

City of Dierks, Arkansas

Financial and Compliance Report

December 31, 2022

*Including Financial Information
For
December 31, 2021 and 2020*

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF DIERKS, ARKANSAS
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Financial and Compliance Report

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Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Dierks, 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 Dierks, Arkansas, as of and for the years ended December 31, 2022. Additionally, we requested certain cash basis information and your acknowledgement of compliance with certain state laws and accepted accounting practices for the years ended December 31, 2021, and 2020, and have issued our report thereon dated August 11, 2023. These procedures were not performed for the Water and Sewer Fund. 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, 2021, and 2020:

Mayor: Ronnie Cogburn
Recorder/Treasurer: Sherri Edge
Police Chief: John McKee

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.

During our evaluation, noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **Recorder/Treasurer**.

Mayor

The minutes of the governing body did not document the review of the findings and recommendations and the action taken by the governing body for the prior report, as required by Ark. Code Ann. § 10-4-418.

The City entered into an eighty-four (84) month installment contract with a local bank on July 15, 2021, in the amount of \$107,958 for the purchase of equipment which appears to be in conflict with Ark. Const. amend. 78 § 2, which limits short-term financing obligations to five years.

Recorder / Treasurer

A fixed asset listing was established, but did not include additions and deletions, as required by Ark. Code Ann. § 14-59-107.

Other Matters

The following information was disclosed in our investigative report for the City of Dierks Water and Sewer System (System) Review of Receipts and Deposits for the period January 1, 2015 through September 30, 2020.

In summary, our review revealed that revenue totaling \$501,193 was not deposited in the System's bank accounts during the review period. The Secretary/Water Clerk was custodian of the funds and was responsible for bank deposits. Several internal control deficiencies contributed to funds being apparently misappropriated and the discrepancies not being detected timely.

In addition, the City failed to obtain annual financial audits or agreed-upon procedures and compilation reports for the System in a timely manner, as required by Ark. Code Ann. § 14-234-119.

Furthermore, subsequent to our investigative report, the Secretary/Water Clerk, Cheryl Delarosa pled guilty to one count of felony theft of property, was sentenced to 72 months in the Arkansas Department of Correction, and was ordered to pay restitution of \$501,000.

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
August 11, 2023
LOM204622

CITY OF DIERKS, 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	\$ 936,755	\$ 190,229
Receipts:		
State aid	13,665	118,673
Federal aid	112,084	
Property taxes	37,778	9,818
Franchise fees	199,232	
Sales taxes	521,529	
Fines, forfeitures, and costs	11,076	
Interest	8,050	975
Local permits and fees	602	38,116
Sanitation fees	102,907	
Donations		500
Grants		5,000
Other	27,492	119
Transfers in		63,330
Unclassified	51,392	
Total Receipts	<u>1,085,807</u>	<u>236,531</u>
Disbursements:		
General government	435,131	
Law enforcement	428,087	
Highways and streets		95,530
Public safety	76	22,676
Sanitation	145,678	
Recreation and culture		111,146
Debt service		25,373
Transfers out	63,330	
Total Disbursements	<u>1,072,302</u>	<u>254,725</u>
Cash Balance, December 31, 2022	<u>\$ 950,260</u>	<u>\$ 172,035</u>

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

Schedule 2

	Street	Fire Department	Park Commission	Total
Cash Balance, January 1, 2022	\$ 100,219	\$ 45,496	\$ 44,514	\$ 190,229
Receipts:				
State aid	79,084		39,589	118,673
Property taxes	9,818			9,818
Interest	954	21		975
Local permits and fees		38,116		38,116
Donations		500		500
Grants		5,000		5,000
Other		77	42	119
Transfers in			63,330	63,330
Total Receipts	<u>89,856</u>	<u>43,714</u>	<u>102,961</u>	<u>236,531</u>
Disbursements:				
Highways and streets	95,530			95,530
Public safety		22,676		22,676
Recreation and culture			111,146	111,146
Debt service	8,662	16,711		25,373
Total Disbursements	<u>104,192</u>	<u>39,387</u>	<u>111,146</u>	<u>254,725</u>
Cash Balance, December 31, 2022	<u>\$ 85,883</u>	<u>\$ 49,823</u>	<u>\$ 36,329</u>	<u>\$ 172,035</u>

