

BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2023

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS

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P.O. BOX 1045
WYNNE, ARKANSAS 72396

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Bono Water and Sewer Department
Bono, Arkansas 72416

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bono Water and Sewer Department as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Bono Water and Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bono Water and Sewer Department, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit 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. 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 Bono Water and Sewer 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 opinion. As more fully described in Note E to the financial statements, for the year ended December 31, 2023, the Entity has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which requires the cost of employee pension to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Emphasis of Matter

As discussed in Note F to the financial statements, the Entity has elected to change its method of accounting from the modified cash basis to the accrual basis of accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 the Bono Water and Sewer 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 Bono Water and Sewer 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.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, Budgetary comparison information, and schedule

of water and sewer rates, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2024, on our consideration of the Bono Water and Sewer 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 the Bono Water and Sewer Department's 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 Bono Water and Sewer Department's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396
June 19, 2024

**BONO WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Within this section of the Bono Water and Sewer Department's financial report, the Department's management provides narrative discussion and analysis of the financial activities of the Department for the year ended December 31, 2023. The Water and Sewer Department's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Using this annual report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Department as a whole and present a longer term view of the Department's finances. The Statement of Cash Flows provides a summary of the changes in cash and cash equivalents for the year ended December 31, 2023. Information is included in the notes to financial statements to disclose accounting policies and additional financial detail amounts shown in the financial statements. A report on internal control is also included.

Reporting on Bono Water and Sewer Department as a whole

Our analysis of the Department as a whole follows in the next section. The Department operates as a business-type activity providing water and sewer services to its customers. Its revenues must be sufficient to cover the cost of operations, payments of indebtedness, and cost of improvements to the system. One of the most important questions asked about the Department's finances is "Is the Department as a whole better off as a result of this period's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Department as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Department's net position and the changes which have occurred in the period. You can think of the Department's net position (the difference between its assets and liabilities) as one way to measure the Department's financial health. Over time, increases or decreases in the net position are one indicator of whether the financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the conditions of the water and sewer system, to assess the overall health of the Department.

**BONO WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Financial Highlights:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Net Position	\$ 1,186,197	\$ 1,186,130	\$1,133,062
Effect of change in accounting method	44,024		
Increase (decrease) in Net Position	<u>(27,196)</u>	<u>67</u>	<u>53,068</u>
Ending Net Position	<u>\$ 1,203,025</u>	<u>\$ 1,186,197</u>	<u>\$ 1,186,130</u>

Assets, liabilities, and net position for years ended December 31, 2023, 2022, and 2021 are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 134,928	\$ 386,303	\$ 390,112
Restricted Assets	499,729	157,919	153,556
Capital Assets	722,211	766,643	771,323
Total Assets	<u>1,356,868</u>	<u>1,310,865</u>	<u>1,314,991</u>
Current Liabilities	<u>153,843</u>	<u>124,668</u>	<u>128,861</u>
Total Liabilities	<u>153,843</u>	<u>124,668</u>	<u>128,861</u>
Net Position			
Unrestricted	480,814	419,554	414,807
Net Investment in Capital Assets	722,211	766,643	771,323
Total Net Position	<u>1,203,025</u>	<u>1,186,197</u>	<u>1,186,130</u>
Total Liabilities and Net Position	<u>\$ 1,356,868</u>	<u>\$ 1,310,865</u>	<u>\$ 1,314,991</u>

**BONO WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

The following schedule presents a summary of revenues and expenses for the years ended December 31, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 641,267	\$ 625,858	\$ 585,842
Operating Expenses	669,374	628,383	534,951
Operating Income	<u>(28,107)</u>	<u>(2,525)</u>	<u>50,891</u>
other Income (Expense)	911	2,592	2,177
	<u><u>\$ (27,196)</u></u>	<u><u>\$ 67</u></u>	<u><u>\$ 53,068</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2023, the Department had \$722,211 invested in capital assets. This represents a net decrease of \$44,432 which is the result of depreciation expense recognized in the amount of \$76,824 and purchases of \$32,392.

Debt

As of December 31, 2023, the Department had no outstanding debt.

ECONOMIC FACTORS, BUDGET AND RATES

The Department has no plans for any major changes for the upcoming year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, suppliers, and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kassandra Dunivan, Clerk, Bono Water and Sewer Department.

BONO WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 65,457
Accounts receivable	69,471
	134,928
Total Current Assets	134,928

RESTRICTED ASSETS

Cash - Reserve	159,734
Cash - Tower Maintenance	9,057
Cash - Equipment Savings	13,020
Certificates of Deposit - Reserve	163,773
Certificates of Deposit - Customer Deposits	154,145
	499,729
Total Restricted Assets	499,729

PROPERTY, PLANT and Equipment

Capital Assets	2,450,415
Less: Accumulated Depreciation	(1,728,204)
NET PROPERTY, PLANT and Equipment	722,211

TOTAL ASSETS	\$ 1,356,868
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The accompanying notes are an integral part of the financial statements.

