

**City of Grady, Arkansas**

**Financial and Compliance Report**

**December 31, 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF GRADY, ARKANSAS  
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FOR THE YEAR ENDED DECEMBER 31, 2021

Financial and Compliance Report

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# Arkansas

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Senate Vice Chair



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House Chair  
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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 Grady, 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 Grady, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated January 19, 2023. 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 2021:

Mayor: Charles Knight  
Recorder/Treasurer: Lynley Powell  
District Court Clerk: Carmen Davis  
Police Chief: Kenny Hunter

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 **Police Chief**.

#### **Mayor and Police Chief**

Fines and costs revenue of \$470,265 exceeded 30% of the City's total expenditures in the preceding year by \$284,758, in noncompliance with Ark. Code Ann. § 12-8-403. This revenue was generated from traffic offense citations written or by arrests made by the City's law enforcement personnel or from ancillary actions related to the enforcement of traffic offenses.

#### **Mayor**

An audit or agreed upon procedures report has not been obtained for the Grady Water and Sewer System for the years 2020, 2019, and 2018 as required by Ark. Code Ann. § 14-234-119. A similar finding was issued in the previous reports dating back to 2018.

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 that reads "Roger A. Norman".

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

Little Rock, Arkansas  
January 19, 2023  
LOM206721

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

Schedule 1

	General Fund	Special Revenue Funds
	<u>          </u>	<u>          </u>
Cash Balance, January 1, 2021	\$ 120,793	\$ 318,105
	<u>          </u>	<u>          </u>
Receipts:		
State aid	6,887	108,431
Federal aid		40,504
Property taxes	16,523	8,267
Franchise fees	17,147	
Sales taxes	93,099	
Fines, forfeitures, and costs	423,114	47,151
Interest	10	
Local permits and fees	320	
Other	136	3,788
Transfers in		81,843
Total Receipts	<u>557,236</u>	<u>289,984</u>
	<u>          </u>	<u>          </u>
Disbursements:		
General government	426,651	40,504
Law enforcement	18,215	26,061
Highways and streets		99,958
Public safety	991	144,148
Transfers out	63,845	17,998
Total Disbursements	<u>509,702</u>	<u>328,669</u>
	<u>          </u>	<u>          </u>
Cash Balance, December 31, 2021	<u>\$ 168,327</u>	<u>\$ 279,420</u>

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

Schedule 2

	Street	Administration of Justice	Criminal Incarceration	Municipal Computer	Fire Equipment and Training Act 833	Court Automation	City Sales Tax/ Street improvements	Municipal Vehicle	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 11,615	\$ 5,271	\$ 63,262	\$ 55,814	\$ 45,378	\$ 7,075	\$ 71,114	\$ 58,576		\$ 318,105
Receipts:										
State aid	34,119				18,312			56,000		108,431
Federal aid									\$ 40,504	40,504
Property taxes	8,267									8,267
Fines, forfeitures, and costs		8,102	25,245	11,091		2,713				47,151
Other	3,763				25					3,788
Transfers in							63,845	17,998		81,843
Total Receipts	46,149	8,102	25,245	11,091	18,337	2,713	63,845	73,998	40,504	289,984
Disbursements:										
General Government									40,504	40,504
Law enforcement		9,184	4,607	12,270						26,061
Highways and streets	50,863						49,095			99,958
Public safety					11,278	296		132,574		144,148
Transfers out			17,998							17,998
Total Disbursements	50,863	9,184	22,605	12,270	11,278	296	49,095	132,574	40,504	328,669
Cash Balance, December 31, 2021	\$ 6,901	\$ 4,189	\$ 65,902	\$ 54,635	\$ 52,437	\$ 9,492	\$ 85,864	\$ 0	\$ 0	\$ 279,420

CITY OF GRADY, ARKANSAS  
OTHER INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)

Schedule 3

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 and Legal Defense

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

	December 31, 2021
District Court	<u>\$ 102,605</u>

This balance represents fines, forfeitures, and costs that have not been transferred to the appropriate entities.

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

	December 31, 2021
Land & Buildings	\$ 390,877
Equipment	<u>400,192</u>
Total	<u>\$ 791,069</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>\$ 40,504</u>