

City of Strong, Arkansas

Financial and Compliance Report

December 31, 2021, 2020, and 2019

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF STRONG, ARKANSAS
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

Financial and Compliance Report

2021

Schedule

Schedule of Financial Information (Unaudited)	1
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	2

2020

Schedule of Financial Information (Unaudited)	3
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	4

2019

Schedule of Financial Information (Unaudited)	5
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	6

2021, 2020, and 2019

Other Information (Unaudited)	7
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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 Strong, 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 Strong, Arkansas, as of and for the years ended December 31, 2021, 2020, and 2019, and have issued our report thereon dated February 21, 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, 2020, and 2019:

Mayor: Daryell Howell
Recorder/Treasurer: Allison Howell (January 1, 2019 through December 31, 2020)
Latosha Gatson (January 1, 2021 through December 31, 2021)

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 and Recorder Treasurer

1. Our review disclosed \$6,965 in improper charges on the City's credit card account:
 - \$5,129 in purchases with no or inadequate supporting documentation.
 - \$1,552 in purchases without an adequately documented business purpose.
 - \$284 in finance charges and late fees.
2. The City purchased \$2,970 in food, primarily from grocery stores, without a documented business purchase.
3. The City utilized solid waste funds to pay monthly dumpster rental fees on behalf of five private businesses, in apparent conflict with Ark. Const. art. 12, § 5, which states, in part, "No county, city, town or other municipal corporation, shall...loan its credit to any corporation, association, institution, or individual." Additionally, the City bills these businesses through the Water Department; however, it does not appear that the Water Department payments were received by the Solid Waste Fund.
4. The City offers a service through which individuals can pay utility bills at City Hall. City employees collect payments, and deposits are made in a bank account maintained by a third-party provider, rather than in a City bank account. In July 2022, the City was notified that funds totaling \$2,461, collected for payment of utility bills, were not deposited. A City employee, who was custodian of these funds, was terminated on August 3, 2022. Subsequently, City funds of \$2,461 were utilized to pay the provider for the undeposited funds.
5. Various restricted funds were deposited into the wrong bank accounts. Although Schedules 1, 3, and 5 show cash balances of \$93,759, \$87,731, and \$95,578 in the General Fund for 2021, 2020, and 2019, respectively, the General Fund owed the Solid Waste Fund \$135,025, \$124,271, and \$124,132 as of December 31 of the same years. Additionally, \$3,000 was due the Street Fund from the Solid Waste Fund in 2021. As shown in Note 5 on Schedule 7, when these outstanding amounts were considered, the General Fund had deficit balances of (\$41,266), (\$36,540), and (\$28,554), respectively for these years.

Mayor and Recorder Treasurer (Continued)

6. Payroll taxes were not always paid to the Internal Revenue Service (IRS) by the due dates. This resulted in penalties and interest of \$3,485 paid to the IRS.
7. The City was in noncompliance with accounting procedures for municipalities set forth in Ark. Code Ann. §§ 14-59-101 -14-59-119 and other proper accounting procedures as follows:
 - Prenumbered receipts were not issued for all funds received. Receipts were not always issued sequentially, timely, properly completed, or indicated on the deposit slip.
 - Checks were not always issued in sequential order.
 - Adequate supporting documentation was not maintained for all disbursements.
 - A detailed lists of all certificates of deposit was not maintained.
 - Bank reconciliations contained errors.
 - Bank reconciliations were not approved by someone other than the preparer.
 - Receipts were not always properly classified in the cash receipts journal.
 - A fixed asset listing was established, but was not properly maintained to include all additions and deletions.

Mayor

1. Street Fund expenditures exceeded appropriations in 2021 and 2019 by \$108,321 (168%) and \$21,313 (24%), respectively, in noncompliance with Ark. Code Ann. § 14-58-203.
2. The governing body did not review the prior report and accompanying comments at the first regularly scheduled meeting following receipt of the report, in noncompliance with Ark. Code Ann. § 10-4-418.

