

**City of Bull Shoals, Arkansas**

**Financial and Compliance Report**

**December 31, 2019 and 2018**

**LEGISLATIVE JOINT AUDITING COMMITTEE**

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CITY OF BULL SHOALS, ARKANSAS  
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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 Bull Shoals, 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 Bull Shoals, Arkansas, as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated April 5, 2022. These procedures were not performed for the Water and Sewer Department. 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 2019 and 2018:

Mayor: David Nixon  
Recorder/Treasurer: Tina Bailey  
District Court Clerk: Kristy Graham (February 1, 2018 – April 26, 2018),  
Jerry Bradshaw (June 22, 2018 – December 6, 2018),  
Jessica Wilkinson (appointed January 1, 2019)  
Police Chief: James Kuckenbecker

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 and Recorder/Treasurer**

An accountant hired by the City made clerical errors resulting in overpayments to the Mayor totaling \$4,771 for the period September 2017 through February 2019. The accountant notified the City of the error on February 27, 2019. On November 27, 2019, the Mayor reimbursed the City \$5,113 for the overpayment and corresponding payroll taxes; however, the applicable wage and tax reporting forms were not amended for the affected periods.

#### **Recorder/Treasurer**

Cash receipts and disbursements journals were not properly classified or reconciled to bank deposits and withdrawals, in noncompliance with Ark. Code Ann. §§ 14-59-108, -110, -111.

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

Handwritten signature of Roger A. Norman in black ink.

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

Little Rock, Arkansas  
April 5, 2022  
LOM201919

## *City of Bull Shoals*

P.O. Box 390 -706 C.S. Woods Blvd. – Bull Shoals, AR 72619

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April 12, 2022

Dear Arkansas Legislative Audit Committee,

It has come to my attention for the 2018-2020 Audit that we have 2 reported findings, 7 sub-findings, and recommendations for the 2019 engagement year.

To the first reportable finding LOM201919-023, we have corrected this finding by making sure the payroll and taxes are verified for each payroll. The accountant also paid the city back for the mistake on March 31, 2022. This check was deposited into the general account to cover the reimbursement of the payroll and taxes.

To the second reportable finding LOM201919-024, we have corrected this finding by changing our software to develop a receipts and disbursements journal for each month. We are also verifying each journal with initials from the recorder/treasurer.

To the Sub-Finding LOM201919-005, we have corrected this by creating a fixed assets listing with additions, deletions, and total for each department.

To the Sub-Finding LOM201919-07, we have corrected this finding by creating a transfer slip that has to be signed by both the Mayor and Recorder/Treasurer for electronic transfers.

To the Sub-Finding LOM201919-008, we started receipting all items of income with prenumbered receipts and list them on all deposits.

To the Sub-Finding LOMO201919-010, we will contact the State Treasurer's Office to research how to take care of the old outstanding checks. I had found extra checks in the Solid Waste file and did not know this would be a problem to use them. I will not use checks that are not in sequential order.

To the Sub-Finding LOM201919-017, we have changed the internal controls of the reconciliations by the accountant does the reconciliation and the recorder/treasurer approves it.

To the Sub-Finding LOM201919-020, we make sure each payment is coded to the budget and correct fund.

To the Sub-Finding LOM201919-021, we will reimburse the City Court accordingly.

It has also come to my attention for the 2018-2020 Audit that we have 3 reported findings, 6 sub-findings, and recommendations for the 2020 engagement year.

To the first reportable finding LOM201920-020, we have corrected our internal controls so that this may not happen again.

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To the second reportable finding LOM201920-021, we no longer accept donations for the Shop with a Cop and Fireman program and the program is administered by the Fire Department Auxiliary.

To the third reportable finding LOM201920-024 which is the same as, LOM201919-023, we have corrected this finding by making sure the payroll and taxes are verified for each payroll. The accountant also paid the city back for the mistake on March 31, 2022. This check was deposited into the general account to cover the reimbursement of the payroll and taxes.

To the Sub-Finding LOM201920-004, we have corrected this by creating a fixed assets listing with additions, deletions, and total for each department.

To the Sub-Finding LOM201920-011, we began a payout program at the end of the year 2021, according to the city personnel policies.

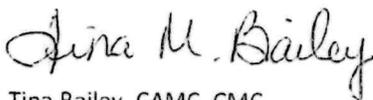
To the Sub-Finding LOM201920-013, I try very hard to make the deposits at least once per week. Our bank has moved to neighboring town and sometimes there is no one to verify the deposit so I wait until the next day.

