

# **Town of Gum Springs, Arkansas**

## **Financial and Compliance Report**

**December 31, 2020 and 2019**

LEGISLATIVE JOINT AUDITING COMMITTEE

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TOWN OF GUM SPRINGS, ARKANSAS  
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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

Town of Gum Springs, 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 Gum Springs, Arkansas, as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated January 12, 2022. 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 relates to the following officials who held office during 2020 and 2019:

Mayor: Michael Lester (Resigned February 1, 2019)  
Meldene Ivory (Appointed February 1, 2019)  
Recorder/Treasurer: Alfia Collins

We evaluated the Town's compliance with certain state laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

During our evaluation, nothing came to our attention that would warrant disclosure in this report. Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **Recorder/Treasurer**.

#### **Mayor**

The minutes of the governing body did not document the review of the findings and recommendations from the prior report and the action taken by the governing body, as required by Ark. Code Ann. § 10-4-418. A similar finding was noted in the previous two reports dating back to 2015.

As of the report date, an agreed-upon procedures report for 2019 has not been performed for the Gum Springs' Water Department, as required by Ark. Code Ann. § 14-234-119. A similar finding was noted for the previous two reports dating back to 2015. On February 19, 2020, the Town entered a contract to sell the water department to the City of Arkadelphia, effective June 1, 2020.

General Fund and Street Fund expenditures in 2019 exceeded budgeted appropriations by \$3,712 (30%) and \$4,661 (1,263%), respectively, in noncompliance with Ark. Code Ann. § 14-58-203. Additionally, the 2020 and 2019 budgets were not adopted by ordinance or resolution, as required by Ark. Code § 14-58-202.

#### **Recorder/Treasurer**

The fixed assets listing was not maintained, as required by Ark. Code Ann. 14-59-107; specifically, categories were not established, serial numbers were not included for equipment items, an asset purchased in a prior engagement and a donated asset were not added, and a control total was not included for all assets. A similar finding was issued in the prior seven reports dating back to 2003.

State aid for highway funds from current and previous years and property taxes totaling \$13,604, was not transferred from the General Fund to the Street Fund, in noncompliance with Ark. Code Ann. § 14-59-104. A similar finding was issued in the prior five reports dating back to 2007.

In testing 2020 and 2019 payroll records we noted the following:

1. Payroll ledgers were not prepared, details of salaries were not documented.
2. Payroll preparer's salary was not properly authorized.

## Recorder/Treasurer (Continued)

The cash receipts and disbursements journals were not properly prepared for the General, Street, Fire Department and Act 833 Funds, in noncompliance with Ark. Code Ann. §§ 14-59-110, -111. A similar finding was issued in the previous report.

Bank accounts were not reconciled monthly for the General, Street, Fire Department, and Act 833 Funds, in noncompliance with Ark. Code Ann. § 14-59-108. A similar finding was issued in the previous report. In addition, reconciliations were not approved by someone other than the person preparing them.

While performing the 2020 and 2019 disbursement procedures, we noted the following:

1. Invoices and supporting documentation were not provided for tested disbursements of \$7,347 (47%) and \$1,998 (33%) in 2020 and 2019, respectively, in noncompliance with Ark. Code Ann. § 14-59-105. A similar finding was issued in the previous report.
2. Ten and nine invoices in 2020 and 2019, respectively, did not have authorization, in noncompliance with Ark. Code Ann. § 14-59-105.
3. In 2020, the Town paid \$950 from the Fire Protection Act 833 Fund for fire and medical calls, in noncompliance with Ark. Code Ann. § 14-284-404.

Prenumbered receipts were not issued for all funds received, as required by Ark. Code Ann. § 14-59-109. A similar finding was issued in the previous report. In addition, some receipts were not issued consecutively and in a timely manner.

An annual financial statement was not published or posted for 2020 and 2019, as required by Ark. Code Ann. § 14-59-116.

