

**CITY OF AUGUSTA, ARKANSAS**

Regulatory Basis Financial Statements,  
Required Supplementary Information,  
Additional Information and Other Reports

Year Ended December 31, 2021



**PriddyHolifieldAbles**<sup>PA</sup>  
CPAs & Advisors

**CITY OF AUGUSTA, ARKANSAS**  
**Names and Titles of 2021 Municipal Officers**  
**December 31, 2021**

Jeff Collins	Mayor
Essie Nichols	Recorder
Robert Beard	Treasurer
Will Moore	Councilman
Amanda Hanna	Councilman
Bobby Brown	Councilman
Randy Spears	Councilman
Kendra Baker	Councilman
Dewitt Fortune	Councilman
Perry Galloway	Councilman
Lisa Gillespie	Councilman
Chris Eldridge	Councilman

**CITY OF AUGUSTA, ARKANSAS**  
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## Independent Auditor's Report

To the City Council  
City of Augusta, Arkansas

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and aggregate remaining fund information of the City of Augusta, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the state of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by City of Augusta, Arkansas, on the basis of financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the state of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of City of Augusta, Arkansas, as of December 31, 2021, or changes in net position, or cash flows thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and fund equity balances of the general fund, street fund, and aggregate remaining funds of City of Augusta, Arkansas, as of December 31, 2021, and their respective cash receipts, disbursements and budgetary results for the year then ended, on the basis of financial reporting provisions of Arkansas Code as described in Note 1.

### **Other Matters**

#### *Required Supplementary Information*

The required supplementary information on page 13 is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is supplementary information required in accordance with the regulatory basis of accounting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augusta's regulatory basis financial statements. The additional information on pages 14-15, which are the responsibility of management, is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements of City of Augusta, Arkansas. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 9 to the financial statements, the entity has suffered recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Arkansas' internal control over financial reporting and compliance.

*Priddy Holifield Ables, PA*

North Little Rock, Arkansas

June 26, 2024

**City of Augusta, Arkansas**  
**Statement of Assets and Net Assets - Regulatory Basis**  
**December 31, 2021**  
(See independent auditor's report.)

	<u>General Fund</u>	<u>Street Fund</u>	<u>Aggregate Remaining Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 624,920	\$ (5,737)	\$ 218,334
Certificates of deposit	108,641	-	-
<b>Total Current Assets</b>	<u>\$ 733,561</u>	<u>\$ (5,737)</u>	<u>\$ 218,334</u>
<b>Net Assets</b>			
Restricted	\$ 538,170	\$ -	\$ 36,328
Unassigned	195,391	(5,737)	182,006
<b>Total Net Assets</b>	<u>\$ 733,561</u>	<u>\$ (5,737)</u>	<u>\$ 218,334</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Augusta, Arkansas**  
**Statement of Receipts, Disbursements, and**  
**Changes in Net Assets - Regulatory Basis**  
**For the Year Ended December 31, 2021**  
(See independent auditor's report.)

	General Fund	Street Fund	Aggregate Remaining Funds
<b>Receipts</b>			
State turnback revenue	\$ 35,188	\$ 177,225	\$ -
Sales tax revenue	639,524	-	-
Other taxes, licenses, and fines	255,097	18,493	-
Grants	686,450	-	-
Miscellaneous revenue	1,026	31	-
Retirement plan contributions	-	-	13,174
Utility charges	-	-	2,593,138
Sanitation services	-	-	328,957
Charges for other services	-	-	126,537
Investment income	60,279	-	604
	<u>1,677,564</u>	<u>195,749</u>	<u>3,062,410</u>
<b>Disbursements</b>			
General government	988,987	-	-
Police department	394,673	-	-
Fire department	58,974	-	-
Highways and streets	-	254,320	-
Municipal and small claims court	104,611	-	-
Animal control	46,474	-	-
Capital outlays	64,127	-	-
Utility plant	-	-	2,784,108
Sanitation services	-	-	312,070
Mosquito control	-	-	18,160
	<u>1,657,846</u>	<u>254,320</u>	<u>3,114,338</u>
<b>Total Disbursements</b>	<u>1,657,846</u>	<u>254,320</u>	<u>3,114,338</u>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	<u>19,718</u>	<u>(58,571)</u>	<u>(51,928)</u>
<b>Other Financing Sources</b>			
Operating transfers in	72,368	52,570	97,986
Operating transfers out	-	-	(222,924)
	<u>72,368</u>	<u>52,570</u>	<u>(124,938)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>72,368</u>	<u>52,570</u>	<u>(124,938)</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	92,086	(6,001)	(176,866)
<b>Net Assets (Deficit) Beginning of year</b>	<u>641,475</u>	<u>264</u>	<u>395,200</u>
<b>Net Assets (Deficit) End of year</b>	<u>\$ 733,561</u>	<u>\$ (5,737)</u>	<u>\$ 218,334</u>

*The accompanying notes are an integral part of these financial statements.*



**City of Augusta, Arkansas**  
**Budgetary Comparison Schedule - General and Street Funds - Regulatory Basis**  
**Year Ended December 31, 2021**  
(See independent auditor's report.)

