

City of Bull Shoals, Arkansas

Financial and Compliance Report

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



Arkansas



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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 year ended December 31, 2022, and have issued our report thereon dated November 13, 2023. 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 2022:

Mayor: David Nixon
Recorder/Treasurer: Tina Bailey
District Court Clerk: Jessica Wilkinson
Police Chief: John Ainsworth

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

General Fund disbursements exceeded total appropriations by \$703,896 (93.3%) in noncompliance with Ark. Code Ann. § 14-58-203.

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. A similar finding was issued in the previous two reports dating back to 2020.

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
November 13, 2023
LOM201922

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

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2022	\$ 1,231,911	\$ 468,904
Receipts:		
State aid	67,169	168,529
Federal aid	2,350	201,586
Property taxes	170,164	36,359
Franchise fees	108,458	
Sales taxes	734,357	
Fines, forfeitures, and costs	85,269	2,875
Interest	2,871	1,500
Local permits and fees	16,902	285
Sanitation fees		162,821
Donations		50,350
Other	32,353	1,550
Transfers in	8,116	28,335
Unclassified		276,271
Total Receipts	<u>1,228,009</u>	<u>930,461</u>
Disbursements:		
General government	522,525	
Law enforcement	299,642	3,662
Highways and streets		523,601
Public safety	147,784	
Sanitation		160,630
Recreation and culture	30,643	
Sales tax collected and remitted to water department	231,830	
Debt service	3,739	
Transfers out	28,335	8,116
Unclassified	204,357	30,796
Total Disbursements	<u>1,468,855</u>	<u>726,805</u>
Cash Balance, December 31, 2022	<u>\$ 991,065</u>	<u>\$ 672,560</u>

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

	Street	Local Police and Fire Retirement (LOPF)	Solid Waste	Court Automation	Private Donation	American Rescue Plan Act	Total
Cash Balance, January 1, 2022	\$ 140,055	\$ 68	\$ 122,453	\$ 236	\$ 4,460	\$ 201,632	\$ 468,904
Receipts:							
State aid	168,529						168,529
Federal aid						201,586	201,586
Property taxes	36,359						36,359
Fines, forfeitures, and costs				2,875			2,875
Interest	275		369		94	762	1,500
Local permits and fees			285				285
Sanitation fees			162,821				162,821
Donations			45,000		5,350		50,350
Other			1,550				1,550
Transfers in		28,035		300			28,335
Unclassified	216,605	22,762			36,904		276,271
Total Receipts	421,768	50,797	210,025	3,175	42,348	202,348	930,461
Disbursements:							
Law enforcement			544	3,118			3,662
Highways and streets	462,601		160,630			61,000	523,601
Sanitation							160,630
Transfers out					8,116		8,116
Unclassified	462,601	30,561	235				30,796
Total Disbursements		30,561	161,409	3,118	8,116	61,000	726,805
Cash Balance, December 31, 2022	\$ 99,222	\$ 20,304	\$ 171,069	\$ 293	\$ 38,692	\$ 342,980	\$ 672,560

CITY OF BULL SHOALS, ARKANSAS
 OTHER INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

1. Cash balances on the Financial Schedules include demand accounts.

2. The General Fund column on the Financial Schedules includes the following bank accounts:
 General, General Reserve, and General Sweep

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

	December 31, 2022
District Court	\$ 5,469
Payroll	23,863

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, 2022
Land & Buildings	\$ 3,192,510
Equipment	1,172,086
Total	<u>\$ 4,364,596</u>

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

	December 31, 2022
Financed purchases	<u>\$ 4,244</u>

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

	December 31, 2022
American Rescue Plan Act (ARPA)	<u>\$ 201,586</u>

CITY of BULL SHOALS

OFFICE of THE MAYOR

P.O. BOX 390 BULL SHOALS AR. 72619

Office: (870) 445-4775/Fax: (870) 445-4948

November 27, 2023

Attn: Arkansas Legislative Audit Committee,

The following are the corrective actions that will be taken to rectify the non-compliance condition related to the one reportable finding issued on November 13th, 2023.

