

City of Lake View, Arkansas

Financial and Compliance Report

December 31, 2022, 2021, and 2020



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

Financial and Compliance Report

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Arkansas

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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 Lake View, 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 View, Arkansas, as of and for the years ended December 31, 2022, 2021, and 2020, and have issued our report thereon dated September 14, 2023. 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/commentary contained in this section relate to the following officials who held office during 2022, 2021, and 2020:

Mayor: Darrin Davis
Recorder/Treasurer: Shirley Rose (resigned January 15, 2020)
Cheryl Carroll (appointed February 18, 2020)
District Court Clerk: Shirley Rose (resigned January 15, 2020)
Cheryl Carroll (appointed February 18, 2020)
Police Chief/Marshal: James Mayfield (resigned May 8, 2020)
Fredrick Coleman (appointed June 10, 2020)

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, Recorder/Treasurer,** and **District Court Clerk.**

Mayor/Recorder-Treasurer

1. During payroll testing we noted the following deficiencies:

- Restricted Street funds were improperly disbursed for administrative salaries, water clerk salaries, extra help, and law enforcement payroll totaling \$3,845 for 2022, \$5,636 for 2021, and \$6,670 for 2020, in noncompliance with Ark. Code. Ann. §§ 26-79-104, 27-70-207. The City transferred \$5,966 from the General Fund to the Street Fund during 2021 as partial repayment for these restricted revenues. Combining the aforementioned amounts with \$19,797 due the Street Fund from prior years, resulted in a total of \$29,982 due the Street Fund at December 31, 2022. A similar finding was noted in the previous report.
- Restricted Court funds were improperly disbursed for law enforcement payroll totaling \$1,061 for 2022 and \$1,057 for 2020.
- Restricted Fire Department funds were improperly disbursed for administrative salaries and city council payroll for \$578 for 2022.

Mayor/Recorder-Treasurer (Continued)

2. Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 – 14-59-119. The City was in noncompliance with these codes during the fiscal years 2022, 2021, and 2020 as noted below:
 - Bank reconciliations were not properly or timely prepared. Additionally, they were not approved by a municipal official or employee other than the person preparing the bank reconciliation.
 - Prenumbered receipts were not issued for all sources of income. A similar finding was noted in the previous five reports dating back to 2015.
 - A listing of all fixed assets owned by the City was not maintained. A similar issue was noted in the previous six reports dating back to 2014.
 - The Recorder/Treasurer did not always submit to the council a monthly financial report.
 - General Fund cash disbursements journal for 2020 contained several posting errors.
 - City failed to adopt an electronic funds transfer (EFT) policy.
 - Adequate supporting documentation was not maintained for disbursements. A similar issue was noted in the previous six reports dating back to 2014.
3. Street Fund expenditures exceeded budgeted appropriations in 2021 by \$15,980 (56%) and in 2020 by \$8,872 (31%). General Fund expenditures exceeded budgeted appropriations in 2021 by \$56,570 (37%), in noncompliance with Ark. Code Ann. § 14-58-203. Also, the budget for 2022 was not adopted by ordinance or resolution, in noncompliance with Ark. Code Ann. § 14-58-202. A similar finding was noted in the previous report.

Mayor

1. The governing body did not review the prior report and accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the report, as required by Ark. Code Ann. § 10-4-418. A similar finding was noted in the previous report.
2. The City has not obtained an audit or agreed-upon procedures report for the City's water and sewer system for 2022, 2021, or 2020, as required by Ark. Code Ann. § 14-234-119. A similar finding was noted in the previous two reports.
3. Although Schedule 1 of this report reflects a cash balance of \$6,272 in the General Fund for 2022, payroll testing revealed that as of December 31, 2022, the City owed significant amounts to the Internal Revenue Service, Street Fund, Fire Department Fund, Water and Sewer Funds, and the Court Fund. As shown in Note 7 on Schedule 7 of this report, when these outstanding amounts were considered, General Fund would have a deficit balance of (\$122,608). A similar finding was reported in the previous two reports.

Recorder/Treasurer

1. Authorization for salaries and wages was not reflected in the Council minutes. A similar issue was noted in the four previous reports dating back to 2016.
2. Federal taxes were not remitted in the amount of \$14,587 in 2020, and the total amount due to the IRS from 2017 – 2022 was \$105,420. Similar issues were noted in the previous five reports dating back to 2014.

District Court Clerk

1. The City used District Court funds to make the following payments, totaling \$3,006, in noncompliance with Ark. Code Ann. § 16-10-209: \$1,061 and \$1,057 in payroll for 2022 and 2021, respectively; \$793 for a police car lease payment; \$95 in fuel purchases for 2022.
2. The following issues were in noncompliance with Ark. Code Ann. § 16-10-209:
 - Time pay records were not maintained for all individuals on payment plans.
 - Court dockets were not provided for 3 of the 13 tested time payments in 2022, 10 of the 20 payments tested in 2021, and 12 of the 31 payments tested in 2020.
 - The Court Clerk did not maintain a list of all unpaid installment payment accounts for which a payment has not been received within the past thirty (30) days.
 - Warrant documentation was not provided for review.