	General Fund			Street Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>Receipts</b>						
State turnback revenue	\$ 40,000	\$ 35,188	\$ (4,812)	\$ 150,000	\$ 177,225	\$ 27,225
Sales tax revenue	529,000	639,524	110,524	-	-	-
Other taxes, licenses, and fine:	171,250	255,097	83,847	9,000	18,493	9,493
Grants	20,000	686,450	666,450	-	-	-
Miscellaneous revenue	35,400	1,026	(34,374)	52,000	31	(51,969)
Investment income	57,600	60,279	2,679	-	-	-
<b>Total Receipts</b>	<b>853,250</b>	<b>1,677,564</b>	<b>824,314</b>	<b>211,000</b>	<b>195,749</b>	<b>(15,251)</b>
<b>Disbursements</b>						
General government	445,300	988,987	543,687	-	-	-
Police department	316,300	394,673	78,373	-	-	-
Fire department	32,050	58,974	26,924	-	-	-
Highways and streets	-	-	-	211,000	254,320	43,320
Municipal and small claims cour	80,000	104,611	24,611	-	-	-
Animal control	24,200	46,474	22,274	-	-	-
Capital outlay	15,000	64,127	49,127	-	-	-
<b>Total Disbursements</b>	<b>912,850</b>	<b>1,657,846</b>	<b>744,996</b>	<b>211,000</b>	<b>254,320</b>	<b>43,320</b>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	<b>(59,600)</b>	<b>19,718</b>	<b>79,318</b>	<b>-</b>	<b>(58,571)</b>	<b>(58,571)</b>
<b>Other Financing sources</b>						
Operating transfers in	79,600	72,368	(7,232)	-	52,570	52,570
Operating transfers out	(20,000)	-	20,000	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>59,600</b>	<b>72,368</b>	<b>12,768</b>	<b>-</b>	<b>52,570</b>	<b>52,570</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>\$ -</b>	<b>92,086</b>	<b>\$ 92,086</b>	<b>\$ -</b>	<b>(6,001)</b>	<b>\$ (6,001)</b>
<b>Net Assets (Deficit), Beginning of Year</b>		<b>641,475</b>			<b>264</b>	
<b>Net Assets (Deficit), End of Year</b>		<b>\$ 733,561</b>			<b>\$ (5,737)</b>	

The accompanying notes are an integral part of these financial statements.

City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

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**1. Summary of Significant Accounting Policies**

These financial statements are presented in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of receipts, disbursements, and changes in fund equity; a comparison of the final adopted budget to the actual disbursements for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America require the City of Augusta, Arkansas (the City) to present government-wide statements of net assets and statement of activities for the City's governmental and business-type activities. Financial statements prepared in accordance with GAAP also require fund financial statements categorized by governmental, proprietary, and fiduciary funds, with an emphasis on major funds within the governmental and proprietary categories. GAAP also requires certain supplementary information including management's discussion and analysis. These financial statements do not present the required elements, as discussed above, for a presentation in accordance with accounting principles generally accepted in the United States of America.

The regulatory basis of accounting recognizes assets, fund equity, receipts, and disbursements when they result from cash transactions. Therefore, accounts receivable, amounts due to and from other funds, inventory, property, plant, and equipment, accounts payable, meter deposits, long-term debt, and activity arising from changes in these balances are not reflected in these financial statements.

Reporting Entity

The City operates under a Mayor/Council form of government. The City's major operations include police and fire protection, sanitation services, utility services, street maintenance, and general administrative services. In addition, the City exercises sufficient control over other governmental agencies and authorities that are included as a part of the City's reporting entity.

Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The City has created several funds which account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The following funds are presented separately in these financial statements:

General Fund - This fund was established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

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Street Fund - This fund was established to account for the resources legally restricted for street expenditures. The resources include property tax revenue and street turnback tax revenue.

