

**City of Sulphur Springs, Arkansas**

**Financial and Compliance Report**

**December 31, 2023, 2022, and 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF SULPHUR SPRINGS, ARKANSAS  
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# Arkansas



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Senate Vice Chair

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**Kevin William White, CPA, JD**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### Financial and Compliance Report

City of Sulphur Springs, 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 Sulphur Springs, Arkansas, as of and for the years ended December 31, 2023, 2022, and 2021, and have issued our report thereon dated April 30, 2025. These procedures were not performed for the Water and Sewer Fund. 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, 2022, and 2021:

Mayor: Shane Weber  
Recorder/Treasurer: Marcella Steele (Appointed April 21, 2022)  
Aubrey Doss ( Resigned April 20, 2022)  
District Court Clerk: Peggy Burke  
Police Chief/Marshal: Jarod Morgan

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** and **Recorder/Treasurer**.

#### **Mayor**

The City discovered, and we verified, unauthorized purchases made during the period June 2021 through January 2023 by an employee appointed as the Recorder/Treasurer in January 2019. The purchases, totaling \$731, included internet equipment (\$359) and monthly online subscriptions (\$372). The employee resigned on April 20, 2022, and as of report date, the City had recovered the full amount through repayment by the former employee and refunds from vendors.

The City paid \$821 to the Mayor's spouse for furniture and supplies without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

Restricted Street Fund monies totaling \$4,000 were transferred to the Water and Sewer Fund in 2022, in noncompliance with Ark. Code Ann. §§ 26-79-104, 27-70-207.

The minutes of the governing body did not document the review of the prior year report and accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the report, in noncompliance with Ark. Code Ann. § 10-4-418. A similar finding was issued in the previous report.

Although Schedules 1, 3, and 5 of this report show balances of \$27,895, \$81,662, and \$90,898, respectively, in the General Fund, the City owed significant amounts to the Internal Revenue Service and had interfund payables and receivables as of December 31, 2023, 2022, and 2021. As shown in Note 7 on Schedule 7 of this report, when these outstanding amounts were considered, the General Fund had deficit fund balances of \$96,961, \$85,989, and \$96,022 as of December 31, 2023, 2022, and 2021, respectively. A similar finding was noted in the previous three reports dating back to 2018.

## Mayor (Continued)

In addition, the following funds of the City had negative cash book balances as follows:

- General Fund (excluding other funds combined in the report) of \$336 as of December 31, 2023.
- Act 833 Fund (excluding another fund combined in the report) of \$13 as of December 31, 2023.
- Street Fund of \$305 and \$106 as of December 31, 2023 and 2022, respectively.
- Payroll Fund of \$153 and \$228 as of December 31, 2023 and 2022, respectively.
- Police Fund of \$142 as of December 31, 2021.
- Administration of Justice Fund of \$2,076 as of December 31, 2021.

## Recorder/Treasurer

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 as follows:

- Prenumbered receipts were not issued for all funds received and receipts did not always include the person or company from whom the funds were received. A similar finding was issued in the previous three reports dating back to 2018.
- Cash receipts and disbursements journals were not always properly classified and posted. A similar finding was noted in the previous six reports dating back to 2010.
- Invoices and supporting documentation were not properly maintained. In addition, authorization for payment was not always documented on expenditures. A similar finding was noted in the previous report.
- Disbursements were not always made by prenumbered check, and electronic funds transfers (EFTs) were noted without proper approval from the governing body. A similar finding was noted in the previous report.
- A detailed fixed asset listing was not provided for 2022 and 2021. In addition, while a fixed asset listing was established for 2023, the listing did not include all additions, deletions, totals by major category, identification numbers, acquisition dates, and accurate costs of property.
- Internal Revenue Service (IRS) 941 forms for the first three quarters of 2023 and 941 forms for the year 2022 were not available for inspection.

Check images provided by the bank for the General, Park, Museum, Police, Street, Act 833, Act 988, Justice, and Payroll accounts were not in compliance with Ark. Code Ann. §§ 19-2-501 – 19-2-509.

