

**City of Leola, Arkansas**

**Financial and Compliance Report**

**December 31, 2022 and 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CITY OF LEOLA, ARKANSAS  
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# Arkansas

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**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
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 Leola, 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 Leola, Arkansas, as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated October 16, 2023. 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 2022 and 2021:

Mayor: William Woodson  
Recorder/Treasurer: Lindsey Groomes

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

Accounting procedures for municipalities are set forth in the Municipal Accounting Law, Ark. Code Ann. §§ 14-59-101 – 14-59-119. The City was in noncompliance with these codes and other proper accounting procedures during the fiscal years 2022 and 2021 as noted below:

- Bank reconciliations were not prepared monthly.
- An annual financial statement was not prepared and published.
- Prenumbered receipts were not issued.
- Invoices or other supporting documentation was not maintained for tested disbursements of \$14,908 (29%) in 2022.
- Cash receipts and disbursements journals were not established.
- A detailed list of all certificates of deposit was not maintained.
- Internal Revenue eService (IRS) Form 941 forms for the year 2022 and 2021 were not provided for inspection.

#### Mayor

City Council minutes for four months in 2021 and seven months in 2022 were not maintained for inspection in accordance with Ark. Code Ann. § 14-45-107. Additionally, the minutes did not document the Council's review of findings and recommendations related to the prior report, as required by Ark. Code Ann. § 10-4-418.

An agreed upon procedures report was not obtained and submitted to Arkansas Legislative Audit for the Town's Water and Sewer Department, as required by Ark. Code Ann. § 14-234-119. A similar finding was noted 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 cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas  
October 16, 2023  
LOM223222

CITY OF LEOLA, ARKANSAS  
SCHEDULE OF FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(UNAUDITED)

Schedule 1

|                                 | General<br>Fund   | Special<br>Revenue<br>Funds |
|---------------------------------|-------------------|-----------------------------|
| Cash Balance, January 1, 2022   | \$ 356,639        | \$ 595,283                  |
| Receipts:                       |                   |                             |
| State aid                       | 6,862             | 65,584                      |
| Federal aid                     |                   | 51,795                      |
| Property taxes                  |                   | 14,222                      |
| Fines, forfeitures, and costs   |                   | 2,635                       |
| Interest                        | 362               | 239                         |
| Donations                       |                   | 2,260                       |
| Contribution from County        |                   | 13,500                      |
| Transfers in                    |                   | 8,000                       |
| Unclassified                    | 47,771            | 5,805                       |
| Total Receipts                  | <u>54,995</u>     | <u>164,040</u>              |
| Disbursements:                  |                   |                             |
| General government              | 47,010            |                             |
| Highways and streets            |                   | 35,023                      |
| Public safety                   |                   | 20,472                      |
| Recreation and culture          | 62,715            |                             |
| Transfers out                   | 8,000             |                             |
| Total Disbursements             | <u>117,725</u>    | <u>55,495</u>               |
| Cash Balance, December 31, 2022 | <u>\$ 293,909</u> | <u>\$ 703,828</u>           |

CITY OF LEOLA, ARKANSAS  
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

Schedule 2

|                                 | Street            | Fire Department  | Rural Fire<br>Protection- Act 833 | American Rescue<br>Plan Act | Total             |
|---------------------------------|-------------------|------------------|-----------------------------------|-----------------------------|-------------------|
| Cash Balance, January 1, 2022   | \$ 506,969        | \$ 18,315        | \$ 18,203                         | \$ 51,796                   | \$ 595,283        |
| Receipts:                       |                   |                  |                                   |                             |                   |
| State aid                       | 39,715            |                  | 25,869                            |                             | 65,584            |
| Federal aid                     |                   |                  |                                   | 51,795                      | 51,795            |
| Property taxes                  | 14,222            |                  |                                   |                             | 14,222            |
| Fines, forfeitures, and costs   |                   | 2,635            |                                   |                             | 2,635             |
| Interest                        | 239               |                  |                                   |                             | 239               |
| Donations                       |                   | 2,260            |                                   |                             | 2,260             |
| Contribution from County        |                   | 13,500           |                                   |                             | 13,500            |
| Transfers in                    |                   | 8,000            |                                   |                             | 8,000             |
| Unclassified                    | 391               | 5,414            |                                   |                             | 5,805             |
| Total Receipts                  | <u>54,567</u>     | <u>31,809</u>    | <u>25,869</u>                     | <u>51,795</u>               | <u>164,040</u>    |
| Disbursements:                  |                   |                  |                                   |                             |                   |
| Highways and streets            | 35,023            |                  |                                   |                             | 35,023            |
| Public safety                   |                   | 13,039           | 7,433                             |                             | 20,472            |
| Total Disbursements             | <u>35,023</u>     | <u>13,039</u>    | <u>7,433</u>                      |                             | <u>55,495</u>     |
| Cash Balance, December 31, 2022 | <u>\$ 526,513</u> | <u>\$ 37,085</u> | <u>\$ 36,639</u>                  | <u>\$ 103,591</u>           | <u>\$ 703,828</u> |

