

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas

Financial Statements
with
Independent Auditor's Report
and Supplementary Information

December 31, 2023

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Independent Auditor's Report

To the Council Members
City of Redfield Water & Sewer Utility,
A Department of the City of Redfield, Arkansas
Redfield, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of City of Redfield Water & Sewer Utility, a department of the City of Redfield, Arkansas (the "Department"), as of and for the year ended December 31, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Department, as of December 31, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the Department 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 opinions.

Responsibilities of Management for the Financial Statements

The Department's 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 the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS 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 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 GAAS, 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 the Department'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 the Department'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.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is

required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department, are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the City of Redfield that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Redfield, Arkansas as of December 31, 2023, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 06, 2024 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.

Bell & Company, P.A.

North Little Rock, Arkansas
December 06, 2024

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Statement of Net Position
December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$ 1,210,179
Accounts receivable	138,000
Inventory	7,000
Total current assets	<u>1,355,179</u>

Capital assets

Land and easements	46,802
Structures and improvements	6,473,961
Equipment	137,667
	<u>6,658,430</u>
Accumulated depreciation	<u>(2,994,542)</u>
Net capital assets	3,663,888

Other noncurrent assets

Restricted checking and deposits	<u>714,200</u>
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Total assets	<u><u>\$ 5,733,267</u></u>
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Liabilities and Net Position

Current liabilities

Accounts payable	\$ 25,394
Accrued expenses	18,392
Customer meter deposits	90,626
Deferred water revenues	22,789
Current portion of long-term debt	57,430
Total current liabilities	<u>214,631</u>

Long-term debt, net of current portion	<u>2,197,769</u>
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Total liabilities	2,412,400
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Net position

Net investment in capital assets	1,408,689
Restricted - expendable	681,277
Unrestricted	1,230,901
Total net position	<u>3,320,867</u>

Total liabilities and net position	<u><u>\$ 5,733,267</u></u>
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See accompanying notes.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

Operating revenues	
Metered water sales	\$ 564,208
Connection and other fees	8,933
Sewer revenue	202,226
Late charges and penalties	33,771
Other revenue	218,150
Total operating revenues	<u>1,027,288</u>
Operating expenses	
Depreciation	196,510
Insurance	21,855
Miscellaneous expense	19,901
Office and administrative	6,284
Professional services	77,123
Repairs and maintenance	123,701
Wages and related expenses	205,582
Sales tax	49,821
Utilities and sanitation	255,802
Total operating expenses	<u>956,579</u>
Operating income	70,709
Nonoperating revenues (expenses)	
Interest income	2,627
Interest expense	(97,607)
Total nonoperating revenues (expenses)	<u>(94,980)</u>
Change in net position	(24,271)
Net position - beginning of year	<u>3,345,138</u>
Net position - end of year	<u><u>\$ 3,320,867</u></u>

See accompanying notes.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities

Cash receipts from customers and other sources	\$ 1,032,737
Cash payments to suppliers and contractors	(527,088)
Cash payments to employees for services	(205,582)
Net cash provided by operating activities	<u>300,067</u>

Cash flows from capital and related financing activities

Repayment of bonds payable	(55,065)
Acquisition and construction of capital assets	(90,405)
Interest paid on long-term debt	(97,607)
Net cash required by capital and related financing activities	<u>(243,077)</u>

Cash flows from investing activities

Decrease in meter deposits	(2,436)
Interest income	2,627
Net cash provided by investing activities	<u>191</u>

Net increase in cash and cash equivalents	57,181
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Cash and cash equivalents - beginning of year	<u>1,867,198</u>
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Cash and cash equivalents - end of year	<u><u>\$ 1,924,379</u></u>
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Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 70,709
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	196,510
Changes in:	
Accounts receivable	5,449
Accounts payable	4,610
Deferred water revenues	22,789
Net cash provided by operating activities	<u><u>\$ 300,067</u></u>