## Mayor and Recorder/Treasurer

Authorization for salaries and wages was not reflected in the Council minutes or as part of the budget in 2023, 2022, and 2021. A similar finding was noted in the previous two reports dating back to 2019.

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  
April 30, 2025  
LOM217823

CITY OF SULPHUR SPRINGS, 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	\$ 81,662	\$ 29,518
Receipts:		
State aid	7,313	70,835
Federal aid		2,500
Property taxes	21,583	4,062
Franchise fees	27,619	
Sales taxes	197,472	
Fines, forfeitures, and costs	15,037	6,233
Interest	789	64
Local permits and fees	6,685	21,522
Insurance income	51,945	
Grant income	50,200	
Contribution from water department	27,408	
Other	32,975	5,341
Transfers in	29,726	37,949
Total Receipts	<u>468,752</u>	<u>148,506</u>
Disbursements:		
General government	234,225	
Law enforcement	94,328	5,872
Highways and streets	2,500	40,176
Public safety	2,266	86,341
Sanitation	385	
Recreation and culture	42,829	
Contribution to water department	66,415	
Debt service	41,622	10,750
Transfers out	37,949	29,726
Total Disbursements	<u>522,519</u>	<u>172,865</u>
Cash Balance, December 31, 2023	<u>\$ 27,895</u>	<u>\$ 5,159</u>

CITY OF SULPHUR SPRINGS, ARKANSAS  
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (UNAUDITED)

Schedule 2

	Street	Fire Equipment and Training (Act 833)	Emergency Vehicle (Act 988)	Drug Operations	Prisoner Housing (Incarceration)	Total
Cash Balance, January 1, 2023	\$ (106)	\$ 27,303	\$ 1,167	\$ 172	\$ 982	\$ 29,518
Receipts:						
State aid	40,576	30,259				70,835
Federal aid		2,500				2,500
Property taxes	4,062					4,062
Fines, forfeitures, and costs	700		2,858	1,435	1,240	6,233
Interest	14	42	2	3	3	64
Local permits and fees	2,250	19,272				21,522
Other	875	4,466				5,341
Transfers in	6,800	29,649	1,500			37,949
Total Receipts	<u>55,277</u>	<u>86,188</u>	<u>4,360</u>	<u>1,438</u>	<u>1,243</u>	<u>148,506</u>
Disbursements:						
Law enforcement			3,921	456	1,495	5,872
Highways and streets	40,176					40,176
Public safety		86,341				86,341
Debt service	10,750					10,750
Transfers out	4,550	23,069	1,097	550	460	29,726
Total Disbursements	<u>55,476</u>	<u>109,410</u>	<u>5,018</u>	<u>1,006</u>	<u>1,955</u>	<u>172,865</u>
Cash Balance, December 31, 2023	<u>\$ (305)</u>	<u>\$ 4,081</u>	<u>\$ 509</u>	<u>\$ 604</u>	<u>\$ 270</u>	<u>\$ 5,159</u>

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

Schedule 3

	General Fund	Special Revenue Funds
	<u>          </u>	<u>          </u>
Cash Balance, January 1, 2022	\$ 90,898	\$ 82,528
Receipts:		
State aid	7,176	93,009
Federal aid	3,293	55,799
Property taxes	21,294	4,029
Franchise fees	24,696	
Sales taxes	176,372	
Fines, forfeitures, and costs	17,588	6,770
Interest	123	30
Local permits and fees	20,535	13,185
Grant income	70,360	2,000
Contribution from water department	31,986	2,195
Other	27,501	11,145
Transfers in	16,856	48,465
Total Receipts	<u>417,780</u>	<u>236,627</u>
Disbursements:		
General government	141,345	64,566
Law enforcement	132,005	42,012
Highways and streets	43	51,083
Public safety	735	82,628
Sanitation	34	10,000
Recreation and culture	16,749	4,624
Contribution to water department	46,018	4,000
Debt service	41,622	13,868
Transfers out	48,465	16,856
Total Disbursements	<u>427,016</u>	<u>289,637</u>
Cash Balance, December 31, 2022	<u>\$ 81,662</u>	<u>\$ 29,518</u>

