

City of Altheimer, Arkansas

Financial and Compliance Report

December 31, 2022 and 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF ALTHEIMER, ARKANSAS
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Financial and Compliance Report

| | <u>Schedule</u> |
|---|-----------------|
| 2022 | |
| Schedule of Financial Information (Unaudited) | 1 |
| Combining Schedule of Financial Information – Special Revenue Funds (Unaudited) | 2 |
| 2021 | |
| Schedule of Financial Information (Unaudited) | 3 |
| Combining Schedule of Financial Information – Special Revenue Funds (Unaudited) | 4 |
| 2022 and 2021 | |
| Other Information (Unaudited) | 5 |

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Altheimer, 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 Altheimer, Arkansas, as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated February 1, 2024. 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 2022 and 2021:

Mayor: Zola Hudson
Recorder/Treasurer: Doris Hudson-Gaddy
District Court Clerk: Jeanetta McClinton

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 **Recorder/Treasurer**.

Mayor

The City paid \$1,325 to the Mayor's spouse for labor without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

Mayor/Recorder/Treasurer

The City's bank accounts were under collateralized by \$590,610 (70%) at December 31, 2022, in noncompliance with Ark. Code Ann. § 19-8-107.

The City filed an insurance claim related to damages to City property incurred on January 26, 2022. The insurance company paid \$10,010 on April 6, 2022, to settle the claim. The itemized list of costs to the City included labor and administrative fees for individuals working during the incident. Non-employees and employees (including the Mayor, Recorder/Treasurer, and two Council Members) received, as part of the claim settlement, stipends totaling \$3,009 on April 28, 2022. The employees had already received payment for hours worked during January, and payments to non-employees were not approved by the City Council. Additionally, the City paid \$234 in payroll tax on these stipends, which were not reimbursed by the insurance claim.

Invoices and supporting documentation were not provided for tested disbursements in 2022 and 2021 of \$6,136 (11%) and \$25,055 (25%), respectively, in noncompliance with Ark. Code Ann. § 14-59-105. Of these amounts, \$4,909 and \$284 in 2022 and 2021, respectively, were for charges incurred on a credit card. Due to a lack of supporting documentation, the validity of these disbursements could not be determined.

The City did not report all employee compensation on Internal Revenue Service (IRS) Form W-2. We noted unreported income for the Mayor (\$777), Recorder/Treasurer (\$777), and an employee (\$50).

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
February 1, 2024
LOM200222

CITY OF ALTHEIMER, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

Schedule 1

| | General Fund | Special Revenue Funds |
|--|-------------------|-----------------------------|
| Cash Balance, January 1, 2022 | \$ 170,746 | \$ 125,577 |
| Receipts: | | |
| State aid | 10,383 | 73,900 |
| Federal aid | 4,659 | 84,011 |
| Property taxes | 31,357 | 9,412 |
| Franchise fees | 27,970 | |
| Sales taxes | 168,714 | |
| Fines, forfeitures, and costs | 1,468 | |
| Interest | 52 | 345 |
| Local permits and fees | 2,686 | |
| Contributions from Jefferson County | | 24,246 |
| Other | 23,247 | 3,867 |
| Transfers in | | 23,000 |
| Total Receipts | <u>270,536</u> | <u>218,781</u> |
| Disbursements: | | |
| General government | 153,993 | 3,228 |
| Law enforcement | 5,063 | |
| Highways and streets | | 94,699 |
| Public safety | 4,522 | 29,734 |
| Recreation and culture | 43,893 | 100 |
| Debt service | 8,925 | 1,755 |
| Transfers out | 23,000 | |
| Contribution to water and sewer department | 33,990 | 32,118 |
| Total Disbursements | <u>273,386</u> | <u>161,634</u> |
| Cash Balance, December 31, 2022 | <u>\$ 167,896</u> | <u>\$ 182,724</u> |

CITY OF ALTHEIMER, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

Schedule 2

| | Street | Fire Department | Fire Department Grant | Grants | Park Grant | American Rescue Plan Act | Total |
|--|-----------------|--------------------|-----------------------------|-----------------|-----------------|--------------------------------|-------------------|
| Cash Balance, January 1, 2022 | \$ 7,346 | \$ 28,518 | \$ 2,804 | \$ 1,975 | \$ 819 | \$ 84,115 | \$ 125,577 |
| Receipts: | | | | | | | |
| State aid | 60,090 | 13,810 | | | | | 73,900 |
| Federal aid | | | | | | 84,011 | 84,011 |
| Property taxes | 9,412 | | | | | | 9,412 |
| Interest | | | | | | 345 | 345 |
| Contributions from Jefferson County | | 24,246 | | | | | 24,246 |
| Other | | 3,197 | | | 670 | | 3,867 |
| Transfers in | 23,000 | | | | | | 23,000 |
| Total Receipts | <u>92,502</u> | <u>41,253</u> | | | <u>670</u> | <u>84,356</u> | <u>218,781</u> |
| Disbursements: | | | | | | | |
| General government | | | | | | 3,228 | 3,228 |
| Highways and streets | 93,407 | | | | | 1,292 | 94,699 |
| Public safety | | 29,734 | | | | | 29,734 |
| Recreation and culture | | | | | 100 | | 100 |
| Debt service | 1,755 | | | | | | 1,755 |
| Contribution to water and sewer department | | | | | | 32,118 | 32,118 |
| Total Disbursements | <u>95,162</u> | <u>29,734</u> | | | <u>100</u> | <u>36,638</u> | <u>161,634</u> |
| Cash Balance, December 31, 2022 | <u>\$ 4,686</u> | <u>\$ 40,037</u> | <u>\$ 2,804</u> | <u>\$ 1,975</u> | <u>\$ 1,389</u> | <u>\$ 131,833</u> | <u>\$ 182,724</u> |