- **Reportable Finding #1: LOM201922-011**

Corrective Action: Per Arkansas Code Ann. 14-58-203 - The city Treasurer and Mayor will work aggressively to identify and rectify what appears to be an increasing disbursement to appropriations ratio year over year. We will start by identifying the root cause and work with our accounting firm to end this problem.

In summary the City of Bull Shoals will work diligently to correct the issue described in this finding as quickly as possible.

Thank You,

Michael Savu

Michael Savu

Mayor, Bull Shoals Arkansas

**TENTH JUDICIAL DISTRICT COURT
Marion County – Bull Shoals Division**



PO Box 390
Bull Shoals, Arkansas 72619
Office: (870) 445-4775
FAX: (870) 445-4948

Jodi Carney
State District Judge

Darla Hulén
Court Clerk

November 13, 2023

Dear Arkansas Legislative Audit Committee,

It has come to my attention for the 2022 Audit that we have 2 reported findings with recommendations for the 2022 engagement year.

Supplemental
To the ~~reportable~~ finding LOM201922-002, we will be implementing procedures to reconcile cash receipts and disbursements journal to total bank deposits and disbursements and ending balances according to Ark. Code Ann. 16-10-209. We will also be implementing procedures to correct and go forward with the installment fees that are collected by the District Court Automation Fund as required by Ark. Code Ann. 16-13-704.

Supplemental
To the ~~reportable~~ finding LOM201922-003, we will be contacting the Municipal League on how we should move forward with the handling of the items that are over 1 year old and when and how they should be removed from the District Court books.

Thank you for your time and patience,

Darla Hulén
City of Bull Shoals Court Clerk

Official Initials _____

Date _____

**STATE OF ARKANSAS
 ARKANSAS LEGISLATIVE AUDIT
 LOM201922 - CITY OF BULL SHOALS
 ENGAGEMENT YEAR: 2022
 DISTRICT COURT CLERK SUPPLEMENTAL FINDINGS**

Official: Daria Hulen

Office: District Court Clerk

Item	ALA Finding ID	Findings Group	Finding	Recommendation	Workpaper Reference
1	LOM201922-002	City	<p>We noted the following errors due to the District Court not reconciling their cash receipts and disbursements journals to total bank deposits and disbursements as shown on the District Court's bank statements in non-compliance with Ark. Code Ann. § 16-10-209:</p> <ul style="list-style-type: none"> • A \$130 and a \$50 credit card receipts were recorded in the receipts journal but never cleared the bank and is not included as a deposit-in-transit. • \$357 of credit card payments were deposited in the bank account but were not receipted in the receipts journal. • A credit card receipt cleared the bank for \$10 less than the amount recorded in the receipts journal. • A \$86 and a \$74 disbursements cleared the bank account but were not recorded in the disbursements journal. • Checks actually written for the Department of Finance and Administration were \$570 less than what should have been remitted. • Checks actually written to the General fund were \$406 more than what should have been remitted. • We noted that the District Court is not properly transferring one half (1/2) of the installment fee collected to the District Court Automation fund in non-compliance with Ark. Code Ann. § 16-13-704. District Court sent \$573 more to the Court Automation fund than what should have been remitted. 	<p>Cash receipts and disbursements journals should be reconciled to total bank deposits and disbursements and ending balances should be identified as required by Ark. Code Ann. § 16-10-209.</p> <p>No more than one half (1/2) of the installment fee collected by the District Court should be transferred to the District Court Automation Fund as required by Ark. Code Ann. §16-13-704.</p>	8780.03.2, 8780.03b, 8780.03c, 8780.03.6
2	LOM201922-003	City	<p>Again, we noted old outstanding checks that are over one year old continue to be carried on the reconciliations for General, Street, Payroll, and District Court funds.</p>	<p>Municipal League should be consulted about how to handle reconciling items over one year old and they should be removed from the books.</p>	8720.02.2a, 8730.02.2, 8760.03.3,

