

City of Manila, Arkansas

Financial and Compliance Report

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MANILA, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2021

Financial and Compliance Report

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Arkansas

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Sen. John Payton
Senate Vice Chair



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House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Manila, 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 Manila, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated January 25, 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 2021:

Mayor: Wayne Wagner
Treasurer: Cathy Huddleston
Clerk: Susie Parker
District Court Clerk: Carla Brewer
Police Chief: Chris Hill

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 **Treasurer**.

Mayor and Treasurer

1. The City issued two checks, dated July 15 and July 22, 2022, totaling \$1,682 to the spouse of an employee who passed away on July 4, 2022. On July 26, 2022, Council meeting minutes noted the approval of "an amount equal to two week's salary be paid...after his death." We were unable to determine if the amounts paid were owed to the employee due to lack of proper record keeping by the City.
2. The City did not have a policy for documenting time worked or paid time off for department heads. Timesheets were not maintained for these individuals; therefore, we were unable to validate salary payments or the accuracy of vacation and sick leave balances at year-end.

Mayor

1. The council minutes did not document the review of the previous report and accompanying findings and recommendations and the action taken by the council, as required by Ark. Code Ann. § 10-4-418.
2. The City entered into a debt agreement for the purpose of constructing real property with a term in excess of 5 years, in noncompliance with Ark. Const. amend. 78 § 2.

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

A handwritten signature in cursive script, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas
January 25, 2023
LOM105621

CITY OF MANILA, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds	Debt Service Fund (Sales and Use Tax Bonds, Series 2019)	Capital Projects Fund (Series 2019 Capital Improvements)	Pension Trust Fund (Firemen's Pension)
Cash and investment Balance, January 1, 2021	\$ 1,256,301	\$ 677,176	\$ 304,062	\$ 1,781,337	\$ 335,283
Receipts:					
State aid	55,347	585,237			3,782
Federal aid		351,811			
Property taxes	146,605	38,675			13,924
Franchise fees	191,284				
Sales taxes	612,603	99,816	399,265		
Fines, forfeitures, and costs	42,596	2,068			
Interest	2,379	2,084	54	261	27,543
Local permits and fees	12,635				
Sanitation fees		268,583			
Recreation fees		113,424			
Airport fuel sales		9,035			
Rentals	10,525	320,943			
Reimbursement of expenditures	60,000				
Realized gain/(loss) on sale of investments					(211)
Loan proceeds	260,000				
Other	18,323	29,405			38
Transfers in		675			
Total Receipts	1,412,297	1,821,756	399,319	261	45,076
Disbursements:					
General government	813,042			231,873	
Law enforcement	386,684	9,689			
Highways and streets		195,076		86,286	
Public safety	78,761	16,582		69,931	43,038
Sanitation		263,357			
Recreation and culture	4,005	238,435		83,421	
Social services	3,981				
Airport		261,072			
Contribution to water department				196,433	
Contribution to sewer department				57,960	
Debt service	23,095	191,983	371,894		
Transfers out	675				
Total Disbursements	1,310,243	1,176,194	371,894	725,904	43,038
Cash and Investment Balance, December 31, 2021	\$ 1,358,355	\$ 1,322,738	\$ 331,487	\$ 1,055,694	\$ 337,321

CITY OF MANILA, ARKANSAS
COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 2

	Street	Sanitation	Parks and Recreation	Local Police and Fire Retirement	Court Automation	Drug Control	Municipal Airport	Special Account	Fire Protection (Act 833)	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 143,808	\$ 129,564	\$ 129,093	\$ 4,983	\$ 9,006	\$ 7,880	\$ 232,237	\$ 10,032	\$ 10,573		\$ 677,176
Receipts:											
State aid	282,304		3,000				282,689		17,244		585,237
Federal aid							4,056			\$ 347,755	351,811
Property taxes	38,675										38,675
Sales taxes			99,816								99,816
Fines, forfeitures, and costs				563	1,505						2,068
Interest	154	124	829	5	8	4	950	10			2,084
Sanitation fees		268,583									268,583
Recreation fees			113,424								113,424
Airport fuel sales							9,035				9,035
Rentals			26,878				294,065				320,943
Other	1,442	10,375	13,113				4,475				29,405
Transfers in			675								675
Total Receipts	322,575	279,082	257,735	568	1,513	4	595,270	10	17,244	347,755	1,821,756
Disbursements:											
Law enforcement					3,961	5,728					9,689
Highways and streets	195,076										195,076
Public safety									16,582		16,582
Sanitation		263,357									263,357
Recreation and culture			238,435								238,435
Airport							261,072				261,072
Debt service	160,952	31,031									191,983
Total Disbursements	356,028	294,388	238,435		3,961	5,728	261,072		16,582		1,176,194
Cash Balance, December 31, 2021	\$ 110,355	\$ 114,258	\$ 148,393	\$ 5,551	\$ 6,558	\$ 2,156	\$ 566,435	\$ 10,042	\$ 11,235	\$ 347,755	\$ 1,322,738