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

Schedule 3

| | General Fund | Special Revenue Funds |
|--|-------------------|-----------------------------|
| Cash Balance, January 1, 2021 | \$ 257,804 | \$ 27,156 |
| Receipts: | | |
| State aid | 15,173 | 124,444 |
| Federal aid | 29,849 | 84,012 |
| Property taxes | 31,304 | 9,396 |
| Franchise fees | 26,642 | |
| Sales taxes | 184,975 | |
| Fines, forfeitures, and costs | 1,949 | |
| Interest | 95 | 103 |
| Local permits and fees | 2,239 | |
| Insurance proceeds | | 30,725 |
| Contributions from Jefferson County | | 18,397 |
| Other | 7,858 | 700 |
| Transfers in | | 21,500 |
| Total Receipts | <u>300,084</u> | <u>289,277</u> |
| Disbursements: | | |
| General government | 160,119 | |
| Law enforcement | 3,298 | |
| Highways and streets | 47,249 | 159,435 |
| Public safety | 4,897 | 28,708 |
| Sanitation | 4,646 | |
| Recreation and culture | 300 | |
| Debt service | 9,736 | 2,713 |
| Transfers out | 21,500 | |
| Contribution to water and sewer department | 135,397 | |
| Total Disbursements | <u>387,142</u> | <u>190,856</u> |
| Cash Balance, December 31, 2021 | <u>\$ 170,746</u> | <u>\$ 125,577</u> |

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

Schedule 4

| | Street | Fire Department | Fire Department Grant | Grants | Park Grant | American Rescue Plan Act | Total |
|-------------------------------------|-----------------|--------------------|-----------------------------|-----------------|---------------|--------------------------------|-------------------|
| Cash Balance, January 1, 2021 | \$ 2,258 | \$ 19,475 | \$ 2,804 | \$ 1,975 | \$ 644 | | \$ 27,156 |
| Receipts: | | | | | | | |
| State aid | 111,840 | 12,604 | | | | | 124,444 |
| Federal aid | | | | | | \$ 84,012 | 84,012 |
| Property taxes | 9,396 | | | | | | 9,396 |
| Interest | | | | | | 103 | 103 |
| Insurance proceeds | 24,500 | 6,225 | | | | | 30,725 |
| Contributions from Jefferson County | | 18,397 | | | | | 18,397 |
| Other | | 525 | | | 175 | | 700 |
| Transfers in | 21,500 | | | | | | 21,500 |
| Total Receipts | <u>167,236</u> | <u>37,751</u> | | | <u>175</u> | <u>84,115</u> | <u>289,277</u> |
| Disbursements: | | | | | | | |
| Highways and streets | 159,435 | | | | | | 159,435 |
| Public safety | | 28,708 | | | | | 28,708 |
| Debt service | 2,713 | | | | | | 2,713 |
| Total Disbursements | <u>162,148</u> | <u>28,708</u> | | | | | <u>190,856</u> |
| Cash Balance, December 31, 2021 | <u>\$ 7,346</u> | <u>\$ 28,518</u> | <u>\$ 2,804</u> | <u>\$ 1,975</u> | <u>\$ 819</u> | <u>\$ 84,115</u> | <u>\$ 125,577</u> |

CITY OF ALTHEIMER, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(UNAUDITED)

Schedule 5

1. Cash balances on the Financial Schedules include demand and savings accounts and certificates of deposit.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General Fund, General Grant, Money Market General, Escrow, and Virtual Direct Deposit
3. Cash balances at year-end in the custodial funds are as follows:

| | December 31, 2022 | December 31, 2021 |
|---------------------------|----------------------|----------------------|
| District Court | \$ 101 | \$ 101 |
| Administration of Justice | 5 | 5 |

These balances represent minimum bank balances maintained by the City.

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

| | December 31, 2022 | December 31, 2021 |
|-----------|----------------------|----------------------|
| Buildings | \$ 325,679 | \$ 325,679 |
| Equipment | 498,402 | 455,337 |
| Totals | <u>\$ 824,081</u> | <u>\$ 781,016</u> |

The municipality's capital assets records did not contain cost amounts for land.

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

| | December 31, 2021 |
|--------------------|----------------------|
| Financed purchases | <u>\$ 10,449</u> |

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

| | December 31, 2022 | December 31, 2021 |
|---------------------------------|----------------------|----------------------|
| American Rescue Plan Act (ARPA) | <u>\$ 84,011</u> | <u>\$ 84,012</u> |

CITY OF ALTHEIMER, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(UNAUDITED)

Schedule 5

7. The City's Water and Sewer Department received a letter from the Arkansas Department of Health dated May 28, 2020, which contained deficiencies noted in a Sanitary Survey completed February 5, 2020. The Sanitary Survey concluded, among other issues, the utility needs an elevated storage tank replacement because the tank's condition is too poor to restore. As of report date, the City has been unable to obtain funding due to an inadequate rate/fee structure and revenue to expense ratios, as noted in a Water Rate Study performed by the Rural Community Assistance Program dated February 2019. The City's General Fund has transferred funds to or directly paid expenses for the Department in the amounts of \$33,990, \$135,397, \$49,161, \$29,397, and \$61,017 for the years 2022, 2021, 2020, 2019, and 2018, respectively. The 2020 City of Altheimer Water and Sewer Department Audit Report, dated June 14, 2021, reflects an amount "Due to General Fund" at December 31, 2020 of \$252,257. The Audit is available on Arkansas Legislative Audit's website at www.arklegaudit.gov.