Title/Name	Signature	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____

AIC: _____

Please address each finding and the proposed corrective action in a letter addressed to the following:

Name: Jessica Brown, CPA
 Street: 1141 East Main St., Ste 215B
 City/State/ZIP: Batesville, AR 72501
 Please mail the letter by: _____

DRAFT	<p><i>Draft documents are subject to change. This draft document is an integral part of the audit documentation of Arkansas Legislative Audit, is not considered a public document, and is not subject to the Freedom of Information Act. After the audit report has been presented to the Legislative Joint Auditing Committee, the report and copies of audit documentation are open to public inspection, except those documents specifically exempted as outlined in Ark. Code Ann. § 10-4-422.</i></p>
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CITY of BULL SHOALS

OFFICE of THE MAYOR

P.O. BOX 390 BULL SHOALS AR. 72619
Office: (870) 445-4775/Fax: (870) 445-4948

November 27, 2023

Attn: Arkansas Legislative Audit Committee,

The following are the corrective actions that will be taken to rectify the non-compliance condition related to the three supplemental findings issued on November 13th, 2023.

- **Supplemental Finding# 1: LOM201922-001**
Corrective Action: Per Arkansas Code Ann. 10-4-418 – Going forward the council will review the prior years report at the first regular scheduled meeting following the receipt of the report and “document in the minutes the review of the findings, recommendations and the actions taken”.
- **Supplemental Finding# 2: LOM201922-009**
Corrective Action: Per Arkansas Code Ann. 14-234-120, Going forward we will notify the Water and Sewer Auditor they are to submit the audit report within 30 days directly to the Legislative Auditor.
- **Supplemental Finding# 3: LOM201922-012**
Corrective Action: Per Arkansas Code Ann. 14-59-115,
1)Going forward the City of bull Shoals will pass an ordinance establishing a method that provides for internal accounting controls and documentation for Audit and Accounting purposes.
2)The City of Bull Shoals will verify that all disbursements related to payroll are approved and Journalled by the Recorder prior to our payroll processor disbursing.
3)We will require our payroll Processor/Accountant to obtain an adequate bond going forward.

In summary the City of Bull Shoals will work diligently to correct the issues as quickly as possible.

Thank You,

Michael Savu

Michael Savu
Mayor, Bull Shoals Arkansas

City of Bull Shoals

P.O. Box 390 -706 C.S. Woods Blvd. – Bull Shoals, AR 72619
Email: Tbailey@cityofbullshoals.org – Website: www.cityofbullshoals.org
(870) 445-4775 – Fax: (870) 445-4948

November 27, 2023

Dear Arkansas Legislative Audit Committee,

It has come to my attention for the 2022 Audit that we have 8 sub findings with recommendations for the 2022 engagement year.

To the Sub-finding LOM201922-003, we will begin working with the Auditor of State for unclaimed property and speak with the Arkansas Municipal League on how to remove it from the books.

To the Sub-finding LOM201922-004, which was also repeated from last audit, we have determined to move the monies to the LOPFI account.

To the Sub-finding LOM201922-005, I am still not sure which receipts we are missing.

AIC discussed this at exit and emailed codes and another explanation after response received. See 2970.40a

To the Sub-finding LOM201922-006, we will have a printout of all journal entries and have it approved by the City Clerk or Mayor.

To the Sub-finding LOM201922-007, we will establish a cash receipts journal for all the funds.

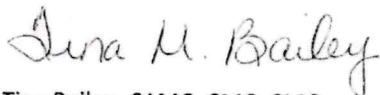
To the Sub-finding LOM201922-010, we will upgrade the fixed asset listing with the major categories, and we will review the Resolution 2013-R-06 to raise the City's threshold.