BONO WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

LIABILITIES

Current Liabilities

Accounts Payable	\$ 5,324
Garbage Payable	14,859
Sales Tax Payable	2,937
Customer Deposits	<u>130,723</u>
Total Current Liabilities	<u>153,843</u>

Total Liabilities	<u>153,843</u>
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Net Position

Invested in Capital Assets, Net of related debt	722,211
Unrestricted	<u>480,814</u>
Total Net Position	<u>1,203,025</u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,356,868</u></u>
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The accompanying notes are an integral part of the financial statements.

BONO WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2023

OPERATING REVENUES

Water Fees	\$ 307,914
Sewer Fees	242,424
Late Fees	18,157
Miscellaneous	<u>72,772</u>
Total Operating Revenue	<u>641,267</u>

OPERATING EXPENSES:

Salaries and Wages	244,667
Auto and Truck Expense	9,399
Depreciation	76,824
Employee Benefits	42,233
Insurance Expense	64,528
Laboratory Expense	4,599
License and Fees	6,375
Miscellaneous	2,970
Office Expense	5,970
Payroll Taxes	18,717
Professional Fees	17,234
Repairs and Maintenance	49,983
Training	172
Supplies	75,510
Uniform Expense	3,824
Utilities Expense	<u>46,369</u>
Total Operating Expenses	<u>669,374</u>
OPERATING INCOME (LOSS)	<u>\$ (28,107)</u>

The accompanying notes are an integral part of the financial statements.

BONO WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2023

NONOPERATING REVENUES (EXPENSES)	
Transfers In/(Out) - City General Fund	(1,993)
Interest income	2,904
	911
Nonoperating revenues (expenses)	911
INCREASE (DECREASE) IN NET POSITION	(27,196)
Beginning Net Position	1,186,197
Effect of change in accounting method	44,024
Beginning Net Position as Restated	1,230,221
Net Position at end of year	\$ 1,203,025

The accompanying notes are an integral part of the financial statements.

BONO WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:	
Receipts from customers	\$ 643,889
Payments to suppliers	(304,544)
Payments to employees	<u>(286,900)</u>
Net cash provided by operating activities	<u>52,445</u>
Cash Flows from Non-Capital Financing Activities	
Transfers (to) from City of Bono	(1,993)
Transfers (to) from Restricted Accounts	<u>(341,810)</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(343,803)</u>
Cash flows from capital and related financing activities	
Purchase of property and equipment	<u>(32,392)</u>
Net cash provided (used) by capital and related activities	<u>(32,392)</u>
Cash flows from investing activities	
Interest income	<u>2,904</u>
Net cash provided (used) by investing activities	<u>2,904</u>
Increase (decrease) in cash and cash equivalents	(320,846)
Cash and cash equivalents, beginning of year	386,303
Cash and cash equivalents, end of year	<u><u>\$ 65,457</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (28,107)
Depreciation	76,824
(Increase) Decrease in:	
Accounts receivable	(3,433)
Increase (Decrease) in :	
Customer Deposits	6,055
Accounts Payable	<u>1,106</u>
Net cash provided by operating activities	<u><u>\$ 52,445</u></u>

The accompanying notes are an integral part of the financial statements.

BONO WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Organization and Financial Reporting – Bono Water and Sewer Department is a component unit of the City of Bono, Arkansas. The accompanying financial statements present only the Bono Water and Sewer Department and do not include all funds, account groups, and programs controlled by the City of Bono. Other activities, funds, and account groups and programs are included in a government wide audit performed by the Arkansas Division of Legislative Audit. The Water and Sewer Department consists of an enterprise fund with the purpose of providing water and sewer services to the general public within the city and the rural residents of the surrounding area.

Basis of accounting – The Bono Water and Sewer Department uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

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

Cash and Cash Equivalents – The Bono Water and Sewer Department considers all cash, savings accounts, and certificate of deposits purchased to be cash equivalents. However, all cash balances designated as restricted per loan agreements or other purposes are excluded from Cash Equivalents.

Property and Equipment – Property and Equipment are stated at cost. Expenditures for major renewals and betterments are capitalized, while minor repairs, replacements, and maintenance which does not improve or extend the life of such assets are charged to operations as incurred. Depreciation is provided by the straight-line method over the estimated lives of the assets, which range from 5 - 7 years for office furniture and equipment, to 40 years for the water and sewer system.

Risk Management - The Bono Water and Sewer Department minimizes risk of loss through purchase of commercial insurance coverage.

Operating Revenues and Expenses – Operating Revenues and Expenses consist of those revenues that result from ongoing operations and are primarily charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary services. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Department's policy to apply those expenses to restricted net assets to the extent such as are available and then to unrestricted net assets.