These funds are combined in the financial statements under the column heading "aggregate remaining funds":

Municipal Court Retirement - This fund was originally established to provide retirement benefits for employees of the City of Augusta Municipal Court. Court employees now participate in the Arkansas Public Employees Retirement System to which the City contributes from the monies accumulated in this fund.

Arkansas LOPFI Retirement Fund - This fund was established to account for state insurance tax turnback revenue, which must be applied to pension contributions paid to LOPFI.

Utility Fund - This fund was established to account for the operation of the City Light, Water, and Gas Company. The fund is charged with all costs of providing the electric, water, and gas services to the general public and recovers these costs primarily through user charges.

Sanitation Fund - This fund was established to account for the operation of the waste disposal unit of the City. Service charges received are used to finance the costs of providing waste disposal.

Mosquito Control Fund - This fund was established to account for the transactions of the mosquito control unit of the City. Service charges received are used to finance the costs associated with providing mosquito control.

Budgetary Data

The City does not utilize formal budgetary accounting. However, annual operating budgets are adopted each fiscal year as required by state statute for the General Fund and Street Fund.

Fund Equity

The unreserved fund balances for the general and street funds represent the amount available for budgeting future operations. The unreserved retained earnings for the aggregate remaining funds represent the net assets available for future operations or distribution.

Property Tax Revenue

Property taxes are levied based on assessed values at January 1 of the year of assessment. Taxes are due by October 10 of the following year. Property taxes are recognized in the year received.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds. Legally restricted cash is also included in cash and cash equivalents.

City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

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Net Asset Classification Policies and Procedures

The City's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The City does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of net asset amounts, restricted resources are considered spent before unrestricted. The City does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted net asset classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts. Net assets is classified in the following two components:

*Restricted fund balance*

This component of net assets consists of amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Unassigned fund balance*

This component of net assets consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Management's Review

The City has evaluated subsequent events through June 26, 2024, the date the financial statements were available for issuance.

**2. Deposits with Financial Institutions**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. A total of \$1,041,634 was on deposit with financial institutions at December 31, 2021. The City's deposits were insured to \$394,970 and governmental securities with a total market value of \$1,165,656 were pledged as collateral by the depository institutions and held by the pledging institution's agent in the City's name.

Deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk have not been provided as required by Governmental Accounting Standards.

**3. Legal or Contractual Provisions for Deposits**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

City of Augusta, Arkansas  
Notes to the Financial Statements  
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State law provides that if the total assets of the firemen's pension trust fund are less than \$100,000, the funds may be deposited or invested as noted in the preceding paragraph and may include deposits in federally insured savings and loans located in the State of Arkansas and notes secured by mortgages on real estate guaranteed either by the United States government or by a corporation approved by the State Commissioner of Insurance. Since the total assets of the fund exceed \$100,000, the fund has employed, as allowed by state law, a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual fund.

**4. Net Asset Restrictions**

The following describes the restrictions on net assets:

Restricted for Debt Service - Required by the USDA as part of the sewer extension loan agreement.

Restricted for Employee Pension Benefits - Created to restrict the use of all resources contributed to or earned by the Firemen's Pension Fund, Municipal Court Retirement Fund and the Arkansas LOPFI Fund. State statutes require that such fund balances be fully reserved.

Restricted for Puckett-Massey Youth Fund - Created to restrict the use of all resources contributed to or earned by the Puckett-Massey Youth Fund. The restriction was mandated by an agreement between the city and donor and passed as a resolution by the City Council in 1997.

Restricted for Municipal Court - Created to restrict funds received from fines that have yet to be adjudicated or remitted as required by state law and for funds set aside for certain future municipal court expenses.

Restricted for Fire & Police departments - Fund was created to account for grant money to be used exclusively for the purchase of equipment and training for the City's fire and police departments.

American Rescue Plan - Created to restrict funds received from the American Rescue Plan, a government initiative aimed at providing financial assistance in response to economic challenges arising from the COVID-19 pandemic. These funds are subject to specific restrictions outlined by the American Resue Plan legislation and associated guidance provided by the relevant authorities.

Restricted for other purposes - This is comprised of other amounts with constraints placed on the use of resources.