A similar finding was issued in the prior two reports.

3. The District Court transferred \$4,500 in 2021 and \$2,100 in 2020 to the General Fund. The distribution report was not provided; therefore, we could not determine the portions that should have been distributed to the city, county, and state, as required by Ark. Code Ann. § 16-10-209. Similar findings were issued in the prior five reports dating back to 2015.

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



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

Little Rock, Arkansas
September 14, 2023
LOM210422

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

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2022	\$ 11,570	\$ 25,627
Receipts:		
State aid	1,526	31,547
Federal aid		74,171
Property taxes	8,929	199
Franchise fees	5,191	
Sales taxes	80,344	
Rent	6,363	
Donations	7,322	3,683
Other	3,340	4
Transfers in	4,683	
Unclassified	890	
Total Receipts	<u>118,588</u>	<u>109,604</u>
Disbursements:		
General government	76,164	53,803
Law enforcement	26,848	
Highways and streets		10,300
Public safety		10,688
Recreation and culture	10,348	1,400
Contributions to water and sewer	803	
Debt service	8,723	10,677
Transfers out	1,000	3,683
Total Disbursements	<u>123,886</u>	<u>90,551</u>
Cash Balance, December 31, 2022	<u>\$ 6,272</u>	<u>\$ 44,680</u>

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

Schedule 2

	Street	Fire Department	Parks and Recreation	Fire Improvement	Community Center	Technology Project	Public	American Rescue Plan Act	Total
Cash Balance, January 1, 2022	\$ 536	\$ 8,020	\$ 1,467	\$ 2,943	\$ 137	\$ 412	\$ 195	\$ 11,917	\$ 25,627
Receipts:									
State aid	28,232	3,315							31,547
Federal aid								74,171	74,171
Property taxes	199								199
Donation							3,683		3,683
Other	4								4
Total Receipts	<u>28,435</u>	<u>3,315</u>					<u>3,683</u>	<u>74,171</u>	<u>109,604</u>
Disbursements:									
General government	3,845					411		49,547	53,803
Highways and streets	10,300								10,300
Public safety		10,688							10,688
Recreation and culture			1,400						1,400
Debt service	10,677								10,677
Transfers out							3,683		3,683
Total Disbursements	<u>24,822</u>	<u>10,688</u>	<u>1,400</u>			<u>411</u>	<u>3,683</u>	<u>49,547</u>	<u>90,551</u>
Cash Balance, December 31, 2022	<u>\$ 4,149</u>	<u>\$ 647</u>	<u>\$ 67</u>	<u>\$ 2,943</u>	<u>\$ 137</u>	<u>\$ 1</u>	<u>\$ 195</u>	<u>\$ 36,541</u>	<u>\$ 44,680</u>

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

Schedule 3

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2021	\$ 2,331	\$ 9,105
Receipts:		
State aid	468	41,922
Federal aid		37,086
Property taxes	6,999	1,763
Franchise fees	5,106	
Sales taxes	78,958	
Fines, forfeitures, and costs	10,718	
Rent	3,870	
Donations	1,951	1,203
Insurance proceeds	90,918	
Other	3,821	1
Transfers in	16,000	6,151
Total Receipts	<u>218,809</u>	<u>88,126</u>
Disbursements:		
General government	145,837	30,705
Law enforcement	27,036	
Highways and streets	453	28,586
Public safety	585	688
Recreation and culture	3,559	
Debt service	9,516	10,527
Transfers out	21,151	1,000
Unclassified	1,433	98
Total Disbursements	<u>209,570</u>	<u>71,604</u>
Cash Balance, December 31, 2021	<u>\$ 11,570</u>	<u>\$ 25,627</u>

CITY OF LAKE VIEW, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - Special Revenue Funds
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

Schedule 4

	Street	Fire Department	Parks and Recreation	Fire Improvement	Community Center	Technology Project	Public	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 3,366	\$ 973	\$ 1,467	\$ 2,943	\$ 137	\$ 69	\$ 150		\$ 9,105
Receipts:									
State aid	34,187	7,735							41,922
Federal aid								\$ 37,086	37,086
Property taxes	1,763								1,763
Donation						343	860		1,203
Other	1								1
Transfers in	5,966						185		6,151
Total Receipts	<u>41,917</u>	<u>7,735</u>				<u>343</u>	<u>1,045</u>	<u>37,086</u>	<u>88,126</u>
Disbursements:									
General government	5,536							25,169	30,705
Highways and streets	28,586								28,586
Public safety		688							688
Debt service	10,527								10,527
Transfers out							1,000		1,000
Unclassified	98								98
Total Disbursements	<u>44,747</u>	<u>688</u>					<u>1,000</u>	<u>25,169</u>	<u>71,604</u>
Cash Balance, December 31, 2021	<u>\$ 536</u>	<u>\$ 8,020</u>	<u>\$ 1,467</u>	<u>\$ 2,943</u>	<u>\$ 137</u>	<u>\$ 412</u>	<u>\$ 195</u>	<u>\$ 11,917</u>	<u>\$ 25,627</u>

