

City of Madison, Arkansas

Financial and Compliance Report

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MADISON, 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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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Madison, 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 Madison, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated November 30, 2022. 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: Bobby C. Hardrick, Sr.
Recorder/Treasurer: Ennie Hardrick
District Court Clerk: Earnestine Broadway
Police Chief: Vacant

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, Recorder/Treasurer, and District Court Clerk.**

Mayor and Recorder/Treasurer

Although Schedule 1 of this report shows a balance of \$45,593, it was brought to our attention that as of December 31, 2021, the General Fund owed a significant amount for balances owed to the Street and Sanitation Funds. As shown in Note 6 on Schedule 3, when these outstanding amounts were considered, the General Fund had a deficit balance of \$196,677. A similar finding was noted in the two previous reports.

Mayor

The governing body did not document the review of the prior report and accompanying comments or action taken by the governing body, as required by Ark. Code Ann. § 10-4-418.

Recorder/Treasurer

1. State aid for highway funds in previous years of \$25,759 owed to the Street Fund was not transferred during the engagement period, as required by Ark. Code Ann. § 14-59-104. The City is making payments of \$100 per month toward this balance. A similar finding was noted in the previous ten reports dating back to 2009.
2. Sales Taxes restricted for sanitation expenditures of \$8,507 was not transferred to the Sanitation Fund as well as previous years amounts owed of \$208,004, leaving a total balance owed of \$216,511. The City is making payments of \$100 per month toward this balance. A similar finding was noted in previous five reports dating back to 2014.
3. A fixed asset listing was provided, but did not include proper control totals and identification numbers when applicable. Also, the listing contained items below the minimum amount prescribed by City's fixed asset policy, in noncompliance with Ark. Code Ann. § 14-59-107. A similar finding was noted in the previous two reports.
4. The City's accounts were under collateralized by \$324,866 (56% of total deposits) at December 31, 2021, in noncompliance with Ark. Code Ann. § 19-8-107.

District Court Clerk

The ending balance in the Court Fund bank account was not identified with receipts issued for cases not yet adjudicated by the Court Clerk, as required by Ark. Code Ann. § 16-10-209. The ending cash balance exceeded identified receipts by \$2,231 (48%).

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
November 30, 2022
LOM211721

CITY OF MADISON, 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	\$ 29,120	\$ 304,701
	<u> </u>	<u> </u>
Receipts:		
State aid	12,480	86,572
Federal aid		71,063
Property taxes	11,379	1,220
Franchise fees	23,186	
Sales taxes	123,860	87,025
Fines, forfeitures, and costs	13,588	
Interest	13	48
Local permits and fees	944	
Other	21,927	4,354
Transfers in		2,200
Total Receipts	<u>207,377</u>	<u>252,482</u>
	<u> </u>	<u> </u>
Disbursements:		
General government	170,174	30,388
Law enforcement	16,285	9,470
Highways and streets		54,934
Public safety		3,648
Sanitation		42,127
Recreation and culture	25	
Debt service	2,220	
Transfers out	2,200	
Total Disbursements	<u>190,904</u>	<u>140,567</u>
	<u> </u>	<u> </u>
Cash Balance, December 31, 2021	<u>\$ 45,593</u>	<u>\$ 416,616</u>

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

Schedule 2

	Street	Fire Department	Youth Committee	Police Department Special	Sanitation	Police Car Grant	USDA Grant	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 148,182	\$ 52,234	\$ 429	\$ 10,573	\$ 86,824	\$ 1	\$ 6,458		\$ 304,701
Receipts:									
State aid	63,187	23,385							86,572
Federal aid								\$ 71,063	71,063
Property taxes	1,220								1,220
Sales taxes					87,025				87,025
Interest	48								48
Other	4,354								4,354
Transfers in	1,100				1,100				2,200
Total Receipts	<u>69,909</u>	<u>23,385</u>			<u>88,125</u>			<u>71,063</u>	<u>252,482</u>
Disbursements:									
General government								30,388	30,388
Law enforcement				9,469		1			9,470
Highways and streets	54,934								54,934
Public safety		3,648							3,648
Sanitation					42,127				42,127
Total Disbursements	<u>54,934</u>	<u>3,648</u>		<u>9,469</u>	<u>42,127</u>	<u>1</u>		<u>30,388</u>	<u>140,567</u>
Cash Balance, December 31, 2021	<u>\$ 163,157</u>	<u>\$ 71,971</u>	<u>\$ 429</u>	<u>\$ 1,104</u>	<u>\$ 132,822</u>	<u>\$ 0</u>	<u>\$ 6,458</u>	<u>\$ 40,675</u>	<u>\$ 416,616</u>

CITY OF MADISON, 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.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General and Community Center
3. The cash balance at year-end in the custodial fund is as follows:

	December 31, 2021
	<hr/>
District Court	\$ 4,684

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
	<hr/>
Land	\$ 8,000
Buildings	234,952
Equipment	<hr/> 308,984
Total	<hr/> <hr/> \$ 551,936

5. The outstanding balance at year-end for long-term liabilities are as follows:

	December 31, 2021
	<hr/>
USDA Rural Development	<hr/> <hr/> \$ 44,100

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

Schedule 3

6. The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it was brought to our attention that the City of Madison (City) owed significant balances to other funds of the City. The information below begins with the cash balance per Schedules 1 and 2 of this report. The computation includes increases and decreases to cash balances for amounts due to and due from funds within the City.

	<u>General</u>		Total		
		Community	Combined		
Balances as of December 31, 2021	<u>General</u>	<u>Center</u>	<u>General</u>	<u>Street</u>	<u>Sanitation</u>
Cash balance per Schedules	\$ 44,519	\$ 1,074	\$ 45,593	\$ 163,157	\$ 132,822
Due from other funds:					
Sanitation sales tax					216,511
State aid for highway funds				25,759	
Due to other funds:					
Sanitation sales tax	(216,511)		(216,511)		
State aid for highway funds	<u>(25,759)</u>		<u>(25,759)</u>		
Restated balances as of December 31, 2021	<u>\$ (197,751)</u>	<u>\$ 1,074</u>	<u>\$ (196,677)</u>	<u>\$ 188,916</u>	<u>\$ 349,333</u>

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

	<u>December 31, 2021</u>
American Rescue Plan Act (ARPA)	<u>\$ 71,063</u>