



Certified Public Accountants

**Municipal Recreation Improvement District - Horseshoe  
Bend, AR  
Financial Statements**

**For Year Ended December 31, 2021**

**MUNICIPAL RECREATION IMPROVEMENT DISTRICT - HORSESHOE  
BEND, AR**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Municipal Recreation Improvement District - Horseshoe Bend, AR  
Horseshoe Bend, Arkansas

### **Opinion**

We have audited the accompanying financial statements of Municipal Recreation Improvement District - Horseshoe Bend, AR (MRID), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MRID as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MRID and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MRID's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Recreation Improvement District - Horseshoe Bend, AR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Recreation Improvement District - Horseshoe Bend, AR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Denman, Hamilton, & Associates, CPA, PLLC*

Denman, Hamilton, & Associates, CPA, PLLC

Little Rock, Arkansas

March 14, 2023

# Municipal Recreation Improvement District - Horseshoe Bend, AR

## Statement of Financial Position

As of December 31, 2021

### Assets

#### Current Assets:

Cash	\$ 275,379
Accounts Receivables	19,132
Prepaid Expenses	2,303
<b>Total Current Assets</b>	<b><u>296,814</u></b>

#### Fixed Assets:

Buildings and Improvements	867,731
Motorized Vehicles	323,502
Irrigation System	531,971
Golf Course Improvements	248,261
Equipment	185,078
Furniture and Equipment	77,692
<b>Total Fixed Assets</b>	<b><u>2,234,235</u></b>
Less: Accumulated Depreciation	<u>(1,799,373)</u>
<b>Net Fixed Assets</b>	<b><u>434,862</u></b>

#### Capital Assets

Capital Lease Equipment	193,549
Less: Accumulated Depreciation	<u>(61,828)</u>
<b>Net Capital Assets</b>	<b><u>131,721</u></b>

#### Total Assets

**\$ 863,397**

### Liabilities and Net Assets

#### Current Liabilities:

Accounts Payable	\$ 23,504
Accrued Interest	916
Accrued Salaries	1,863
Payroll Taxes Payable	3,295
Sales Tax Payable	602
Current Portion of Capital Lease Payable	21,868
Current Portion of Notes Payable	27,765
<b>Total Current Liabilities</b>	<b><u>79,813</u></b>

#### Long-Term Liabilities:

Notes Payable	204,792
Capital Lease Payable	134,047
<b>Total Long-Term Liabilities</b>	<b><u>338,839</u></b>

#### Total Liabilities

**418,652**

#### Net Assets:

Without Restrictions	444,745
With Restrictions	0
<b>Total Net Assets</b>	<b><u>444,745</u></b>

#### Total Liabilities and Net Assets

**\$ 863,397**

**Municipal Recreation Improvement District - Horseshoe Bend, AR**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2021**

**Support and Revenue:**

Property Assessments	\$ 832,327
Service Fees	\$119,558
Membership Fees	81,250
Rental Income	60,502
Insurance Proceeds	68,447
Other Income	2,634

<b>Total Support and Revenue</b>	<u>1,164,718</u>
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**Expenses:**

**Program Service Expenses**

Golf Service Expenses	30,581
Course Ground Maintenance	137,552
Repairs and Maintenance	13,363
Salaries and Taxes	327,577
Insurance Expense	25,216
Operating Supplies	13,037
Utilities	64,049
Lease Expense	23,078
Vehicle Costs	51,539
Interest Expense	22,105
Depreciation Expense	92,151

<b>Total Program Service Expenses</b>	<u>800,248</u>
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**Management and General Expenses:**

Professional Fees	30,252
Office Expense	6,255
Other Taxes	1,288

<b>Total Mgmt and General Expenses</b>	<u>37,795</u>
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Loss on Disposal of Assets	9,816
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<b>Total Expenses</b>	<u>847,859</u>
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Increase (Decrease) in Net Assets Without Restrictions	316,859
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<b>Net Assets - Beginning of Year</b>	127,886
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<b>Net Assets - End of Year</b>	<u>\$ 444,745</u>
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**Municipal Recreation Improvement District - Horseshoe Bend, AR**

