

City of Diamond City, Arkansas

Financial and Compliance Report

December 31, 2021 and 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF DIAMOND CITY, ARKANSAS
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Arkansas

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Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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 Diamond City, 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 Diamond City, Arkansas, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated August 26, 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 and 2020:

Mayor: Linda Miracle (January 1, 2020 – November 4, 2020)
Jaime Nuessner (appointed December 2, 2020)
Recorder: Tina Jackson (resigned December 15, 2020)
Kathy Pate (appointed January 1, 2021)
Treasurer: Keisha Bell (July 2020 – December 2020)
Stephanie Martin (elected January 1, 2021 – resigned August 20, 2021)
Eva Gray (appointed September 28, 2021)
Police Chief: Joel Richardson (July 15, 2020 – February 2021)
Troy Burleson (hired March 2021)

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

Prenumbered receipts were not maintained or issued for revenues in the General and Street Funds in 2020 and 2021, in noncompliance with Ark. Code Ann. § 14-59-109.

Bank reconciliations were not approved by a municipal official or employee, other than the person preparing the reconciliation, in noncompliance with Ark. Code Ann. § 14-59-108. A similar finding was issued in the previous report.

An audit or agreed upon procedures report was not obtained for the City's water and sewer system, as required by Ark. Code Ann. § 14-234-119. A similar finding was issued in the previous two reports dating back to 2017.

Cash receipts journals were not properly posted for the General and Street Fund, as required by Ark. Code Ann. § 14-59-110. A similar finding was issued in the previous report.

Cash disbursements journals for the General Fund (Payroll Account) were not properly maintained, as required by Ark. Code Ann. § 14-59-111. A similar finding was issued in the previous report.

Expenditures exceeded budgeted appropriations in 2020 for the General and Street Fund by \$87,966 (59%) and \$19,330 (39%), respectively, and in 2021 for the General and Street Fund by \$257,116 (128%) and \$11,784 (22%), respectively, in noncompliance with Ark. Code Ann. § 14-58-203. A similar finding was issued in the previous report.

All disbursements of municipal funds were not made with prenumbered checks, and electronic disbursements were made without an established electronic funds transfer policy approved by ordinance, both as required by Ark. Code Ann. § 14-59-105.

The governing body did not document its review of the prior report and accompanying comments, as required by Ark. Code Ann. § 10-4-418. A similar finding was issued in the previous report.

Invoices and supporting documentation was not maintained for all disbursements, as required by Ark. Code Ann. § 14-59-105. A similar finding was issued in the previous report.

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 black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being more prominent.

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

Little Rock, Arkansas
August 26, 2022
LOM204421

CITY OF DIAMOND CITY, 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	\$ 236,922	\$ 153,853
Receipts:		
State aid	12,648	64,054
Federal aid		82,873
Property taxes	54,640	5,151
Franchise fees	32,559	
Sales taxes	208,985	
Fines, forfeitures, and costs	3,835	
Interest	114	33
Local permits and fees	4,425	
Contribution from water and sewer	87,745	
Other	19,881	1,340
Transfers in		2,435
Unclassified	2,155	
Total Receipts	426,987	155,886
Disbursements:		
General government	305,061	
Law enforcement	68,443	
Highways and streets		66,715
Recreation and culture	13,148	
Contribution to water and sewer	59,894	
Debt service	8,397	
Transfers out	2,435	
Unclassified		20
Total Disbursements	457,378	66,735
Cash Balance, December 31, 2021	\$ 206,531	\$ 243,004

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

Schedule 2

	<u>Street</u>	<u>American Rescue Plan Act (ARPA)</u>	<u>Total</u>
Cash Balance, January 1, 2021	\$ 153,853		\$ 153,853
Receipts:			
State aid	64,054		64,054
Federal aid		\$ 82,873	82,873
Property taxes	5,151		5,151
Interest	33		33
Other	1,340		1,340
Transfers in	2,435		2,435
Total Receipts	<u>73,013</u>	<u>82,873</u>	<u>155,886</u>
Disbursements:			
Highways and streets	66,715		66,715
Unclassified		20	20
Total Disbursements	<u>66,715</u>	<u>20</u>	<u>66,735</u>
Cash Balance, December 31, 2021	<u>\$ 160,151</u>	<u>\$ 82,853</u>	<u>\$ 243,004</u>

CITY OF DIAMOND CITY, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Schedule 3

	General Fund	Special Revenue Fund (Street)
Cash Balance, January 1, 2020	\$ 189,395	\$ 143,662
Receipts:		
State aid	11,603	59,034
Property taxes	45,566	4,658
Franchise fees	34,667	
Sales taxes	180,112	
Fines, forfeitures, and costs	7,830	
Interest	253	143
Local permits and fees	2,514	
Contribution from water and sewer		245
Other	5,281	507
Transfers in		15,579
Total Receipts	<u>287,826</u>	<u>80,166</u>
Disbursements:		
General government	144,966	
Law enforcement	42,403	
Highways and streets		66,652
Contribution to water and sewer	28,954	3,323
Debt service	8,397	
Transfers out	15,579	
Total Disbursements	<u>240,299</u>	<u>69,975</u>
Cash Balance, December 31, 2020	<u>\$ 236,922</u>	<u>\$ 153,853</u>

CITY OF DIAMOND CITY, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(UNAUDITED)

Schedule 4

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, General Capital Outlay, Payroll, and General Maintenance

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

	December 31, 2021	December 31, 2020
Land	\$ 253,540	\$ 65,790
Buildings	95,000	95,000
Equipment	311,008	310,888
Total	<u>\$ 659,548</u>	<u>\$ 471,678</u>

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

	December 31, 2021	December 31, 2020
Notes payable	<u>\$ 13,503</u>	<u>\$ 21,172</u>

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

	December 31, 2021
American Rescue Plan Act (ARPA)	<u>\$ 82,873</u>