

City of Grubbs, Arkansas

Financial and Compliance Report

December 31, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF GRUBBS, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Financial and Compliance Report

| | <u>Schedule</u> |
|---|-----------------|
| Schedule of Financial Information (Unaudited) | 1 |
| Combining Schedule of Financial Information – Special Revenue Funds (Unaudited) | 2 |
| Other Information (Unaudited) | 3 |

Arkansas

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Sen. John Payton
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 Grubbs, 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 Grubbs, Arkansas, as of and for the year ended December 31, 2022, and have issued our report thereon dated April 5, 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:

Mayor: Jackie Ivy
Recorder/Treasurer: Sarah Bennett (Resigned August 5, 2022)
Chris Sutherland (Appointed November 7, 2022)

We evaluated the City's compliance with certain state laws concerning general 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 and compilation has not been completed for the Water and Sewer Fund, as required by Ark. Code Ann. § 14-234-119. A similar finding was noted in the previous three reports dating back to 2017.

Recorder/Treasurer

1. Cash receipts and disbursements journals did not have year to date totals for each fund, in noncompliance with Ark. Code Ann. §§ 14-59-110, -111. A similar finding was noted in the previous six reports dating back to 2010.
2. Electronic disbursements were made in multiple funds without proper approval of the council (by ordinance) and without establishing written policies and procedures to ensure that the electronic funds payment system provides for internal accounting controls and documentation for audit and accounting purposes, in noncompliance with Ark. Code Ann. § 14-59-105.
3. The Treasurer did not submit monthly financial reports to the council and annual financial statements were not prepared and posted, as required by Ark. Code Ann. §§ 14-59-115, -116.
4. The City failed to timely remit federal payroll taxes for reporting periods dating back to 2017. Review of Internal Revenue Service (IRS) notices indicated unpaid federal payroll taxes and penalties totaling \$82,600. A similar finding was noted in the previous three reports dating back to 2017.

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
April 5, 2023
LOM207422

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

Schedule 1

| | General Fund | Special Revenue Funds |
|-------------------------------------|------------------|-----------------------------|
| Cash Balance, January 1, 2022 | \$ 35,155 | \$ 77,985 |
| Receipts: | | |
| State aid | 4,490 | 36,603 |
| Federal aid | | 61,309 |
| Property taxes | 9,193 | 1,960 |
| Franchise fees | 10,761 | |
| Sales taxes | 35,701 | 11,900 |
| Local permits and fees | 8,773 | |
| Donations | | 12,800 |
| Contributions from water department | 5,715 | |
| Other | 3,300 | 897 |
| Transfers in | | 2,221 |
| Total Receipts | <u>77,933</u> | <u>127,690</u> |
| Disbursements: | | |
| General government | 79,124 | 19,199 |
| Highways and streets | | 17,674 |
| Public safety | 3,542 | 53,146 |
| Recreation and culture | 7,923 | |
| Debt service | | 6,482 |
| Transfers out | 2,221 | |
| Total Disbursements | <u>92,810</u> | <u>96,501</u> |
| Cash Balance, December 31, 2022 | <u>\$ 20,278</u> | <u>\$ 109,174</u> |

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

Schedule 2

| | Street | Fire Department | Arkansas Economic Development Commission | Federal Funds | American Rescue Plan Act | Total |
|---------------------------------|------------------|--------------------|---|---------------|--------------------------------|-------------------|
| Cash Balance, January 1, 2022 | \$ 19,013 | \$ 38,411 | \$ 1 | \$ 138 | \$ 20,422 | \$ 77,985 |
| Receipts: | | | | | | |
| State aid | 25,987 | 10,616 | | | | 36,603 |
| Federal aid | | 6,867 | | 2,875 | 51,567 | 61,309 |
| Property taxes | 1,960 | | | | | 1,960 |
| Sales taxes | | 11,900 | | | | 11,900 |
| Donations | | 12,800 | | | | 12,800 |
| Other | 792 | 105 | | | | 897 |
| Transfers in | | 2,221 | | | | 2,221 |
| Total Receipts | <u>28,739</u> | <u>44,509</u> | | <u>2,875</u> | <u>51,567</u> | <u>127,690</u> |
| Disbursements: | | | | | | |
| General government | | | | 2,850 | 16,349 | 19,199 |
| Highways and streets | 17,674 | | | | | 17,674 |
| Public safety | | 38,146 | | | 15,000 | 53,146 |
| Debt service | 6,482 | | | | | 6,482 |
| Total Disbursements | <u>24,156</u> | <u>38,146</u> | | <u>2,850</u> | <u>31,349</u> | <u>96,501</u> |
| Cash Balance, December 31, 2022 | <u>\$ 23,596</u> | <u>\$ 44,774</u> | <u>\$ 1</u> | <u>\$ 163</u> | <u>\$ 40,640</u> | <u>\$ 109,174</u> |

CITY OF GRUBBS, 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, High School, and Restoration

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

| | December 31, 2022 |
|-----------|-----------------------------|
| | <u> </u> |
| Land | \$ 104,184 |
| Buildings | 209,000 |
| Equipment | <u>694,017</u> |
| Total | <u><u>\$ 1,007,201</u></u> |

4. The outstanding balance at year-end for long-term liabilities is as follows:

| | December 31, 2022 |
|---------------|-----------------------------|
| | <u> </u> |
| Notes payable | <u><u>\$ 23,013</u></u> |

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

| | December 31, 2022 |
|---------------------------------|-----------------------------|
| | <u> </u> |
| American Rescue Plan Act (ARPA) | <u><u>\$ 51,567</u></u> |