City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

Net asset restrictions at December 31, 2021, are composed of the following:

	General Fund	Street Fund	Aggregate Remaining Funds
Net Assets			
Restricted for debt service	\$ -	\$ -	\$ 43,681
Restricted for employee pension benefits	-	-	184,255
Restricted for Puckett-Massey youth fund	106,815	-	-
Restricted for municipal court	253,929	-	-
Restricted for fire and police departments equipment and training	152,140	-	-
Restricted for the American Rescue Plan	201,692	-	-
	<u>\$ 714,576</u>	<u>\$ -</u>	<u>\$ 227,936</u>

## 5. Commitments

### Long-term Debt

Note payable to USDA Rural Development, dated March 3, 2005, for construction of the sewer extension project. The note matures in the year 2045 and is payable in equal monthly payments of \$3,632 at 4.50%. The balance of the note was \$558,331 at December 31, 2021. In addition, there is a reserve requirement of \$43,584 to be accumulated over 10 years at a rate of \$364 per month. The balance of the reserve account at December 31, 2021, was \$43,681. Since the minimum reserve amount has been reached, no further payments are required to be made to the reserve fund.

Note payable to a financial institution dated March 20, 2019, for an air conditioner unit. The note matures in April 2022 and is payable in equal monthly installments of \$345.

Lease payable to a financial institution for two sewage pumps dated April and December 2018. Leases matured in April and December 2021 and were payable in equal monthly payments of \$1,429 and \$1,616, respectively.

Lease payable to a financial institution for a tractor dated March 2020. The lease matures in March 2023 and is payable in equal monthly installments of \$738.

Due to the City's utilization of the cash basis of accounting, the debt is not recorded in the financial statements.

## 6. Pension Plans

The City provides pension benefits for City employees through the following pension plans:

*Local Police and Fire Retirement System (LOPFI) – Paid Service and Volunteer Service Firemen*

### A. Plan Description

The City's policemen and volunteer firemen are covered by the Arkansas LOPFI, which is a statewide retirement and disability program established under the authority of Arkansas Act 364 of 1981. It is an agent multiple-employer public employee retirement system (PERS).

City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

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The pension plan provides pension, death, and disability benefits for policemen employed half-time or more who receive a minimum monthly compensation amount and for all volunteer firemen hired after 1982.

Under provisions of the plan, pension benefits vest after 10 years of service with the City or another entity covered by Arkansas LOPFI. Normal retirement age is age 60; however, a member with 20 years of service may retire at age 55 or a member with a minimum of 28 years of service may retire at any age. LOPFI issues a publicly available financial report, which may be obtained by contacting the Arkansas Local Police & Fire Retirement System.

**B. Funding Policy**

Effective July 1, 2009, all paid service plan members are required to make mandatory contributions equal to 2.5% of gross pay. Employer contributions to the plan for 2021 were equal to 23.50% of gross wages for police officers and \$5.90 per month for firemen.

**C. Annual Pension Cost**

In 2021, the City made actual contributions to the policemen's plan and the firemen's plan of \$73,984 and \$0, respectively. The required contribution was determined as part of the December 31, 2021, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 7% per year, compounded annually; (b) projected salary increase of 2% per year, compounded annually, attributable to wage inflation; (c) additional projected salary increases of 2.25% per year, attributable to seniority/merit; and (d) pre- and post-retirement mortality based on the RP 2000 Combined Projected to 2007 table, and (e) the assumption that benefits will increase 3% per year after retirement.

Contributions required by state statute for each of the past three fiscal years (for which information is available) are:

<u>Year Ending</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
12/31/2019	\$ 63,076	100%
12/31/2020	64,748	100%
12/31/2021	73,984	100%

*Arkansas Public Employees Retirement System*

**A. Plan Description**

The City contributes to the Arkansas Public Employee Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National

City of Augusta, Arkansas  
Notes to the Financial Statements  
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Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

**B. Funding Policy**

APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The required contribution rates are currently 38.99% for judges and 15.32% for all other employees.

**7. Risk of Loss**

During the course of daily operations, the City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these risks by the following coverage procedures:

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Accidental Death and Dismemberment

This insurance program provides compensation to the insured of \$ 100,000 upon death or dismemberment due to accident. The risk of loss is transferred to Arkansas Municipal League.

Workers' Compensation

This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program

This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after



City of Augusta, Arkansas  
Notes to the Financial Statements  
December 31, 2021

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deduction for depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Municipal Legal Defense Program

The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suit against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$ 1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This deposit is not refundable.

**8. Contingency**

The City receives federal funds passed-through various agencies of the State of Arkansas. The agencies could require that the City return a portion or all of these funds due to non-compliance with laws, regulations and contracts. City officials do not anticipate that funds will need to be returned; however, if required, such amounts though not determinable could be material to the financial statements.

In accordance with Arkansas Code 16-10-204, the City established an account to receive fines, forfeitures, and costs collected by the District Court. The court clerk is required to make monthly settlements to the appropriate entities of the amounts collected. Any remaining balance that has not been transferred to the appropriate entities is considered settlements pending. Settlements pending totaled \$19,918 at December 31, 2021.

