	179	148	2,110
Membership dues		5,000				5,000
Donations		450				450
Other	1,938					1,938
Total Receipts	180,221	5,481	17	75,179	106,847	367,745
Disbursements:						
Highways and streets	171,505					171,505
Public safety		6,228	1,529			7,757
Unclassified	3,860					3,860
Total Disbursements	175,365	6,228	1,529			183,122
Cash Balance, December 31, 2021	\$ 152,045	\$ 3,245	\$ 3,509	\$ 75,179	\$ 106,847	\$ 340,825

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

Schedule 5

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2020	\$ 443,752	\$ 166,873
Receipts:		
State aid	29,634	78,812
Federal aid	41,361	
Property taxes	29,128	8,739
Franchise fees	35,370	
Sales taxes	155,229	66,370
Interest	5,627	2,588
Local permits and fees	6,700	
Membership dues		4,050
Donations	10,125	
Other	4,585	
Transfers in		15,000
Unclassified	2,335	
Total Receipts	<u>320,094</u>	<u>175,559</u>
Disbursements:		
General government	180,481	
Law enforcement	7,270	
Highways and streets	8	180,548
Public safety	17,706	5,682
Recreation and culture	4,630	
Water and sewer	10,528	
Debt service	6,479	
Transfers out	15,000	
Total Disbursements	<u>242,102</u>	<u>186,230</u>
Cash Balance, December 31, 2020	<u>\$ 521,744</u>	<u>\$ 156,202</u>

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

Schedule 6

	Street	Fire Department	LOPFI	Total
Cash Balance, January 1, 2020	\$ 156,294	\$ 3,601	\$ 6,978	\$ 166,873
Receipts:				
State aid	78,812			78,812
Property taxes	8,739			8,739
Sales taxes	66,370			66,370
Interest	2,522	29	37	2,588
Membership dues		4,050		4,050
Transfers in	15,000			15,000
Total Receipts	<u>171,443</u>	<u>4,079</u>	<u>37</u>	<u>175,559</u>
Disbursements:				
Highways and streets	180,548			180,548
Public safety		3,688	1,994	5,682
Total Disbursements	<u>180,548</u>	<u>3,688</u>	<u>1,994</u>	<u>186,230</u>
Cash Balance, December 31, 2020	<u>\$ 147,189</u>	<u>\$ 3,992</u>	<u>\$ 5,021</u>	<u>\$ 156,202</u>

CITY OF HORATIO, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020
(UNAUDITED)

Schedule 7

1. Cash balances on the Financial Schedules include demand accounts and certificates of deposit.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General and City Sales Tax
3. The Municipality's capital assets records are summarized below:

	December 31, 2022
Land	\$ 23,238
Buildings	446,888
Equipment	710,908
Improvements	83,860
	<u> </u>
Total	<u><u>\$ 1,264,894</u></u>

Capital asset records were provided for 2021 and 2020, however there were no control totals for these years.

4. Outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Notes payable	<u><u>\$ 27,029</u></u>	<u><u>\$ 32,134</u></u>	<u><u>\$ 51,960</u></u>

5. The City received federal funding in the following amounts related to COVID-19 relief:

	December 31, 2022	December 31, 2021	December 31, 2020
Coronavirus Aid, Relief and Economic Security Act (CARES)			\$ 41,361
American Rescue Plan Act (ARPA)	<u><u>\$ 106,698</u></u>	<u><u>\$ 106,699</u></u>	
Totals	<u><u>\$ 106,698</u></u>	<u><u>\$ 106,699</u></u>	<u><u>\$ 41,361</u></u>