

City of Hardy, Arkansas
Financial and Compliance Report

December 31, 2016 and 2015

LEGISLATIVE JOINT AUDITING COMMITTEE



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Arkansas

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Sen. Lance Eads
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Financial and Compliance Report

City of Hardy, 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 Hardy, Arkansas, as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated November 20, 2017. These procedures were not performed for the Water and Sewer Department. 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 2016 and 2015:

Mayor: Nina Thornton (resigned July 19, 2016)
Jason Jackson (appointed August 2, 2016)
Recorder/Treasurer: Carolyn Groves (resigned July 19, 2016)
Myranda Hobbs (appointed July 19, 2016)
Police Chief: James Hutchinson (2015)
Scott Rose (2016)

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.

Our procedures indicated that the office of **Police Chief** was in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the offices of **Mayor** and **Recorder/Treasurer**.

Mayor and Recorder/Treasurer

1. The City purchased a police car from a used car dealer for \$6,250 in February 2016. Review of purchase documentation revealed that the car was actually owned by the City Police Chief, causing the transaction to be in noncompliance with Ark. Code Ann. § 14-42-107. Documents that the Police Chief provided to City officials to substantiate the transaction had been altered to conceal the actual nature of the transaction.
2. The City paid payroll advances of \$500 each to the Assistant Police Chief and Water Clerk in December 2016 and January 2017, respectively, in conflict with Ark. Const. art. 12, § 5, which states, in part, "No...City...shall appropriate money for, or loan its credit to any corporation, association, institution, or individual." Through payroll deductions, the Assistant Police Chief repaid \$475 of the advance; subsequent to the report date the Water Clerk repaid \$500 and the Assistant Police Chief repaid the remaining \$25.
3. Replacement payroll checks of \$733 and \$404 were issued to a City Deputy and the Assistant Recorder/Treasurer (who are spouses), respectively, in March 2017. However, both the original checks and the replacement checks were cashed and appear to have been endorsed by the Assistant Recorder/Treasurer. The Deputy repaid a portion of the total overpayments via payroll deductions in July and August 2017, and the remaining balance was deducted from the Deputy's final paycheck after his employment was terminated on September 29, 2017. The Assistant Recorder/Treasurer's employment ended in March 2017.

Mayor

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

Recorder/Treasurer

1. An annual financial statement was not published/posted, as required by Ark. Code Ann. § 14-59-116.
2. Cash receipts and disbursements journals were not established for the Grant, Federal Emergency Management Agency Sewer, and End of Year Funds and were not properly maintained for the General, Fire Department Capital Improvement and Street Funds, in noncompliance with Ark. Code Ann. §§ 14-59-110 - 111.
3. Bank reconciliations were not performed, as required by Ark. Code Ann. § 14-59-108.
4. Prenumbered receipts were not issued for all funds received, in noncompliance with Ark. Code Ann. § 14-59-109.
5. Invoices and supporting documentation were not provided for tested disbursements of \$258 (1%) and \$3,743 (41%) for 2016 and 2015, respectively, in noncompliance with Ark. Code Ann. § 14-59-105.

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
November 20, 2017
LOM207816

CITY OF HARDY, ARKANSAS
 SCHEDULE OF FINANCIAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (UNAUDITED)

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2016	\$ 144,853	\$ 348,135
Receipts:		
State aid	12,330	50,997
Federal aid		74,000
Property taxes	54,905	62
Franchise fees	62,294	
Sales taxes	315,359	
Fines, forfeitures, and costs	9,076	
Interest	118	342
Local permits and fees	30,612	
Advertising and promotion taxes		116,229
Donations	3,844	
Other	51,519	200
Transfers in		18,186
Contributions from water department	93,154	
Total Receipts	<u>633,211</u>	<u>260,016</u>
Disbursements:		
General government	163,525	
Law enforcement	216,817	
Highways and streets		99,224
Public safety	35,408	86,990
Advertising and promotion		78,005
Recreation and culture	54,072	3,164
Transfers out	12,114	6,072
Total Disbursements	<u>481,936</u>	<u>273,455</u>
Cash Balance, December 31, 2016	<u>\$ 296,128</u>	<u>\$ 334,696</u>

CITY OF HARDY, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (UNAUDITED)

