

Town of Fifty-Six, Arkansas

Financial and Compliance Report

December 31, 2021 and 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF FIFTY-SIX, ARKANSAS
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FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Financial and Compliance Report

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

Town of Fifty-Six, 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 Town of Fifty-Six, Arkansas, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated April 24, 2023. These procedures were not performed for the Water Department. Management of the Town 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 and 2020:

Mayor: Earnestine McDaniel
Recorder/Treasurer: Christina Byrd

We evaluated the Town's compliance with certain state laws concerning general 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. We noted the following discrepancies during payroll testing:

Recorder/Treasurer

- Wages reported on Internal Revenue Service (IRS) Form W-2 were understated by \$595 and \$978 in 2021 and 2020, respectively.
- Wages exceeded authorized amounts by \$2,415 and \$1,578 in 2021 and 2020, respectively.

Mayor

- Wages reported on IRS Form W-2 were understated by \$203 and \$1,200 in 2021 and 2020, respectively.
- Wages exceeded authorized amounts by \$753 and \$1,050 in 2021 and 2020, respectively.

Street Superintendent

- Wages reported on IRS Form W-2 were understated by \$800 in 2020.
- Wages paid from the Street Fund were \$4,400 more than authorized by the budget in 2020.

2. A fixed asset listing was provided, however, the listing did not include all additions, deletions, or control totals in noncompliance with Ark. Code Ann. § 14-59-107. A similar finding was reported in the previous report.
3. The Town contracted with H&R Block for the preparation of payroll tax reports and the payments of payroll related tax liabilities; however, the governing body did not establish, by ordinance, a method that provides for internal accounting control and documentation for audit and accounting purposes, in noncompliance with Ark. Code Ann. § 14-59-115. Furthermore, the Treasurer did not approve the disbursement of funds prior to disbursement and the Town did not verify that H&R Block was adequately insured and bonded. A similar finding was noted in the previous report.

Mayor

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.

Recorder/Treasurer

1. Invoices or other supporting documentation was not maintained for tested disbursements of \$14,216 (53%) and \$9,455 (55%) in 2021 and 2020, respectively, in noncompliance with Ark. Code Ann. § 14-59-105. A similar finding was noted in the previous two reports dating back to 2015.
2. Bank reconciliations were not approved by someone other than the person preparing the reconciliation in noncompliance with Ark. Code Ann. § 14-59-108. A similar finding was noted in the previous report.
3. We noted the Town was in noncompliance with Ark. Code Ann. § 14-59-114 as follows:
 - Bank statements and reconciliations were not maintained for the General Fund Emergency Savings account and the Act 833 Fund.
 - Internal Revenue Service (IRS) quarterly 941 forms for 2021 and 2020 and Arkansas Department of Finance and Administration (DFA) form AR3 for 2021 were not maintained for review.

A similar finding was noted in the previous report.

4. Receipts were not issued for all funds received in noncompliance with Ark. Code Ann. § 14-59-109. A similar finding was noted in the previous five reports dating back to 2009.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local Town 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
April 24, 2023
LOM305821

TOWN OF FIFTY-SIX, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Cash Balance, January 1, 2021	\$ 16,009	\$ 29,413
Receipts:		
State aid	2,771	19,528
Federal aid		10,554
Property taxes		1,091
Franchise fees	5,667	
Sales taxes	24,851	
Interest	13	127
Fire dues		3,815
Contribution from county	1,708	5,231
Insurance proceeds		5,147
Sanitation fees	23,761	
Other	5,001	1,858
Unclassified	25	2,085
Total Receipts	<u>63,797</u>	<u>49,436</u>
Disbursements:		
General government	46,050	4,433
Highways and streets		16,913
Public safety	505	22,532
Contribution to water department	9,717	2,102
Unclassified	6,136	
Total Disbursements	<u>62,408</u>	<u>45,980</u>
Cash Balance, December 31, 2021	<u>\$ 17,398</u>	<u>\$ 32,869</u>

