

City of Tontitown, Arkansas

Agreed-Upon Procedures Report

December 31, 2003 and 2002

LEGISLATIVE JOINT AUDITING COMMITTEE



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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. David Evans
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 the 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, 2003 and 2002. 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. Prepare a proof 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 no exceptions as a result of the procedures.

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. For 10% of disbursements (maximum of 30 for all funds, with at least one disbursement per fund), determine that disbursements were documented and paid in accordance with any applicable code provisions. (Materiality level - 5% of the total dollars of selected disbursements or \$500, whichever is greater.)

We found no exceptions as a result of the procedure.

General Fixed Assets

4. a. Conduct a physical inventory of all additions over \$1,000 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 the City did not maintain fixed asset records.

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, 2003 and 2002:
 - 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 2003 and 2002:

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.

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
March 3, 2004
LOM218403

City of Tontitown, Arkansas

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

December 31, 2003 and 2002

**Mayor: Daniel Watson
Recorder/Treasurer: Frances Franco**

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF TONTITOWN, ARKANSAS
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Sen. Henry "Hank" Wilkins, IV
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Charles L. Robinson, CPA, CFE
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, 2003 and 2002 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 the 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 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, 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
March 3, 2004
LOM218403

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF ASSETS AND FUND EQUITY - CASH BASIS
 DECEMBER 31, 2004

Exhibit A

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	December 31, 2003
ASSETS			
Cash and cash equivalents	\$ 1,229,770	\$ 61,009	\$ 1,290,779
FUND EQUITY			
Fund balances:			
Unreserved:			
Undesignated	\$ 1,229,770	\$ 61,009	\$ 1,290,779

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit B

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only) Year Ended December 31, 2003</u>
RECEIPTS			
Intergovernmental revenues - state	\$ 39,790	\$ 41,939	\$ 81,729
Property taxes	38,050	11,052	49,102
Franchise taxes	165,598		165,598
Sales taxes	566,979		566,979
Interest	26,907	698	27,605
Local permits and fees	77,738		77,738
Other	18,606	769	19,375
	<u>933,668</u>	<u>54,458</u>	<u>988,126</u>
TOTAL RECEIPTS			
DISBURSEMENTS			
Current:			
General government	113,069		113,069
Highways and streets	44,423	28,306	72,729
Public safety	14,887		14,887
Recreation and culture	62,879		62,879
Total Current	<u>235,258</u>	<u>28,306</u>	<u>263,564</u>
Contributions to Water and Sewer Fund	<u>420,274</u>		<u>420,274</u>
TOTAL DISBURSEMENTS	<u>655,532</u>	<u>28,306</u>	<u>683,838</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	278,136	26,152	304,288
FUND BALANCES - JANUARY 1	<u>951,634</u>	<u>34,857</u>	<u>986,491</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,229,770</u>	<u>\$ 61,009</u>	<u>\$ 1,290,779</u>

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF ASSETS AND FUND EQUITY - CASH BASIS
 DECEMBER 31, 2002

Exhibit A-1

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	December 31, 2002
ASSETS			
Cash and cash equivalents	\$ 951,634	\$ 34,857	\$ 986,491
FUND EQUITY			
Fund balances:			
Unreserved:			
Undesignated	\$ 951,634	\$ 34,857	\$ 986,491

See Accountant's Compilation Report.

CITY OF TONTITOWN, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit B-1

	General	Special Revenue	Totals (Memorandum Only) Year Ended December 31, 2002
RECEIPTS			
Intergovernmental revenues - state	\$ 15,463	\$ 44,292	\$ 59,755
Property taxes	31,347	9,091	40,438
Franchise taxes	107,948		107,948
Sales taxes	497,742		497,742
Interest	27,936	946	28,882
Local permits and fees	62,634		62,634
Other	1,600	515	2,115
	744,670	54,844	799,514
TOTAL RECEIPTS			
DISBURSEMENTS			
Current:			
General government	146,029		146,029
Highways and streets	386,089	112,160	498,249
Public safety	1,065		1,065
Recreation and culture	25,376		25,376
Total Current	558,559	112,160	670,719
Contributions to Water and Sewer Fund	358,077		358,077
TOTAL DISBURSEMENTS	916,636	112,160	1,028,796
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(171,966)	(57,316)	(229,282)
FUND BALANCES - JANUARY 1	1,123,600	92,173	1,215,773
FUND BALANCES - DECEMBER 31	\$ 951,634	\$ 34,857	\$ 986,491

See Accountant's Compilation Report.