To the Sub-Finding LOM201920-017, we have created a "journal entry adjustment approval" document for the Mayor or Recorder/Treasurer to approve the accountants' entries.

To the Sub-Finding LOM201920-018, we will contact the State Treasurer's Office to research how to take care of the old outstanding checks.

To the Sub-Finding LOM201920-023, we determined the extra funds that are in the payroll fund belong in the LOPFI fund. We will transfer the funds monthly for the LOPFI payment.

Thank you for your time and patience,



Tina Bailey, CAMC, CMC

City Clerk

City of Bull Shoals

870-445-4775 x102

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# City of Bull Shoals

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State of Arkansas  
Arkansas Legislative Audit

Dear Audit Authority,

I write today to address Mayoral Findings for three years of Legislative Audits (2018,2019 &2020) which have recently been concluded.

In response to Engagement Year 2019, Mayoral Reportable Finding #2 -ALA finding ID LOM201919-023; Accountants overpayment to Mayor Salary and subsequent wage and tax form errors.

It had become obvious in 2017 that an entirely new Financial Management System was needed in the City of Bull Shoals. That new system was created and implemented at City Council direction. As with any new complex system a few inaccuracies occurred. When they were detected, they were corrected. *Particularly embarrassing* was the 2017 error in Mayoral salary which resulted from an initial misapplication of a formula for calculating that payment. Once the formula error was noted it was corrected, and a full-scale review of salary formulas was undertaken. As I recall, no other errors were found. The tax documentation component of this finding will not recur because the initial error is corrected, and both internal controls, and reporting documents have been strengthened.

In response to Engagement Year 2019, Mayoral Supplemental Findings #1 and 2 –

#1 -ALA Finding ID LOM201919-002; General Fund expenditure of \$109,557 -- it is my understanding that these referenced funds were largely related to reimbursements received in association with a large-scale construction project (wastewater plant) and were composed of transfers among our internal City accounts. Greater care to document amendments and internal transfers have already been established by staff.

#2 -LOM201919-018; Mayor approved payroll summaries (... not individually authorized in minutes or budget ...). The City has increased the specificity of individual salary documentation in Council's annual budget approval process and supporting supplemental documents. This change has alleviated this issue.

In response to Engagement Year 2020, Mayoral Reportable Findings #1, 2, & 4 –

#1 -LOM201920-20 LOPFI Retirement review – As discussed earlier the year 2017 comprised a complete restructuring of the City's financial and organizational format. As part of that restructuring, I

2019 District Court Clerk Supplemental Findings Corrective Action:

1. This has been fixed as of 2020. All transactions have receipts completed and voided as needed.
2. Cash disbursements are done monthly and notated in reporting and receipting. Account errors and transactions are documented and fixed as they are identified.
3. Failure to pay warrants were taken off automation and court clerk did not realize till late 2020 that these were to be done manually. This has been corrected as of March 2022. FTP's are now done in a timely manner.
4. Citation books and eCite citations have not been reconciled, but we have put in the implementation as of 2022.

2020 District Court Clerk Supplemental Findings Corrective Action:

1. This has been fixed, we are receipting all payments made in Virtual Justice, if Court Clerk unavailable a handwritten receipt is written and notated in Virtual Justice. When doing deposits, we are notating check, money order, credit card or cash in Virtual Justice and on deposit slip with exception of credit card, those are only notated in Virtual Justice. We can pull a credit card report if needed from CardX.

Disbursements are done with reporting from Virtual Justice. Checks written and sent will have different check numbers than reports because checks are not produced from Virtual Justice. We keep a copy of check receipt with the reports of who the check is going to.

2. Failure to pay warrants were taken off automation and court clerk did not realize till late 2020 that these were to be done manually. This has been corrected as of March 2022. FTP's are now done in a timely manner.
3. As of January 2022, the Judge is seeing and signing all time pay delinquencies.
4. Court Clerk has been added to the bank accounts for the court and will be signing checks beginning May 2022.
5. We have started inputting the bond checks so they can be identified if refund is owed, and docket numbers will be on those refunds beginning 2022.
6. Citation books and eCite citations have not been reconciled, but we have put in the implementation as of 2022.