Based on allegations of potential misuse of City funds, Arkansas Legislative Audit performed a limited procedures engagement on financial transactions during the years 2022, 2021 and 2020. The results of their review of the City's financial records and transactions are included in a report that is publicly available on the Arkansas Legislative Audit website. The report has also been forwarded to the District Prosecuting Attorney and the Arkansas Attorney General. Management is not aware of the results of any further investigation by these parties. The likelihood of any potential material financial impact to the City as a result of non-compliance or malfeasance is unknown as of the date of the audit report.

**9. Going Concern**

The City has incurred significant operating losses and negative cash flows that has resulted in substantial doubt about the entity's ability to continue as a going concern for the year following the issue date of the financial statements. Excessive spending along with negative population growth has also contributed to the current financial condition. Management is working on preparing workable annual budgets that, if they can be achieved, will provide significant excess funds.

**City of Augusta, Arkansas**  
**Schedule of Capital Assets**  
**December 31, 2021**  
(Unaudited)

	General Fund	Street Fund	Aggregate Remaining Funds
Land and land improvements	\$ 378,422	\$ -	\$ 40,141
Buildings	2,149,511	-	3,301,270
Machinery and equipment	1,365,554	230,681	6,006,841
 Total Capital Assets	 <u>\$ 3,893,487</u>	 <u>\$ 230,681</u>	 <u>\$ 9,348,252</u>

**Notes to Schedule of Capital Assets**

**Note 1** - For purposes of this schedule, property, plant, and equipment are capitalized in the respective fund to which the asset applies. Public domain general fixed assets consisting of certain improvements other than buildings, such as roads and sidewalks, are capitalized in the General Fund in accordance with *Government Accounting Standards*.

**Note 2** - Property, plant, and equipment are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

**City of Augusta, Arkansas**  
**Statement of Assets and Net Assets - Regulatory Basis -**  
**Aggregate Remaining Funds**  
**December 31, 2021**

	Municipal Court Retirement Fund	Firemen's Pension Fund	Arkansas LOPFI Retirement Fund	Utility Plant Fund	Sanitation Fund	Mosquito Control Fund	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 173,257	\$ -	\$ 10,998	\$ 10,258	\$ 23,821	\$ -	\$ 218,334
Certificates of deposit	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 173,257</u>	<u>\$ -</u>	<u>\$ 10,998</u>	<u>\$ 10,258</u>	<u>\$ 23,821</u>	<u>\$ -</u>	<u>\$ 218,334</u>
<b>Net Assets</b>							
Restricted	\$ 12,510	\$ -	\$ -	\$ -	\$ 23,818	\$ -	\$ 36,328
Unassigned	160,747	-	10,998	10,258	3	-	182,006
<b>Total Net Assets</b>	<u>\$ 173,257</u>	<u>\$ -</u>	<u>\$ 10,998</u>	<u>\$ 10,258</u>	<u>\$ 23,821</u>	<u>\$ -</u>	<u>\$ 218,334</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Augusta, Arkansas**  
**Statement of Receipts, Disbursements, and**  
**Changes in Net Assets - Regulatory Basis**  
**Aggregate Remaining Funds**  
**For the Year Ended December 31, 2021**

	Municipal Court Retirement Fund	Arkansas LOPFI Retirement Fund	Utility Plant Fund	Sanitation Fund	Mosquito Control Fund	Total
<b>Receipts</b>						
Retirement plan contributions	\$ 12,120	\$ 1,054	\$ -	\$ -	\$ -	\$ 13,174
Utility charges	-	-	2,593,138	-	-	2,593,138
Sanitation services	-	-	-	328,957	-	328,957
Charges for other services	-	-	98,475	-	28,062	126,537
Investment income	438	-	-	166	-	604
<b>Total Receipts</b>	<u>12,558</u>	<u>1,054</u>	<u>2,691,613</u>	<u>329,123</u>	<u>28,062</u>	<u>3,062,410</u>
<b>Disbursements</b>						
Capital outlays	-	-	-	-	-	-
Utility plant	-	-	2,784,108	-	-	2,784,108
Sanitation services	-	-	-	312,070	-	312,070
Mosquito control	-	-	-	-	18,160	18,160
<b>Total Disbursements</b>	<u>-</u>	<u>-</u>	<u>2,784,108</u>	<u>312,070</u>	<u>18,160</u>	<u>3,114,338</u>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	<u>12,558</u>	<u>1,054</u>	<u>(92,495)</u>	<u>17,053</u>	<u>9,902</u>	<u>(51,928)</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	-	39,137	58,849	-	97,986
Operating transfers out	-	-	(137,286)	(75,736)	(9,902)	(222,924)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(98,149)</u>	<u>(16,887)</u>	<u>(9,902)</u>	<u>(124,938)</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	12,558	1,054	(190,644)	166	-	(176,866)
<b>Net Assets, Beginning of Year</b>	<u>160,699</u>	<u>9,944</u>	<u>200,902</u>	<u>23,655</u>	<u>-</u>	<u>395,200</u>
<b>Net Assets, End of Year</b>	<u>\$ 173,257</u>	<u>\$ 10,998</u>	<u>\$ 10,258</u>	<u>\$ 23,821</u>	<u>\$ -</u>	<u>\$ 218,334</u>

