

City of Bonanza, Arkansas

Financial and Compliance Report

December 31, 2021, 2020, and 2019

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF BONANZA, ARKANSAS
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Bonanza, 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 Bonanza, Arkansas, as of and for the years ended December 31, 2021, 2020, and 2019, and have issued our report thereon dated August 25, 2022. These procedures were not performed for the Bonanza Water 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, 2020, and 2019:

Mayor: Elmer Nelson
Recorder/Treasurer: Vacant
Administrative Assistant: Laurie Denham
Police Chief: Vacant (January 1, 2019 – February 13, 2019)
Mike Barber (February 13, 2019 - 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 **Administrative Assistant**.

Mayor

- 1.) An annual audit or agreed-upon procedures report has not been completed and submitted to Arkansas Legislative Audit for the City's Water Department for the years 2016 through 2021, as required by Ark. Code Ann. § 14-234-119.
- 2.) The minutes of the governing body did not document the complete review of the prior year accompanying comments by the governing body, as required by Ark. Code Ann. § 10-4-418.

Administrative Assistant

- 1.) Review of City records (including Water Department records) for the period January 1, 2018 through May 5, 2022, revealed unaccounted for funds and unauthorized disbursements totaling \$216,916, as discussed below.
 - 1.) \$178,874 in unaccounted for funds:
 - \$173,404 in undeposited water bill payments.
 - \$5,470 in undeposited manual receipts.
 - \$2,323 for the General Fund.
 - \$2,722 for the Fire Department Fund.
 - \$425 for the Park Fund.
 - 2.) \$38,042 in unauthorized disbursements:
 - \$16,708 in salary overpayments to the Administrative Assistant.
 - \$21,334 for gift cards purchased by the Administrative Assistant.

Several manual receipts and bank statements were altered in an apparent attempt to conceal the unaccounted for funds and unauthorized disbursements. The Administrative Assistant maintained the bank accounts and accounting records and was responsible for receipting and depositing City funds.

- 2.) Bank accounts were not properly reconciled, as required by Ark. Code Ann. § 14-59-108.

Administrative Assistant (Continued)

3.) Arkansas Code requires city management to maintain financial records. The City's financial records contained errors as indicated below:

- General Fund 2019 beginning and ending cash balances were overstated by \$9,643 and \$17,289, respectively, due to posting errors, unrecorded checks and undocumented adjustments.
- General Fund 2020 beginning and ending cash balances were overstated by \$17,289 and \$39,755, respectively, due to posting errors, unrecorded checks and undocumented adjustments.
- General Fund 2021 beginning cash balance and disbursements were overstated by \$39,755 and \$39,998, respectively, due to posting errors, unrecorded checks, and undocumented adjustments.

4.) The following payroll issues were noted:

- In 2019, the City incurred Arkansas Department of Finance and Administration (DFA) penalties and interest in the amount of \$6,669 for failure to properly file, report, and remit payroll taxes. A similar finding was noted in prior report.
- The AR3 form for 2020 and 2019 were not properly completed, with total wages not being reported.
- The second and third quarter 941 reports for 2020 were not available for inspection.
- The Administrative Assistant (Payroll Preparer) did not always issue payroll disbursements through the payroll system. A similar finding was noted in prior report.
- The Administrative Assistant's (Payroll Preparer) payroll disbursements were not properly reported on her W-2 for 2021, 2020, and 2019. A similar finding was noted in prior report.

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
August 25, 2022
LOM220521

CITY OF BONANZA, 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	\$ 228,845	\$ 87,548
Receipts:		
State aid	21,006	47,638
Federal aid		58,425
Property taxes	28,382	8,512
Franchise fees	22,426	
Sales taxes	150,039	25,431
Fines, forfeitures, and costs	7,424	
Interest	74	53
Local permits and fees	7,553	
Other	30,831	876
Total Receipts	<u>267,735</u>	<u>140,935</u>
Disbursements:		
General government	123,898	
Law enforcement	106,704	
Highways and streets		70,989
Public safety	12,584	
Recreation and culture	1,979	
Wastewater	4,996	
Debt service	5,899	
Unclassified	1,284	2,132
Total Disbursements	<u>257,344</u>	<u>73,121</u>
Cash Balance, December 31, 2021	<u>\$ 239,236</u>	<u>\$ 155,362</u>

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

Schedule 2

	Street	American Rescue Plan Act (ARPA)	Total
Cash Balance, January 1, 2021	<u>\$ 87,548</u>		<u>\$ 87,548</u>
Receipts:			
State aid	47,638		47,638
Federal aid		\$ 58,425	58,425
Property taxes	8,512		8,512
Sales taxes	25,431		25,431
Interest	43	10	53
Other	876		876
Total Receipts	<u>82,500</u>	<u>58,435</u>	<u>140,935</u>
Disbursements:			
Highways and streets	70,989		70,989
Unclassified	2,132		2,132
Total Disbursements	<u>73,121</u>		<u>73,121</u>
Cash Balance, December 31, 2021	<u>\$ 96,927</u>	<u>\$ 58,435</u>	<u>\$ 155,362</u>

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

Schedule 3

	General Fund	Special Revenue (Street) Fund
Cash Balance, January 1, 2020	\$ 172,368	\$ 72,992
Receipts:		
State aid	20,242	43,407
Federal aid	22,400	
Property taxes	25,876	7,765
Franchise fees	21,195	
Sales taxes	129,179	25,028
Fines, forfeitures, and costs	8,596	
Interest	104	85
Local permits and fees	7,765	
Other	13,318	6
Unclassified	516	
Total Receipts	<u>249,191</u>	<u>76,291</u>
Disbursements:		
General government	114,097	
Law enforcement	58,896	
Highways and streets		61,735
Public safety	19,423	
Recreation and culture	298	
Total Disbursements	<u>192,714</u>	<u>61,735</u>
Cash Balance, December 31, 2020	<u>\$ 228,845</u>	<u>\$ 87,548</u>

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

Schedule 4

	General Fund	Special Revenue (Street) Fund
Cash Balance, January 1, 2019	\$ 158,756	\$ 69,451
Receipts:		
State aid	19,208	41,227
Property taxes	25,169	7,551
Franchise fees	20,347	
Sales taxes	123,793	23,018
Fines, forfeitures, and costs	10,680	
Interest	135	108
Local permits and fees	7,429	
Other	2,417	
Unclassified	5,600	
Total Receipts	<u>214,778</u>	<u>71,904</u>
Disbursements:		
General government	115,555	
Law enforcement	39,845	
Highways and streets		68,363
Public safety	29,945	
Recreation and culture	7,452	
Unclassified	8,369	
Total Disbursements	<u>201,166</u>	<u>68,363</u>
Cash Balance, December 31, 2019	<u>\$ 172,368</u>	<u>\$ 72,992</u>

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

Schedule 5

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, Police Department, Fire Department and Fire Department-Act 833, and Park Department
3. The Municipality's capital assets records are summarized below:

	December 31, 2021	December 31, 2020	December 31, 2019
Land and buildings	\$ 296,100	\$ 296,100	\$ 296,100
Equipment and vehicles	604,758	554,609	547,467
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 900,858</u>	<u>\$ 850,709</u>	<u>\$ 843,567</u>

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

	December 31, 2021
Notes payable	<u>\$ 16,951</u>

5. 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)		\$ 22,400
American Rescue Plan Act (ARPA)	\$ 58,425	
	<u> </u>	<u> </u>
	<u>\$ 58,425</u>	<u>\$ 22,400</u>