**Statement of Cash Flows  
Year ended December 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	316,859
(Increases) / Decreases in Accounts		
Receivables		(8,795)
Employee Advances		6,000
Increase / (Decreases) in Liabilities		
Accounts Payable and Accruals		(38,059)
<b>Net Cash Used by Operating Activities</b>		<b>276,005</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net Property and Equipment		13,929
<b>Net Cash Used by Investing Activities</b>		<b>13,929</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of Borrowings		(88,135)
<b>Net Cash Used by Financing Activities</b>		<b>(88,135)</b>

**NET INCREASE (DECREASE) IN CASH AND CASH  
EQUIVALENTS**

\$ 201,799

**CASH AND CASH EQUIVALENTS, Beginning of Year**

\$ 73,580

**CASH AND CASH EQUIVALENTS, End of Year**

\$ 275,379

**Supplemental Information on Cash and Cash Equivalents:**

Cash and Cash Equivalents Without Restrictions	\$	275,379
Cash and Cash Equivalents With Restrictions		0
<b>Cash and Cash Equivalents on Cash Flow Statement</b>	<b>\$</b>	<b>275,379</b>

**Supplemental Disclosure of Cash Flow Information:**

Cash Paid for Interest	\$	22,105
Equipment Purchased with Capital Lease Issuance	\$	0
Property and Equipment Acquisition included in Accounts Payable	\$	0

**Municipal Recreation Improvement District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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**Note 1 – Nature of Operations**

The Municipal Recreational Improvement District (MRID) was created to continue the services and operations of facilities that were originally built and operated by the Horseshoe Bend Development Corporation. On March 17, 1981 the corporation underwent a reorganization under Chapter X of the Bankruptcy Act in the United States District Court for the Western District of Oklahoma. The trustee for the Horseshoe Bend Development Corporation granted to MRID through a trust agreement the holdings of the corporation. MRID was established for this purpose on December 3, 1980, by Ordinance No. 80-01 in the City of Horseshoe Bend, Arkansas. The property assessments of landowners to fund MRID's operations was initiated by Ordinance No. 81-01 on March 23, 1981, in the City of Horseshoe Bend, Arkansas. MRID is not considered a component of the City of Horseshoe Bend.

Major operations include oversight of recreational activities, facilities, and grounds including golf courses and related maintenance, golf pro shop maintenance and operations, building rentals, parks, lakes, and dams.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Presentation

MRID presents information regarding financial position and activities in accordance with generally accepted accounting principles, which require the distinction between net assets without restrictions and net assets with restrictions. Net assets without restrictions are resources available to support operations and are not subject to any restrictions. The only limits on the use of net assets without restrictions are any broad limits resulting from the nature of MRID, the environment in which it operates and the overall purpose and mission of MRID. Net assets without restrictions is \$444,745.

Basis of Accounting

MRID's books and records are maintained on the accrual basis of accounting whereby revenue is recognized when earned and expenses when incurred. Accordingly, the financial statements reflect all significant receivables, payables, and other assets and liabilities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identified with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function along with any grants and contributions.



# Municipal Recreation Improvement District

## Notes to the Financial Statements

### For the Year Ended December 31, 2021

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#### Public Support and Revenue

MRID receives a substantial portion of its revenue from land and lot assessments. MRID recognizes revenue in accordance with approved city ordinances and are matched with expenses as they are incurred.

Assessments on lots are collected by Izard county and surrounding counties and transferred to MRID less a three percent collection fee. In 2020, Ordinance 2020-04 was established upon recommendation by the Board of Commissioners that allows an additional levy of 2.85% on assessments.

Current assessments transferred to MRID for the year ended December 31, 2021, was \$719,365. Delinquent assessments collected and transferred to MRID for the year ended December 31, 2021 was \$112,962.

MRID recognizes revenue without restrictions upon confirmation of receipt from the county. All assessments and other revenue are considered to be available for use for operations and asset acquisitions.

#### Cash and Cash Equivalents

MRID considers all highly liquid investments, except those held for long-term investment, with original maturities of 3 months or less when purchased to be cash equivalents.

