

Town of McNab, Arkansas

Financial and Compliance Report

December 31, 2022, 2021, and 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF MCNAB, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

Town of McNab, 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 Town of McNab, Arkansas, as of and for the years ended December 31, 2022, 2021, and 2020, and have issued our report thereon dated January 25, 2024. Management of the Town 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: James Conway
Recorder/Treasurer: Levorn Oliver

We evaluated the Town'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 and Recorder/Treasurer

Restricted funds from previous years of \$55,973 were not transferred to the Street Fund from the General Fund. In 2022, 2021, and 2020, \$6,677 was spent from the Street Fund on Community Center and General Fund expenses that were not in compliance with Ark. Code Ann. § 27-70-207, resulting in a total of \$62,650 due to the Street Fund. On December 19, 2023, the Town passed Ordinance 2024-3 to pay \$120 (10%) per month of General Fund revenues to the Street Fund beginning in January of 2024. A similar finding was issued in the prior eight reports dating back to 2005.

Schedules 1, 3, and 5 of this report show ending General Fund balances of \$15,080, \$20,080, and \$13,404 for 2022, 2021, and 2020, respectively. However, as shown in Note 5 on Schedule 6 of this report, if the amounts owed to the Street Fund are considered, the General Fund would have deficit balances of \$47,570, \$41,742, and \$45,869 for 2022, 2021, and 2020, respectively.

Mayor

For 2022, total disbursements for the General Fund exceeded total appropriations by \$6,405 (50%), in noncompliance with Ark. Code Ann. § 14-58-203.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local Town 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 that reads "Roger A. Norman".

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

Little Rock, Arkansas
January 25, 2024
LOM318622

TOWN OF MCNAB, 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	\$ 20,080	\$ 9,057
Receipts:		
State aid	448	2,591
Federal aid		6,837
Property taxes	443	53
Franchise fees	2,269	
Sales taxes	5,783	
Interest	30	
Rental Income	5,120	
Total Receipts	<u>14,093</u>	<u>9,481</u>
Disbursements:		
General government	5,114	1,379
Highways and streets		1,274
Sanitation	6,514	
Debt service		1,664
Unclassified	7,465	
Total Disbursements	<u>19,093</u>	<u>4,317</u>
Cash Balance, December 31, 2022	<u>\$ 15,080</u>	<u>\$ 14,221</u>

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

Schedule 2

	Street	American Rescue Plan Act	Total
Cash Balance, January 1, 2022	\$ 2,220	\$ 6,837	\$ 9,057
Receipts:			
State aid	2,591		2,591
Federal aid		6,837	6,837
Property taxes	53		53
Total Receipts	<u>2,644</u>	<u>6,837</u>	<u>9,481</u>
Disbursements:			
General government		1,379	1,379
Highways and streets	1,274		1,274
Debt service	1,664		1,664
Total Disbursements	<u>2,938</u>	<u>1,379</u>	<u>4,317</u>
Cash Balance, December 31, 2022	<u>\$ 1,926</u>	<u>\$ 12,295</u>	<u>\$ 14,221</u>

TOWN OF MCNAB, 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	\$ 13,404	\$ 877
Receipts:		
State aid	996	4,842
Federal aid		6,837
Property taxes	540	61
Franchise fees	1,886	
Sales taxes	9,109	
Interest	56	
Rental Income	2,826	
Grant proceeds	7,465	
Transfers in		300
Total Receipts	<u>22,878</u>	<u>12,040</u>
Disbursements:		
General government	5,697	
Highways and streets		3,006
Sanitation	9,078	
Debt service	1,127	854
Transfers out	300	
Total Disbursements	<u>16,202</u>	<u>3,860</u>
Cash Balance, December 31, 2021	<u>\$ 20,080</u>	<u>\$ 9,057</u>

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

Schedule 4

	Street	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	<u>\$ 877</u>		<u>\$ 877</u>
Receipts:			
State aid	4,842		4,842
Federal aid		\$ 6,837	6,837
Property taxes	61		61
Transfers in	300		300
Total Receipts	<u>5,203</u>	<u>6,837</u>	<u>12,040</u>
Disbursements:			
Highways and streets	3,006		3,006
Debt service	854		854
Total Disbursements	<u>3,860</u>		<u>3,860</u>
Cash Balance, December 31, 2021	<u><u>\$ 2,220</u></u>	<u><u>\$ 6,837</u></u>	<u><u>\$ 9,057</u></u>

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

Schedule 5

	General Fund	Special Revenue Funds (Street)
Cash Balance, January 1, 2020	\$ 12,844	\$ 876
Receipts:		
State aid	1,009	5,133
Property taxes	988	118
Franchise fees	2,024	
Sales taxes	9,482	
Interest	173	
Rental Income	3,945	
Total Receipts	<u>17,621</u>	<u>5,251</u>
Disbursements:		
General government	6,342	
Highways and streets		1,829
Sanitation	9,419	
Debt service	1,300	3,421
Total Disbursements	<u>17,061</u>	<u>5,250</u>
Cash Balance, December 31, 2020	<u>\$ 13,404</u>	<u>\$ 877</u>

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

Schedule 6

1. Cash balances on the Financial Schedules include demand and savings accounts and certificates of deposit.

2. The Municipality's capital assets records are summarized below:

	December 31, 2022	December 31, 2021	December 31, 2020
Land	\$ 25,108	\$ 25,108	\$ 25,108
Buildings	134,300	134,300	134,300
Equipment	69,195	52,195	52,195
Totals	<u>\$ 228,603</u>	<u>\$ 211,603</u>	<u>\$ 211,603</u>

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

	December 31, 2022	December 31, 2021	December 31, 2020
Financed purchases	<u>\$ 8,457</u>	<u>\$ 0</u>	<u>\$ 1,957</u>

4. 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)	<u>\$ 6,837</u>	<u>\$ 6,837</u>

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

Schedule 6

5. The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it came to our attention in prior reports, that various restricted funds were deposited into or expended from the wrong bank accounts. The information below begins with the cash balance per Schedules 1 through 5 of this report. The computation includes increases and decreases to cash balances for amounts due to and due from funds within the Town.

Balances as of December 31, 2022	General	Street
Cash balance per Schedule 1 and 2	\$ 15,080	\$ 1,926
Due to other funds	(62,650)	
Due from other funds		62,650
Restated balance as of 12/31/2022	<u>\$ (47,570)</u>	<u>\$ 64,576</u>
Balances as of December 31, 2021	General	Street
Cash balance per Schedule 3 and 4	\$ 20,080	\$ 2,220
Due to other funds	(61,822)	
Due from other funds		61,822
Restated balance as of 12/31/2021	<u>\$ (41,742)</u>	<u>\$ 64,042</u>
Balances as of December 31, 2020	General	Street
Cash balance per Schedule 5	\$ 13,404	\$ 877
Due to other funds	(59,273)	
Due from other funds		59,273
Restated balance as of 12/31/2020	<u>\$ (45,869)</u>	<u>\$ 60,150</u>