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  
January 12, 2022  
LOM307320

TOWN OF GUM SPRINGS, ARKANSAS  
SCHEDULE OF FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)

Schedule 1

	General Fund	Special Revenue Funds
	<u>          </u>	<u>          </u>
Cash Balance, January 1, 2020	\$ 3,610	\$ 26,610
Receipts:		
State aid	1,780	18,122
Property taxes	4,614	508
Sales taxes	7,396	3,626
Insurance proceeds	6,865	
Transfers in		300
Unclassified	1,683	2,135
Total Receipts	<u>22,338</u>	<u>24,691</u>
Disbursements:		
General government	7,500	
Highways and streets		3,894
Public safety		12,292
Debt service		1,201
Transfers out		300
Unclassified	8,846	
Total Disbursements	<u>16,346</u>	<u>17,687</u>
Cash Balance, December 31, 2020	<u>\$ 9,602</u>	<u>\$ 33,614</u>

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

Schedule 2

	Street	Fire Department	Fire Equipment and Training (Act 833)	Total
Cash Balance, January 1, 2020	\$ 14,780	\$ 664	\$ 11,166	\$ 26,610
Receipts:				
State aid	9,059		9,063	18,122
Property taxes	508			508
Sales taxes		3,626		3,626
Transfers in		300		300
Unclassified	55	2,050	30	2,135
Total Receipts	<u>9,622</u>	<u>5,976</u>	<u>9,093</u>	<u>24,691</u>
Disbursements:				
Highways and streets	3,894			3,894
Public safety		4,112	8,180	12,292
Debt service			1,201	1,201
Transfers out			300	300
Total Disbursements	<u>3,894</u>	<u>4,112</u>	<u>9,681</u>	<u>17,687</u>
Cash Balance, December 31, 2020	<u>\$ 20,508</u>	<u>\$ 2,528</u>	<u>\$ 10,578</u>	<u>\$ 33,614</u>

TOWN OF GUM SPRINGS, ARKANSAS  
SCHEDULE OF FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(UNAUDITED)

Schedule 3

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2019	\$ 3,561	\$ 22,470
Receipts:		
State aid	1,897	9,325
Property taxes	6,898	699
Sales taxes	4,677	3,378
Transfers in	1,500	
Unclassified	1,163	1,079
Total Receipts	<u>16,135</u>	<u>14,481</u>
Disbursements:		
Highways and streets		3,530
Public safety		5,311
Transfers out		1,500
Unclassified	16,086	
Total Disbursements	<u>16,086</u>	<u>10,341</u>
Cash Balance, December 31, 2019	<u>\$ 3,610</u>	<u>\$ 26,610</u>

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

Schedule 4

	Street	Fire Department	Fire Equipment and Training (Act 833)	Total
Cash Balance, January 1, 2019	\$ 10,507	\$ 1,271	\$ 10,692	\$ 22,470
Receipts:				
State aid	8,604		721	9,325
Property taxes	699			699
Sales taxes		3,378		3,378
Unclassified		1,004	75	1,079
Total Receipts	<u>9,303</u>	<u>4,382</u>	<u>796</u>	<u>14,481</u>
Disbursements:				
Highways and streets	3,530			3,530
Public safety		4,989	322	5,311
Transfers out	1,500			1,500
Total Disbursements	<u>5,030</u>	<u>4,989</u>	<u>322</u>	<u>10,341</u>
Cash Balance, December 31, 2019	<u>\$ 14,780</u>	<u>\$ 664</u>	<u>\$ 11,166</u>	<u>\$ 26,610</u>



TOWN OF GUM SPRINGS, ARKANSAS  
OTHER INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(UNAUDITED)

Schedule 5

1. Cash balances on the Financial Schedules include demand accounts..
2. The Municipality's capital assets records were not available.
3. The outstanding balance at year-end for long-term liabilities is as follows:

	December 31, 2020
	<hr/>
Notes payable	<u>\$ 13,223</u>

4. Sale of Water Department

On February 19, 2020 the Town entered into a contract for the City of Arkadelphia to purchase the water department effective June 1, 2020.