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

Schedule 3

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2021	\$ 656,633	\$ 277,411
Receipts:		
State aid	39,062	100,527
Federal aid	114,635	
Property taxes	37,950	9,025
Franchise fees	167,583	
Sales taxes	445,499	
Fines, forfeitures, and costs	8,077	
Interest	7,073	1,273
Local permits and fees	503	33,643
Sanitation fees	102,623	
Donations	5,500	47,471
Grants		1,000
Other	35,351	7,271
Transfers in		25,657
Unclassified		3,763
Total Receipts	<u>963,856</u>	<u>229,630</u>
Disbursements:		
General government	208,353	
Law enforcement	237,844	
Highways and streets	411	122,157
Public safety	66	25,405
Sanitation	158,052	
Recreation and culture		151,955
Debt service		17,295
Transfers out	25,657	
Unclassified	53,351	
Total Disbursements	<u>683,734</u>	<u>316,812</u>
Cash Balance, December 31, 2021	<u>\$ 936,755</u>	<u>\$ 190,229</u>

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

Schedule 4

	Street	Fire Department	Park Commission	Total
Cash Balance, January 1, 2021	\$ 115,892	\$ 49,482	\$ 112,037	\$ 277,411
Receipts:				
State aid	89,035	1,029	10,463	100,527
Property taxes	9,025			9,025
Interest	1,238	35		1,273
Local permits and fees		33,643		33,643
Donations		3,000	44,471	47,471
Grants		1,000		1,000
Other	3,423	7	3,841	7,271
Transfers in			25,657	25,657
Unclassified	3,763			3,763
Total Receipts	<u>106,484</u>	<u>38,714</u>	<u>84,432</u>	<u>229,630</u>
Disbursements:				
Highways and streets	122,157			122,157
Public safety		25,405		25,405
Recreation and culture			151,955	151,955
Debt service		17,295		17,295
Total Disbursements	<u>122,157</u>	<u>42,700</u>	<u>151,955</u>	<u>316,812</u>
Cash Balance, December 31, 2021	<u>\$ 100,219</u>	<u>\$ 45,496</u>	<u>\$ 44,514</u>	<u>\$ 190,229</u>

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

Schedule 5

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2020	\$ 398,603	\$ 161,170
Receipts:		
State aid	16,810	95,098
Federal aid	44,887	
Property taxes	39,245	9,786
Franchise fees	131,091	
Sales taxes	508,840	
Fines, forfeitures, and costs	6,502	
Interest	3,177	1,092
Local permits and fees	602	31,544
Sanitation fees	88,605	
Donations		70,400
Other	29,867	11,089
Transfers in		23,330
Unclassified		8,601
Total Receipts	<u>869,626</u>	<u>250,940</u>
Disbursements:		
General government	129,883	
Law enforcement	276,290	
Highways and streets		85,911
Public safety		22,928
Sanitation	151,122	
Recreation and culture	15,850	7,043
Debt service		18,817
Transfers out	23,330	
Unclassified	15,121	
Total Disbursements	<u>611,596</u>	<u>134,699</u>
Cash Balance, December 31, 2020	<u>\$ 656,633</u>	<u>\$ 277,411</u>

CITY OF DIERKS, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (UNAUDITED)

Schedule 6

	Street	Fire Department	Park Commission	Total
Cash Balance, January 1, 2020	\$ 101,642	\$ 34,079	\$ 25,449	\$ 161,170
Receipts:				
State aid	85,531	9,567		95,098
Property taxes	9,786			9,786
Interest	1,010	65	17	1,092
Local permits and fees		31,544		31,544
Donations		200	70,200	70,400
Other	1,068	9,937	84	11,089
Transfers in			23,330	23,330
Unclassified	8,601			8,601
Total Receipts	<u>105,996</u>	<u>51,313</u>	<u>93,631</u>	<u>250,940</u>
Disbursements:				
Highways and streets	85,911			85,911
Public safety		22,928		22,928
Recreation and culture			7,043	7,043
Debt service	5,835	12,982		18,817
Total Disbursements	<u>91,746</u>	<u>35,910</u>	<u>7,043</u>	<u>134,699</u>
Cash Balance, December 31, 2020	<u>\$ 115,892</u>	<u>\$ 49,482</u>	<u>\$ 112,037</u>	<u>\$ 277,411</u>

CITY OF DIERKS, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020
(UNAUDITED)

Schedule 7

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, Criminal Justice, Equipment Depreciation, General Savings, and Investigations
3. The Municipality's updated capital assets records were not available.
4. Outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Notes payable	\$ 110,486	\$ 139,953	\$ 46,198

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

	December 31, 2022	December 31, 2021	December 31, 2020
Coronavirus Aid, Relief and Economic Security Act (CARES)			\$ 44,887
American Rescue Plan Act (ARPA)	\$ 112,084	\$ 112,085	
Totals	\$ 112,084	\$ 112,085	\$ 44,887

The American Rescue Plan Act funds received in 2022 and 2021 were deposited and reported in the General Fund.