

City of Cotton Plant, Arkansas

Financial and Compliance Report

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF COTTON PLANT, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2023

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Arkansas



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Cotton Plant, 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 Cotton Plant, Arkansas, as of and for the year ended December 31, 2023, and have issued our report thereon dated December 2, 2024. 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 2023:

Mayor: Clara Harston-Brown
Recorder: JoAnn Veazey
Treasurer: Vacant
Police Chief: Willie Frazier

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 **Police Chief**.

Mayor

1. The following issues were noted during payroll testing:
 - a. We were unable to substantiate salaries paid to the Payroll Preparers because timesheets:
 - Lacked sufficient details, such as dates, times, and hours worked.
 - Did not always contain the employee's signature certifying the hours worked.
 - Did not always contain supervisory approval. Additionally, some timesheets were stamped with the Mayor's signature stamp, which, according to the Mayor, was not kept in a secure location.
 - Were not always provided for review.
 - b. We were unable to validate the following:
 - \$1,200 paid to the Mayor for unused leave. The Mayor did not maintain timesheets or leave records documenting leave time used, and the City did not have a policy regarding payments for unused leave. After we questioned the payment, the Council, on October 8, 2024, approved two weeks of "vacation" for 2023 for the Mayor. However, the meeting minutes provided lacked clarity regarding the details of this approval. Subsequently, the Mayor reimbursed the City on November 25, 2024.
 - Hourly rate approval for the amount paid to the Payroll Preparer for the period October 24, 2023 through December, 31, 2023.
2. A fixed asset listing was established; however, it was not properly maintained to include additions and deletions, and it did not contain values, acquisition dates or, identification numbers for equipment. In addition, a fixed asset policy was not adopted by the governing body, as required by Ark. Code Ann. § 14-59-107. A similar finding was noted in the previous nine reports dating back to 2011.
3. Electronic funds transfers (EFTs) and debit card transactions were noted without an authorizing ordinance with written policies and procedures approved by the governing body, as required by Ark. Code Ann. § 14-59-105. A similar finding was noted in the previous report.

4. Per review of payroll records, the City has unpaid federal and state taxes due totaling \$208,570 for the following items:

- \$2,401 owed to the Department of Finance and Administration for current year State withholdings.
- \$48,023 owed to the Internal Revenue Service (IRS) for current year federal tax withholdings.
- \$158,146 for taxes, penalties and interest for prior periods dating between 2015 and 2022.

A similar finding was noted in the previous six reports dating back to 2014.

5. Although Schedule 1 of this report shows a balance of \$11,139, it was brought to our attention that as of December 31, 2023 the General Fund owed a significant amount for balances due to the Internal Revenue Service and the Department of Finance and Administration. As shown in Note 6 on Schedule 3, when these outstanding amounts were considered, the General Fund had a deficit fund balance of \$197,431. A similar finding was noted in the previous report.
6. Cash receipts and disbursements journals were not properly posted in the General Fund, as required by Ark. Code Ann. §§ 14-59-110, -111.
7. Bank accounts were not properly reconciled for the General, Beautification, Administration of Justice, Bold Teams, Act 833, and Payroll Funds, in noncompliance with Ark. Code Ann. §14-59-108.
8. The City sold a fire truck to a council member for \$600 without using a public or internet auction, as required by Ark. Code Ann. § 14-54-302.
9. Checks were not issued in sequential order as we noted several discrepancies in the ranges of checks issued.
10. An audit or agreed-upon procedures report and compilation was not obtained for the Water Department for fiscal years 2023 and 2022, in noncompliance with Ark. Code Ann. § 14-234-119.

Police Chief

The following issues were noted with Ark. Code Ann. § 16-10-205.

- A list of all uniform citation books and the corresponding range of citations in each book was not properly prepared.
- The police department copies of the traffic citations were not all available for inspection or properly voided. Therefore, we were unable to determine if all citations were properly issued and placed on a court docket.
- Citation books were not filed with the court clerk and made available for inspection.