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
February 21, 2023
LOM217721

CITY OF STRONG, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2021	\$ 87,731	\$ 587,619
Receipts:		
State aid	8,648	43,024
Federal aid		52,210
Property taxes	24,571	5,674
Franchise fees	19,732	
Sales taxes	256,298	105,711
Fines, forfeitures, and costs	2,278	
Interest	176	767
Local permits and fees	674	
Rental income	12,805	
Contributions from water and sewer	177	
Other	7,941	6,670
Transfers in	300	61,955
Total Receipts	<u>333,600</u>	<u>276,011</u>
Disbursements:		
General government	198,160	16,296
Highways and streets		172,687
Public safety	4,038	2,459
Sanitation	2,880	91,844
Contribution to water and sewer	60,539	
Transfers out	61,955	300
Total Disbursements	<u>327,572</u>	<u>283,586</u>
Cash Balance, December 31, 2021	<u>\$ 93,759</u>	<u>\$ 580,044</u>

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

Schedule 2

	Street	Local Police and Fire Retirement (LOPFI)	Solid Waste	Fire Department (Act 833)	American Rescue Plan Act	Total
Cash Balance, January 1, 2021	\$ 258,983	\$ 10,581	\$ 291,235	\$ 26,820		\$ 587,619
Receipts:						
State aid	43,024					43,024
Federal aid					\$ 52,210	52,210
Property taxes	5,674					5,674
Sales taxes			105,711			105,711
Interest	424	11	306	26		767
Other			6,670			6,670
Transfers in	60,540	1,415				61,955
Total Receipts	<u>109,662</u>	<u>1,426</u>	<u>112,687</u>	<u>26</u>	<u>52,210</u>	<u>276,011</u>
Disbursements:						
General government					16,296	16,296
Highways and streets	172,387				300	172,687
Public safety				2,459		2,459
Sanitation			91,844			91,844
Transfers out	300					300
Total Disbursements	<u>172,687</u>		<u>91,844</u>	<u>2,459</u>	<u>16,596</u>	<u>283,586</u>
Cash Balance, December 31, 2021	<u>\$ 195,958</u>	<u>\$ 12,007</u>	<u>\$ 312,078</u>	<u>\$ 24,387</u>	<u>\$ 35,614</u>	<u>\$ 580,044</u>

CITY OF STRONG, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Schedule 3

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2020	\$ 95,578	\$ 552,694
	<u> </u>	<u> </u>
Receipts:		
State aid	8,279	62,926
Federal aid	20,995	
Property taxes	23,366	6,496
Franchise fees	20,067	
Sales taxes	244,428	112,928
Fines, forfeitures, and costs	2,591	
Interest	198	957
Local permits and fees	912	
Rental income	8,510	
Contributions from water and sewer	91,249	
Other	17,333	
Transfers in		64,946
Total Receipts	<u>437,928</u>	<u>248,253</u>
	<u> </u>	<u> </u>
Disbursements:		
General government	277,760	
Highways and streets		120,211
Public safety	4,937	2,775
Sanitation	1,920	90,342
Contribution to water and sewer	63,940	
Remitted to cemetery association per court order	32,272	
Transfers out	64,946	
Total Disbursements	<u>445,775</u>	<u>213,328</u>
	<u> </u>	<u> </u>
Cash Balance, December 31, 2020	<u>\$ 87,731</u>	<u>\$ 587,619</u>

CITY OF STRONG, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (UNAUDITED)

Schedule 4

	Street	Local Police and Fire Retirement (LOPFI)	Solid Waste	Fire Department (Act 833)	Total
Cash Balance, January 1, 2020	\$ 266,709	\$ 8,886	\$ 268,323	\$ 8,776	\$ 552,694
Receipts:					
State aid	42,124			20,802	62,926
Property taxes	6,496				6,496
Sales taxes			112,928		112,928
Interest	604	10	326	17	957
Transfers in	63,261	1,685			64,946
Total Receipts	<u>112,485</u>	<u>1,695</u>	<u>113,254</u>	<u>20,819</u>	<u>248,253</u>
Disbursements:					
Highways and streets	120,211				120,211
Public safety				2,775	2,775
Sanitation			90,342		90,342
Total Disbursements	<u>120,211</u>		<u>90,342</u>	<u>2,775</u>	<u>213,328</u>
Cash Balance, December 31, 2020	<u>\$ 258,983</u>	<u>\$ 10,581</u>	<u>\$ 291,235</u>	<u>\$ 26,820</u>	<u>\$ 587,619</u>