As of December 31, 2021, cash consists of monies held in two (2) checking accounts.

MRID maintains cash balances in a financial institutions with locations in Horseshoe Bend, Arkansas and surrounding areas in two separate bank accounts. As of December 31, 2021, MRID has no cash deposits in financial institutions in excess of the amount insured by the Federal Depository Insurance Corporation (FDIC). The organization does not believe it is exposed to any significant credit risk with respect to cash based on the creditworthiness of the financial institution.

#### Accounts Receivable

Accounts Receivables of Assessments relate to the annual assessment levy of the benefits of land ownership in the district. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method under generally accepted accounting principles. The full amount of the current accounts receivable is expected to be received; an allowance for uncollectible accounts has not been recorded. Accounts Receivable as of December 31, 2021, is \$19,132.

**Municipal Recreation Improvement District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year in which the services are consumed.

Plant, Property, and Equipment

Capital assets with include property, plant, equipment, and infrastructure assets are reported in the financial statements. Capital assets are defined by MRID as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of donation. Current year depreciation is \$92,151.

Expenditures for major renewals and betterments that extend the useful lives of buildings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets are being depreciated using the straight-line method using the following estimated useful lives:

	<b>Years</b>
Buildings and Improvements	3-39
Irrigation Systems	3-25
Furniture and Fixtures	5-10
Motorized Equipment	5-10
Other Equipment	3-15
Golf Course Improvements	5-15

Changes in Capital Assets

Assets Category	January 1, 2021	Additions	Retirements	December 31, 2021
Building & Improvement	\$857,490	\$53,436	(\$43,195)	\$867,731
Motorized Equipment	709,305	23,663	(409,466)	323,502
Irrigation System	527,978	3,993	0	531,971
Golf Course Improvement	248,261	0	0	248,261
Equipment	232,404	13,743	(61,069)	185,078
Furniture and Equipment	82,775	0	(5,083)	77,692
Totals	\$2,658,213	\$94,835	(\$518,813)	\$2,234,235
Accumulated Depreciation	\$2,241,680	\$66,690	(\$508,997)	\$1,799,373

**Municipal Recreation Improvement District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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Property Acquired from Horseshoe Bend Development Corporation

In May 1981, MRID acquired various assets from Horseshoe Bend Development Corporation through an asset transfer at no cost to MRID. An independent appraisal of the property as of the date of the transfer was not available. The estimated fair market value of the donated assets is not included on the statement of financial position.

Horseshoe Bend Development Corporation provided the following estimated value of the transferred property:

Lakes, Dams, and Waterways	\$ 1,282,500
Golf Course	945,000
Other Buildings and Improvements	773,800
Other Land	<u>150,000</u>
<b>Total Property Acquired</b>	<b>\$ 3,151,300</b>

Accrued Compensation

Management has elected to allow compensation for accrued leave at the end of each year. The accrued compensation is reported as a liability and expense in the financial statements. Employees earn vacation and paid time off in varying amounts based on length of service with the organization. Employees can carryforward no more than five unused vacation days into the new year. Accrued days not taken within six months past their anniversary date are lost. It is MRID's policy to pay employees for unused time when there is a separation of employment. Management has provided support that accrued time is immaterial as of December 31, 2021 and no liability for accrued compensation has been recorded in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

Liquidity

MRID has \$296,814 of assets available within one year of the statement of financial position date. MRID has a goal to maintain financial assets which consist of cash and short-term investments, on hand to meet approximately, three to six months of normal operating expenses, which are on average \$70,000 per month. \$0 of current assets have any restriction as of December 31, 2021.

Municipal Recreation Improvement District  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 3 – Capital Lease Commitments**

MRID leases golf carts under a capital lease expiring in 2026. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of their related lease term or their estimated productive lives. Amortization of assets under capital lease is included in depreciation expense for the year ended December 31, 2021.

Minimum future lease obligations under the capital lease are as follows:

2022	\$21,868
2023	\$22,020
2024	\$22,797
2025	\$23,602
2026	<u>\$65,628</u>
Total	\$155,915

**Note 4 – Operating Leases**

MRID lease equipment for operations under several operating leases. Total lease expense was \$23,078 for the year ended December 31, 2021.

