

City of Tontitown, Arkansas

Agreed-Upon Procedures Report

December 31, 2001 and 2000

LEGISLATIVE JOINT AUDITING COMMITTEE



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Senate Co-Chair
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Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Tontitown, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have performed the procedures enumerated below with respect to modified cash basis financial information and state law compliance which were agreed to by the management of the City and the Legislative Joint Auditing Committee for the City of Tontitown, Arkansas as of and for the years ended December 31, 2001 and 2000. Management is responsible for maintaining the financial records and complying with state law. This report is prepared in accordance with Ark. Code Ann. 10-4-202 but the procedures enumerated below were not performed for the Tontitown Water Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings for the General and Special Revenue (Street) Funds are as follows:

Cash and Investments

1. a. Perform a proof and reconciliation of cash for the year.
- b. Confirm the cash on deposit and investments with the depository institutions.
- c. Agree the proof of cash ending balances to the City book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

Receipts

2. a. Agree the deposits per the proof of cash for the year with the receipts per the City journal within 5% of deposits or \$500, whichever is greater.
- b. Determine that state turnback and sales taxes paid by the State of Arkansas were deposited in the proper fund.
- c. Agree one month's receipts issued with the receipts per the receipt journal within 5% of receipts issued or \$500, whichever is greater, for both funds.

We found the following exceptions as a result of the above procedures:

The General Fund deposits per proof of cash were more than the receipts per the cash receipts journal primarily due to unrecorded transfers which totaled \$284,362 and \$162,120 for 2001 and 2000, respectively. Also, the General Fund receipts for the month of June were less than the receipts per the cash receipts journal by \$10,285 and \$10,325 for 2001 and 2000, respectively. This difference was due primarily to unreceipted investment interest.

Disbursements

3. a. Agree the disbursements per the proof of cash for the year with the disbursements per the City journal within 5% of disbursements or \$500, whichever is greater.
- b. Analyze all capital outlay disbursements.
- c. For 10% of disbursements (maximum of 30), determine that disbursements were documented and paid in accordance with any applicable code provisions for both funds. (Materiality level - 5% of the total dollars of selected disbursements or \$500, whichever is greater.)

We found the following exceptions as a result of the above procedures:

The General Fund disbursements per proof of cash were more than the disbursements per the cash disbursements journal due primarily to unrecorded transfers which totaled \$284,362 and \$162,120 for 2001 and 2000, respectively.

General Fixed Assets

4. a. Conduct a physical inventory of all additions over \$500 and prior years equipment items over \$5,000.
- b. Determine that additions and disposals were properly accounted for in the City records. (Materiality level - 5% of total General Fixed Assets equipment or \$500, whichever is greater.)

We found the following exceptions as a result of the above procedures:

A physical inventory of fixed assets and determining whether additions and disposals were properly accounted for were not performed because fixed asset records were not maintained by the City.

State Law Compliance

5. Evaluate the extent to which the City complied with the following state laws as of and for the years ended December 31, 2001 and 2000.
 - a. Municipal Accounting Law (14-59-101 et seq.)
 - b. Budgets (14-58-201 - 14-58-203)

The commentary contained in this section relates to the following officials that held office during 2001 and 2000:

Mayor: Daniel Watson
Recorder/Treasurer: Frances Franco

Instances of noncompliance are failures to follow the requirements, or violations of prohibitions, contained in the above referenced laws. The results of our application of the stated procedure disclosed no material instances of noncompliance with the provisions of the referenced laws in the office of **Mayor** and the following material instances of noncompliance with the provisions of the referenced laws in the office of **Recorder/Treasurer**:

Property and equipment records were not maintained as required by Ark. Code Ann. 14-59-107. Also, the cash receipt journals did not include all items of revenue and the cash disbursement journals did not include all transfers as required by Ark. Code Ann. 14-59-110 and 14-59-111.

