

**City of Cotton Plant, Arkansas**

**Financial and Compliance Report**

**December 31, 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF COTTON PLANT, ARKANSAS  
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FOR THE YEAR ENDED DECEMBER 31, 2021

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**Roger A. Norman, JD, CPA, CFE, CFF**  
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, 2021, and have issued our report thereon dated September 7, 2022. 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: 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 office of **Mayor**.

#### **Mayor**

1. On November 18, 2021, the City signed a payment agreement with the Woodruff County District Court to pay the City's share of the District Judge's salary and retirement totaling \$46,493 due from 2015 through 2020. This agreement requires payments of \$1,000 per month beginning in December 2021. No payments were made.
2. We noted the following issues during our review of payroll records:
  - Salary payments to the Mayor and payroll preparer of \$421 and \$1,189, respectively, were not reported on the Internal Revenue Service (IRS) Form W-2.
  - We were unable to determine if IRS Form W-3 was filed.
  - The budget was not detailed enough to determine if the Mayor's and payroll preparer's salaries were authorized.
3. Cash receipts and disbursements journals were not established for all funds, as required by Ark. Code Ann. § 14-59-110, -111. For funds where the journals were established, they were not properly posted to include all receipts and disbursements. A similar finding was noted in the four previous reports dating back to 2014.
4. Monthly bank reconciliations were not performed, as required by Ark. Code Ann. § 14-59-108. A similar finding was noted in the four previous reports dating back to 2014.
5. A fixed asset listing was established; however, it did not contain totals and identification numbers for equipment, as required by Ark. Code Ann. § 14-59-107. In addition, a fixed asset policy was not adopted by the governing body. A similar finding was noted in the seven previous reports dating back to 2011.
6. Property taxes of \$719 and \$330 were not transferred from the General Fund to the Street and Fire Department Funds, respectively. A similar finding was noted in the previous report.
7. A monthly financial report was not always submitted to the council, as required by Ark. Code Ann. § 14-43-506. In addition, this report did not contain the liabilities of the city.

8. The City failed to timely remit state payroll taxes for reporting periods dating back to 2015. Review of a notification from the Arkansas Department of Finance and Administration shows the City owed taxes, penalties, and interest of \$10,853 at year end of 2020. No notification was provided for 2021. A similar finding was noted in the four previous reports dating back to 2014.
9. The City failed to timely remit federal payroll taxes for reporting periods dating back to 2015. Review of Internal Revenue Service (IRS) notices indicated unpaid federal payroll taxes and penalties totaling \$150,436 for 2020. No notices were provided for 2021. A similar finding was noted in the four previous report dating back to 2014.

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



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

Little Rock, Arkansas  
September 7, 2022  
LOM203721

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

Schedule 1

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2021	\$ 96,238	\$ 9,856
Receipts:		
State aid	686	73,253
Federal aid		59,461
Property taxes	11,196	2,394
Franchise fees	20,511	
Sales taxes	135,800	
Fines, forfeitures, and costs	13,927	
Local permits and fees	175	
Donations	26,930	15,234
Rental income	486,007	
Sanitation fees	3,497	
Other	10,198	7,625
Transfers in	16,013	95,568
Total Receipts	<u>724,940</u>	<u>253,535</u>
Disbursements:		
General government	362,490	41,191
Law enforcement	109,665	14
Highways and streets	2,000	129,360
Public safety	36,095	33,747
Sanitation	200	
Recreation and culture	88,748	1,950
Social services	11,032	
Debt service	8,832	1,517
Transfers out	89,891	21,690
American Rescue Plan Act funds remitted to water department		17,763
Contribution to water	104,292	256
Total Disbursements	<u>813,245</u>	<u>247,488</u>
Cash Balance, December 31, 2021	<u>\$ 7,933</u>	<u>\$ 15,903</u>

CITY OF COTTON PLANT, ARKANSAS  
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (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, 2021	\$ 693	\$ 1,481	\$ 2,370	\$ 2,719	\$ 2,482	\$ 25	\$ 86		\$ 9,856
Receipts:									
State aid	51,087		22,166						73,253
Federal aid								\$ 59,461	59,461
Property taxes	1,185					1,209			2,394
Donations						15,234			15,234
Other	200			2,200		5,225			7,625
Transfers in	77,714		10,495			7,359			95,568
Total Receipts	130,186		32,661	2,200		29,027		59,461	253,535
Disbursements:									
General government					15			41,176	41,191
Law enforcement		14							14
Highways and streets	129,360								129,360
Public safety			17,703			16,019	25		33,747
Recreation and culture				1,950					1,950
Debt service	1,517								1,517
Transfers out			10,974			10,716			21,690
American Rescue Plan Act funds remitted to water department								17,763	17,763
Contributions to water department			256						256
Total Disbursements	130,877	14	28,933	1,950	15	26,735	25	58,939	247,488
Cash Balance, December 31, 2021	\$ 2	\$ 1,467	\$ 6,098	\$ 2,969	\$ 2,467	\$ 2,317	\$ 61	\$ 522	\$ 15,903

CITY OF COTTON PLANT, ARKANSAS  
OTHER INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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, Catfish Processing, Food Pantry, Administration of Justice, and Bold Team

3. The cash balance at year-end in the custodial fund is as follows:

	December 31, 2021
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Payroll	\$ 13,341

This balance represents payroll taxes that have not been transferred to the appropriate entities.

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

	December 31, 2021
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Buildings	<u><u>\$ 1,183,884</u></u>

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, 2021
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Leases payable	<u><u>\$ 12,936</u></u>

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

	December 31, 2021
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American Rescue Plan Act (ARPA)	<u><u>\$ 59,461</u></u>