Justicia Wilson  
4/12/22

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assumed report filing duties for LOPFI. I was trained by the city staff person who had revised the reporting system in consultation with LOPFI. Unbeknownst to me, information regarding variation for Holiday payments and work hour verification was not provided to me at that time. In early 2021 while entering data for a new Police hire, I noticed that my report numbers did not “add up”. Our City Treasurer confirmed my observation. WE immediately notified LOPFI, and WE began an internal audit of every LOPFI eligible individual’s report information for every monthly report filed from 2017 to date. When our lengthy review was completed, we entered all corrections necessary and made financial adjustments to each and every file/individual. We informed all affected individuals of the anomaly and a LOPFI internal audit confirmed the accuracy and comprehensiveness of our revisions. In response to this incident, we have developed a new internal informational document to prevent any possible recurrence of this issue. Our LOPFI program has run smoothly from that date forward.

#2 -LOM201920-021 – Shop with A Cop program - This program was in put in place prior to 2017. When I came on duty, I asked that funds received from ALL sources of private donation be separately accounted and held in a bank account independently from Public City Revenues. It seems expenditures from the funds in this private program were not clearly identified. Prior to this Legislative Audit all Shop with a Cop finances and operations were transferred to our private Fire Auxiliary Association. Thus, the program now runs entirely separate from any direct governmental association.

#4 -LOM201920-024 – Failure to withhold employee insurance – Once we became aware of the recurring issue procedures are now in place to monitor and prevent future recurrences of this issue.

In response to Engagement Year 2020, Mayoral Supplemental Finding #1

#1-LOM201920-011 Leave Balances not paid out. Efforts by previous Administrations to codify/clarify personnel policies had been sporadic. In 2021 the City Council approved a new Personnel Manual that specifies a process for paying out sick leave/comp time and similar work absence compensation. At the end of our annual financial cycle all such monies are now dispersed.

In response to Engagement Year 2020 MATERIAL WEAKNESS –

When I first heard this finding, my immediate question was “Are there any funds missing?!” I was assured by your auditors that ALL funds are accounted for, and NO funds are missing or unaccounted for. Thank goodness. We as a City have worked hard to create and maintain a very vigorous set of internal financial controls that we believe allow us to track receipts, expenditures and reconciliations clearly and accurately. After further questioning, it is now my understanding that this weakness is due

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to the mechanism that our accountant uses to receipt and post funds and to receipt and post disbursements. In effect, we have some accounting practices that lack specificity guidelines set by Legislative Audit. Consequently, reconciliations between some components are awkward.

Apparently, the software that our accountant uses does not label/maintain accounts in keeping with Legislative Audit best practices. Thus, certain sums are held in a large receiving account and not labeled with sufficient specificity. This in turn causes ambiguity in the ways that certain disbursements track by Legislative Audit methods.

We have begun consultations on needed corrections in the software and tracking systems being used for all monies associated with the City of Bull Shoals. I am informed that our accounting firm is working with Legislative Audit resources to craft and implement procedural and software modifications to correct this issue.

We will immediately conduct a series of meetings among our treasurer, myself, and our accounting firm to design and implement procedures to correct this matter. We will submit a proposed series of remedies to Legislative Audit personnel for review as soon as an aggressive timeline allows. Having been alerted to the misalignment – we will correct it forthwith.



David L. Nixon

Mayor

City of Bull Shoals

CITY OF BULL SHOALS, ARKANSAS  
 SCHEDULE OF FINANCIAL INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (UNAUDITED)

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2019	\$ 717,993	\$ 479,508
Receipts:		
State aid	43,660	139,814
Federal aid	2,300	
Property taxes	154,672	41,167
Franchise fees	97,723	
Sales taxes	454,573	127,960
Fines, forfeitures, and costs	17,302	3,110
Interest	8,411	6,354
Local permits and fees	34,409	161,537
Donations		5,503
Other	15,263	10,609
Transfers in		23,969
Unclassified	16,159	16,593
Total Receipts	<u>844,472</u>	<u>536,616</u>
Disbursements:		
General government	161,608	
Law enforcement	200,423	22,724
Highways and streets		266,810
Public safety	125,465	7,543
Sanitation		150,746
Recreation and culture	27,849	
Sales taxes remitted to sewer	191,701	
Wastewater	163,141	
Debt service	3,116	5,179
Transfers out	23,969	
Unclassified	14,044	
Total Disbursements	<u>911,316</u>	<u>453,002</u>
Cash Balance, December 31, 2019	<u>\$ 651,149</u>	<u>\$ 563,122</u>

