

Town of Allport, Arkansas

Financial and Compliance Report

December 31, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



TOWN OF ALLPORT, ARKANSAS
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Financial and Compliance Report

	<u>Schedule</u>
Schedule of Financial Information (Unaudited)	1
Combining Schedule of Financial Information – Special Revenue Funds (Unaudited)	2
Other Information (Unaudited)	3

Arkansas

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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 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, 2020, and have issued our report thereon dated September 23, 2021. 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: Kenneth Raynor
Recorder/Treasurer: Jeremy Allen

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** and **Recorder/Treasurer**.

Mayor and Recorder/Treasurer

1. Although Schedule 1 of this report shows a balance of \$340 in the General Fund, the Town owed significant amounts to the Street Fund, Internal Revenue Service (IRS), the Recorder/Treasurer, 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 \$32,920. A similar finding was issued in the prior two reports.
2. The Town transferred \$700 from the District Court Fund without an authorizing court order from the District Judge.
3. The General Fund owes \$250 to the District Court Fund for an old outstanding check.

Mayor

1. The Town was not in compliance with Ark. Code Ann. §§ 14-58-202, -203 as noted below:
 - Minutes did not indicate the budget was passed by ordinance or resolution; however, Ordinance 2020-1, signed May 24, 2021, indicated it was passed on February 3, 2020.
 - Budget was not adopted by February 1.
 - General Fund disbursements exceeded appropriations by \$15,873 (81%).

A similar finding has been noted in the previous four reports.

2. The governing body did not document the review of findings and recommendations and the action taken relating to the prior report and accompanying comments at the first regularly scheduled meeting following receipt of the report, as required by Ark. Code Ann. § 10-4-418.

Recorder/Treasurer

1. State aid for highway funds for previous years was not transferred from the General Fund to the Street Fund, and an unallowable disbursement in a previous year was made from the Street Fund, in noncompliance with Ark. Code Ann. § 14-59-104. As of December 31, 2020, the General Fund owed the Street Fund \$16,977.

Recorder/Treasurer (Continued)

2. A fixed asset listing was established, but it did not contain land owned by the Town, as required by Ark. Code Ann. § 14-59-107. A similar finding was noted in the previous report.
3. At December 31, 2020, the Town owed the HACT Regional Wastewater Treatment District \$6,600 for sewer collection and wastewater treatment. The Town paid \$0 during 2020, in noncompliance with an agreement stating the Town would pay \$200 a month until the debt is satisfied. A similar finding was noted in the previous four reports.
4. Monthly bank reconciliations were prepared; however, those reconciliations were not approved until May 17, 2021. In addition, we noted \$1,462 in outstanding checks that were not included on the bank reconciliation. These checks were stale dated; however, they had not been properly voided.
5. Prenumbered receipts were not issued for all funds received in the Community Center Grant Fund, as required by Ark. Code Ann. § 14-59-109.
6. Cash receipts and disbursements journals did not indicate the classification of receipts and disbursements, as required by Ark. Code Ann. §§ 14-59-110, -111.
7. Annual financial statements were not prepared and posted, as required by Ark. Code Ann. § 14-59-116.
8. Compensation paid to the Mayor was reported on IRS Form 1099-Misc instead of Form W-2. In addition, this form was not filed with the IRS by March 1, 2021.
9. On October 25, 2019, the Town signed a payment agreement with the Internal Revenue Service to pay back taxes totaling \$11,604 due from tax years 2017, 2018, and the first quarter of 2019. The agreement requires payments of \$542 per month. During 2020 the Town paid \$7,046, leaving a balance due of \$4,558 at December 31, 2020.
10. In the September 23, 2020 council minutes, it was stated that funds to pay for CPA and attorney fees would be paid by the Town with personal contributions from the council members and any remaining amounts would be funded by a loan from the Recorder/Treasurer. A total of \$2,700 was received in donations, and the Recorder/Treasurer loaned \$2,700. In addition, the Recorder/Treasurer paid a fee to the CPA of \$2,425 to bring the total loan amount to \$5,125. Per January 17, 2021 minutes, the Town will pay \$427 a month beginning in 2021.

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
September 23, 2021
LOM300320

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

Schedule 1

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2020	\$ 11,312	\$ 89
Receipts:		
Federal aid		61,604
Property taxes	426	448
Franchise fees	2,784	
Sales taxes	16,227	
Fines, forfeitures, and costs	700	
Donations	2,300	
Loan from Recorder/Treasurer	2,700	
Other		16
Transfers in		1,655
Total Receipts	25,137	63,723
Disbursements:		
General government	22,299	
Law enforcement	246	
Highways and streets	435	2,195
Recreation and culture	11,474	61,604
Transfers out	1,655	
Total Disbursements	36,109	63,799
Cash Balance, December 31, 2020	\$ 340	\$ 13

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

Schedule 2

	<u>Street</u>	<u>Community Center Grant</u>	<u>Total</u>
Cash Balance, January 1, 2020	\$ 81	\$ 8	\$ 89
Receipts:			
Federal aid		61,604	61,604
Property taxes	448		448
Other	16		16
Transfers in	1,655		1,655
Total Receipts	<u>2,119</u>	<u>61,604</u>	<u>63,723</u>
Disbursements:			
Highways and streets	2,195		2,195
Recreation and culture		61,604	61,604
Total Disbursements	<u>2,195</u>	<u>61,604</u>	<u>63,799</u>
Cash Balance, December 31, 2020	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 13</u>

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

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

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

	December 31, 2020
Buildings	\$ 343,000
Equipment	17,000
	\$ 360,000

The Municipality's capital assets records did not include land.

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

	December 31, 2020
Due to HACT Regional Waste Treatment District	\$ 6,600
Due to Recorder/Treasurer	5,125
Due to Internal Revenue Service	4,558
	\$ 16,283

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

4. 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 the Street Fund and delinquent payments to the Internal Revenue Service (IRS) and HACT Regional Waste Treatment District. 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, 2020

	General	Street
Cash Balances per Schedule	\$ 340	\$ 5
Due to Street Fund	* (16,977)	
Due from General Fund		* 16,977
Due to IRS	(4,558)	
Due to HACT Regional Waste Treatment District	(6,600)	
Due to Recorder/Treasurer	(5,125)	
	\$ (32,920)	\$ 16,982

* \$14,977 for state aid for highway funds and \$2,000 for a 2017 transfer to General Fund from Street Fund without a documented allowable purpose.

5. On September 11, 2020, the Legislative Joint Audit 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.
6. 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.