

City of Higginson, Arkansas

Financial and Compliance Report

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HIGGINSON, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Higginson, 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 Higginson, Arkansas, as of and for the year ended December 31, 2021, and have issued our report thereon dated May 3, 2022. These procedures were not performed for the 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 relates to the following officials who held office during 2021:

Mayor: Randell Homsley
Recorder/Treasurer: Patty Homsley
Police Chief: Eric Patterson

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. The City entered into an agreement with a bank on February 19, 2020, for a \$20,000 loan to settle a lawsuit. This arrangement appears to conflict with Ark. Const. Amend. 78, § 2, which limits short-term financing obligations for acquiring, constructing, installing, or renting real or tangible property having an expected useful life of more than one year. At December 31, 2021, \$8,133 is owed on this loan.
2. The City paid a total of \$2,028 to the Mayor and a Council member for their role as sewer operators for the City. Based on Ark. Code Ann. § 14-42-107 and Op. Att'y Gen. no. 2003-164, we question the propriety of the dual roles filled by these individuals.

Mayor

1. The governing body did not review the prior report and accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the report, as required by Ark. Code Ann. § 10-4-418.
2. The City has not obtained an audit or agreed-upon procedures report for the City's Sewer Department since 2019, as required by Ark. Code Ann. § 14-234-119.

Recorder/Treasurer

1. Compensation totaling \$2,628 and \$400 paid to the Mayor and Recorder/Treasurer, respectively, was not reported on their Internal Revenue Service Forms W-2.
2. We noted the following disbursements paid from restricted Street Funds, in noncompliance with Ark. Code Ann. § 27-70-207:
 - \$550 paid for repairs and fabrication of park equipment and \$224 in related mileage reimbursement.
 - \$250 paid for extra help during the Freedom Celebration.
 - \$59 paid for police vehicle maintenance.

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 "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being more prominent.

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
May 3, 2022
LOM223121

CITY OF HIGGINSON, 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	\$ 33,503	\$ 56,048
Receipts:		
State aid	10,345	64,766
Federal aid	198	75,527
Property taxes	17,603	3,251
Franchise fees	23,172	
Sales taxes	129,656	14,291
Fines, forfeitures, and costs	39,398	
Local permits and fees	220	
Contributions from county		112,971
Other	6,250	6,105
Total Receipts	<u>226,842</u>	<u>276,911</u>
Disbursements:		
General government	128,463	45,340
Law enforcement	94,561	
Highways and streets		58,214
Public safety		84,706
Recreation and culture	8,767	
Debt service	9,950	58,124
Total Disbursements	<u>241,741</u>	<u>246,384</u>
Cash Balance, December 31, 2021	<u>\$ 18,604</u>	<u>\$ 86,575</u>

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

Schedule 2

	Street	Fire	Drug Control	American Rescue Plan	Total
Cash Balance, January 1, 2021	\$ 11,319	\$ 44,490	\$ 239		\$ 56,048
Receipts:					
State aid	52,875	11,891			64,766
Federal aid				\$ 75,527	75,527
Property taxes	3,251				3,251
Sales taxes	14,291				14,291
Contributions from county		112,971			112,971
Other	705	5,400			6,105
Total Receipts	<u>71,122</u>	<u>130,262</u>		<u>75,527</u>	<u>276,911</u>
Disbursements:					
General government				45,340	45,340
Highways and streets	58,214				58,214
Public safety		84,706			84,706
Debt service	14,729	43,395			58,124
Total Disbursements	<u>72,943</u>	<u>128,101</u>		<u>45,340</u>	<u>246,384</u>
Cash Balance, December 31, 2021	<u>\$ 9,498</u>	<u>\$ 46,651</u>	<u>\$ 239</u>	<u>\$ 30,187</u>	<u>\$ 86,575</u>

CITY OF HIGGINSON, 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 Municipality's capital assets records are summarized below:

	December 31, 2021
	<u> </u>
Land	\$ 66,000
Buildings	376,103
Equipment	<u>828,494</u>
Total	<u><u>\$ 1,270,597</u></u>

3. Outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2021
	<u> </u>
Leases payable	\$ 37,175
Notes payable	<u>21,069</u>
Total	<u><u>\$ 58,244</u></u>

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

	December 31, 2021
	<u> </u>
American Rescue Plan Act (ARPA)	<u><u>\$ 75,725</u></u>