

City of Tontitown, Arkansas

Financial and Compliance Report

December 31, 2024 and 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF TONTITOWN, ARKANSAS
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Financial and Compliance Report

	<u>Schedule</u>
2024	
Schedule of Financial Information (Unaudited)	1
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	2
2023	
Schedule of Financial Information (Unaudited)	3
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	4
2024 and 2023	
Other Information (Unaudited)	5

Arkansas



Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair

Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Tontitown, 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 Tontitown, Arkansas, as of and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated May 14, 2025. These procedures were not performed for the Water and Sewer Department. 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 2024 and 2023:

Mayor: Angela Russell
Recorder/Treasurer: Rhonda Ardemagni
City Bookkeeper: Patrick Pianalto
Police Chief: Corey Jenison

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 the **Mayor, Recorder/Treasurer, and City Bookkeeper.**

Mayor

On August 4, 2022, the City entered into a contract with a vendor for IT support/services. In addition to monthly payments to the vendor between September 2024 and January 2025, the City paid \$27,840 to an individual who was apparently employed by the vendor for equivalent IT support/services. The City also paid the individual \$15,684 in advance for equipment the City did not receive. On March 14, 2025, the City invoiced the individual for a portion of the undelivered equipment; as of report date, the City had not received the equipment or been reimbursed.

On July 11, 2023, the City disbursed \$15,080 for legal fees, apparently on behalf of a citizen group opposing the expansion of the local landfill. A member of the citizen group reimbursed the City in full on November 18, 2024.

The City disbursed funds totaling \$3,500 to the University of Arkansas Foundation without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5.

The City paid \$6,820 (\$3,410 in both 2024 and 2023) to an employee for cleaning services without an authorizing ordinance, in apparent conflict with Ark. Code Ann. §14-42-107.

During our review of competitive bids, the following items were noted, in noncompliance with Ark. Code Ann. § 14-58-303:

2024

- Competitive bids were not solicited for the purchase of Police Department vehicles totaling \$50,340.
- On January 11, 2024, the City purchased Police Department firearms totaling \$56,023 without competitive bids. Subsequently, on August 20, 2024, the City Council voted to waive competitive bidding for this purchase.

2023

- Competitive bids were not solicited for the purchase of a Fire Department emergency vehicle totaling \$1,333,097.

Mayor, Recorder/Treasurer, and City Bookkeeper

The City reimbursed another municipality for police training costs in excess of the amount required per Ark. Code Ann. § 12-9-209, resulting in an overpayment amount of \$2,461. As of report date, the City had not recouped any of the overpayment.

An invoice dated January 22, 2024, for \$64,883 was paid with a City check dated December 29, 2023. The City confirmed the check was backdated to 2023 to avoid negatively affecting the 2024 budget. For 2023, the General Fund ending cash balance and disbursements were understated and overstated, respectively, by \$64,883 due to the City posting the disbursement in the incorrect year.

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
May 14, 2025
LOM120024

CITY OF TONTITOWN, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds	Debt Service Fund Sales and Use Tax Bonds Series 2022A	Capital Projects Fund Fire Construction
Cash Balance, January 1, 2024	\$ 5,832,428	\$ 875,021	\$ 982,859	\$ 786,800
Receipts:				
State aid	63,962	376,608		
Federal aid	96,411			
Property taxes	875,503	136,793		
Franchise fees	834,696			
Sales taxes	2,672,532	651,173	2,170,575	
Fines, forfeitures, and costs	282,620	48,454		
Interest	200,428	35,546	37,804	14,087
Local permits and fees	473,024			
Development impact fees	138,220	356,277		
Other		12,920		
Contribution from water and sewer department	311,325		627	
Total Receipts	<u>5,948,721</u>	<u>1,617,771</u>	<u>2,209,006</u>	<u>14,087</u>
Disbursements:				
General government	1,101,873			
Law enforcement	2,450,638	101,127		
Highways and streets		979,311		
Public safety	1,189,892	1,200		746,443
Recreation and culture	137,814			
Debt service	150,155		277,308	
Contributions to water and sewer department			1,930,008	
Total Disbursements	<u>5,030,372</u>	<u>1,081,638</u>	<u>2,207,316</u>	<u>746,443</u>
Cash Balance, December 31, 2024	<u>\$ 6,750,777</u>	<u>\$ 1,411,154</u>	<u>\$ 984,549</u>	<u>\$ 54,444</u>