**Note 5 – Pension Plan**

MRID currently does not have a pension plan.

**Note 6 – Long-Term Debt**

Notes payable and long-term debt as of December 31, 2021, is as follows:

Description	Current	Total
Note Payable to PNC at 4.99% annual interest, 39 monthly payments, loan matures in 2022 loan amount \$33,734, payment of \$938.79	\$2,793	\$2,793
Note Payable to PC Finance at 12.81% annual interest, 48 monthly payments, loan matures in 2022 loan amount \$8,304, payment of \$223.29	\$1,498	\$1,498
Note Payable to FN Bank at 4.99% annual interest, 15 monthly payments, loan matures in 2022 loan amount \$41,329, payment of \$3,911.91	\$3,912	\$3,912

**Municipal Recreation Improvement District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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Note Payable to Univest Capital at 6.918% annual interest, 72 monthly payments, loan matures in 2025 loan amount \$42,035, payment of \$715.00	\$6,702	\$30,184
Note Payable to FNBC at 4.0% annual interest, Amortized 180 monthly payments, loan matures in 2024 loan amount \$184,112, payment of \$1,300.00	\$8,721	\$184,112
Note Payable to Univest Capital at 11.99% annual interest, 36 monthly payments, loan matures in 2024 loan amount \$12,852, payment of \$426.90	\$4,139	\$10,058

Maturities of debt obligations for the year ending December 31, 2021, is as follows:

2022		\$27,765
2023		\$20,599
2024		\$175,586
2025		<u>\$8,607</u>
Total		\$232,557

**Note 7 – Concentration of Credit Risk**

Financial instruments and activities that could potentially subject MRID to credit risk consist primarily of accounts receivable and land assessments. The principal source of revenue received by MRID is from property owners on an annual levy of assessed benefits for usage. In the event of a decrease or change in these assessments there could be additional exposure to risk.

**Note 8 – Risk Management**

MRID is exposed to various levels of risks in normal operations related to theft, damage, destruction of assets, injuries, natural disasters, employment management, etc. for which MRID carries appropriate insurance. There has not been a significant reduction in MRID insurance coverage for the year ended December 31, 2021. In addition, there have been no settled insurance claims in excess of MRID coverage this year.

**Note 9 – Commitments and Contingencies**

1. MRID assessment litigation – A lawsuit was filed in October 2020 requesting the termination of assessments for property owners who have fulfilled their benefit obligations. If the litigation against MRID is successful, it could have a substantial impact on the organization. The litigation has not been resolved.

**Municipal Recreation Improvement District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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**Note 9 – Commitments and Contingencies - Continued**

2. MRID marina litigation – A lawsuit has been filed by MRID requesting the marina establish an enforceable contract to pay fees for access and usage of MRID’s lake assets. The lawsuit would require the marina to submit fees for access and usage of the organization’s lakes and waterways. The litigation has not been resolved.
3. As of December 31, 2021 the Pro Shop and MRID did not have a contract in place for management and operations of the facility. The Operations Manager is an employee of MRID who has the responsibility of operating the Pro Shop through another business he owns outside of MRID.

**Note 10 – Subsequent Events**

MRID has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2021 through March 14, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statement in addition to the current disclosures in the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Municipal Recreation Improvement District - Horseshoe Bend, AR  
Horseshoe Bend, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Recreation Improvement District - Horseshoe Bend, AR (MRID), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities & changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MRID's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRID's internal control. Accordingly, we do not express an opinion on the effectiveness of MRID's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MRID's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Organization's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on MRID's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MRID's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Denman, Hamilton, & Associates, CPA, PLLC*  
Denman, Hamilton, & Associates, CPA, PLLC

Little Rock, AR  
March 14, 2023



**MUNICIPAL RECREATION IMPROVEMENT DISTRICT - HORSESHOE  
BEND, AR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**PART I – SUMMARY OF AUDITOR RESULTS**

- An unmodified opinion has been issued on the Financial Statements for the year ended December 31, 2021.