Materiality is defined as noncompliance findings having a significant impact on the accounting records and/or operations of the City.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee and City management and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
May 29, 2002
LOM218401

City of Tontitown, Arkansas

**Compiled Financial Statements and
Accountant's Compilation Report**

December 31, 2001 and 2000

Mayor: Daniel Watson

Recorder/Treasurer: Frances Franco

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF TONTITOWN, ARKANSAS
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

ACCOUNTANT'S COMPILATION REPORT

City of Tontitown, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have compiled the accompanying financial statements as of and for the years ended December 31, 2001 and 2000 as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures, the General Fixed Assets account group and the financial activities of the Tontitown Water Department ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omissions described above were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, fund equity, receipts, disbursements and changes in fund balances. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
May 29, 2002
LOM218401

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - MODIFIED CASH BASIS
 DECEMBER 31, 2001

Exhibit A

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue Street	December 31, 2001
ASSETS			
Cash and cash equivalents	\$ 719,241	\$ 77,173	\$ 796,414
Investments (Certificates of deposit)	405,619	15,000	420,619
 TOTAL ASSETS	 \$ 1,124,860	 \$ 92,173	 \$ 1,217,033
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Payroll taxes withheld	\$ 1,261		\$ 1,261
 Fund Equity:			
Fund balances:			
Unreserved:			
Undesignated	1,123,599	\$ 92,173	1,215,772
Total Fund Equity	1,123,599	92,173	1,215,772
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 1,124,860	 \$ 92,173	 \$ 1,217,033

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2001

Exhibit B

	General	Special Revenue Street	Totals (Memorandum Only) Year Ended December 31, 2001
RECEIPTS			
Intergovernmental revenues - state	\$ 15,297	\$ 40,055	\$ 55,352
Intergovernmental revenues - federal		2,401	2,401
Property taxes	26,119	7,437	33,556
Franchise taxes	163,280		163,280
Sales taxes	371,305		371,305
Interest	33,562	2,128	35,690
Local permits and fees	67,583		67,583
Other	2,002	306	2,308
	<u>679,148</u>	<u>52,327</u>	<u>731,475</u>
TOTAL RECEIPTS			
DISBURSEMENTS			
Current:			
General government	118,572		118,572
Highways and streets	138,051	86,888	224,939
Recreation and culture	21,532		21,532
Total Current	<u>278,155</u>	<u>86,888</u>	<u>365,043</u>
Capital outlay	160,120		160,120
Contributions to Water and Sewer Fund	244,308		244,308
	<u>682,583</u>	<u>86,888</u>	<u>769,471</u>
TOTAL DISBURSEMENTS			
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,435)	(34,561)	(37,996)
FUND BALANCES - JANUARY 1	<u>1,127,034</u>	<u>126,734</u>	<u>1,253,768</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,123,599</u>	<u>\$ 92,173</u>	<u>\$ 1,215,772</u>

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - MODIFIED CASH BASIS
 DECEMBER 31, 2000

Exhibit A-1

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue Street	December 31, 2000
ASSETS			
Cash and cash equivalents	\$ 723,541	\$ 111,734	\$ 835,275
Investments (Certificates of deposit)	405,301	15,000	420,301
 TOTAL ASSETS	\$ 1,128,842	\$ 126,734	\$ 1,255,576
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Payroll taxes withheld	\$ 1,808		\$ 1,808
 Fund Equity:			
Fund balances:			
Unreserved:			
Undesignated	1,127,034	\$ 126,734	1,253,768
Total Fund Equity	1,127,034	126,734	1,253,768
 TOTAL LIABILITIES AND FUND EQUITY	\$ 1,128,842	\$ 126,734	\$ 1,255,576

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2000

Exhibit B-1

	General	Special Revenue Street	Totals (Memorandum Only) Year Ended December 31, 2000
RECEIPTS			
Intergovernmental revenues - state	\$ 12,343	\$ 32,430	\$ 44,773
Property taxes	20,709	6,572	27,281
Franchise taxes	152,371		152,371
Sales taxes	292,088		292,088
Interest	32,418	2,872	35,290
Local permits and fees	35,348		35,348
Other	121		121
	<u>545,398</u>	<u>41,874</u>	<u>587,272</u>
TOTAL RECEIPTS			
DISBURSEMENTS			
Current:			
General government	77,316		77,316
Highways and streets		62,176	62,176
Recreation and culture	9,651		9,651
Total Current	<u>86,967</u>	<u>62,176</u>	<u>149,143</u>
Contributions to Water and Sewer Fund	<u>191,052</u>	<u></u>	<u>191,052</u>
TOTAL DISBURSEMENTS	<u>278,019</u>	<u>62,176</u>	<u>340,195</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	267,379	(20,302)	247,077
FUND BALANCES - JANUARY 1	<u>859,655</u>	<u>147,036</u>	<u>1,006,691</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,127,034</u>	<u>\$ 126,734</u>	<u>\$ 1,253,768</u>

See Accountant's Compilation Report.