CITY OF TONTITOWN, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2024
 (UNAUDITED)

Schedule 2

	<u>Street</u>	<u>Emergency Vehicle (Act 988)</u>	<u>Fire Equipment and Training (Act 833)</u>	<u>Undercover Operations</u>	<u>Public Safety Impact Fees</u>	<u>Law Enforcement Impact Fees</u>	<u>Total</u>
Cash Balance, January 1, 2024	\$ 729,634	\$ 19,280	\$ 125,357	\$ 750			\$ 875,021
Receipts:							
State aid	353,674		22,934				376,608
Property taxes	136,793						136,793
Sales taxes	651,173						651,173
Fines, forfeitures, and costs		47,813		641			48,454
Interest	29,299	847	4,159	38	\$ 627	\$ 576	35,546
Development impact fees	208,523				73,877	73,877	356,277
Other	12,920						12,920
Total Receipts	<u>1,392,382</u>	<u>48,660</u>	<u>27,093</u>	<u>679</u>	<u>74,504</u>	<u>74,453</u>	<u>1,617,771</u>
Disbursements:							
Law enforcement		45,859				55,268	101,127
Highways and streets	979,311						979,311
Public safety					1,200		1,200
Total Disbursements	<u>979,311</u>	<u>45,859</u>			<u>1,200</u>	<u>55,268</u>	<u>1,081,638</u>
Cash Balance, December 31, 2024	<u>\$ 1,142,705</u>	<u>\$ 22,081</u>	<u>\$ 152,450</u>	<u>\$ 1,429</u>	<u>\$ 73,304</u>	<u>\$ 19,185</u>	<u>\$ 1,411,154</u>

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

Schedule 3

	General Fund	Special Revenue Funds	Debt Service Fund Sales and Use Tax Bonds Series 2022A	Capital Projects Fund Fire Construction
Cash Balance, January 1, 2023	\$ 5,746,536	\$ 407,967	\$ 965,234	\$ 4,769,253
Receipts:				
State aid	65,393	384,042		
Federal aid	103,774			
Property taxes	799,381	125,519		
Franchise fees	613,954			
Sales taxes	2,261,307	306,648	1,906,840	
Fines, forfeitures, and costs	320,109	48,722		
Interest	186,842	16,053	35,387	139,725
Local permits and fees	522,186			
Development security deposit	265,000			
Contributions from water and sewer department	550,725			
Other	82,881	29,093		
Total Receipts	<u>5,771,552</u>	<u>910,077</u>	<u>1,942,227</u>	<u>139,725</u>
Disbursements:				
General government	1,220,061			
Law enforcement	1,961,125			
Highways and streets		376,923		
Public safety	2,221,423	66,100		4,122,178
Recreation and culture	132,897			
Debt service	150,154		259,108	
Contributions to water and sewer department			1,665,494	
Total Disbursements	<u>5,685,660</u>	<u>443,023</u>	<u>1,924,602</u>	<u>4,122,178</u>
Cash Balance, December 31, 2023	<u>\$ 5,832,428</u>	<u>\$ 875,021</u>	<u>\$ 982,859</u>	<u>\$ 786,800</u>

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

Schedule 4

	<u>Street</u>	<u>Emergency Vehicle (Act 988)</u>	<u>Fire Equipment and Training (Act 833)</u>	<u>Undercover Operations</u>	<u>Total</u>
Cash Balance, January 1, 2023	\$ 270,052	\$ 35,831	\$ 101,362	\$ 722	\$ 407,967
Receipts:					
State aid	362,818		21,224		384,042
Property taxes	125,519				125,519
Sales taxes	306,648				306,648
Fines, forfeitures, and costs		48,722			48,722
Interest	12,437	827	2,771	18	16,053
Other	29,083			10	29,093
Total Receipts	<u>836,505</u>	<u>49,549</u>	<u>23,995</u>	<u>28</u>	<u>910,077</u>
Disbursements:					
Highways and streets	376,923				376,923
Public safety		66,100			66,100
Total Disbursements	<u>376,923</u>	<u>66,100</u>			<u>443,023</u>
Cash Balance, December 31, 2023	<u>\$ 729,634</u>	<u>\$ 19,280</u>	<u>\$ 125,357</u>	<u>\$ 750</u>	<u>\$ 875,021</u>

CITY OF TONTITOWN, ARKANSAS
 OTHER INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
 (UNAUDITED)

Schedule 5

1. Cash balances on the Financial Schedules include demand and savings accounts.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
 General Fund, City Museum, Veneto-Mantegani, Parks and Trails Development Money Market, and General Fund Money Market.

