

Town of Jericho, Arkansas

Financial and Compliance Report

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF JERICO, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2020

Financial and Compliance Report

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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 Jericho, 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 Jericho, Arkansas, as of and for the year ended December 31, 2020, and have issued our report thereon dated January 26, 2022. These procedures were not performed for the Wastewater Fund. 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 2020:

Mayor: Ida Shumpert
Recorder/Treasurer: Elaine Dupree
District Court Clerk: Vacant
Police Chief: Roy Hill

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.

Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor, Recorder/Treasurer, and Police Chief**.

Mayor and Police Chief

Fines and costs revenue of \$51,723 exceeded 30% of the Town's total expenditures in the preceding year by \$18,367, in noncompliance with Ark. Code Ann. § 12-8-403. This revenue was generated from traffic offense citations written by or arrests made by the Town's law enforcement personnel or from ancillary actions related to the enforcement of traffic offenses.

Mayor and Recorder/Treasurer

Although Schedule 1 of this report shows a balance of \$39,521 in General Fund, it was brought to our attention that as of December 31, 2020, the General Fund owed a significant amount to the Street Fund. As shown in Note 6 on Schedule 3, when this outstanding amount was considered, the General Fund had a deficit balance of \$19,076.

Recorder/Treasurer

1. Property taxes restricted for Street purposes of \$644 were not transferred from the General Fund to the Street Fund, as required by Ark. Code Ann. § 26-79-104. Also, restricted funds of \$57,953 noted in previous years were not transferred resulting in a total of \$58,597 due from the General Fund to the Street Fund, in noncompliance with Ark. Code Ann. § 14-59-104. The governing body determined \$50 a month would be remitted to the Street Fund for amounts owed; however, this payment schedule was not followed.
2. Bank reconciliations were not approved by someone other than person preparing the reconciliations, in noncompliance with Ark. Code Ann. § 14-59-108.

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

A handwritten signature in dark 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
January 26, 2022
LOM318220

TOWN OF JERICHO, 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	\$ 50,140	\$ 87,111
Receipts:		
State aid	445	2,257
Property taxes	7,162	80
Franchise fees	3,721	
Sales taxes	10,654	
Fines, forfeitures, and costs	51,723	
Other	2,511	
Transfers in	35,964	1,060
Total Receipts	<u>112,180</u>	<u>3,397</u>
Disbursements:		
General government	55,251	
Law enforcement	57,083	
Highways and streets		1,884
Public safety		7,685
Debt service	9,405	
Transfers out	1,060	35,964
Total Disbursements	<u>122,799</u>	<u>45,533</u>
Cash Balance, December 31, 2020	<u>\$ 39,521</u>	<u>\$ 44,975</u>

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

Schedule 2

	<u>Street</u>	<u>Fire Equipment and Training</u>	<u>Total</u>
Cash Balance, January 1, 2020	\$ 42,142	\$ 44,969	\$ 87,111
Receipts:			
State aid	2,257		2,257
Property taxes	80		80
Transfers in	1,060		1,060
Total Receipts	<u>3,397</u>		<u>3,397</u>
Disbursements:			
Highways and streets	1,884		1,884
Public safety		7,685	7,685
Transfers out		35,964	35,964
Total Disbursements	<u>1,884</u>	<u>43,649</u>	<u>45,533</u>
Cash Balance, December 31, 2020	<u>\$ 43,655</u>	<u>\$ 1,320</u>	<u>\$ 44,975</u>

TOWN OF JERICO, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Schedule 3

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 and Police Miscellaneous
3. Cash balances at year-end in the custodial funds are as follows:

	December 31, 2020
Police Bond and Fine Fund	\$ 350
District Court Fund	15

These balances represent fines, forfeitures, and costs that have not been transferred to the appropriate entities.

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

	December 31, 2020
Land	\$ 5,217
Buildings	183,560
Equipment	137,065
Total	<u>\$ 325,842</u>

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

	December 31, 2020
Court ordered default judgment	<u>\$ 18,900</u>

On March 27, 2015, the Town was court ordered to pay a default judgment of \$39,000 to First Government Lease Company. Monthly payment of \$300 with zero interest are required until paid in full.

TOWN OF JERICO, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Schedule 3

6. Deficit General Fund Balance

The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as it was brought to our attention that the General Fund owed a significant amount to the Street Fund at December 31, 2020. The information below begins with the cash balances for the General and Street Funds. The computation includes changes to the cash balances for outstanding amounts owed at year end.

Balances as of December 31, 2020	<u>General</u>	<u>Street</u>
Cash balances per accountant's report	\$ 39,521	\$ 43,655
Due Street Fund	(58,597)	
Due from General Fund		<u>58,597</u>
Restated balances as of December 31, 2020	<u><u>\$ (19,076)</u></u>	<u><u>\$ 102,252</u></u>