

City of Madison, Arkansas

Financial and Compliance Report

December 31, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF MADISON, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair

Arkansas



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
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, 2023, and have issued our report thereon dated April 9, 2025. 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 2023:

Mayor: Roy Winfrey
Recorder/Treasurer: Ennie Hardrick
District Court Clerk: Margarette Winfrey
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 General Fund balance of \$120,121, it was brought to our attention that as of December 31, 2023, 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 \$213,460. A similar finding was noted in the previous four 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. A similar finding was noted in the previous two reports.

Recorder/Treasurer

1. The City paid for sewer repairs totaling \$52,420 from the Sanitation Fund, which is financed by proceeds of a 1% sales and use tax restricted for the collection and disposal of solid waste. Additionally, current year sanitation sales taxes of \$48,209 were not transferred to the Sanitation Fund, as well as previous years amounts of \$206,804, the City made payments totaling \$200 toward this balance, leaving a total balance owed of \$307,233. A similar finding was noted in the previous seven reports dating back to 2014.
2. Fixed asset listings were provided, but did not include all additions and identification numbers when applicable, in noncompliance with Ark. Code Ann. § 14-59-107. A similar finding was noted in the previous four reports.
3. Restricted Street funds of \$440 and \$1,549 were improperly disbursed for the mayor's salary and general equipment, respectively, in noncompliance with Ark. Code Ann. §§ 26-79-104, 27-70-207. Additionally, state aid for highway funds in previous years of \$24,359 owed to the Street Fund was not transferred during the engagement period, as required by Ark. Code Ann. § 27-70-207, leaving a total due to the Street Fund of \$26,348. The City made payments totaling \$200 toward this balance, which was less than 1% of general revenues. Subsequently on July 11, 2024, the City received approval from the Legislative Joint Auditing Committee to repay an initial payment of \$3,559 and \$350 monthly thereafter. A similar finding was noted in the previous twelve reports dating back to 2009.
4. The bank reconciliations for the General, Community Center, Street, and Sanitation Funds were not properly prepared or approved by a municipal official or employee other than the person preparing the reconciliation, as required by Ark. Code Ann. § 14-59-108.
5. The General Fund cash receipts and disbursements journals and the Sanitation Fund cash receipts journal were not properly posted, as required by Ark. Code Ann. §§ 14-59-110, -111.

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 \$3,365 (64%). Additionally, monthly settlements were not made in a timely manner. A similar finding was issued in the previous 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 black ink, appearing to read "Kevin White", with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
April 9, 2025
LOM211723

CITY OF MADISON, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2023	\$ 31,774	\$ 516,350
Receipts:		
State aid	11,540	101,418
Property taxes	18,177	447
Franchise fees	17,184	
Sales taxes	188,408	69,549
Fines, forfeitures, and costs	10,953	
Interest	230	413
Local permits and fees	4,551	
Insurance proceeds	43,438	2,500
Other	2,203	2,898
Transfers in		400
Unclassified	232	
Total Receipts	<u>296,916</u>	<u>177,625</u>
Disbursements:		
General government	170,025	29,029
Law enforcement	23,016	18,929
Highways and streets		85,459
Public safety	6,990	38,721
Sanitation		48,974
Recreation and culture	2,011	
Contributions to sewer		52,420
Debt service	2,220	
Transfers out	400	
Unclassified	3,907	
Total Disbursements	<u>208,569</u>	<u>273,532</u>
Cash Balance, December 31, 2023	<u>\$ 120,121</u>	<u>\$ 420,443</u>

CITY OF MADISON, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (UNAUDITED)

Schedule 2

	Street	Fire Department	Youth Committee	Police Department Special	Sanitation	USDA Grant	American Rescue Plan Act	Total
Cash Balance, January 1, 2023	\$ 174,677	\$ 87,792	\$ 429	\$ 93	\$ 207,036	\$ 6,458	\$ 39,865	\$ 516,350
Receipts:								
State aid	64,027	29,271					8,120	101,418
Property taxes	447							447
Sales taxes					69,549			69,549
Interest	413							413
Insurance proceeds		2,500						2,500
Other	300	1,598			1,000			2,898
Transfers in	200				200			400
Total Receipts	65,387	33,369			70,749		8,120	177,625
Disbursements:								
General government							29,029	29,029
Law enforcement				55		3,392	15,482	18,929
Highways and streets	85,459							85,459
Public safety		38,721						38,721
Sanitation					48,974			48,974
Contributions to sewer					52,420			52,420
Total Disbursements	85,459	38,721		55	101,394	3,392	44,511	273,532
Cash Balance, December 31, 2023	\$ 154,605	\$ 82,440	\$ 429	\$ 38	\$ 176,391	\$ 3,066	\$ 3,474	\$ 420,443

CITY OF MADISON, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023
	<hr/>
District Court	\$ 5,285

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, 2023
	<hr/>
Land	\$ 8,000
Buildings	234,952
Equipment	<hr/> 300,966
Total	<hr/> <hr/> \$ 543,918

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

	December 31, 2023
	<hr/>
USDA Rural Development	<hr/> <hr/> \$ 42,364

CITY OF MADISON, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(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.

Balances as of December 31, 2023	Total Combined General	Street	Sanitation
Cash balance per Schedules	\$ 120,121	\$ 154,605	\$ 176,391
Due from other funds:			
Sanitation sales tax			307,233
State aid for highway funds		26,348	
Due to other funds:			
Sanitation sales tax	(307,233)		
State aid for highway funds	(26,348)		
Restated balances as of December 31, 2023	<u>\$ (213,460)</u>	<u>\$ 180,953</u>	<u>\$ 483,624</u>