Sales Tax – The Bono Water and Sewer Department collects sales taxes on water sold, and remits taxes collected monthly to the State of Arkansas Department of Finance and Administration. Water fees are presented in the accompanying financial statements, net of sales taxes.

Compensated absences – No accrual has been made for compensated absences because the amounts would not be material.

Net Position – Net Position is categorized as investments in capital assets (net of related debt), restricted for debt services (pursuant to debt agreements), or unrestricted.

Advertising – Advertising costs are charged to expenses when incurred.

BONO WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES
 (CONT'D)**

Credit Risk – Financial instruments which subject the Department to concentration of credit risk consist principally of temporary cash investments. The Department places its temporary cash investments with financial institutions, and its policy is to limit the amount of credit risk exposure. The Department’s policy is to limit such investments to amounts covered by FDIC coverage and securities pledged to collateralize deposits. Credit risk from accounts receivable is limited due to the large number of customers and security deposits held as collateral.

NOTE B – DEPOSITS WITH FINANCIAL INSTITUTIONS

The Water and Sewer Department’s policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Water and Sewer Department’s deposits are categorized to give an indication of the level of risk assumed by the Water and Sewer Department. The categories are described as follows:

Category 1- Insured or collateralized by the Water and Sewer Department or by its agent in the Water and Sewer Department’s name.

Category 2- Collateralized with securities held by the pledging financial institution’s trust department or by its agent in the Water and Sewer Department’s name.

Category 3- Uncollateralized.

At December 31, 2023, cash deposits categorized by level of risks are as follows:

	Carrying amount	Category		
		1	2	3
Deposits with Financial Institutions	\$ 564,686	\$ 250,000	\$ 314,686	
Petty Cash	500			
Cash	\$ 565,186			

**BONO WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE C – PROPERTY AND EQUIPMENT

A summary of property, plant and equipment for the Water and Sewer Department is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets not subject to depreciation:				
Land - Water	\$ 24,360			\$ 24,360
Land - Sewer	6,750			6,750
Assets subject to depreciation				
Buildings - Water	54,771			54,771
Water System	1,181,404	32,392		1,213,796
Vehicles - Water	76,185			76,185
Office Equipment - Water	31,967			31,967
Tools and Equipment	67,737			67,737
Buildings - Sewer	10,333			10,333
Sewer System	962,967			962,967
Office Equipment - Sewer	1,549			1,549
Total Depreciable Assets	<u>2,386,913</u>	<u>32,392</u>	<u>-</u>	<u>2,419,305</u>
Total Assets	2,418,023	32,392		2,450,415
Less Accumulated Depreciation	<u>(1,651,380)</u>	<u>(76,824)</u>		<u>(1,728,204)</u>
Net Property and Equipment	<u>\$ 766,643</u>	<u>\$ (44,432)</u>	<u>\$ -</u>	<u>\$ 722,211</u>

NOTE D – RESTRICTED ACCOUNTS

The Customer Meter Deposit CDs are reserved for customer meter deposits. The cash balance should equal or exceed the Customer Meter Deposit liability. At December 31, 2023, the Customer Meter Deposit cash exceeded the liability balances by \$ 23,422.

NOTE E – RETIREMENT PLANS

Arkansas Public Employees Retirement System
Plan Description

The Department contributes to the Arkansas Public Employees Retirement System (APERS) a cost sharing multiple-employer defined benefit plan that covers certain employees. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can only be amended by the Arkansas General Assembly. APERS issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

**BONO WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE E – RETIREMENT PLANS- cont'd

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State Law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for municipalities is 15.32% of covered salaries. The Department's contribution to APERS for the year ended December 31, 2023, were \$42,233 equal to the required contributions.

Net Pension Liability

The Department's proportionate share of the collective net pension liability at December 31, 2023 is unable to be determined due to combined city and water retirement reporting.

NOTE F – CHANGE IN ACCOUNTING METHOD

Prior year financial statements were presented in accordance with the modified cash basis of accounting. Effective January 1, 2023 the Department changed the basis of accounting to the accrual method to provide for a more complete understanding of the Entity's financial position, results of operations, and cash flows. The effect of the restatement was an increase in beginning net position of \$44,024. A summary of the adjustment is presented below:

	Actual	Budget	Variance
OPERATING REVENUES			
Water Fees	\$ 307,914	\$ 375,000	\$ (67,086)
Sewer Fees	242,424	375,000	(132,576)
Late Fees	18,157	-	18,157
Miscellaneous	72,772	271,600	(198,828)
Total Operating Revenue	<u>641,267</u>	<u>1,021,600</u>	<u>(380,333)</u>
OPERATING EXPENSES:			
Salaries and Wages	244,667	296,000	(51,333)
Auto and Truck Expense	9,369	10,000	(631)
Depreciation	76,824	-	76,824
Employee Benefits	42,233	-	42,233
Insurance Expense	64,528	62,500	2,028
Laboratory Expense	4,569	10,000	(5,431)
License and Fees	6,375	22,000	(15,625)
Miscellaneous	2,970	8,500	(5,530)
Office Expense	5,970	6,000	(30)
Payroll Taxes	18,717	20,000	(1,283)
Professional Fees	17,234	12,500	4,734
Refuse Expense	-	175,000	(175,000)
Repairs and Maintenance	49,983	40,000	9,983
Sales Tax Expense	-	42,000	(42,000)
Supplies	75,510	90,000	(14,490)
Training	172	4,500	(4,328)
Transfers Expense	-	56,000	(56,000)
Uniform Expense	3,824	3,200	624
Utilities Expense	46,369	50,000	(3,631)
Total Operating Expenses	<u>669,374</u>	<u>908,200</u>	<u>(238,826)</u>
OPERATING INCOME (LOSS)	<u>(28,107)</u>	<u>113,400</u>	<u>(141,507)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers In/(Out) - City General Fund	(1,990)	113,400	(115,390)
Interest Income	2,964	-	2,964
Nonoperating revenues (expenses)	<u>911</u>	<u>113,400</u>	<u>(115,393)</u>
INCREASE (DECREASE) IN NET POSITION	<u>(27,196)</u>	<u>800</u>	<u>(27,996)</u>

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report; no items were noted which would require disclosure.

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, ARKANSAS 72396

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 Mayor and City Council
Bono Water and Sewer Department
Bono, Arkansas 72416

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 Bono Water and Sewer Department as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Bono Water and Sewer Department's basic financial statements and have issued our report thereon dated June 19, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bono Water and Sewer 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 Bono Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bono Water and Sewer 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 Department'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 over financial reporting 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 identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies (#23-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bono Water and Sewer Department's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

Bono Water and Sewer Department's Response to Findings

Bono Municipal Water and Sewer Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Bono Water and Sewer Department's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

June 19, 2024

**BONO WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

23-01 Segregation of Duties

CONDITION: The Bono Water and Sewer Department does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

CRITERIA: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

EFFECT: Inadequate segregation of duties reduces the Department's internal control over financial reporting, processing of transactions, and safeguarding of assets.

RECOMMENDATION: The Department's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

RESPONSE: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly by the Council.

**BONO WATER AND SEWER DEPARTMENT
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2023**

Prior year finding #22-01 – Lack of Segregation of Duties

This finding has been repeated as finding #23-01.

**BONO WATER AND SEWER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUES	Actual	Budget	Variance
Water Fees	\$ 307,914	\$ 375,000	\$ (67,086)
Sewer Fees	242,424	375,000	(132,576)
Late Fees	18,157	-	18,157
Miscellaneous	72,772	271,600	(198,828)
Total Operating Revenue	<u>641,267</u>	<u>1,021,600</u>	<u>(380,333)</u>
OPERATING EXPENSES:			
Salaries and Wages	244,667	296,000	(51,333)
Auto and Truck Expense	9,399	10,000	(601)
Depreciation	76,824		76,824
Employee Benefits	42,233		42,233
Insurance Expense	64,528	62,500	2,028
Laboratory Expense	4,599	10,000	(5,401)
License and Fees	6,375	22,000	(15,625)
Miscellaneous	2,970	8,500	(5,530)
Office Expense	5,970	6,000	(30)
Payroll Taxes	18,717	20,000	(1,283)
Professional Fees	17,234	12,500	4,734
Refuse Expense		175,000	(175,000)
Repairs and Maintenance	49,983	40,000	9,983
Sales Tax Expense		42,000	(42,000)
Supplies	75,510	90,000	(14,490)
Training	172	4,500	(4,328)
Transfers Expense		56,000	(56,000)
Uniform Expense	3,824	3,200	624
Utilities Expense	46,369	50,000	(3,631)
Total Operating Expenses	<u>669,374</u>	<u>908,200</u>	<u>(238,826)</u>
OPERATING INCOME (LOSS)	<u>(28,107)</u>	<u>113,400</u>	<u>(141,507)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers In/(Out) - City General Fund	(1,993)	113,400	(115,393)
Interest income	2,904		
Nonoperating revenues (expenses)	<u>911</u>	<u>113,400</u>	<u>(115,393)</u>
INCREASE (DECREASE) IN NET POSITION	<u>(27,196)</u>	<u>800</u>	<u>(27,996)</u>

**BONO WATER AND SEWER DEPARTMENT
SCHEDULE OF WATER AND SEWER RATES
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Customer Service</u>	<u>Water</u>	<u>Sewer</u>
First 1,000 gallons	\$ 10.25	\$ 8.00
Per 1,000 gallons	3.50	3.50