

City of Turrell, Arkansas

Financial and Compliance Report

December 31, 2019 and 2018

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF TURRELL, ARKANSAS
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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Financial and Compliance Report

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Turrell, 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 City of Turrell, Arkansas, as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated February 28, 2020. These procedures were not performed for the Water and Sewer Fund. Management of the City 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 and 2018:

Mayor: Dorothy Cooper (term ended December 2018)
Charles Webster (elected January 2019)
Recorder/Treasurer: Dora Jordan
City Secretary: Crystal Banks (December 2018 – August 2019)
District Court Clerk: Donna Garrett (January 2018 – May 2018)
Vacant (June 2018 – August 2018)
Nanette Nauden (September 2018 – December 2019)
Police Chief: Perry Jennings

We evaluated the City'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, City Secretary, District Court Clerk, and Police Chief.**

Recorder/Treasurer, City Secretary, District Court Clerk, and Police Chief

Police court funds totaling \$1,925 were not deposited during the period January 1, 2019 through July 9, 2019. We confirmed with two individuals who issued payments totaling \$465 during this period that, as of February 18, 2020, their checks had not cleared their bank accounts. The custodian of the police/court funds could not be identified because multiple employees had access to these funds. It should be noted that the employment of the Water Department Clerk, who also served as the City Secretary and had access to police/court funds, was terminated in August 2019, after she acknowledged misappropriating Water Department funds for personal use.

Mayor and Recorder/Treasurer

Although Schedule 1 of this report shows a balance of \$15,562, it was brought to our attention that as of December 31, 2019, the General Fund owed a significant amount for balances owed to the Street Fund and the Fire Pension Fund. As shown in Note 6 on Schedule 5, when these outstanding amounts were considered, the General Fund had a deficit balance of \$266,998.

Mayor and District Court Clerk

Fines and costs collected should be deposited into a court account to be adjudicated and settled to the City, County, and State by the District Court Clerk, as required by Ark. Code Ann. § 16-10-209. Fines, forfeitures, and costs were deposited into a City Police Fund and disbursed for law enforcement and debt service expenditures of \$10,371 and \$11,017 in 2019 and 2018, respectively.

Recorder/Treasurer and District Court Clerk

1. Accounting procedures for district courts are set forth in Ark. Cod Ann. § 16-10-209. The City was not in compliance with this Code as listed below:
 - Prenumbered receipts were not issued for all funds received.
 - Receipts were not deposited intact daily.
 - Receipts did not always indicate the method of payment.
 - Receipts were not reconciled with monthly bank deposits.
 - The bank account was not properly reconciled at the end of each month.
 - The bank deposit slip did not contain the range of receipt numbers evidencing such collections.
 - Ending balances in the bank account again were not identified with receipts issued for cases not yet adjudicated and the payment made on all unpaid time accounts.
2. Court costs of \$4,091 and \$4,411 were remitted to the Arkansas Department of Finance and Administration (DFA) for 2019 and 2018, respectively; however, 2019 settlements did not consider all fine and cost payments and 2018 settlements did not have supporting documentation to substantiate the amounts remitted. Therefore, we could not determine the validity of the settlements.

Recorder/Treasurer

1. The City contracted payroll services to an external agency without establishing an ordinance detailing the method of internal accounting controls and documentation for accounting purposes, in noncompliance with Ark. Code Ann. § 14-59-115. In addition, we determined Federal and State tax reporting forms were prepared, but documentation was not provided to substantiate the remittance of federal and state withholdings by the contracted payroll agency. A similar finding was noted in the previous four reports dating back to 2011.
2. State aid for highway funds in previous years of \$253,462 owed to the Street Fund was not transferred during the engagement period, in noncompliance with Ark. Code Ann. §§ 26-79-104, 27-70-207. The City made payments in 2019 and 2018 to reduce the balance owed to the Street Fund. A similar finding was noted in the previous ten reports dating back to 2003.
3. Firemen's Pension funds in the amount of \$25,873 were transferred to the General Fund in previous years and not used for the sole use and benefit of the Firemen's Pension Fund, as required by Ark. Code Ann. § 24-11-805. This amount is still owed as of December 31, 2019. A similar finding was noted in the previous seven reports dating back to 2007.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City 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
February 28, 2020
LOM218619

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

Schedule 1

	General Fund	Special Revenue Funds	Capital Projects Fund (Fire Truck)	Pension Trust Fund (Firemen's Pension)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash Balance, January 1, 2019	\$ 9,594	\$ 18,333	\$ 301	
Receipts:				
State aid	9,723	44,095		
Property taxes	21,667	2,292		
Franchise fees	19,435			
Sales taxes	99,791			
Fines, forfeitures, and costs	12,816			
Local permits and fees	900			
Other	2,085			
Transfers in		3,086		\$ 500
Total Receipts	<u>166,417</u>	<u>49,473</u>		<u>500</u>
Disbursements:				
General government	83,946			
Law enforcement	40,197			
Highways and streets		43,233		
Public safety	2,213	2,875		
Sanitation	3,288			
Recreation and culture	1,684	130		
Debt service	3,329			
Transfers out	3,586			
Contribution to water department	22,206			
Total Disbursements	<u>160,449</u>	<u>46,238</u>		
Cash Balance, December 31, 2019	<u>\$ 15,562</u>	<u>\$ 21,568</u>	<u>\$ 301</u>	<u>\$ 500</u>