CITY OF MANILA, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 3

1. Cash and investment balances on the Financial Schedules include demand and savings accounts, certificates of deposit, and mutual funds. Investments are recorded at cost.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General Fund and Jail Fee
3. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2021
District Court	\$ 21,466
General Disbursements	27,698
Southworth Grant	100

These balances represent fines, forfeitures, and costs, payroll withholdings, and start up funds for a pass-through grant that have not been transferred to the appropriate entities.

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

	December 31, 2021
Land	\$ 2,080,000
Buildings	4,042,851
Improvements	3,359,159
Construction in progress	632,916
Equipment	1,737,435
Total	<u>\$ 11,852,361</u>

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

	December 31, 2021
Bonds payable	\$ 4,465,000
Leases payable	10,590
Notes payable	374,162
Compensated absences	6,960
Total	<u>\$ 4,856,712</u>

CITY OF MANILA, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 3

6. Long-term liabilities at December 31, 2021 are comprised of the following:

	December 31, 2021
Sales and Use Tax Refunding and Improvement Bonds, Series 2019 issued to finance and refinance the cost of capital improvements, dated November 13, 2019, in the amount of \$4,810,000 due in semi-annual installments of varying amounts through October 1, 2049; interest at 2.5 - 3.0%. Payments are to be made from the Sales and Use Tax Bonds, Series 2019 Debt Service Fund.	\$ 4,465,000
Lease-purchase agreement with John Deere Credit dated August 2, 2019, in the amount of \$8,011, with an interest rate of 0% for the purchase of a John Deere Z-Trak lawn mower. Monthly installments due of \$223 for 36 months. Payments are to be made from the General Fund.	1,558
Lease-purchase agreement with John Deere Credit dated May 5, 2021, in the amount of \$10,894, with an interest rate of 0% for the purchase of a John Deere Z-Trak lawn mower. Monthly installments due of \$207 for 36 months. Payments are to be made from the General Fund.	9,032
On October 17, 2014, the City entered into an agreement with the Arkansas State Highway and Transportation Department for a highway reconstruction and utility relocation project, whereas the City agreed to pay the project costs as the bills became due and the Department agreed to reimburse the City for 100% of the costs as the bills were paid. The City agreed to reimburse the Department for 52.33% of the total project costs from the City's highway turnback revenue. In order to pay this balance, one-half of the Street turnback will be withheld until the balance is paid in full. The State and City expect this balance to be paid in full within about 5 years. The actual future payments may vary slightly due to the fluctuation of turnback received each month. The project was completed October 25, 2016, and the first reimbursement was made March 10, 2017.	16,562
Note payable with Southern Bancorp dated April 24, 2020, in the amount of \$148,216, with an interest rate of 2.59% for the purchase of a garbage truck. Monthly installments due of \$2,586 for 29 months and a balloon payment of \$80,763 due at maturity on October 24, 2022. Payments are to be made from the Sanitation Fund.	102,039
Note payable with Cross County Bank dated May 20, 2021, in the amount of \$260,000, with an interest rate of 4.95% for the purchase of a building. Monthly installments due of \$1,719 for 10 years and a balloon payment of \$163,619 due at maturity on May 20, 2031. Payments are to be made from the General Fund.	255,561
Compensated absences	6,960
Total	\$ 4,856,712

CITY OF MANILA, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 3

7. The City is obligated for the following amounts at December 31, 2021:

Years Ending December 31,	Bonds	Leases	Notes	Total
2022	\$ 432,544	\$ 3,833	\$ 141,229	\$ 577,606
2023	234,394	2,482	20,631	257,507
2024	230,944	4,275	20,631	255,850
2025	232,494		20,631	253,125
2026	228,894		20,631	249,525
2027 through 2031	1,145,506		253,018	1,398,524
2032 through 2036	1,142,950			1,142,950
2037 through 2041	1,184,950			1,184,950
2042 through 2046	1,162,000			1,162,000
2047 through 2049	346,125			346,125
Total Obligations	6,340,801	10,590	476,771	6,828,162
Less Interest	1,875,801		102,609	1,978,410
Total Principal	<u>\$ 4,465,000</u>	<u>\$ 10,590</u>	<u>\$ 374,162</u>	<u>\$ 4,849,752</u>

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

	December 31, 2021
American Rescue Plan Act (ARPA)	<u>\$ 347,755</u>