

Town of McNab, Arkansas

Financial and Compliance Report

December 31, 2019 and 2018

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF MCNAB, ARKANSAS
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Financial and Compliance Report

	<u>Schedule</u>
	2019
Schedule of Financial Information (Unaudited)	1
	2018
Schedule of Financial Information (Unaudited)	2
	2019 and 2018
Other Information (Unaudited)	3

Arkansas



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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, 2019 and 2018, and have issued our report thereon dated July 16, 2020. 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 2019 and 2018:

Mayor: James Conway
Recorder/Treasurer: Levorn Oliver

We evaluated the Town's compliance with certain state laws concerning general 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

State Aid for Highway Funds from previous year totaling \$55,520 was due from the General Fund to the Street Fund, due to expenditures of monies restricted for streets being used for other purposes, in noncompliance with Ark. Code Ann. §§ 26-79-104, 27-70-207. In addition, revenues restricted for street purposes in 2019 and 2018 totaling \$3,421 in each year, were also used for other purposes. As of December 31, 2019 and 2018, the General Fund owed the Street Fund \$62,362 and \$58,941, respectively. The Town previously agreed to repay the Street Fund \$300 per year, but no payments have been made since 2013. A similar finding was issued in the prior seven reports dating back to 2005.

Schedules 1 and 2 of this report show balances of \$12,844 and \$9,450 for 2019 and 2018, respectively in the General Fund. However, as shown in Note 4 on Schedule 3 of this report, if the amounts owed to the Street Fund as noted in the finding above are considered, the General Fund would have deficit balances of (\$49,518) and (\$49,491), for 2019 and 2018 respectively.

Mayor

The Town entered into a promissory note payable with Farmer's Bank and Trust on July 17, 2019, in the amount of \$2,700, for the purpose of paying Hempstead County for delinquent trash pickup and disposal costs which appears to be in conflict with Ark. Const. amend. 78, § 2, which limits short-term financing obligations for the purpose of "acquiring, constructing, installing or renting real property or tangible property having a useful life of more than one year."

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
July 16, 2020
LOM318619

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

Schedule 1

	General Fund	Special Revenue Funds (Street)
	<u> </u>	<u> </u>
Cash Balance, January 1, 2019	\$ 9,450	\$ 1,017
Receipts:		
State aid	1,075	4,876
Property taxes	517	78
Franchise fees	1,973	
Sales taxes	9,103	
Interest	121	
Loan proceeds	2,500	
Rental income	2,670	
Other	2,125	
Total Receipts	<u>20,084</u>	<u>4,954</u>
Disbursements:		
General government	5,529	
Highways and streets		1,674
Sanitation	10,651	
Debt service	510	3,421
Total Disbursements	<u>16,690</u>	<u>5,095</u>
Cash Balance, December 31, 2019	<u>\$ 12,844</u>	<u>\$ 876</u>

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

Schedule 2

	<u>General Fund</u>	<u>Special Revenue Funds (Street)</u>
Cash Balance, January 1, 2018	\$ 9,687	\$ 1,357
Receipts:		
State aid	1,077	4,763
Property taxes	379	56
Franchise fees	1,794	
Sales taxes	8,959	
Interest	51	
Rental income	1,895	
Other	455	
Total Receipts	<u>14,610</u>	<u>4,819</u>
Disbursements:		
General government	4,954	
Highways and streets		1,738
Sanitation	8,223	
Debt service	1,670	3,421
Total Disbursements	<u>14,847</u>	<u>5,159</u>
Cash Balance, December 31, 2018	<u>\$ 9,450</u>	<u>\$ 1,017</u>

TOWN OF MCNAB, 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 and certificates of deposit.

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

	December 31, 2019	December 31, 2018
Land	\$ 25,108	\$ 25,108
Buildings	134,300	134,300
Equipment	52,195	52,195
Totals	<u>\$ 211,603</u>	<u>\$ 211,603</u>

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

	December 31, 2019	December 31, 2018
Leases payable	\$ 4,220	\$ 7,527
Notes payable	2,236	
Totals	<u>\$ 6,456</u>	<u>\$ 7,527</u>

4. 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 and 2 of this report. The computation includes increases and decreases to cash balances for amounts due to and due from funds within the Town. The Town previously agreed for the General Fund to repay the Street Fund \$300 per year; however, no payments have been made since 2013.

Balances as of December 31, 2019	<u>General</u>	<u>Street</u>
Cash balance per Schedule 1	\$ 12,844	\$ 876
Due to other funds	(62,362)	
Due from other funds		62,362
Restated balance as of 12/31/2019	<u>\$ (49,518)</u>	<u>\$ 63,238</u>
Balances as of December 31, 2018	<u>General</u>	<u>Street</u>
Cash balance per Schedule 2	\$ 9,450	\$ 1,017
Due to other funds	(58,941)	
Due from other funds		58,941
Restated balance as of 12/31/2018	<u>\$ (49,491)</u>	<u>\$ 59,958</u>