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

Schedule 2

	Street	Fire Department	Fire Training and Equipment (Act 833)	American Recovery Plan Act	Total
Cash Balance, January 1, 2021	\$ 18,398	\$ 10,454	\$ 561		\$ 29,413
Receipts:					
State aid	13,959		5,569		19,528
Federal aid				\$ 10,554	10,554
Property taxes	1,091				1,091
Interest	108	18		1	127
Fire dues		3,815			3,815
Contribution from county		5,231			5,231
Insurance proceeds		5,147			5,147
Other		1,858			1,858
Unclassified		2,085			2,085
Total Receipts	<u>15,158</u>	<u>18,154</u>	<u>5,569</u>	<u>10,555</u>	<u>49,436</u>
Disbursements:					
General government				4,433	4,433
Highways and streets	14,811			2,102	16,913
Public safety		22,532			22,532
Contribution to water				2,102	2,102
Total Disbursements	<u>14,811</u>	<u>22,532</u>		<u>8,637</u>	<u>45,980</u>
Cash Balance, December 31, 2021	<u>\$ 18,745</u>	<u>\$ 6,076</u>	<u>\$ 6,130</u>	<u>\$ 1,918</u>	<u>\$ 32,869</u>

TOWN OF FIFTY-SIX, 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	\$ 12,329	\$ 32,845
Receipts:		
State aid	2,567	15,719
Federal aid	6,854	
Property taxes	2,806	869
Franchise fees	5,439	
Sales taxes	22,581	
Interest	13	311
Fire dues		3,660
Contribution from county		5,193
Contribution from water department		1,100
Sanitation fees	26,919	
Other	3,992	1,495
Transfers in		16,537
Unclassified	122	80
Total Receipts	<u>71,293</u>	<u>44,964</u>
Disbursements:		
General government	54,026	
Highways and streets		16,713
Public safety	678	20,999
Contribution to water department	5,048	
Transfers out	5,853	10,684
Unclassified	2,008	
Total Disbursements	<u>67,613</u>	<u>48,396</u>
Cash Balance, December 31, 2020	<u>\$ 16,009</u>	<u>\$ 29,413</u>

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

Schedule 4

	<u>Street</u>	<u>Fire Department</u>	<u>Fire Training and Equipment (Act 833)</u>	<u>Total</u>
Cash Balance, January 1, 2020	\$ 19,956	\$ 8,259	\$ 4,630	\$ 32,845
Receipts:				
State aid	13,060		2,659	15,719
Property taxes	869			869
Interest	302	9		311
Fire dues		3,660		3,660
Contribution from county		5,193		5,193
Contribution from water department		1,100		1,100
Other	924	571		1,495
Transfers in		14,559	1,978	16,537
Unclassified		80		80
Total Receipts	<u>15,155</u>	<u>25,172</u>	<u>4,637</u>	<u>44,964</u>
Disbursements:				
Highways and streets	16,713			16,713
Public safety		20,999		20,999
Transfers out		1,978	8,706	10,684
Total Disbursements	<u>16,713</u>	<u>22,977</u>	<u>8,706</u>	<u>48,396</u>
Cash Balance, December 31, 2020	<u>\$ 18,398</u>	<u>\$ 10,454</u>	<u>\$ 561</u>	<u>\$ 29,413</u>

TOWN OF FIFTY-SIX, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(UNAUDITED)

Schedule 5

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

	December 31, 2021	December 31, 2020
	<u> </u>	<u> </u>
Land & buildings	\$ 136,500	\$ 136,500
Equipment	<u>900</u>	<u>900</u>
Totals	<u><u>\$ 137,400</u></u>	<u><u>\$ 137,400</u></u>

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

	December 31, 2021	December 31, 2020
	<u> </u>	<u> </u>
Coronavirus Aid, Relief and Economic Security Act (CARES)		\$ 6,854
American Rescue Plan Act (ARPA)	<u>\$ 10,554</u>	<u> </u>
Totals	<u><u>\$ 10,554</u></u>	<u><u>\$ 6,854</u></u>