To the Sub-finding LOM201922-012, we will pass an Ordinance that establishes a method that provides for internal accounting controls and documentation for audit and accounting purposes in relation to contracting with the outside accountant for the disbursement of the payroll funds. We will also ensure the accountant is bonded and insured.

To the Sub-finding LOM201922-013, we will be more careful in maintaining our state payroll reports.

I know that we have repeated the findings for this audit the same as last year. 2022 was a very hard election year. I will work harder to accomplish all that is recommended.

Thank you for your time and patience,



Tina Bailey, CAMC, CMC, CMO

City of Bull Shoals City Clerk-Recorder

Official Initials _____

Date _____

**STATE OF ARKANSAS
ARKANSAS LEGISLATIVE AUDIT
LOM201922 - CITY OF BULL SHOALS
ENGAGEMENT YEAR: 2022
RECORDER/TREASURER SUPPLEMENTAL FINDINGS**

Official: Tina Bailey
Office: Recorder/Treasurer

Item	ALA Finding ID	Findings Group	Finding	Recommendation	Workpaper Reference
1	LOM201922-003	City	Again, we noted old outstanding checks that are over one year old continue to be carried on the reconciliations for General, Street, Payroll, and District Court funds.	Municipal League should be consulted about how to handle reconciling items over one year old and they should be removed from the books.	8720.02.2a, 8730.02.2, 8780.03.3.
2	LOM201922-004	City	Again, we noted the Payroll fund had an unidentified balance of \$23,863.	The balance remaining in the Payroll fund after all payroll and related liabilities are paid should be identified and proper disposition of the balance be determined.	8780.02.5
3	LOM201922-005	City	We noted that prenumbered receipts were not issued for all funds received in non-compliance with Ark. Code Ann. §14-59-109.	Prenumbered receipts should be issued for all funds received in compliance with Ark. Code Ann. §14-59-109.	8720.02.5
4	LOM201922-006	City	Again, journal entries were not approved by management or properly documented. A similar finding was noted in the prior two (2) years.	All adjusting journal entries should be approved by someone other than the person making the entry.	2300.91
5	LOM201922-007	City	Again, we noted a cash receipts journal or an electronic receipts listing was not established for the General, General Reserve, General Sweeps, Street, LOPFI, Solid Waste, Solid Waste Reserve, Court Automation, Private Donation, American Rescue Plan Act, and Payroll funds in non-compliance with Ark. Code Ann. 14-59-110. Receipts are posted in batches to the general ledger and revenue is not always classified.	The City should establish a cash receipts journal or an electronic receipts listing in compliance with Ark. Code Ann. §14-59-110.	8720.02.2a, 8730.02.2, 8740.06.2, 8100.50
6	LOM201922-010	City	Again, we noted the fixed asset listing is not being properly maintained. Specifically we noted the following: <ul style="list-style-type: none"> • The fixed asset listing did not include the major categories (land, buildings, equipment, etc.) and did not include a control total in non-compliance with Ark. Code Ann. §14-59-107. • We noted the inclusion of an asset below the Cities threshold as set by Resolution 2013-R-06. • We noted the purchase of a new truck and a radar trailer were not included in the listing. 	The fixed asset listing should include the major categories in compliance with Ark. Code Ann. §14-59-107. Resolution 2013-R-06 should be reviewed and complied with or changed by the City Council. Care should be taken to ensure that all capital asset purchases above the City's capitalization threshold are accurately added to the asset listing.	8705.03
7	LOM201922-012	City	We noted that following findings in non-compliance with Ark. Code Ann. § 14-59-115: <ul style="list-style-type: none"> • The city did not pass an Ordinance establishing a method that provides for internal account controls and documentation for audit and accounting purposes before the City contracted with an accountant for the disbursement of funds for payroll. • The Governing body did not ensure that the accountant hired to disburse payroll funds was adequately bonded. 	The City should pass an Ordinance establishing a method that provides for internal accounting controls and documentation for audit and accounting purposes in relation to contracting with the outside accountant for the disbursement of payroll funds in compliance with Ark. Code Ann. § 14-59-115. The City should ensure that all disbursements are approved by the Recorder/Treasurer prior to disbursement. The City should also ensure that the accountant hired to disburse payroll funds is adequately bonded in compliance with Ark. Code Ann. § 14-59-115.	8780.02b
8	LOM201922-013	City	We noted the following issues during our review of payroll records: <ul style="list-style-type: none"> • Federal wages as reported on the quarterly 941's did not reconcile with the total federal wages reported on the annual W3. • The amount paid for the 3rd quarter payroll taxes did not match the liability as reported on the 3rd quarter 941. 	The City should ensure that information reported on payroll reports are accurate and that the proper amount of payroll taxes are being paid.	8780.02b