CITY OF STRONG, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Schedule 5

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2019	\$ 150,220	\$ 572,710
Receipts:		
State aid	8,821	79,356
Property taxes	23,610	5,437
Franchise fees	18,706	
Sales taxes	233,070	100,940
Fines, forfeitures, and costs	2,820	
Interest	663	914
Local permits and fees	1,104	
Rental income	14,000	
Contributions from water and sewer	78,975	
Other	27,219	
Transfers in	1,394	105,956
Total Receipts	<u>410,382</u>	<u>292,603</u>
Disbursements:		
General government	329,045	4,602
Highways and streets		104,144
Public safety	5,966	69,179
Sanitation	2,880	93,324
Contributions to water and sewer	55,644	5,509
Transfers out	71,489	35,861
Total Disbursements	<u>465,024</u>	<u>312,619</u>
Cash Balance, December 31, 2019	<u>\$ 95,578</u>	<u>\$ 552,694</u>

CITY OF STRONG, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (UNAUDITED)

Schedule 6

	Street	Local Police and Fire Retirement (LOPFI)	Solid Waste	Fire Department (Act 833)	Total
Cash Balance, January 1, 2019	\$ 275,312	\$ 41,908	\$ 251,439	\$ 4,051	\$ 572,710
Receipts:					
State aid	40,008			39,348	79,356
Property taxes	5,437				5,437
Sales taxes			100,940		100,940
Interest	616	11	264	23	914
Transfers in	54,989	1,500	15,000	34,467	105,956
Total Receipts	101,050	1,511	116,204	73,838	292,603
Disbursements:					
General government			4,602		4,602
Highways and streets	104,144				104,144
Public safety		66		69,113	69,179
Sanitation			93,324		93,324
Contributions to water and sewer	5,509				5,509
Transfers out		34,467	1,394		35,861
Total Disbursements	109,653	34,533	99,320	69,113	312,619
Cash Balance, December 31, 2019	\$ 266,709	\$ 8,886	\$ 268,323	\$ 8,776	\$ 552,694

CITY OF STRONG, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019
(UNAUDITED)

Schedule 7

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

	December 31, 2021	December 31, 2020	December 31, 2019
Land	\$ 46,487	\$ 38,298	\$ 38,298
Buildings	435,695	427,141	427,141
Equipment	589,454	551,517	551,517
Totals	<u>\$ 1,071,636</u>	<u>\$ 1,016,956</u>	<u>\$ 1,016,956</u>

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

	December 31, 2021	December 31, 2020
Coronavirus Aid, Relief and Economic Security Act (CARES)		\$ 20,995
American Rescue Plan Act (ARPA)	\$ 52,210	
Totals	<u>\$ 52,210</u>	<u>\$ 20,995</u>

5. Deficit Balances

The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it came to our attention in prior reports, that various restricted funds were deposited into wrong bank accounts. The information below begins with the cash balances per Schedules 1 through 6 of this report. The computation includes increases and decreases to cash balances for amounts due to and due from funds within the City.

	December 31, 2021			December 31, 2020		December 31, 2019	
	General	Street	Solid Waste	General	Solid Waste	General	Solid Waste
Cash balances per Schedules	\$ 93,759	\$ 195,958	\$ 312,078	\$ 87,731	\$ 291,235	\$ 95,578	\$ 268,323
Due to other funds	(135,025)		(3,000)	(124,271)		(124,132)	
Due from other funds		3,000	135,025		(124,271)		124,132
Restated cash balances	<u>\$ (41,266)</u>	<u>\$ 198,958</u>	<u>\$ 444,103</u>	<u>\$ (36,540)</u>	<u>\$ 166,964</u>	<u>\$ (28,554)</u>	<u>\$ 392,455</u>