

City of Cotton Plant, Arkansas

Financial and Compliance Report

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF COTTON PLANT, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, and have issued our report thereon dated June 22, 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 2022:

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 the **Mayor**.

Mayor

1. A fixed asset listing was established; however, 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 eight reports dating back to 2011.
2. The City failed to timely remit federal payroll taxes and reports for reporting periods dating back to 2015. Review of Internal Revenue Service (IRS) notices indicated unpaid federal payroll taxes and penalties totaling \$158,146 as of December 31, 2022. A similar finding was noted in the previous five reports dating back to 2014.
3. Although Schedule 1 of this report shows a balance of \$15,743, it was brought to our attention that as of December 31, 2022, the General Fund owed a significant amount to the IRS. As shown in Note 7 of Schedule 3, when this amount is considered, the General Fund had a deficit balance of \$142,403.
4. 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.
5. The following issues were noted regarding the City's receipting process, in noncompliance with Ark. Code Ann § 14-58-109:
 - Prenumbered receipts were not issued for all funds received.
 - Receipts did not indicate the fund to be credited or purpose of the payment.
 - Receipts did not appear to be issued at the time of collection or the earliest opportunity.

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
June 22, 2023
LOM203722

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

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2022	\$ 9,327	\$ 15,203
Receipts:		
State aid	5,910	58,063
Federal aid		59,461
Property taxes	10,626	4,224
Franchise fees	22,698	
Sales taxes	105,280	
Fines, forfeitures, and costs	10,495	
Local permits and fees	105	
Donations	1,955	6,896
Rent	350,955	1,745
Sanitation fees	47,522	
Other	3,452	1,687
Transfers in		25,468
Total Receipts	<u>558,998</u>	<u>157,544</u>
Disbursements:		
General government	332,239	13,471
Law enforcement	60,761	60
Highways and streets	1,032	76,784
Public safety		19,827
Sanitation	48,604	
Health	16,500	1,500
Recreation and culture	1,659	6,357
Social services	2,595	
Grant funds returned to grantor	6,467	
Debt service	799	1,844
Transfers out	25,468	
Contributions to water department	56,458	35,291
Total Disbursements	<u>552,582</u>	<u>155,134</u>
Cash Balance, December 31, 2022	<u>\$ 15,743</u>	<u>\$ 17,613</u>

CITY OF COTTON PLANT, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (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, 2022	\$ 2	\$ 1,467	\$ 6,098	\$ 2,269	\$ 2,467	\$ 2,317	\$ 61	\$ 522	\$ 15,203
Receipts:									
State aid	45,672		12,391						58,063
Federal aid								59,461	59,461
Property taxes	2,105					2,119			4,224
Donations	120			3,450		3,326			6,896
Rent				1,745					1,745
Other	1,687								1,687
Transfers in	23,771		467			1,230			25,468
Total Receipts	<u>73,355</u>		<u>12,858</u>	<u>5,195</u>		<u>6,675</u>		<u>59,461</u>	<u>157,544</u>
Disbursements:									
General government					703			12,768	13,471
Law enforcement		60							60
Highways and streets	72,409							4,375	76,784
Public safety			11,265			8,207	60	295	19,827
Health								1,500	1,500
Recreation and culture				6,357					6,357
Debt service	1,844								1,844
Contributions to water department								35,291	35,291
Total Disbursements	<u>74,253</u>	<u>60</u>	<u>11,265</u>	<u>6,357</u>	<u>703</u>	<u>8,207</u>	<u>60</u>	<u>54,229</u>	<u>155,134</u>
Cash Balance, December 31, 2022	<u>\$ (896)</u>	<u>\$ 1,407</u>	<u>\$ 7,691</u>	<u>\$ 1,107</u>	<u>\$ 1,764</u>	<u>\$ 785</u>	<u>\$ 1</u>	<u>\$ 5,754</u>	<u>\$ 17,613</u>

CITY OF COTTON PLANT, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, Bold Team, and Sanitation.

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

	<u>December 31, 2022</u>
Payroll	\$ 6,044

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

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

	<u>December 31, 2022</u>
Buildings	<u>\$ 1,183,884</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:

	<u>December 31, 2022</u>
Financed purchases	<u>\$ 10,771</u>

CITY OF COTTON PLANT, ARKANSAS
 OTHER INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)

Schedule 3

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

	December 31, 2022
American Rescue Plan Act (ARPA)	\$ 59,461

7. 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) at December 31, 2022. 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.

	General Fund
Balance as of December 31, 2022	
Cash balance per accountant's report	\$ 15,743
Due to the IRS	(158,146)
Restated balance as of December 31, 2022	\$ (142,403)