

City of Humphrey, Arkansas

Financial and Compliance Report

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HUMPHREY, 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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Sen. John Payton
Senate Vice Chair



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House Chair
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Humphrey, 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 Humphrey, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated May 30, 2023. These procedures were not performed for the Water and Sewer System. 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: Cleveland Hatch
Recorder/Treasurer: Kimberly Burgess
District Court Clerk: Samantha Price
Police Chief: Scott Meredith

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

Street Fund expenditures exceeded budgeted appropriations by \$10,782 (22%), in noncompliance with Ark. Code Ann. § 14-58-203.

An audit or agreed-upon procedures report and compilation have not been obtained for the Water and Sewer System since 2018, as required by Ark. Code Ann. § 14-234-119. The City has an engagement letter dated August 27, 2020 for the 2019 agree-upon procedures; however as of May 30, 2023, the engagement has not been completed.

Recorder/Treasurer

As noted in four prior reports, the City has not provided correspondence regarding current negotiations with the Internal Revenue Service (IRS) for tax liabilities on salaries totaling \$1,026,776 paid from 2011 through 2017. Federal taxes have not been remitted for these salaries; however, IRS forms 941 and tax payments have been submitted to the IRS since 2018. The City has contacted the IRS and is awaiting a response on the matter.

City council minutes for two months in 2021 and three months in 2022 were not maintained for inspection in accordance with Ark. Code Ann. § 14-45-107. Additionally, the minutes did not document the Council's review of findings and recommendations related to the prior report, as required by Ark. Code Ann. § 10-4-418. A similar finding was noted in the prior two reports.

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
May 30, 2023
LOM209021

CITY OF HUMPHREY, 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	\$ 66,736	\$ 54,724
Receipts:		
State aid	597	59,417
Federal aid		47,373
Property taxes	16,239	3,140
Franchise fees	18,923	
Sales taxes	67,563	7,338
Fines, forfeitures, and costs	19,126	321
Community center rental		900
Contribution from Jefferson County	17,000	
Other	164	1,825
Total Receipts	<u>139,612</u>	<u>120,314</u>
Disbursements:		
General government	66,048	
Law enforcement	64,807	
Highways and streets	186	60,080
Public safety	16,421	13,361
Contribution to water and sewer	9,916	
Recreation and culture		2,416
Wastewater		20,523
Total Disbursements	<u>157,378</u>	<u>96,380</u>
Cash Balance, December 31, 2021	<u>\$ 48,970</u>	<u>\$ 78,658</u>

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

Schedule 2

	Street	Fire Training and Equipment (Act 833)	Community Center	Local Police and Fire Retirement LOPFI	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 29,973	\$ 20,341	\$ 925	\$ 3,485		\$ 54,724
Receipts:						
State aid	44,026	15,391				59,417
Federal aid					\$ 47,373	47,373
Property taxes	3,140					3,140
Sales taxes	7,338					7,338
Fines, forfeitures, and costs				321		321
Community center rental			900			900
Other	1,225		600			1,825
Total Receipts	<u>55,729</u>	<u>15,391</u>	<u>1,500</u>	<u>321</u>	<u>47,373</u>	<u>120,314</u>
Disbursements:						
Highways and streets	60,080					60,080
Public safety		13,361				13,361
Recreation and culture			2,416			2,416
Wastewater					20,523	20,523
Total Disbursements	<u>60,080</u>	<u>13,361</u>	<u>2,416</u>		<u>20,523</u>	<u>96,380</u>
Cash Balance, December 31, 2021	<u>\$ 25,622</u>	<u>\$ 22,371</u>	<u>\$ 9</u>	<u>\$ 3,806</u>	<u>\$ 26,850</u>	<u>\$ 78,658</u>

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

Schedule 3

1. Cash balances on the Financial Schedules include demand accounts.

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

	<u>December 31, 2021</u>
Police Bond and Fine	\$ 1,194

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

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

	<u>December 31, 2021</u>
Land	\$ 40,375
Buildings	118,309
Equipment	<u>360,143</u>
Total	<u><u>\$ 518,827</u></u>

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

	<u>December 31, 2021</u>
American Rescue Plan Act (ARPA)	<u><u>\$ 47,373</u></u>