See accompanying notes.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

1. Summary of Significant Accounting Policies

- a. Reporting Entity** - City of Redfield Water & Sewer Utility, a department of the City of Redfield, Arkansas (the "Department") provides water and sewer services based on approved rates and usage to the general public. The Department requires a deposit based on the type of customer (commercial or residential) prior to the connection. The Department represents a fund of the City of Redfield, Arkansas (the City) and do not purport to, and do not, present fairly the financial position of the City of Redfield, Arkansas, as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. This report should be read in conjunction with the financial statements of the City to obtain a complete understanding of the City's net position. The City is audited by the Arkansas Division of Legislative Audit, State of Arkansas.
- b. Basis of Accounting and Presentation** – The financial statements of the Department have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income and interest expense are included in non-operating revenues and expenses. The Department first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.
- The Department prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).
- c. Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Department considers certificates of deposits and all highly liquid cash investments with original maturities of three months or less to be cash equivalents.
- d. Accounts Receivable** – Accounts receivable consist of water and sewer fees and surcharges billed to residential and commercial customers based on consumption. Accounts receivable are recorded net of estimated uncollectible amounts, as necessary.
- e. Inventory** – Inventory consists of expendable materials and supplies necessary for maintenance of the system. Inventories are stated at cost, determined using the first-in, first-out method.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

1. Summary of Significant Accounting Policies (continued)

- f. Capital Assets and Depreciation** – Capital assets are recorded at cost at the date of purchase, unless otherwise noted. Depreciation is computed using the straight-line method over the estimated useful life of each asset ranging from five to fifty years. Costs of repairs and maintenance that do not improve or extend the asset lives are expensed as incurred.
- g. Compensated Absences** - The Department permits employees to accumulate earned but unused vacation benefits. There was no accrual necessary for unpaid accumulated sick leave for the year ended December 31, 2023.

- h. Net Position** - Net position represents the difference between assets and liabilities of resources on the Department's financial statements. Net positions are classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of assets.

Restricted - expendable - This amount consists of noncapital assets that must be used for a particular purpose as specified by creditors or grantors external to the Department, including amounts deposited with trustees as required by bond indentures.

Unrestricted - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position". Generally, these net assets represent those financial resources that are available to the Department to meet any future obligations that might arise.

- i. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- j. Budget** - The Department is not required by law to submit a formal budget.
- k. Date of Management's Review** – Management has evaluated subsequent events through December 06, 2024, the date which the financial statements were available to be issued.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

2. Restricted Assets and Designated Net Position

Restricted checking and deposits accounts at December 31, 2023, consists of the following:

Meter deposit CD	\$ 32,923
2017 Bond Fund	14,806
ARPA Funds	666,471
	<u>\$ 714,200</u>

Meter deposit CD funds are set aside for use if needed, but as mentioned in Note 5, all customer deposits are fully funded.

The Department has certain debt service funds with the Arkansas Natural Resources Commission (“ANRC”), which are restricted to various uses. The Department is required to deposit monthly with ANRC, to be held in trust, an amount equal to 1/6 of the interest to become due on the next ensuing interest payment plus 1/6 of the next installment of principal due next on the Bonds. The required deposits shall be reduced by any amount in the debt service fund available for meeting the purpose for which a deposit is required to be made. The total deposits, held in trust as of December 31, 2023, was \$14,806.

The ARPA funds were received in 2022 and have been set aside for water and sewer infrastructure improvements.

At December 31, 2023, restricted – expendable net position was available for the above stated purposes:

Debt service	\$ 14,806
Water/Sewer Infrastructure Improvements	666,471
	<u>\$ 681,277</u>

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

3. Capital Assets

Capital asset activity for the year ended December 31 was:

	January 1, 2023	Additions	Retirements	December 31, 2023
Land	\$ 46,802	\$ -	\$ -	\$ 46,802
Buildings	28,590	-	-	28,590
Water and sewer systems	5,972,806	491,960	(19,395)	6,445,371
Vehicles	49,766	-	-	49,766
Equipment	87,901	-	-	87,901
Construction in progress	401,555	71,565	(473,120)	-
	<u>6,587,420</u>	<u>563,525</u>	<u>(492,515)</u>	<u>6,658,430</u>
Less accumulated depreciation	(2,817,427)	(196,510)	19,395	(2,994,542)
Total	<u>\$ 3,769,993</u>	<u>\$ 367,015</u>	<u>\$ (473,120)</u>	<u>\$ 3,663,888</u>

4. Long-Term Debt

Below is a summary of long-term obligation transactions for the year ended December 31, 2023:

Arkansas Natural Resource Commission - Payments are made semi-annually in the amount of \$76,336 and include interest at 4.25%. The loan is secured by pledge of sales and use tax, the net water and sewer revenues and plant and equipment of the system. The loan is scheduled to mature in June 2047.