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

	December 31, 2024	December 31, 2023
Payroll	\$ 200,872	\$ 122,810

These balances represent payroll taxes that have not been transferred to the appropriate entities.

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

	December 31, 2024	December 31, 2023
Land	\$ 993,142	\$ 993,142
Buildings and improvements	1,896,354	1,896,354
Equipment	4,562,669	4,263,529
Totals	\$ 7,452,165	\$ 7,153,025

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

	December 31, 2024	December 31, 2023
Financed purchases	\$ 284,023	\$ 418,306
Bonds payable	5,060,000	5,190,000
Totals	\$ 5,344,023	\$ 5,608,306

CITY OF TONTITOWN, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(UNAUDITED)

Schedule 5

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

	December 31, 2024	December 31, 2023
Sales and Use Tax Improvement Bond - Series 2022A, Issued January 18, 2022, for \$5,300,000; annual installments beginning February 1, 2023, with the final settlement due February 2, 2047, interest of 1.5 to 3.17%. Payments are to be made from the Debt Service Fund.	\$ 5,060,000	\$ 5,190,000
Financed purchase, dated March 4, 2021, in the amount of \$230,000, with Community First National Bank to finance the purchase of a new Midwest Tanker Pumper on Freightliner Chassis. Annual installments of \$50,042 beginning July 1, 2022, at an interest rate of 2.624%. Payments are to be made from the General Fund.	96,278	142,579
Financed purchase, dated August 1, 2022, in the amount of \$360,000, with KS State Bank for the purchase of six 2022 Dodge Durango AWD Police Pursuit Vehicles. Annual payments of \$100,112 beginning August 1, 2023, at an interest rate of 4.352%. Payments are to be made from the General Fund.	187,745	275,727
Totals	\$ 5,344,023	\$ 5,608,306

7. The City is obligated for the following amounts at December 31, 2024:

Years Ending December 31,	Financed Purchases	Bonds	Total
2025	\$ 150,154	\$ 271,908	\$ 422,062
2026	150,155	274,920	425,075
2027		272,895	272,895
2028		270,330	270,330
2029		272,168	272,168
2030 through 2034		1,475,265	1,475,265
2035 through 2039		1,650,677	1,650,677
2040 through 2044		1,635,072	1,635,072
2045 through 2047		990,569	990,569
Total Obligations	300,309	7,113,804	7,414,113
Less Interest	16,286	2,053,804	2,070,090
Total Principal	\$ 284,023	\$ 5,060,000	\$ 5,344,023

CITY OF TONTITOWN, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(UNAUDITED)

Schedule 5

7. The City is obligated for the following amounts at December 31, 2023:

Years Ending December 31,	Financed Purchases	Bonds	Total
2024	\$ 150,155	\$ 273,858	\$ 424,013
2025	150,154	271,908	422,062
2026	150,155	274,920	425,075
2027		272,895	272,895
2028		270,330	270,330
2029 through 2033		1,416,195	1,416,195
2034 through 2038		1,650,256	1,650,256
2039 through 2043		1,642,178	1,642,178
2044 through 2047		1,315,122	1,315,122
Total Obligations	450,464	7,387,662	7,838,126
Less Interest	32,158	2,197,662	2,229,820
Total Principal	<u>\$ 418,306</u>	<u>\$ 5,190,000</u>	<u>\$ 5,608,306</u>

8. Development Security Deposit

On June 1, 2023, the City received \$265,000 when entering into a Release and Settlement Agreement related to the development of the Venetto Subdivision. Funds received are to be held by the City as a security for the Developer's compliance with the agreement. If it is determined that the agreement has been materially breached, the City shall retain the security payment.