*The accompanying notes are an integral part of these financial statements.*



To the City Council  
City of Augusta, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund, street fund, and aggregate remaining fund information of the City of Augusta, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Augusta, Arkansas' basic financial statements and have issued our report thereon dated . Our report disclaims an opinion on such financial statements because the financial statements are presented on the regulatory basis which is basis of accounting other than accounting principles generally accepted in the United States of America.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Augusta, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Augusta, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Arkansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and management response, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and management's response as items 2021-001, 2021-002, 2021-003, 2021-006, 2021-011, 2021-2014, 2021-15 and 2021-16 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2021-004 described in the accompanying schedule of findings and management's response to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Augusta, Arkansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including tests of the City's compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, bonding, and investing and depositing of public funds, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and management response as item 2021-005, items 2021-007 to 2021-010, item 2021-012 and item 2021-013.

Our audit procedures indicated that the offices of City Clerk, Treasurer, and Police Chief were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices were noted in the offices of District Court Clerk and Mayor.

### ***City of Augusta, Arkansas' Response to Findings***

City of Augusta, Arkansas' response to the findings identified in our audit is described in the accompanying schedule of findings and management response. City of Augusta, Arkansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Priddy Holifield Ables, PA*

North Little Rock, Arkansas

June 26, 2024

**City of Augusta, Arkansas**  
**Schedule of Findings and Management**  
**Response Year Ended December 31, 2021**

**Finding 2021-001**

A good system of internal accounting control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, record, and process the same transaction. Due to the limited number of employees performing the accounting functions for the City, there is an inherent control deficiency relative to segregation of duties. This is a repeat finding from the prior year engagement.

**Recommendation**

Internal controls should be in place to eliminate the incompatible functions of authorization, physical custody of assets and recording of transactions. Such activities should be split between employees to the greatest extent possible in order to separate incompatible duties.

**Management's Response**

The City Treasurer reviews all monthly bank reconciliations which provides some additional measure of control over cash. Subsequent to year end, new procedures have been put in place by the mayor to better segregate duties and provide additional employee supervision. Due to a lack of additional personnel available with sufficient knowledge of financial matters, it would be difficult for the City to further improve the segregation of duties without hiring additional employees.

**Finding 2021-002**

The activity for two court related bank accounts was not recorded during the current year. The bookkeeper was not provided with a copy of the monthly bank statements or summaries of the monthly activity. Not recording activity or reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. A similar finding was issued in the prior year.

**Recommendation**

We recommend the bookkeeper be provided with summaries of monthly activity for all accounts. We also recommend that bank statements for all accounts be provided to the bookkeeper for proper recording of activity.

**Management's Response**

All bank account statements will be mailed directly to the City bookkeeper for proper recording of activity. Further, the City bookkeeper will prepare all monthly reconciliations.

**Finding 2021-003**

Arkansas Code 16-13-709 requires each governing body of a political subdivision which contributes to the expenses of a district court to designate a county, town, or city official, agency, or department to be primarily responsible for the collection of fines assessed in the district courts. Fines owed to the City are collected by the court clerks through online payments, payments received through the mail or payments made in person at City Hall. The City does not have a process in place to monitor past due fines receivable and attempt collection. This is a repeat finding.

**Recommendation**

We recommend that the City designate an official to be primarily responsible for the collection of fines owed to the City and develop a process for monitoring and collecting unpaid fines.

**Management's Response**

The City will designate an official to be primarily responsible for the collection of fines owed to the City and will develop a process for monitoring and collecting unpaid fines.

**City of Augusta, Arkansas**  
**Schedule of Findings and Management**  
**Response Year Ended December 31, 2021**

**Finding 2021-004**

The current bookkeeper is the only City employee with extensive knowledge of the accounting system. Because the system requires specialized knowledge, all computerized transactions are put on hold during the bookkeeper's absence. This is a repeat finding.

