

Town of Damascus, Arkansas

Financial and Compliance Report

December 31, 2017

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF DAMASCUS, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2017

Financial and Compliance Report

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

Town of Damascus, 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 Damascus, Arkansas, as of and for the year ended December 31, 2017, and have issued our report thereon dated October 12, 2018. 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 relate to the following officials who held office during 2017:

Mayor: L. B. Pavatt
Recorder/Treasurer: Wendi Payne
District Court Clerk: Melissa Hallman

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.

Our procedures indicated that the office of **District Court Clerk** was in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **Recorder/Treasurer**.

Mayor and Recorder/Treasurer

On June 9, 2017, the Town incurred expenses of \$12,937 for materials to pave a driveway at the request of a citizen, who had agreed to reimburse the Town. Subsequently, on June 13, 2017, the Council approved annexing a street to which this driveway was attached. Although the individual reimbursed \$12,937 to the Town on June 28, 2017, before the materials vendor was paid on July 5, 2017, the Town appears to have loaned its credit to an individual, in conflict with Ark. Const. art. 12, § 5.

Recorder/Treasurer

Adequate supporting documentation again was not maintained for all disbursements, as required by Ark. Code Ann. § 14-59-105.

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

Handwritten signature of Roger A. Norman in cursive.

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

Little Rock, Arkansas
October 12, 2018
LOM304617

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

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2017	\$ 173,311	\$ 88,007
Receipts:		
State aid	27,075	26,278
Property taxes	20,309	9,437
Franchise fees	17,360	
Sales taxes	141,082	
Fines, forfeitures, and costs	118,961	77,747
Interest	314	247
Local permits and fees	134	
Library fees		1,277
Fire contracts	8,152	
Other	8,989	12,937
Total Receipts	<u>342,376</u>	<u>127,923</u>
Disbursements:		
General government	85,448	
Law enforcement	120,686	76,992
Highways and streets		34,879
Public safety	33,269	
Recreation and culture	9,961	843
Debt service	44,888	
Total Disbursements	<u>294,252</u>	<u>112,714</u>
Cash Balance, December 31, 2017	<u>\$ 221,435</u>	<u>\$ 103,216</u>

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

Schedule 2

	Street	Library	Court	Total
Cash Balance, January 1, 2017	\$ 79,993	\$ 3,547	\$ 4,467	\$ 88,007
Receipts:				
State aid	26,278			26,278
Property taxes	9,437			9,437
Fines, forfeitures, and costs			77,747	77,747
Interest	232	5	10	247
Library fees		1,277		1,277
Other	12,937			12,937
Total Receipts	<u>48,884</u>	<u>1,282</u>	<u>77,757</u>	<u>127,923</u>
Disbursements:				
Law enforcement			76,992	76,992
Highways and streets	34,879			34,879
Recreation and culture		843		843
Total Disbursements	<u>34,879</u>	<u>843</u>	<u>76,992</u>	<u>112,714</u>
Cash Balance, December 31, 2017	<u>\$ 93,998</u>	<u>\$ 3,986</u>	<u>\$ 5,232</u>	<u>\$ 103,216</u>

TOWN OF DAMASCUS, ARKANSAS
 OTHER INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (UNAUDITED)

Schedule 3

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, Police, and Fire
3. The cash balance at year-end in the agency fund is as follows:

	December 31, 2017
Police Bond and Fine Fund	\$ 11,342

This balance represents fines, forfeitures, and costs that have not been transferred to the appropriate entities.

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

	December 31, 2017
Land	\$ 128,186
Buildings	1,118,111
Equipment	827,636
Total	\$ 2,073,933

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

	December 31, 2017
Notes payable	\$ 88,404