**PART II – FINDINGS AND QUESTIONED COSTS**

**Finding 2021 – 001:** Enhance controls around the management and oversight of the Golf Pro Shop in the areas of revenue and expense recognition.

**Condition:**

We identified during our assessment of controls; the Golf Pro Shop is managed by the Operations Manager (Superintendent) of MRID through a separate company 100% owned outside of MRID. However, at the time of the audit there was not a contract in place between the Board of Commissioners and Operations Manager outlining responsibilities, payment arrangements, oversight and accountability guidelines, any conflict-of-interest issues, etc.

**Criteria:**

The Board of Commissioners is responsible for overall governance of MRID operations, including the Golf Pro Shop. The Board has elected to outsource the operations of this function externally. It is important for proper oversight and internal controls to be in place when outsourcing operations to an entity outside of the organization in an effort to reduce the likelihood of a misappropriation of assets.

**Cause:**

Management did not have a management contract in place with an external entity for the Golf Pro Shop. This entity is responsible for oversight of golfing activities under MRID operations including revenue collections.

**Effect:**

A lack of Board oversight over the Golf Pro Shop operations can lead to a misstatement in the financial statements and can contribute to a misappropriation of assets.

**Recommendation:**

We recommend the Board of Commissioners establish a written contract with any external entity who manages the Golf Pro Shop. In addition, The Board of Commissioners should develop and implement a system of oversight to ensure desired results, to ensure proper revenue recognition, and limit the likelihood of a misappropriation of assets. In addition, the management contract should be secured with processes that address any conflict of interest issues.

**Management Response:**

A contract has been developed that outlines the management and oversight of the Turkey Mountain Essentials (TME) aka Golf Pro Shop. The contract details the contractual duties and obligations to enhance controls. The contract calls for cash register, credit card machine, additionally the contract calls for direct reimbursement to MRID for MRID staff working on TME business. TME will reimburse MRID for supplies and materials used for TME business.

The contract gives MRID the right to conduct random financial and asset audits of TME. Additionally, the contract calls for profit-sharing, in that TME will pay MRID 2% of the net revenue from the sale of TME concessions and merchandise.

**Corrective Action Plan:**

Execute and enforce the contract.

**Finding 2021 – 002:** Enhance controls around the expenditure review and check signing process to ensure accurate balances and appropriate use of assets.

**Condition:**

We identified where on occasion the Operations Manager (Superintendent) needed to get expenditure requests approved and signed by Commissioners, however, their availability was limited, and the Operations Manager signed the checks on their behalf of the Commissioners for MRID operations.

**Criteria:**

Board governance requires oversight and review of expenditures used for operations with an appropriate review and check signing process. No one should sign the signature of a Commissioner outside of the Commissioner for any circumstances.

**Cause:**

Management allowed checks to be signed with a Commissioner's signature who was not the Commissioner whose signature was on the check.

**Effect:**

When appropriate controls are not in place for the signature of checks and the expenditure review process, it can contribute to a misappropriation of assets and improper financial statement reporting.

**Recommendation:**

We recommend the Board of Commissioners never allow anyone to sign checks on their behalf. In addition, there should be good internal controls around the expenditure review process to ensure each transaction is appropriate for MRID operations.

**Management Response:**

We are addressing findings from FY 2021; however, the procedures as presented were implemented during FY 2022 and remain in place for FY 2023. Annually MRID commissioner review and approve the budget with input from the public and MRID staff. A limit of \$5,000 has been set for operating expenses without prior commissioner approval. The invoices are reviewed by the manager, coded from chart of accounts, and approved. The invoices are then forwarded to the office manager for review and approval. The final step is the review, approval, and sign off by two or more commissioners.

Invoices and all other expenditures including payroll are paid through ACH. The bank statements are reconciled by a third party accountant (Ballard and Company Limited Certified Public Accountants). The office manager reviews and verifies the bank statements. The month's balances and the day of MRID bank account balances are reviewed and reported at the public MRID meeting by a commissioner

**Corrective Action Plan:**

We moved to ACH systems and on a rare occasion a check may be signed by two commissioners, after an approval process.