Recommendation

We recommend training other employees on the system to ensure that someone will be able to perform all the tasks required on a day-to-day basis. Training other employees will also provide an increased level of accountability since the bookkeeper duties could be performed by another employee during vacation or in the event of an unexpected absence.

Management's Response

The City treasurer will work with the bookkeeper to improve the accounting processes and will train a second utility clerk to perform the day-to-day accounting tasks.

**Finding 2021-005**

The District Court Augusta Division bank account was not reconciled during the year and the ending monthly balance of the account was not identified with receipts issued but not yet adjudicated as required by Arkansas Code § 16-10-209. A similar finding was issued in the prior year.

Recommendation

We recommend the District Court Clerk implement procedures to ensure proper settlements and identification of ending balances and prepare monthly bank reconciliations.

Management's Response

The City officials responded that the District Court Clerk will begin performing the required bank reconciliations and will submit monthly reports in a timely manner.

**Finding 2021-006**

Currently, the bank account that pertains to the city court division includes Augusta, Cotton Plant, and Patterson activity. In accordance with Arkansas Code 16-10-209, the court clerk is required to reconcile the court accounts monthly and identify any remaining balance in the bank account. The bank account was not reconciled during 2021 and the remaining balance in the account was not properly identified. This is repeat finding.

Recommendation

We recommend that the City open separate bank accounts for court activity of each court jurisdiction. The separate accounts should be easier to trace and reconcile account activity.

Management's Response

The City will open separate bank accounts for Augusta, Cotton Plant, and Patterson court divisions and maintain proper reconciliation procedures.

**Finding 2021-007**

Arkansas Code 16-10-209 requires the court clerk to establish and maintain a control total for time payments and reconcile the control total to the individual time payment accounts on a monthly basis. The required reconciliations have not been performed. This is a repeat finding.

Recommendation

We recommend the court clerk develop a process to track all time pay receipts and disbursements in order to comply with Arkansas Code.

Management's Response

The court clerk will develop a spreadsheet to track all time pay receipts and disbursements and reconcile the control totals to monthly time payments.



**City of Augusta, Arkansas**  
**Schedule of Findings and Management**  
**Response Year Ended December 31, 2021**

**Finding 2021-008**

In accordance with Arkansas code 14-58-302, the Mayor is required to submit to the City Council, within ninety days after the end of each fiscal year, a complete report on the finances and administrative activities of the city during the previous fiscal year. We were unable to determine that the mayor had submitted this report. This is a repeat finding.

Recommendation

We suggest including the discussion of this report in the City Council minutes.

Management's Response

The required report on the finances and administrative activities of the City will be conducted and recorded in the minutes of the City Council meeting.

**Finding 2021-009**

In accordance with Arkansas Code 14-58-201, the Mayor is required to submit to the City Council, on or before December 1 of each year, a proposed budget for the operation of the City from January 1 to December 31 of the forthcoming year. The 2021 budget was introduced at the February 8th, 2021 special meeting. Per Arkansas Code 14-58-202 the City Council should also adopt the budget by ordinance or resolution on or before February 1 of each year. The City Council motioned to approved the budget for the General Fund and Street Fund, but they were not approved through an ordinance and resolution. This is a repeat finding.

Recommendation

We recommend that the Mayor present a proposed budget at the regularly scheduled November City Council meeting.

Management's Response

The required budget presentation and adoption of the budget will be timely conducted and recorded in the minutes of the City Council meeting.

**Finding 2021-010**

In accordance with Arkansas Code 16-10-209, the Court Clerk is required to retain the printer's certificate on receipt books. Not all certificates were held by the City until after the audit was complete. This is a repeat finding.

Recommendation

We recommend that the Court Clerk retain printer's certificates until the respective audit is complete.

Management's Response

Future printer's certificates on receipt books will be retained until the corresponding audit(s) have been completed.

**Finding 2021-011**

During the course of the audit, it was discovered that the city's payroll expenditures surpassed the allocated budget. Additionally, inadequate documentation was found to substantiate the reasons for payroll increases, indicating deficiencies in payroll management controls. Notably, upon reviewing the 2014 city council minutes, it was noted that a standing authorization for a 3% raise was granted; however, this increase was not accounted for within the city's budget.

Recommendation

Conduct a comprehensive review of all payroll documentation to ensure that supporting evidence is available for each adjustment, particularly those exceeding the approved 3% increase. Strengthen the approval processes for payroll adjustments, ensuring that proper channels are followed, and all necessary approvals are obtained before implementation.

