

City of Lake View, Arkansas

Financial and Compliance Report

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF LAKE VIEW, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Financial and Compliance Report

	<u>Schedule</u>
Schedule of Financial Information (Unaudited)	1
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	2
Other Information (Unaudited)	3

Arkansas

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



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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of 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 year ended December 31, 2023, and have issued our report thereon dated January 24, 2025. These procedures were not performed for the Water and Sewer Funds. Management of the City is responsible for maintaining the financial records and complying with state laws and accepted accounting practices.

The findings contained in this section relate to the following officials who held office during 2023:

Mayor: Darrin Davis
Recorder/Treasurer: Cheryl Carroll
District Court Clerk: Cheryl Carroll
Police Chief/Marshal: Fredrick Coleman

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 and Recorder/Treasurer

1. 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 year 2023 as noted below:
 - Bank reconciliations were not properly prepared. Reconciliations did not include all outstanding checks and contained other errors. Additionally, they were not approved by a municipal official or employee other than the person preparing the bank reconciliation. A similar finding was noted in the previous report.
 - A listing of all fixed assets owned by the City was not maintained. A similar finding was noted in the previous seven reports dating back to 2014.
 - Prenumbered receipts were not issued for all sources of income. A similar finding was noted in the previous six reports dating back to 2015.
 - Cash receipt journals did not indicate receipt numbers.
 - Supporting documentation/invoices were not provided for 24 of the 26 disbursements examined. A similar finding was noted in the previous seven reports dating back to 2014.
 - General Fund and Street Fund disbursements were not always posted to the journal in the proper period.
2. Restricted Street funds were improperly disbursed for water clerk salaries totaling \$8,280 for 2023, in noncompliance with Ark. Code Ann. §§ 26-79-104, 27-70-207. The City transferred \$2,000 from the General Fund to the Street Fund during 2023 as partial repayment for these restricted revenues. Combining the aforementioned amounts with \$29,982 due the Street Fund from prior years, resulted in a total of \$36,262 due the Street Fund at December 31, 2023. On September 19, 2023, the City passed an ordinance to repay the Street Fund 10% of general revenue until repaid, however, only 7% of October through December revenues were paid to the Street Fund in 2023.

Restricted Court funds were improperly disbursed for fuel totaling \$500 for 2023. Combining the aforementioned amount with \$2,118 due the Court Fund from prior years, resulted in a total of \$2,618 due the Court Fund at December 31, 2023.

Restricted Fire Department funds improperly disbursed in prior year, resulted in \$578 due the Fire Department Fund at December 31, 2023.

A similar finding was noted in the previous two reports.

Mayor

1. Although Schedule 1 of this report reflects a cash balance of \$11,304 in the General Fund for 2023, review of records revealed that as of December 31, 2023, the City owed significant amounts to the Internal Revenue Service, Arkansas Department of Public Safety, the Street Fund, and the Court Fund. As shown in Note 6 of Schedule 3 of this report, when these outstanding amounts were considered, the General Fund would have a deficit balance of \$116,342. A similar finding was reported in the previous three reports.
2. 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 two reports.

Recorder/Treasurer

1. Authorization for salaries and wages was not reflected in the Council minutes. A similar issue was noted in the previous five reports dating back to 2016.
2. Federal taxes were not always remitted by the City. The total amount due to the IRS from 2017 to 2023 is \$105,420. Similar issues were noted in the previous six reports dating back to 2014.
3. The City received grant funds of \$22,627 from the Arkansas Department of Public Safety in error. The City failed to return or contact the Department to determine proper disposition.


District Court Clerk

The following issues were in noncompliance with Ark. Code Ann. § 16-10-209:

- Court dockets, time pay records, and bond and fine receipts were not available for review because they sustained water damage in January 2024. However, issues with maintaining time pay records and court dockets were noted in the previous three reports.
- Cash receipt journals did not indicate receipt numbers.
- Prenumbered receipts were not issued for all sources of income.

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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
January 24, 2025
LOM210423

CITY OF LAKE VIEW, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2023	\$ 12,136	\$ 44,670
	<u> </u>	<u> </u>
Receipts:		
State aid	22,976	27,585
Property taxes	11,176	7,428
Franchise fees	5,397	
Sales taxes	82,100	
Interest		9
Rent	5,885	
Donations	7,214	
Other	2,862	
Transfers in		2,000
Total Receipts	<u>137,610</u>	<u>37,022</u>
	<u> </u>	<u> </u>
Disbursements:		
General government	86,907	26,451
Law enforcement	12,240	
Highways and streets		12,036
Public safety		514
Recreation and culture	14,642	
Contributions to water and sewer	14,723	
Debt service	7,930	10,941
Transfers out	2,000	
Total Disbursements	<u>138,442</u>	<u>49,942</u>
	<u> </u>	<u> </u>
Cash Balance, December 31, 2023	<u>\$ 11,304</u>	<u>\$ 31,750</u>

CITY OF LAKE VIEW, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (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, 2023	\$ 4,149	\$ 647	\$ 67	\$ 2,933	\$ 137	\$ 1	\$ 195	\$ 36,541	\$ 44,670
Receipts:									
State aid	27,585								27,585
Property taxes	7,428								7,428
Interest	9								9
Transfers in	2,000								2,000
Total Receipts	<u>37,022</u>								<u>37,022</u>
Disbursements:									
General government	8,280							18,171	26,451
Highways and streets	12,036								12,036
Public safety		514							514
Debt service	10,941								10,941
Total Disbursements	<u>31,257</u>	<u>514</u>						<u>18,171</u>	<u>49,942</u>
Cash Balance, December 31, 2023	<u>\$ 9,914</u>	<u>\$ 133</u>	<u>\$ 67</u>	<u>\$ 2,933</u>	<u>\$ 137</u>	<u>\$ 1</u>	<u>\$ 195</u>	<u>\$ 18,370</u>	<u>\$ 31,750</u>

CITY OF LAKE VIEW, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Schedule 3

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

	<u>December 31,</u> <u>2023</u>
Police Bond and Fine	\$ 1,020
District Court	2,114

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. The outstanding balance at year-end for long-term liabilities is as follows:

	<u>December 31,</u> <u>2023</u>
Financed purchases	<u>\$ 12,679</u>

CITY OF LAKE VIEW, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Schedule 3

6. 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). Additionally, the City received Public Safety grant funds in error which have been subsequently requested to be returned. The information begins with the cash balance per Schedules 1 and 2 for 2023 of this report and the cash balance 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.

Balance as of December 31, 2023	General	Street	Fire Department	# Water and Sewer	Court
Cash balance per schedules	\$ 11,304	\$ 9,914	\$ 133		
Cash balance per City records				\$ 39,617	\$ 2,114
Due to other funds	(22,226)		(100)	(17,132)	
Due from other funds		36,262	578		2,618
* Due to the IRS	(105,420)				
Due to the Arkansas Department of Public Safety	(22,627)				
Restated balance as of December 31, 2023	<u>\$ (116,342)</u>	<u>\$ 46,176</u>	<u>\$ 611</u>	<u>\$ 22,485</u>	<u>\$ 4,732</u>

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

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