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

Schedule 4

	Street	Fire Equipment and Training (Act 833)	Emergency Vehicle (Act 988)	Drug Operations	Prisoner Housing (Incarceration)	American Rescue Plan Act	Total
Cash Balance, January 1, 2022	\$ 13,575	\$ 39,072	\$ 435	\$ 14	\$ 1,041	\$ 28,391	\$ 82,528
Receipts:							
State aid	41,528	51,481					93,009
Federal aid		1,000				54,799	55,799
Property taxes	4,029						4,029
Fines, forfeitures, and costs	845		3,380	1,155	1,390		6,770
Interest	5	23	1		1		30
Local permits and fees		13,185					13,185
Grant income		2,000					2,000
Contribution from water department		145	2,050				2,195
Other	1,245	9,800	100				11,145
Transfers in	500	47,315	550	100			48,465
Total Receipts	<u>48,152</u>	<u>124,949</u>	<u>6,081</u>	<u>1,255</u>	<u>1,391</u>	<u>54,799</u>	<u>236,627</u>
Disbursements:							
General government						64,566	64,566
Law enforcement		34,516	5,049	997	1,450		42,012
Highways and streets	47,083					4,000	51,083
Public safety		82,628					82,628
Sanitation						10,000	10,000
Recreation and culture						4,624	4,624
Contribution to water department	4,000						4,000
Debt service	10,750	3,118					13,868
Transfers out		16,456	300	100			16,856
Total Disbursements	<u>61,833</u>	<u>136,718</u>	<u>5,349</u>	<u>1,097</u>	<u>1,450</u>	<u>83,190</u>	<u>289,637</u>
Cash Balance, December 31, 2022	<u>\$ (106)</u>	<u>\$ 27,303</u>	<u>\$ 1,167</u>	<u>\$ 172</u>	<u>\$ 982</u>	<u>\$ 0</u>	<u>\$ 29,518</u>

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

Schedule 5

	General Fund	Special Revenue Funds
	<u>          </u>	<u>          </u>
Cash Balance, January 1, 2021	\$ 50,443	\$ 45,170
Receipts:		
State aid	8,226	90,733
Federal aid	2,550	55,800
Property taxes	20,553	3,906
Franchise fees	20,597	
Sales taxes	190,133	
Fines, forfeitures, and costs	30,462	9,413
Interest	65	59
Local permits and fees	5,817	16,305
Fidelity bond	92,262	
Contribution from water department	37,312	33,809
Other	58,589	18,604
Transfers in	941	39,351
Total Receipts	<u>467,507</u>	<u>267,980</u>
Disbursements:		
General government	51,430	20,909
Law enforcement	203,099	9,385
Highways and streets		130,998
Public safety		57,774
Sanitation	160	500
Recreation and culture	3,601	
Contribution to water department	94,672	
Debt service	34,739	10,115
Transfers out	39,351	941
Total Disbursements	<u>427,052</u>	<u>230,622</u>
Cash Balance, December 31, 2021	<u>\$ 90,898</u>	<u>\$ 82,528</u>

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

Schedule 6

	Street	Fire Equipment and Training (Act 833)	Emergency Vehicle (Act 988)	Drug Operations	Prisoner Housing (Incarceration)	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 18,724	\$ 24,723	\$ 153	\$ 395	\$ 1,175		\$ 45,170
Receipts:							
State aid	41,519	49,214					90,733
Federal aid		1,000				\$ 54,800	55,800
Property taxes	3,906						3,906
Fines, forfeitures, and costs	350		5,733	765	2,565		9,413
Interest	44	14			1		59
Local permits and fees		16,305					16,305
Contribution from water department	33,809						33,809
Other	13,867	4,649	29	30	29		18,604
Transfers in	39,351						39,351
Total Receipts	<u>132,846</u>	<u>71,182</u>	<u>5,762</u>	<u>795</u>	<u>2,595</u>	<u>54,800</u>	<u>267,980</u>
Disbursements:							
General government						20,909	20,909
Law enforcement			5,480	1,176	2,729		9,385
Highways and streets	130,998						130,998
Public safety		52,774				5,000	57,774
Sanitation						500	500
Debt service	6,997	3,118					10,115
Transfers out		941					941
Total Disbursements	<u>137,995</u>	<u>56,833</u>	<u>5,480</u>	<u>1,176</u>	<u>2,729</u>	<u>26,409</u>	<u>230,622</u>
Cash Balance, December 31, 2021	<u>\$ 13,575</u>	<u>\$ 39,072</u>	<u>\$ 435</u>	<u>\$ 14</u>	<u>\$ 1,041</u>	<u>\$ 28,391</u>	<u>\$ 82,528</u>