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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
December 2, 2024
LOM203723

CITY OF COTTON PLANT, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2023	\$ 17,157	\$ 17,613
Receipts:		
State aid	527	58,253
Property taxes	15,440	2,608
Franchise fees	21,125	
Sales taxes	100,721	
Fines, forfeitures, and costs	11,326	
Local permits and fees	105	
Rent	13,795	865
Donations	3,280	6,964
Sanitation fees	52,243	
Medical marijuana profit distribution	273,327	
Other	1,793	73
Transfers in	1,500	2,001
Total Receipts	<u>495,182</u>	<u>70,764</u>
Disbursements:		
General government	226,532	1,550
Law enforcement	78,752	1,407
Highways and streets	36,208	47,309
Public safety	36,155	11,173
Sanitation	53,415	
Health	3,000	
Recreation and culture	13,106	7,062
Social services	12,413	
Unclassified contribution to payroll account	21,953	
Debt service	2,157	258
Transfers out	2,001	1,500
Contributions to water department	15,508	1,208
Total Disbursements	<u>501,200</u>	<u>71,467</u>
Cash Balance, December 31, 2023	<u>\$ 11,139</u>	<u>\$ 16,910</u>

CITY OF COTTON PLANT, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (UNAUDITED)

Schedule 2

	Street	Local Police and Fire Retirement Cost	Act 833 Fire Equipment and Training	Special Events	Library City Hall Grant	Fire Operating	AEDC Fire Station Grant	American Rescue Plan Act	Total
Cash Balance, January 1, 2023	\$ (896)	\$ 1,407	\$ 7,691	\$ 1,107	\$ 1,764	\$ 785	\$ 1	\$ 5,754	\$ 17,613
Receipts:									
State aid	44,624		13,629						58,253
Property taxes	1,985					623			2,608
Rent				865					865
Donations				5,356		1,608			6,964
Other	73								73
Transfers in	1,213					788			2,001
Total Receipts	<u>47,895</u>		<u>13,629</u>	<u>6,221</u>		<u>3,019</u>			<u>70,764</u>
Disbursements:									
General government					1,334			216	1,550
Law enforcement		1,407							1,407
Highways and streets	42,053							5,256	47,309
Public safety			7,826			3,346	1		11,173
Recreation and culture				7,062					7,062
Debt service	258								258
Transfers out	1,500								1,500
Contributions to water department	1,208								1,208
Total Disbursements	<u>45,019</u>	<u>1,407</u>	<u>7,826</u>	<u>7,062</u>	<u>1,334</u>	<u>3,346</u>	<u>1</u>	<u>5,472</u>	<u>71,467</u>
Cash Balance, December 31, 2023	<u>\$ 1,980</u>	<u>\$ 0</u>	<u>\$ 13,494</u>	<u>\$ 266</u>	<u>\$ 430</u>	<u>\$ 458</u>	<u>\$ 0</u>	<u>\$ 282</u>	<u>\$ 16,910</u>

CITY OF COTTON PLANT, ARKANSAS
 OTHER INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (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, Beautification, Food Pantry, Administration of Justice, Bold Team, and Sanitation.
3. The cash balance at year-end in the custodial fund is as follows:

	December 31, 2023
Payroll	\$ 9,271

This balance represents excess transfers for payroll salaries remitted from other City funds.

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

	December 31, 2023
Buildings	\$ 1,183,884

The Municipality's capital assets records did not contain cost amounts for equipment.

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

	December 31, 2023
Financed purchases	\$ 8,703

CITY OF COTTON PLANT, ARKANSAS
 OTHER INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (UNAUDITED)

Schedule 3

6. Deficit Balance

The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it was brought to our attention that the City of Cotton Plant has significant balances due to the Internal Revenue Service (IRS) and Department of Finance and Administration (DFA) at December 31, 2023. The information below begins with the cash balance per Schedule 1 of this report for the General Fund. The computation includes changes to the cash balance for the outstanding amount owed at year end.

Balance as of December 31, 2023	<u>General Fund</u>
Cash balance per accountant's report	\$ 11,139
Due to DFA	(2,401)
Due to the IRS	<u>(206,169)</u>
Restated balance as of December 31, 2023	<u>\$ (197,431)</u>

7 The City has an outstanding Arkansas Drinking Water State Revolving loan with the Arkansas Natural Resources Commission (ANRC). In 2018, the Treasury was instructed to divert the City's turnback funds to the ANRC to repay, at that time, approximately \$67,000 in outstanding loans. As of the report date, the City's turnback funds continue to be withheld for this purpose.