

Town of Franklin, Arkansas

Financial and Compliance Report

December 31, 2019, 2018, and 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF FRANKLIN, ARKANSAS
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Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
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 Franklin, 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 Franklin, Arkansas, as of and for the years ended December 31, 2019, 2018, and 2017, and have issued our report thereon dated October 9, 2020. These procedures were not performed for the Water Department. 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 relates to the following officials who held office during 2019, 2018, and 2017:

Mayor: Barbara Dusto
Recorder/Treasurer: Stevie Smith

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

1. The Town paid a total of \$3,569 to a Council member (\$815 and \$1,229 in 2019 and 2018, respectively) for various services and to a business owned by another Council member (\$782 and \$743 in 2018 and 2017, respectively). Although the Council passed an ordinance allowing the Town to conduct business with elected officials, the ordinance did not specify the extent of this authority, as required by Ark. Code Ann. § 14-42-107. A similar finding was issued in the previous report dating back to 2015.
2. We noted the following in noncompliance with Ark. Code Ann. § 14-59-105:
 - Adequate supporting documentation was not maintained for all disbursements.
 - Checks did not always have signatures of two (2) authorized disbursing officers.

Mayor

The agreed-upon procedures report for the Water Department did not contain a compilation report, in noncompliance with Ark. Code Ann. § 14-234-119. Additionally, the agreed-upon procedures report was not submitted to Arkansas Legislative Audit. A similar finding was noted in the prior report.

Treasurer

1. Bank reconciliations were not approved by a municipal official or employee, other than the person preparing the reconciliation, in noncompliance with Ark. Code Ann. § 14-59-108. A similar finding was noted in the prior report.
2. A fixed asset listing was established, but did not include additions and deletions, as required by Ark. Code Ann. § 14-59-107. A similar finding was noted in the prior report.
3. The following issues were noted regarding the Town's receipting process, in noncompliance with Ark. Code Ann. § 14-59-109:
 - Prenumbered receipts were not issued for all funds received.
 - Receipts were not always intact in the receipt books.
 - Receipts did not always identify from whom the funds were received.

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



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

Little Rock, Arkansas
October 9, 2020
LOM306119

TOWN OF FRANKLIN, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Schedule 1

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Cash Balance, January 1, 2019	\$ 40,888	\$ 119,501
Receipts:		
State aid	3,130	34,406
Federal aid		8,941
Property taxes	5,349	2,190
Franchise fees	6,518	
Sales taxes	22,893	9,811
Interest	637	785
Donations		2,936
Fire dues		11,580
Other	646	2,440
Transfers in	3,200	4,924
Total Receipts	<u>42,373</u>	<u>78,013</u>
Disbursements:		
General government	33,057	
Highways and streets		30,784
Public safety		46,739
Debt service		3,000
Transfers out		8,124
Contribution to water department	7,095	
Total Disbursements	<u>40,152</u>	<u>88,647</u>
Cash Balance, December 31, 2019	<u>\$ 43,109</u>	<u>\$ 108,867</u>

TOWN OF FRANKLIN, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (UNAUDITED)

Schedule 2

	Street	Fire Department	Fire Department Surplus	Fire Grant	Total
Cash Balance, January 1, 2019	\$ 109,640	\$ 5,079	\$ 4,782		\$ 119,501
Receipts:					
State aid	14,197		12,471	\$ 7,738	34,406
Federal aid				8,941	8,941
Property taxes	2,190				2,190
Sales taxes	3,270	6,541			9,811
Interest	777	2	1	5	785
Donations		2,936			2,936
Fire dues		11,580			11,580
Other		2,440			2,440
Transfers in				4,924	4,924
Total Receipts	<u>20,434</u>	<u>23,499</u>	<u>12,472</u>	<u>21,608</u>	<u>78,013</u>
Disbursements:					
Highways and streets	30,784				30,784
Public safety		14,744	13,138	18,857	46,739
Debt service		3,000			3,000
Transfers out		8,124			8,124
Total Disbursements	<u>30,784</u>	<u>25,868</u>	<u>13,138</u>	<u>18,857</u>	<u>88,647</u>
Cash Balance, December 31, 2019	<u>\$ 99,290</u>	<u>\$ 2,710</u>	<u>\$ 4,116</u>	<u>\$ 2,751</u>	<u>\$ 108,867</u>

