City of Grady, Arkansas

Financial and Compliance Report

December 31, 2025

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF GRADY, ARKANSAS
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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, 2025, and have issued our report thereon dated April 21, 2026. These procedures were not performed for the Water, Sewer, and Sanitation 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 2025:

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 **Recorder/Treasurer**.

Mayor

An audit or agreed upon procedures report has not been obtained for the Grady Water and Sewer System since 2017, as required by Ark. Code Ann. § 14-234-119. A similar finding was issued in the previous five reports.

Mayor and Recorder/Treasurer

In February 2025, $64,605 was paid from restricted Criminal Incarceration Funds for water well repairs, in noncompliance with Ark. Code Ann. § 16-17-129. When combined with the amount due from 2024, the City owes the Criminal Incarceration Fund $84,799 as of December 31, 2025. The City Council approved to repay the Criminal Incarceration Fund $500 per month until repaid in full. In 2025, the City made total payments of $6,000 to reduce the balance. 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

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
April 21, 2026
LOM206725

CITY OF GRADY, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2025	$ 87,960	$ 314,945
Receipts:		
State aid	3,032	42,666
Property taxes	20,101	10,000
Franchise fees	30,914	
Sales taxes	110,987	
Fines, forfeitures, and costs	443,501	44,688
Interest	19	
Local permits and fees	2,531	
Contribution from water department		6,000
Other	22,407	22,605
Transfers in		80,333
Total Receipts	633,492	206,292
Disbursements:		
General government	364,188	
Law enforcement	111,521	67,817
Highways and streets		114,479
Public safety	6,335	12,128
Wastewater		64,605
Transfers out	80,333	
Total Disbursements	562,377	259,029
Cash Balance, December 31, 2025	$ 159,075	$ 262,208

CITY OF GRADY, ARKANSAS
COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Schedule 2

	Street	Administration of Justice	Criminal Incarceration	Municipal Computer	Fire Equipment and Training Act 833	Court Automation	Sales Tax/Street Improvements	Total
Cash Balance, January 1, 2025	$ 6,893	$ 2,397	$ 99,798	$ 38,571	$ 11,403	$ 322	$ 155,561	$ 314,945
Receipts:								
State aid	15,039				27,627			42,666
Property taxes	10,000							10,000
Fines, forfeitures, and costs		8,102	23,785	11,091		1,710		44,688
Contribution from water department			6,000					6,000
Other	10	15	10	10	15	15	22,530	22,605
Transfers in							80,333	80,333
Total Receipts	25,049	8,117	29,795	11,101	27,642	1,725	102,863	206,292
Disbursements:								
Law enforcement		8,413	95	18,156		477	40,676	67,817
Highways and streets	27,718						86,761	114,479
Public safety					12,128			12,128
Wastewater			64,605					64,605
Total Disbursements	27,718	8,413	64,700	18,156	12,128	477	127,437	259,029
Cash Balance, December 31, 2025	$ 4,224	$ 2,101	$ 64,893	$ 31,516	$ 26,917	$ 1,570	$ 130,987	$ 262,208

CITY OF GRADY, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

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. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2025
District Court	$ 107,912
Act 1256	298

The District Court balance represent fines, forfeitures, and costs that have not been transferred to the appropriate entities, and the Act 1256 balance represent the minimum bank balance maintained by the City.

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

	December 31, 2025
Land and Buildings	$ 390,877
Equipment	386,773
Total	$ 777,650

5. Pursuant to Ark. Code Ann. § 14-234-120, which states if an agreed-upon procedures and compliance report "... for a municipal water or sewer system is not submitted to the Legislative Auditor on behalf of the municipality within eighteen (18) months after the end of a fiscal year that the report covers, the Legislative Joint Auditing Committee may give notice of that fact to the Treasurer of State, who shall then withhold any turnback funds due the municipality in escrow until notified by the Legislative Joint Auditing Committee that all reports covering periods through the most recent fiscal year have been filed..." As of report date, the City of Grady's general revenue turnback funds for August 2025 through April 2026 are being held in escrow.