CITY OF SULPHUR SPRINGS, ARKANSAS  
 OTHER INFORMATION  
 FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021  
 (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, Library, Park, Museum, Police, FEMA Roads, FEMA Sand Fillers, and FEMA Stone Wall
3. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Payroll	\$ (153)	\$ (228)	\$ 5,139
Administration of Justice	9	49	(2,076)

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 are summarized below:

	December 31, 2023
Equipment	\$ 365,228

The Municipality's capital assets records were not available for 2022 or 2021.  
 The Municipality's capital assets records did not contain cost amounts for land and buildings.

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

	December 31, 2023	December 31, 2022	December 31, 2021
Financed purchases	\$ 73,599	\$ 121,533	\$ 169,707

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

	December 31, 2022	December 31, 2021
American Rescue Plan Act (ARPA)	\$ 54,799	\$ 54,800

CITY OF SULPHUR SPRINGS, ARKANSAS  
OTHER INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021  
(UNAUDITED)

Schedule 7

7. Deficit Fund Balance

The schedules included on our Financial and Compliance Reports are routinely presented on a cash basis; however, we are including additional information as was noted in the prior year report. The City of Sulphur Springs was delinquent in payments to the Internal Revenue Service (IRS) and amounts were due between various funds of the City. The information below begins with cash balances per Schedules 1 through 5 of this report and the cash balance for the Water and Sewer Fund as provided by the City. The computations reflect increases and decreases in cash balances for amounts due to and due from funds within the City and the amount due to the IRS.

The amounts due to the IRS as of December 31, 2023, 2022, and 2021, include payroll taxes attributable to General, Street, Fire, and Water and Sewer Funds in total, as the individual fund amounts were not available. The amount due to the IRS was calculated based on previous year outstanding balances, payments made, and interest accrued.

The Fire Equipment and Training (Act 833) Fund is comprised of revenues from fire dues, donations, and Act 833 funding. Amounts due to this fund at year end would be covered by monies derived from sources other than Act 833.

^ The Water and Sewer Fund was not included in our report.

	<u>General</u>	<u>Street</u>	<u>Fire Equipment and Training (Act 833)</u>	<u>^Water and Sewer</u>
Balances as of December 31, 2023				
Cash balance per Schedules	\$ 27,895	\$ (305)	\$ 4,081	
Cash balance per City records				\$ 24,711
Due to other funds		(2,250)	(1,924)	(4,000)
Due from other funds	4,174	4,000		
Due to the IRS	<u>(129,030)</u>			
Restated cash balance as of December 31, 2023	<u>\$ (96,961)</u>	<u>\$ 1,445</u>	<u>\$ 2,157</u>	<u>\$ 20,711</u>
Balances as of December 31, 2022				
Cash balance per Schedules	\$ 81,662	\$ (106)	\$ 27,303	
Cash balance per City records				\$ 29,074
Due to other funds	(12,042)			(4,000)
Due from other funds		4,000	3,657	8,385
Due to the IRS	<u>(155,609)</u>			
Restated cash balance as of December 31, 2022	<u>\$ (85,989)</u>	<u>\$ 3,894</u>	<u>\$ 30,960</u>	<u>\$ 33,459</u>
Balances as of December 31, 2021				
Cash balance per Schedules	\$ 90,898			
Due to the IRS	<u>(186,920)</u>			
Restated cash balance as of December 31, 2021	<u>\$ (96,022)</u>			