Title/Name

Signature

Date

Official Initials _____

Date _____

Item	ALA Finding ID	Findings Group	Finding	Recommendation	Workpaper Reference
AIC:	<u>Anthony Weston</u>		<u>Anthony Weston</u>		<u>11/13/23</u>

Please address each finding and the proposed corrective action in a letter addressed to the following:

Name: Jessica Brown, CPA

Street: 1141 East Main St., Ste 215B

City/State/ZIP: Batesville, AR 72501

Please mail the letter by: November 16, 2023

 All documents are subject to change. This document is an integral part of a final documentation of ALA's 2023 Legislative Audit, is not considered a public document and is not subject to the Freedom of Information Act. After the audit report has been presented to the Legislative Joint Auditing Committee, the report and copies of audit documents shall be open to public inspection, except those documents specifically exempted as outlined in Ark. Code Ann. § 10-4-1-22.

City of Bull Shoals

P.O. Box 390 -706 C.S. Woods Blvd. – Bull Shoals, AR 72619
Email: Tbailey@cityofbullshoals.org – Website: www.cityofbullshoals.org
(870) 445-4775 – Fax: (870) 445-4948

November 27, 2023

Dear Arkansas Legislative Audit Committee,

It has come to my attention for the 2022 Audit that we have 1 reported finding with recommendations for the 2022 engagement year.

To the reportable finding LOM201922-008, we will be implementing procedures to ensure financial records that are prepared by the City's accountant are properly posted and classified by checking the general ledger monthly for all departments. We are also looking into another software for this coming year 2024.

Thank you for your time and patience,


Tina Bailey, CAMC, CMC, CMO

City of Bull Shoals City Clerk-Recorder

Official Initials _____

Date _____

STATE OF ARKANSAS
ARKANSAS LEGISLATIVE AUDIT
LOM201922 - CITY OF BULL SHOALS
ENGAGEMENT YEAR: 2022
RECORDER/TREASURER REPORTABLE FINDINGS

Official: Tina Bailey

Office: Recorder/Treasurer

Item	ALA Finding ID	Findings Group	Finding	Recommendation	Workpaper Reference
1	LOM201922-008	City	Cash receipts and disbursements journals were not properly classified or reconciled to bank deposits and withdrawals, in non-compliance with Ark. Code Ann. §§14-59-108, -110, -111. A similar finding was issued in the previous two reports dating back to 2020.	City management should implement procedures to ensure financial records prepared by the City's accountant are properly posted and transactions are properly classified.	8720.02.2, 8730.02.2, 8740.04, 8740.05, 8740.06.2

Title/Name: City Clerk / Recorder / Treasurer Tina M. Bailey Signature: Tina M. Bailey Date: 11/13/23

AIC: Anthony Weston Signature: Anthony Weston Date: 11/13/23

Please address each finding and the proposed corrective action in a letter addressed to the following:

Name: Jessica Brown, CPA
Street: 1141 East Main St., Ste 215B
City/State/ZIP: Batesville, AR 72501
Please mail the letter by: November 16, 2023

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