CITY OF LAKE VIEW, 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	\$ 4,633	\$ 9,227
Receipts:		
State aid	468	36,503
Franchise fees	3,391	
Sales taxes	103,477	
Fines, forfeitures, and costs	1,800	
Local permits and fees	400	
Rent	6,071	
Donations	2,937	5,350
Other	6,672	6,625
Transfers in	2,200	
Unclassified	5,385	98
Total Receipts	<u>132,801</u>	<u>48,576</u>
Disbursements:		
General government	90,121	9,611
Law enforcement	28,584	
Highways and streets		20,292
Public safety		5,918
Recreation and culture	5,402	
Contributions to water and sewer	1,480	
Debt service	9,516	10,677
Transfers out		2,200
Total Disbursements	<u>135,103</u>	<u>48,698</u>
Cash Balance, December 31, 2020	<u>\$ 2,331</u>	<u>\$ 9,105</u>

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

Schedule 6

	<u>Street</u>	<u>Fire Department</u>	<u>Parks and Recreation</u>	<u>Fire Improvement</u>	<u>Community Center</u>	<u>Technology Project</u>	<u>Public</u>	<u>Total</u>
Cash Balance, January 1, 2020	\$ 840	\$ 3,820	\$ 1,467	\$ 2,953	\$ 147			\$ 9,227
Receipts:								
State aid	33,442	3,061						36,503
Donation						\$ 3,000	\$ 2,350	5,350
Other	6,625							6,625
Unclassified	98							98
Total Receipts	<u>40,165</u>	<u>3,061</u>				<u>3,000</u>	<u>2,350</u>	<u>48,576</u>
Disbursements:								
General government	6,670				10	2,931		9,611
Highways and streets	20,292							20,292
Public safety		5,908		10				5,918
Debt service	10,677							10,677
Transfers out							2,200	2,200
Total Disbursements	<u>37,639</u>	<u>5,908</u>		<u>10</u>	<u>10</u>	<u>2,931</u>	<u>2,200</u>	<u>48,698</u>
Cash Balance, December 31, 2020	<u>\$ 3,366</u>	<u>\$ 973</u>	<u>\$ 1,467</u>	<u>\$ 2,943</u>	<u>\$ 137</u>	<u>\$ 69</u>	<u>\$ 150</u>	<u>\$ 9,105</u>

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

1. Cash balances on the Financial Schedules include demand and savings accounts.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
 General, General Reserve, and School Property

3. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Police Bond and Fine	\$ 420	\$ 270	\$ 2,615
District Court	1,560	1,113	45

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

4. The Municipality's capital assets records were not available.
5. Outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Financed purchases	\$ 28,923	\$ 44,555	\$ 58,355

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

	December 31, 2022	December 31, 2021
American Rescue Plan Act (ARPA)	\$ 74,171	\$ 37,086

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

Schedule 7

7. Deficit Balance

The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it was brought to our attention that the City of Lake View (City) had significant delinquent payments to the Internal Revenue Service (IRS). The information begins with the cash balances per Schedules 1 and 2 for 2022 of this report and the cash balances for the Water and Sewer Fund and Court Fund as provided by the City. The computation includes increases and decreases to the cash balances for amounts due to and due from funds within the City. The amounts due to the IRS are included on separate lines but do not include interest and penalties that have been assessed.

Balances as of December 31, 2022	General	Street	Fire Department	Community Center	# Water and Sewer	Court
Cash balance per schedules	\$ 6,272	\$ 4,149	\$ 647	\$ 137		
Cash balance per City records					\$ 55,137	\$ 1,560
Due to other funds	(23,460)		(100)		(9,760)	
Due from other funds		29,982	578	642		2,118
* Due to the IRS	<u>(105,420)</u>					
Restated balance as of 12/31/2022	<u>\$ (122,608)</u>	<u>\$ 34,131</u>	<u>\$ 1,125</u>	<u>\$ 779</u>	<u>\$ 45,377</u>	<u>\$ 3,678</u>

* This amount includes payroll taxes attributable to General, Street, Sewer, and Water. The individual amounts were not available.

The Water and Sewer Funds were not included in our report.