TOWN OF FRANKLIN, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Schedule 3

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2018	\$ 91,382	\$ 129,395
Receipts:		
State aid	3,136	25,689
Property taxes	6,029	2,084
Franchise fees	6,919	
Sales taxes	20,030	8,584
Interest	355	416
Donations		9,457
Other	2,213	2,600
Transfers in		49,546
Total Receipts	38,682	98,376
Disbursements:		
General government	36,769	
Highways and streets		27,148
Public safety		81,122
Transfers out	49,546	
Contribution to water department	2,861	
Total Disbursements	89,176	108,270
Cash Balance, December 31, 2018	\$ 40,888	\$ 119,501

TOWN OF FRANKLIN, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (UNAUDITED)

Schedule 4

	<u>Street</u>	<u>Fire Department</u>	<u>Fire Department Surplus</u>	<u>Total</u>
Cash Balance, January 1, 2018	\$ 114,964	\$ 13,494	\$ 937	\$ 129,395
Receipts:				
State aid	13,868		11,821	25,689
Property taxes	2,084			2,084
Sales taxes	2,862	5,722		8,584
Interest	410	5	1	416
Donations		9,457		9,457
Other	2,600			2,600
Transfers in		49,546		49,546
Total Receipts	<u>21,824</u>	<u>64,730</u>	<u>11,822</u>	<u>98,376</u>
Disbursements:				
Highways and streets	27,148			27,148
Public safety		73,145	7,977	81,122
Total Disbursements	<u>27,148</u>	<u>73,145</u>	<u>7,977</u>	<u>108,270</u>
Cash Balance, December 31, 2018	<u>\$ 109,640</u>	<u>\$ 5,079</u>	<u>\$ 4,782</u>	<u>\$ 119,501</u>

TOWN OF FRANKLIN, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Schedule 5

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2017	\$ 97,128	\$ 115,134
Receipts:		
State aid	3,140	24,887
Property taxes	1,804	2,286
Franchise fees	6,551	
Sales taxes	21,092	9,039
Interest	488	364
Donations		1,241
Other	531	9,200
Total Receipts	<u>33,606</u>	<u>47,017</u>
Disbursements:		
General government	36,339	
Highways and streets		3,929
Public safety		28,827
Contribution to water department	3,013	
Total Disbursements	<u>39,352</u>	<u>32,756</u>
Cash Balance, December 31, 2017	<u>\$ 91,382</u>	<u>\$ 129,395</u>

TOWN OF FRANKLIN, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (UNAUDITED)

Schedule 6

	<u>Street</u>	<u>Fire Department</u>	<u>Fire Department Surplus</u>	<u>Total</u>
Cash Balance, January 1, 2017	\$ 99,425	\$ 10,211	\$ 5,498	\$ 115,134
Receipts:				
State aid	13,621		11,266	24,887
Property taxes	2,286			2,286
Sales taxes	3,013	6,026		9,039
Interest	348	15	1	364
Donations		1,241		1,241
Other	200	9,000		9,200
Total Receipts	<u>19,468</u>	<u>16,282</u>	<u>11,267</u>	<u>47,017</u>
Disbursements:				
Highways and streets	3,929			3,929
Public safety		12,999	15,828	28,827
Total Disbursements	<u>3,929</u>	<u>12,999</u>	<u>15,828</u>	<u>32,756</u>
Cash Balance, December 31, 2017	<u>\$ 114,964</u>	<u>\$ 13,494</u>	<u>\$ 937</u>	<u>\$ 129,395</u>

TOWN OF FRANKLIN, ARKANSAS
 OTHER INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017
 (UNAUDITED)

Schedule 7

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land	\$ 24,000	\$ 24,000	\$ 24,000
Buildings	66,200	66,200	66,200
Equipment	<u>138,402</u>	<u>150,402</u>	<u>102,902</u>
Total	<u>\$ 228,602</u>	<u>\$ 240,602</u>	<u>\$ 193,102</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes payable	<u>\$ 7,000</u>	<u>\$ 10,000</u>	<u>\$ 0</u>