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

Schedule 3

|                                 | General<br>Fund   | Special<br>Revenue<br>Funds |
|---------------------------------|-------------------|-----------------------------|
| Cash Balance, January 1, 2021   | \$ 276,621        | \$ 563,496                  |
| Receipts:                       |                   |                             |
| State aid                       | 8,031             | 40,474                      |
| Federal aid                     |                   | 51,796                      |
| Property taxes                  | 18,924            | 12,900                      |
| Interest                        | 90                | 152                         |
| Local permits and fees          |                   | 3,330                       |
| Donations                       | 63,000            | 360                         |
| Transfers in                    |                   | 3,000                       |
| Unclassified                    | 24,307            |                             |
| Total Receipts                  | <u>114,352</u>    | <u>112,012</u>              |
| Disbursements:                  |                   |                             |
| General government              | 31,334            |                             |
| Highways and streets            |                   | 71,809                      |
| Public safety                   |                   | 8,416                       |
| Transfers out                   | 3,000             |                             |
| Total Disbursements             | <u>34,334</u>     | <u>80,225</u>               |
| Cash Balance, December 31, 2021 | <u>\$ 356,639</u> | <u>\$ 595,283</u>           |

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

Schedule 4

|                                 | Street            | Fire Department<br>Fund | Rural Fire<br>Protection- Act 833 | American Rescue<br>Plan Act | Total             |
|---------------------------------|-------------------|-------------------------|-----------------------------------|-----------------------------|-------------------|
| Cash Balance, January 1, 2021   | \$ 525,252        | \$ 20,041               | \$ 18,203                         |                             | \$ 563,496        |
| Receipts:                       |                   |                         |                                   |                             |                   |
| State aid                       | 40,474            |                         |                                   |                             | 40,474            |
| Federal aid                     |                   |                         |                                   | \$ 51,796                   | 51,796            |
| Property taxes                  | 12,900            |                         |                                   |                             | 12,900            |
| Interest                        | 152               |                         |                                   |                             | 152               |
| Local permits and fees          |                   | 3,330                   |                                   |                             | 3,330             |
| Donations                       |                   | 360                     |                                   |                             | 360               |
| Transfers in                    |                   | 3,000                   |                                   |                             | 3,000             |
| Total Receipts                  | <u>53,526</u>     | <u>6,690</u>            |                                   | <u>51,796</u>               | <u>112,012</u>    |
| Disbursements:                  |                   |                         |                                   |                             |                   |
| Highways and streets            | 71,809            |                         |                                   |                             | 71,809            |
| Public safety                   |                   | 8,416                   |                                   |                             | 8,416             |
| Total Disbursements             | <u>71,809</u>     | <u>8,416</u>            |                                   |                             | <u>80,225</u>     |
| Cash Balance, December 31, 2021 | <u>\$ 506,969</u> | <u>\$ 18,315</u>        | <u>\$ 18,203</u>                  | <u>\$ 51,796</u>            | <u>\$ 595,283</u> |

CITY OF LEOLA, ARKANSAS  
OTHER INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(UNAUDITED)

Schedule 5

1. Cash balances on the Financial Schedules include demand and savings accounts and certificates of deposit.

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

|           | December 31,<br>2022        | December 31,<br>2021        |
|-----------|-----------------------------|-----------------------------|
|           | <u>                    </u> | <u>                    </u> |
| Land      | \$ 56,240                   | \$ 56,240                   |
| Buildings | 136,766                     | 136,766                     |
| Equipment | <u>532,910</u>              | <u>511,493</u>              |
| Totals    | <u><u>\$ 725,916</u></u>    | <u><u>\$ 704,499</u></u>    |

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

|                                 | December 31,<br>2022        | December 31,<br>2021        |
|---------------------------------|-----------------------------|-----------------------------|
|                                 | <u>                    </u> | <u>                    </u> |
| American Rescue Plan Act (ARPA) | <u><u>\$ 51,795</u></u>     | <u><u>\$ 51,796</u></u>     |