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

Schedule 2

	Street	Fire (Act 833)	Fun Park Grant	Total
Cash Balance, January 1, 2019	\$ 14,280	\$ 3,923	\$ 130	\$ 18,333
Receipts:				
State aid	44,095			44,095
Property taxes	2,292			2,292
Transfers in	2,586	500		3,086
Total Receipts	<u>48,973</u>	<u>500</u>		<u>49,473</u>
Disbursements:				
Highways and streets	43,233			43,233
Public safety		2,875		2,875
Recreation and culture			130	130
Total Disbursements	<u>43,233</u>	<u>2,875</u>	<u>130</u>	<u>46,238</u>
Cash Balance, December 31, 2019	<u>\$ 20,020</u>	<u>\$ 1,548</u>	<u>\$ 0</u>	<u>\$ 21,568</u>

CITY OF TURRELL, ARKANSAS
SCHEDULE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Schedule 3

	General Fund	Special Revenue Funds	Capital Projects Fund (Fire Truck)
	<u> </u>	<u> </u>	<u> </u>
Cash Balance, January 1, 2018	\$ 3,685	\$ 30,451	\$ 301
Receipts:			
State aid	9,741	43,075	
Property taxes	23,610	2,629	
Franchise fees	19,189		
Sales taxes	93,148		
Fines, forfeitures, and costs	13,535		
Local permits and fees	250		
Other	2,928	166	
Transfers in		4,920	
Total Receipts	<u>162,401</u>	<u>50,790</u>	
Disbursements:			
General government	81,176		
Law enforcement	39,149		
Highways and streets		59,994	
Public safety	2,563	2,722	
Sanitation	2,398		
Recreation and culture	1,212	192	
Debt service	3,528		
Transfers out	4,920		
Contribution to water department	21,546		
Total Disbursements	<u>156,492</u>	<u>62,908</u>	
Cash Balance, December 31, 2018	<u>\$ 9,594</u>	<u>\$ 18,333</u>	<u>\$ 301</u>

CITY OF TURRELL, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (UNAUDITED)

Schedule 4

	Street	Fire (Act 833)	Fun Park Grant	Total
Cash Balance, January 1, 2018	\$ 25,384	\$ 4,745	\$ 322	\$ 30,451
Receipts:				
State aid	43,075			43,075
Property taxes	2,629			2,629
Other	166			166
Transfers in	3,020	1,900		4,920
Total Receipts	<u>48,890</u>	<u>1,900</u>		<u>50,790</u>
Disbursements:				
Highways and streets	59,994			59,994
Public safety		2,722		2,722
Recreation and culture			192	192
Total Disbursements	<u>59,994</u>	<u>2,722</u>	<u>192</u>	<u>62,908</u>
Cash Balance, December 31, 2018	<u>\$ 14,280</u>	<u>\$ 3,923</u>	<u>\$ 130</u>	<u>\$ 18,333</u>

CITY OF TURRELL, ARKANSAS
OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(UNAUDITED)

Schedule 5

1. Cash balances on the Financial Schedules include demand and savings accounts.
2. The General Fund column on the Financial Schedules includes the following bank accounts:
General, Community Library, and Police Department
3. Cash balances at year-end in the custodial fund are as follows:

	December 31, 2019	December 31, 2018
District Court Fund	\$ 4,657	\$ 1,927

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

4. The Municipality's fixed asset records are summarized below:

	December 31, 2019	December 31, 2018
Land	\$ 53,000	\$ 53,000
Buildings	134,543	134,543
Equipment	411,799	411,799
Total	\$ 599,342	\$ 599,342

5. The outstanding balances at year-end for long-term liabilities are as follows:

	December 31, 2019	December 31, 2018
Notes payable	\$ 7,621	\$ 10,420

6. Deficit 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 City of Turrell had significant balances due to other funds at December 31, 2019. The information below begins with the cash balances for the General, Street, and Firemen's Pension Funds. The computation includes changes to the cash balances for outstanding amounts owed at year end.

	General Fund	Street Fund	Firemen's Pension Fund
Balances as of December 31, 2018			
Cash balances per accountant's report	\$ 15,562	\$ 20,020	\$ 500
Due to Street Fund	(256,687)		
Due to Firemen's Pension Fund	(25,873)		
Due from General Fund		256,687	25,873
Restated balances as of December 31, 2018	\$ (266,998)	\$ 276,707	\$ 26,373