	Street	Advertising and Promotion	Park Maintenance	Fire Equipment and Training	Federal Emergency Management Agency Sewer Fund	Capital Reserve	Grant Fund	Total
Cash Balance, January 1, 2016	\$ 83,385	\$ 105,866	\$ 42,061	\$ 32,833	\$ 39,517	\$ 44,473	\$ 0	\$ 348,135
Receipts:								
State aid	50,997							50,997
Federal aid							74,000	74,000
Property taxes	62		180	26	79	22		62
Interest	35	116,229						342
Advertising and promotion taxes								116,229
Other	200							200
Transfers in	12,105							18,186
Total Receipts	63,399	116,229	180	26	79	22	6,081	260,016
Disbursements:								
Highways and streets	99,224							99,224
Public safety				7,509			79,481	86,990
Advertising and promotion		78,005						78,005
Recreation and culture			3,164					3,164
Transfers out	99,224	78,005	3,164	6,072				6,072
Total Disbursements	197,672	156,010	3,164	13,581			79,481	273,455
Cash Balance, December 31, 2016	\$ 47,560	\$ 144,090	\$ 39,077	\$ 19,278	\$ 39,596	\$ 44,495	\$ 600	\$ 334,696

CITY OF HARDY, ARKANSAS
 SCHEDULE OF FINANCIAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (UNAUDITED)

	General Fund	Special Revenue Funds
Cash Balance, January 1, 2015	\$ 135,874	\$ 232,996
Receipts:		
State aid	12,211	54,524
Property taxes	53,593	
Franchise fees	58,386	
Sales taxes	297,204	
Fines, forfeitures, and costs	19,592	
Interest	29	250
Local permits and fees	17,077	
Advertising and promotion taxes		115,292
Rental income		6,960
Other	23,094	300
Transfers in		48,120
Contributions from water department		8,265
Total Receipts	<u>481,186</u>	<u>233,711</u>
Disbursements:		
General government	203,567	
Law enforcement	173,352	
Highways and streets		10,809
Public safety	20,177	9,257
Advertising and promotion		41,965
Recreation and culture	30,759	20,076
Transfers out	11,655	36,465
Contributions to water department	32,697	
Total Disbursements	<u>472,207</u>	<u>118,572</u>
Cash Balance, December 31, 2015	<u>\$ 144,853</u>	<u>\$ 348,135</u>

CITY OF HARDY, ARKANSAS
 COMBINING SCHEDULE OF FINANCIAL INFORMATION - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (UNAUDITED)

	Street	Advertising and Promotion	Park Maintenance	Fire Equipment and Training	Federal Emergency Management Agency Sewer Fund	Capital Reserve	Total
Cash Balance, January 1, 2015	\$ 31,334	\$ 68,958	\$ 18,217	\$ 38,403	\$ 39,438	\$ 36,646	\$ 232,996
Receipts:							
State aid	50,974			3,550			54,524
Interest	31	46	36	37	79	21	250
Advertising and promotion taxes		115,292					115,292
Rental income			6,960				6,960
Other	200			100			300
Transfers in	11,655		36,465				48,120
Contributions from water department						8,265	8,265
Total Receipts	62,860	115,338	43,461	3,687	79	8,286	233,711
Disbursements:							
Highways and streets	10,809						10,809
Public safety				9,257			9,257
Advertising and promotion		41,965					41,965
Recreation and culture			19,617			459	20,076
Transfers out		36,465					36,465
Total Disbursements	10,809	78,430	19,617	9,257		459	118,572
Cash Balance, December 31, 2015	\$ 83,385	\$ 105,866	\$ 42,061	\$ 32,833	\$ 39,517	\$ 44,473	\$ 348,135

CITY OF HARDY, ARKANSAS
 OTHER INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (UNAUDITED)

1. Cash balances on the Financial Schedules include demand accounts and certificates of deposit.

2. The General Fund column on the Financial Schedules includes the following bank accounts:
 General, End of Year, and Fire Department Capital Improvement

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

	December 31, 2016	December 31, 2015
Land	\$ 773,686	\$ 773,686
Buildings	1,379,611	1,379,611
Equipment	760,515	724,461
Totals	<u>\$ 2,913,812</u>	<u>\$ 2,877,758</u>