	\$ 2,255,199
Less current maturities	<u>57,430</u>
Long-term debt	<u>\$ 2,197,769</u>

Department has an agreement with the Arkansas Natural Resource Commission in which the Bond is secured by a lien on and a pledge of revenues to assure payment of principal and interest on the indebtedness until paid.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

4. Long-Term Debt (continued)

Debt activity for the year ended December 31 is summarized as follows:

<u>January 1,</u>			<u>December 31,</u>	<u>Amounts Due</u>
<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2023</u>	<u>Within One Year</u>
\$ 2,310,264	\$ -	\$ 55,065	\$ 2,255,199	\$ 57,430

Approximate principal and interest payments for the next five years and five-year increments thereafter on long-term debt outstanding as of December 31, 2023:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 57,430	\$ 95,242	\$ 152,672
2025	59,896	92,776	152,672
2026	62,469	90,203	152,672
2027	65,153	87,519	152,672
2028	67,951	84,721	152,672
2029-2033	386,121	377,239	763,360
2034-2038	476,481	286,879	763,360
2039-2043	587,984	175,376	763,360
2044-2047	491,714	42,677	534,391
Total	<u>\$ 2,255,199</u>	<u>\$ 1,332,632</u>	<u>\$ 3,587,831</u>

Significant restrictive covenants on long-term debt include:

- Maintaining and preserving the distribution system.
- Maintaining insurance policies.
- Provide audited financial statements to the bondholder within 120 days of year-end, unless an extension is granted.

The covenants listed above are not intended to represent all restrictive covenants related to the debts. For a complete list, the debt agreements should be inspected.

For the year ending December 31, 2023, the City of Redfield Water & Sewer Utility was not in compliance with providing audited financial statements to the bondholder within 120 days of year-end. As of the date of this audit report, the debt has not been called by the bondholder.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Notes to the Financial Statements
For the Year Ended December 31, 2023

5. Reserve for Customer Deposits

The Department collects a deposit for each new customer. The individual deposit amounts, included in total customer deposits vary, from \$10 in the 1980's to \$110 currently. The Department is required to maintain cash reserves equal to the total amount of customer meter deposits. At December 31, 2023 the total amount of customer deposits was fully funded.

6. Concentrations of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City of Redfield's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of deposits.

At December 31, 2023, the Department had bank balances of \$1,924,379. The amount, if any, exposed to custodial credit risk must be determined at the City level given the Department is not a separate legal entity.

7. Risk Management

The Department is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries or illnesses; natural disasters; and employee health, dental and accident benefits. Commercial and pooled insurance coverages are purchased for claims arising from such matters other than business interruption.

There has been no significant reduction in the Department's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

Report Required by Government Auditing Standards



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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 City Council
City of Redfield Water & Sewer Utility
Redfield, Arkansas

We have audited, in accordance with 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 the business-type activities of the City of Redfield Water & Sewer Utility, a department of the City of Redfield, Arkansas (the "Department"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 06, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control,

described in the accompanying schedule of findings and responses as items 2023-01, 2023-02 and 2023-03 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2023-04.

The Department's Response to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bell & Company, P.A.

North Little Rock, Arkansas
December 06, 2024

**City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

Finding 2023-01

Inadequate Segregation of Duties

Criteria: The segregation of duties and responsibilities is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Accounting duties are not sufficiently segregated to prevent, or detect and correct misstatements or misuse of funds on a timely basis.

Context: Adequate segregation of accounting duties in an integral part of a well-designed internal control system.

Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation: Management should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including daily balancing and monthly reconciliations.

*Views of Responsible
Officials and Planned
Corrective Actions:*

Management concurs with the finding, and will evaluate the cost and benefit of hiring additional staff to address the lack of segregated accounting duties.

**City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

Finding 2023-02

Accounting System Improvements

Criteria: Management is responsible for ensuring that the financial records are maintained in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: Certain balances (capital assets, long-term debt, prepaid expenses, inventory, current liabilities, etc.) are not maintained on the Department's general ledger system.

