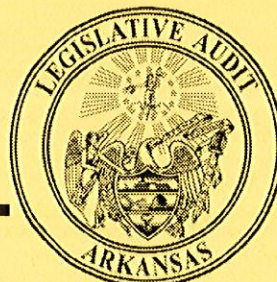


**City of Hardy, Arkansas**

**Financial and Compliance Report**

**December 31, 2016 and 2015**

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HARDY, ARKANSAS  
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# Arkansas

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Sen. Lance Eads  
Senate Vice Chair



Rep. Richard Womack  
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Rep. Mary Bentley  
House Vice Chair

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  
 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						74,000	50,997
Federal aid								74,000
Property taxes	62		180	26	79	22		62
Interest	35							342
Advertising and promotion taxes		116,229						116,229
Other	200							200
Transfers in	12,105						6,081	18,186
Total Receipts	63,399	116,229	180	26	79	22	80,081	260,016
Disbursements:								
Highways and streets	99,224			7,509			79,481	99,224
Public safety								86,990
Advertising and promotion		78,005	3,164					78,005
Recreation and culture								3,164
Transfers out								6,072
Total Disbursements	99,224	78,005	3,164	6,072			79,481	273,455
Cash Balance, December 31, 2016	\$ 47,560	\$ 144,090	\$ 39,077	\$ 19,278	\$ 39,596	\$ 44,495	\$ 600	\$ 334,696



