

Town of Allport, Arkansas

Financial and Compliance Report

December 31, 2019

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF ALLPORT, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2019

Financial and Compliance Report

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Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

Town of Allport, 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 Allport, Arkansas, as of and for the year ended December 31, 2019, and have issued our report thereon dated December 8, 2020. 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 2019:

Mayor: Kenneth Raynor (appointed February 4, 2019)
Ivory Gaston (resigned January 25, 2019)
Recorder/Treasurer: Jeremy Allen (appointed February 4, 2019)
Odessia Gaston (resigned January 25, 2019)
District Court Clerk: Porsche Farmer (resigned April 1, 2019)
Police Chief: Robert Wells (hired February 7, 2019)

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 District Court Clerk.**

Mayor and Recorder/Treasurer

1. The Town paid a Council member \$3,440 to cut grass and pick up trash along Town roads and ditches. Although the Council approved a contract for the services and passed an ordinance authorizing officials to work for the Town with an approved contract, the ordinance did not prescribe the extent of this authority, in conflict with Ark. Code Ann. § 14-42-107. A similar finding was noted in the prior report.
2. Although Schedule 1 of this report shows a balance of \$11,312 in the General Fund, the Town owed significant amounts to the Street Fund, Internal Revenue Service, and the HACT Regional Waste Treatment District. As shown on schedule 3 of this report, when these outstanding amounts were considered, the General Fund had a deficit of \$25,771. A similar finding was issued in the prior report.

Mayor

Minutes did not indicate that the budget was adopted by ordinance or resolution, as required by Ark. Code Ann. § 14-58-202. A similar finding was noted in the previous three reports.

Recorder/Treasurer

1. State aid for highway funds for the years 2005 through 2010 was not transferred from the General Fund to the Street Fund, as required by Ark. Code Ann. § 14-59-104. As of December 31, 2019, the General Fund owed the Street Fund \$16,632. Additionally, in 2017, an unallowable disbursement was made from the Street Fund, making the total due from the General Fund to the Street Fund \$18,632.
2. A fixed asset policy was adopted by the governing body, but it again did not set forth a dollar amount or useful life necessary to qualify as a fixed asset, as required by Ark. Code Ann. § 14-59-107. In addition, the listing did not include a vehicle or amounts for land.
3. Bank account reconciliations were prepared, however they were not accurate, as required by Ark. Code Ann. § 14-59-108. In addition, the reconciliations were not approved by a person other than the preparer. A similar finding was noted in the previous report.

Recorder/Treasurer (Continued)

4. At December 31, 2019, the Town owed the HACT Regional Wastewater Treatment District \$6,600 for sewer collection and wastewater treatment. The Town paid \$1,200 during 2019, in noncompliance with an agreement stating the Town would pay \$200 per month until the debt is satisfied. A similar finding was noted in the previous three reports.
5. A cash receipts and cash disbursements journal was not prepared for the Community Center Grant Fund, as required by Ark. Code Ann. §§ 14-59-110, -111

District Court Clerk

1. The District Court Clerk again did not reconcile on a quarterly basis the individual citations in the completed citation book to the individual citations as reflected on the arrest reports or court dockets, as required by Ark. Code Ann. § 16-10-209. A similar finding was issued in the previous three reports dating back to 2015.
2. The ending bank balance was not identified with receipts issued for cases not yet adjudicated and payments made on all unpaid time accounts, as required by Ark. Code Ann. § 16-10-209. A similar finding was noted in the previous eight reports dating back to 2006.
3. Prenumbered receipts were not issued for all moneys collected, as required by Ark. Code Ann. § 16-10-209.

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
December 8, 2020
LOM300319

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

Schedule 1

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Cash Balance, January 1, 2019	\$ 12,721	\$ 355
Receipts:		
State aid	121	
Federal aid		13,148
Property taxes	355	392
Franchise fees	2,903	
Sales taxes	14,387	
Fines, forfeitures, and costs	11,643	
Other	500	
Transfers in		5,897
Total Receipts	<u>29,909</u>	<u>19,437</u>
Disbursements:		
General government	18,691	
Law enforcement	3,633	
Highways and streets	66	6,488
Recreation and culture		13,215
Debt service	3,031	
Transfers out	5,897	
Total Disbursements	<u>31,318</u>	<u>19,703</u>
Cash Balance, December 31, 2019	<u>\$ 11,312</u>	<u>\$ 89</u>

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

Schedule 2

	<u>Street</u>	<u>Community Center Grant</u>	<u>Total</u>
Cash Balance, January 1, 2019	\$ 355		\$ 355
Receipts:			
Federal aid		\$ 13,148	13,148
Property taxes	392		392
Transfers in	5,822	75	5,897
Total Receipts	<u>6,214</u>	<u>13,223</u>	<u>19,437</u>
Disbursements:			
Highways and streets	6,488		6,488
Recreation and culture		13,215	13,215
Total Disbursements	<u>6,488</u>	<u>13,215</u>	<u>19,703</u>
Cash Balance, December 31, 2019	<u>\$ 81</u>	<u>\$ 8</u>	<u>\$ 89</u>

TOWN OF ALLPORT, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Schedule 3

1. Cash balances on the Financial Schedules include demand accounts.

2. The cash balance at year-end in the custodial fund is as follows:

	December 31, 2019
District Court Fund	\$ 220

This balance represents fines, forfeitures, and costs that have not been transferred to the appropriate entities.

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

	December 31, 2019
Buildings	272,730
Equipment	31,595
Total	\$ 304,325

The municipality's capital assets records did not contain cost amounts for land.

4. Outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2019
Due to HACT Regional Waste Treatment District	\$ 6,600
Notes payable	246
Due to Internal Revenue Service	11,604
Total	\$ 18,450

TOWN OF ALLPORT, ARKANSAS
OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

5. The schedules included on our Financial and Compliance Reports are typically cash basis. We are including additional information here, as the Town of Allport (Town) had significant balances due to other funds of the Town and delinquent payments to the Internal Revenue Service (IRS) and HACT Regional Waste Treatment District (HRWTD). The information below begins with the cash balance per Schedule 1 of this report. The computation includes increases and decreases to cash balances for amounts due to and due from funds within the Town.

Balances as of December 31, 2019	<u>General</u>	<u>Street</u>	
Cash balances per Schedules	\$ 11,312	\$ 81	
Due to Street Fund	* (18,632)		
Due from General Fund		18,632	Unallowable disbursement in 2017
Due to Court (Custodial) Fund	(247)		
Due from Court (Custodial) Fund		16	
Due to IRS	(11,604)		
Due to HRWTD	(6,600)		
	<u>\$ (25,771)</u>	<u>\$ 18,729</u>	

* \$16,632 for state aid for highway funds and \$2,000 for a 2017 transfer to General Fund from Street Fund without a documented allowable purpose

6. On September 11, 2020, the Legislative Joint Auditing Committee adopted a motion to begin the process to revoke the Town of Allport's charter under Arkansas Code section §14-62-102, by notifying the Attorney General and the Governor of the Committee's actions regarding the Town's noncompliance with the Municipal Accounting Law.
7. The Town passed Ordinance no. 2020-2 (May 4, 2020) authorizing the Town to close the District Court and transfer any remaining balance in the bank to the General Fund.