Context: Complete financial records are necessary to be in compliance with GAAP.

Effect: Material account balances could be omitted from the financial statements and not be detected in a timely manner.

Cause: Financial records are maintained on the cash basis throughout the year and entries necessary to convert to full accrual were not made at year end.

Recommendation: Management should maintain all financial activity on the general ledger and make the entries necessary to ensure financial statement are in conformity with GAAP.

*Views of Responsible
Officials and Planned
Corrective Actions:*

Management concurs with the finding, and will evaluate the cost and benefit of having an external CPA to ensure all financial activity is recorded in the general ledger and to assist in developing year-end procedures to convert to full accrual financial statements in accordance with GAAP.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Findings and Responses
For the Year Ended December 31, 2023

Finding 2023-03

Customer overpayment

<i>Criteria:</i>	Management is responsible for ensuring that the financial records are maintained in accordance with accounting principles generally accepted in the United States of America (GAAP).
<i>Condition:</i>	Management did not properly record an overpayment by a customer.
<i>Context:</i>	Complete financial records are necessary to be in compliance with GAAP.
<i>Effect:</i>	Receivable and revenue account balances could be misstated in financial statements and might not be detected in a timely manner.
<i>Cause:</i>	Financial records are maintained on the cash basis throughout the year and entries necessary to convert to full accrual were not made at year end.
<i>Recommendation:</i>	Management should maintain all financial activity on the general ledger and make the entries necessary to ensure financial statement are in conformity with GAAP.
<i>Views of Responsible Officials and Planned Corrective Actions:</i>	Management concurs with the finding, and will evaluate the cost and benefit of having an external CPA to ensure all financial activity is recorded in the general ledger and to assist in developing year-end procedures to convert to full accrual financial statements in accordance with GAAP.

**City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

Finding 2023-04

Debt covenant compliance

<i>Criteria:</i>	The 2017 Bond requires an audit to be performed by a certified public accountant each year. A copy of that audit will be submitted to Arkansas Natural Resources Commission as soon as possible, but in no case later than 120 days following the period of the audit.
<i>Condition:</i>	Management did not submit their audit within the 120 days of the audited period.
<i>Context:</i>	Observed that the financials were submitted after 120 days of their audited period.
<i>Effect:</i>	The debt could be called by the Arkansas Natural Resources Commission.
<i>Cause:</i>	Management changed accountants, and there have been setbacks related to the COVID-19 pandemic.
<i>Recommendation:</i>	Management should make every possible effort to ensure that the audited financial statements are provided to the bond issuer no later than 120 days after year end.
<i>Views of Responsible Officials and Planned Corrective Actions:</i>	Management concurs with the finding and will work towards getting on a schedule of getting the audits completed in time to meet the deadline as set forth by the Bond issuer.

Supplementary Information

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Water and Sewer Rates
December 31, 2023

Water Rates

	<u>Inside Corporate Limits (per 1,000 gallons)</u>		<u>Outside Corporate Limits (per 1,000 gallons)</u>	
<u>Usage Level Fixed Applies to 1,000</u>	<u>Fixed Charges</u>	<u>Per additional 1,000 gallons</u>	<u>Fixed Charges</u>	<u>Per additional 1,000 gallons</u>
	\$20.00	\$6.28	\$23.09	\$6.28

Sewer Rates

<u>Inside/Outside Corporate Limits (per 1,000 gallons)</u>	
<u>Fixed Charges</u>	<u>Per additional 1,000 gallons</u>
\$16.00	\$3.70

See independent auditor's report.

City of Redfield Water & Sewer Utility
A Department of the City of Redfield, Arkansas
Schedule of Insurance Coverage
December 31, 2023

	<u>Amount of Coverage</u>	<u>Policy Period</u>
EMC Insurance		
Commercial Package	\$ 6,370,237	December 19, 2022 December 19, 2023
	\$ 6,370,237	December 19, 2023 December 19, 2024
Municipal League		
Workers Compensation	Statutory	January 1, 2023 December 31, 2023
Vehicle	\$ 167,000	October 2, 2022 October 1, 2023
	\$ 232,127	October 2, 2023 October 1, 2024

See independent auditor's report.