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

	Street	Local Police and Fire Retirement (LOPFI)	Solid Waste	Court Automation	Private Donation	Total
Cash Balance, January 1, 2019	\$ 380,181	\$ 1,497	\$ 93,329	\$ 310	\$ 4,191	\$ 479,508
Receipts:						
State aid	139,814					139,814
Property taxes	41,167					41,167
Sales taxes	127,960					127,960
Fines, forfeitures, and costs				3,110		3,110
Interest	5,719	5	567		63	6,354
Local permits and fees			161,537			161,537
Donations					5,503	5,503
Other	10,609					10,609
Transfers in		23,969				23,969
Unclassified	16,584	9				16,593
Total Receipts	341,853	23,983	162,104	3,110	5,566	536,616
Disbursements:						
Law enforcement		17,022			2,358	22,724
Highways and streets	266,810			3,344		266,810
Public safety		7,543				7,543
Sanitation			150,746			150,746
Debt service	5,179					5,179
Total Disbursements	271,989	24,565	150,746	3,344	2,358	453,002
Cash Balance, December 31, 2019	\$ 450,045	\$ 915	\$ 104,687	\$ 76	\$ 7,399	\$ 563,122

CITY OF BULL SHOALS, ARKANSAS  
 SCHEDULE OF FINANCIAL INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (UNAUDITED)

	General Fund	Special Revenue Funds	Pension Trust Funds
Cash Balance, January 1, 2018	\$ 590,023	\$ 145,909	\$ (6)
Receipts:			
State aid	37,755	138,641	
Federal aid		88,885	
Property taxes	161,420	42,716	
Franchise fees	99,045		
Sales taxes	377,134	127,960	
Fines, forfeitures, and costs	14,784	1,907	
Interest	6,372	2,300	
Local permits and fees	10,781	220,984	
Donations		4,360	
Other	55,554	4,000	
Transfers in	8,456	71,734	15
Unclassified	83,771	24,083	
Total Receipts	855,072	727,570	15
Disbursements:			
General government	183,010		
Law enforcement	179,516	14,665	
Highways and streets		177,091	
Public safety	115,322	4,465	9
Sanitation		126,639	
Recreation and culture	26,754		
Sales taxes remitted to sewer	144,645		
Debt service		5,179	
Transfers out	14,273	65,932	
Unclassified	63,582		
Total Disbursements	727,102	393,971	9
Cash Balance, December 31, 2018	\$ 717,993	\$ 479,508	\$ 0

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

	Street	Local Police and Fire Retirement (LOPFI)	Solid Waste	Government Lease	Criminal Justice	Court Automation	Private Donations	Total
Cash Balance, January 1, 2018	\$ 87,026	\$ 3,288	\$ 45,835	\$ 8,456	\$ 796	\$ 508		\$ 145,909
Receipts:								
State aid	138,641							138,641
Federal aid	88,885							88,885
Property taxes	42,716							42,716
Sales taxes	127,960				10	1,897		127,960
Fines, forfeitures, and costs							2	1,907
Interest	2,166	9	123					2,300
Local permits and fees			220,984					220,984
Donations							4,360	4,360
Other			4,000					4,000
Transfers in	56,700	14,264				770		71,734
Unclassified	18,357		5,726					24,083
Total Receipts	475,425	14,273	230,833		10	2,667	4,362	727,570
Disbursements:								
Law enforcement		11,593			36	2,865	171	14,665
Highways and streets	177,091							177,091
Public safety		4,465						4,465
Sanitation			126,639					126,639
Debt service	5,179							5,179
Transfers out		6	56,700	8,456	770			65,932
Total Disbursements	182,270	16,064	183,339	8,456	806	2,865	171	393,971
Cash Balance, December 31, 2018	\$ 380,181	\$ 1,497	\$ 93,329	\$ 0	\$ 0	\$ 310	\$ 4,191	\$ 479,508

CITY OF BULL SHOALS, ARKANSAS  
OTHER INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(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 Sweep, General Reserve, and Fire Department Building Depreciation

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

	December 31, 2019	December 31, 2018
District Court Fund	\$ (3,561)	\$ (1,482)
Payroll Fund	18,041	22,382

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, 2019	December 31, 2018
Land and buildings	\$ 2,288,795	\$ 2,288,795
Equipment	1,037,740	1,037,740
Totals	\$ 3,326,535	\$ 3,326,535

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

	December 31, 2019	December 31, 2018
Leases payable	\$ 20,577	\$ 11,359