**City of Augusta, Arkansas**  
**Schedule of Findings and Management**  
**Response Year Ended December 31, 2021**

Management Response:

The City Council will hold payroll discussions in executive session of the council meeting and document payroll decisions in the minutes. Spending will be monitored for adherence to each individual budgeted payroll line-item amount. Proposed payroll increases in excess of budgeted amounts will be discussed in city council meetings and will be approved prior to expenditure.

**Finding 2021-12**

the City failed to issue Form 1099 to a number of independent contractors as required by the Internal Revenue Service (IRS) regulations. The failure to issue a Form 1099 to an independent contractor may lead to potential non-compliance with IRS regulations. Furthermore, the transition of two contractors to employees during the fiscal year was not appropriately documented in the 1099 forms, further exacerbating the non-compliance issue. This oversight could result in penalties and interest levied by the IRS for failure to report income.

Recommendation

It is recommended that the city implements procedures to ensure timely and accurate issuance of Form 1099 to all independent contractors who have been paid \$600 or more for services rendered during the fiscal year. This may involve reviewing and updating internal controls related to vendor management and tax reporting to prevent similar instances of non-compliance in the future.

Management Response

Management will review the vendor monthly report and monitor the independent contractors that are working for the city to identify contractor payments and issue a Form 1099 for each of these vendors in excess of \$600.

**Finding 2021-013**

Expenditures surpassing \$10,000 were noted without proper approval from the City Council or competitive bidding, indicating a departure from established budgetary protocols adopted by City of Augusta Ordinance no. 423 which authorized the Mayor to approve purchases less than \$10,000, without engaging in competitive bidding. In addition, there were instances where emergency contracting procedures were initiated without seeking prior written approval or obtaining alternative approvals through telephone, fax, or electronic mail in accordance with A.C.A. § 22-9-201. This is a repeat finding.

Recommendation

Strengthen the approval processes for expenses exceeding \$10,000, ensuring that all significant financial decisions are subject to thorough scrutiny and approval by the City Council.

Management Response:

Management will follow approved bidding and waiver procedures as required by City ordinance on all expenditures exceeding \$10,000 including those subject to emergency contracting procedures. The City Council will review and approve bids prior to the signing of contracts and/or releasing funds for expenditure unless emergency protocols are required. Then the appropriate procedures for emergency spending will be followed.

**Finding 2021-014**

During the course of the audit, it was noted that the city wrote off and made adjustments to utilities receivables without adequate documentation to support these actions. Additionally, it was observed that the City Council has not established formal policies and procedures governing the process of writing off utility receivables.

Recommendation

Develop and implement documentation protocols for writing off and adjusting utilities receivables, specifying the required supporting documentation and approval processes. City Council should promptly establish formal policies and procedures governing the process of writing off and adjusting utilities receivables, outlining clear guidelines, responsibilities, and oversight mechanisms while adhering to Arkansas Code 14-42-108. This is a repeat finding.

**City of Augusta, Arkansas**  
**Schedule of Findings and Management**  
**Response Year Ended December 31, 2021**

Management Response

The City Council will establish formal policies and procedures for writing off and adjusting utility receivables.

**Finding 2021-015**

During the audit, it was observed that there is a deficiency in supporting documentation for credit card transactions. Specifically, several receipts lack signatures and fail to provide a clear business purpose for the expenses incurred. This is a repeat finding.

Recommendation

Implement a robust system for documenting credit card transactions, including the requirement for authorized users to sign receipts and provide a detailed explanation of the business purpose for each expense. Strengthen oversight mechanisms to ensure compliance with established guidelines for credit card usage, including periodic reviews of transactions and documentation by an independent party.

Management Response

The City will implement appropriate policies and procedures for the use of credit cards including the requirement for authorized users to sign receipts and provide a detailed explanation of the business purpose for each expense for credit card.

**Finding 2021-016**

During the audit, it was observed that the city disbursed checks to both employees and contractors without maintaining adequate documentation for the expenses. Some of the expenses were handwritten invoices signed by the mayor. These types of transactions are more likely to be abused if there are not adequate policies in place to ensure an independent review of the transaction is performed prior to payment.

Recommendation

City council should establish and enforce comprehensive documentation procedures that outline the required supporting documentation for all payments made to employees and contractors. This should include invoices, receipts, timesheets, or any other relevant documentation to substantiate the purpose and validity of the expenditure.

Management Response:

Management will design policies and procedures to require an independent review of supporting documents for these types of transactions prior to making any reimbursements or expenditures.