

BAY WATER AND SEWER DEPARTMENT
CITY OF BAY, ARKANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

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

BAY WATER AND SEWER DEPARTMENT
CITY OF BAY, ARKANSAS

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Bay Water and Sewer Department
Bay, Arkansas 72411

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bay Water and Sewer Department as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Bay Water and Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bay Water and Sewer Department, as of December 31, 2024 and 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 Opinions

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 Bay 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.

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 Bay 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 Bay 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–6 and 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

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 July 14, 2025, on our consideration of the Bay 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 Bay 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 Bay Water and Sewer Department's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396
July 14, 2025

**BAY WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

Within this section of the Bay 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, 2024 and 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. 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 Bay 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.

**BAY WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

Financial Highlights:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning Net Position	\$ 261,364	\$ 271,828	\$ 201,861
Increase (Decrease) in Net Position	45,730	(10,464)	69,967
Ending Net Position	<u>\$ 307,094</u>	<u>\$ 261,364</u>	<u>\$ 271,828</u>

Assets, liabilities, and net position for years ended December 31, 2024, 2023, and 2022 are summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	160,181	99,376	111,070
Restricted Assets	105,819	103,233	127,265
Capital Assets	591,976	621,487	641,132
Total Assets	<u>857,976</u>	<u>824,096</u>	<u>879,467</u>
Current Liabilities	99,501	95,022	114,865
Long Term Liabilities	451,381	467,710	492,774
Total Liabilities	<u>550,882</u>	<u>562,732</u>	<u>607,639</u>
Net Position			
Unrestricted	144,168	82,580	101,052
Restricted for Debt Service	38,601	40,525	60,894
Net Investment in Capital Assets	124,325	138,259	109,882
Total Net Position	<u>307,094</u>	<u>261,364</u>	<u>271,828</u>
Total Liabilities and Net Position	<u>857,976</u>	<u>824,096</u>	<u>879,467</u>

**BAY WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

The following schedule presents a summary of revenues and expenses for the years ended December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 387,107	\$ 316,718	\$ 319,308
Operating Expenses	<u>454,497</u>	<u>283,088</u>	<u>288,504</u>
Operating Income	(67,390)	33,630	30,804
Other Income (Expense)	113,120	(44,094)	39,163
	<u>\$ 45,730</u>	<u>\$ (10,464)</u>	<u>\$ 69,967</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2024 and 2023, the Department had \$591,976 and \$621,487 respectively invested in capital assets. This represents a net decrease of \$29,511 which is the result of depreciation expense recognized in the amount of \$49,623 and purchases of \$20,112.

Debt

As of December 31, 2024 and 2023, the Department had \$467,651 and \$483,228 in outstanding long term debt. This represents a decrease of \$15,577 which is the result of principal payments made.

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 Paul Keith, Mayor, City of Bay.

**BAY WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 109,424	\$ 87,982
Accounts receivable	<u>50,757</u>	<u>11,394</u>
Total Current Assets	<u>160,181</u>	<u>99,376</u>
RESTRICTED ASSETS		
Cash - Customer Deposits	25,487	22,077
Debt Service CDs	38,601	40,525
Meter Deposit CDs	<u>41,731</u>	<u>40,631</u>
Total Restricted Assets	<u>105,819</u>	<u>103,233</u>
PROPERTY, PLANT and Equipment		
Land	12,038	12,038
Buildings	12,593	12,593
Equipment	164,126	144,014
Water and Sewer System	<u>1,971,550</u>	<u>1,971,550</u>
	2,160,307	2,140,195
Less: Accumulated Depreciation	<u>(1,568,331)</u>	<u>(1,518,708)</u>
NET PROPERTY, PLANT and Equipment	<u>591,976</u>	<u>621,487</u>
TOTAL ASSETS	<u>\$ 857,976</u>	<u>\$ 824,096</u>

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

BAY WATER AND SEWER DEPARTMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2024 and 2023

LIABILITIES	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts Payable	\$ 1,877	\$ 894
Garbage Payable	12,669	12,522
Sales Tax Payable	2,880	2,547
Total Current Liabilities	<u>17,426</u>	<u>15,963</u>
Current Liabilities Payable from Restricted Assets		
Current Portion of Long Term Debt	16,270	15,518
Accrued Interest Payable	168	174
Customer Meter Deposits	65,637	63,367
Total Current Liabilities Payable from Restricted Assets	<u>82,075</u>	<u>79,059</u>
Long Term Liabilities		
Bonds Payable - USDA	467,651	483,228
Less Current Portion	(16,270)	(15,518)
Total Long Term Liabilities	<u>451,381</u>	<u>467,710</u>
Total Liabilities	<u>550,882</u>	<u>562,732</u>
Net Position		
Invested in Capital Assets, Net of related debt	124,325	138,259
Restricted	38,601	40,525
Unrestricted	144,168	82,580
Total Net Position	<u>307,094</u>	<u>261,364</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 857,976</u>	<u>\$ 824,096</u>

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

BAY WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Water Fees	\$ 235,444	\$ 200,642
Sewer Fees	123,337	104,317
Other Revenue	28,326	11,759
Total Operating Revenue	<u>387,107</u>	<u>316,718</u>
 OPERATING EXPENSES:		
Operating Supplies	33,985	53,065
Salaries and Wages	82,014	26,814
Dues and Fees	6,228	12,778
Auto and Truck Expenses	4,241	7,930
Depreciation	49,623	43,658
Employee Benefits	16,754	6,003
Insurance Expense	5,198	5,948
Laboratory Expense	8,490	8,915
Miscellaneous	3,541	11,173
Office Expense	24,295	19,492
Professional Fees	6,500	12,750
Travel	2,606	5,319
Repairs and Maintenance	158,890	16,094
Utilities Expense	52,132	53,149
Total Operating Expenses	<u>454,497</u>	<u>283,088</u>
OPERATING INCOME (LOSS)	<u>\$ (67,390)</u>	<u>\$ 33,630</u>

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

BAY WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2024 and 2023

NONOPERATING REVENUES (EXPENSES)		
Interest Income	7,421	2,258
ARPA Grant Income	136,250	
Interest Expense	(20,825)	(22,039)
Transfers In/(Out) - City General Fund	(9,726)	(24,313)
Nonoperating revenues (expenses)	<u>113,120</u>	<u>(44,094)</u>
INCREASE (DECREASE) IN NET POSITION	45,730	(10,464)
Beginning Net Position	<u>261,364</u>	<u>271,828</u>
Net Position at end of year	<u>\$ 307,094</u>	<u>\$ 261,364</u>

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

**BAY WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Receipts from customers	\$ 350,014	\$ 348,673
Payments to suppliers	(321,397)	(212,447)
Payments to employees	(82,014)	(26,814)
Net cash provided by operating activities	<u>(53,397)</u>	<u>109,412</u>
Cash Flows from Non-Capital Financing Activities		
ARPA Grant for Water Tower Maintenance	136,250	
Transfers from (to) Governmental Fund (City General)	(9,726)	(24,313)
Transfers (to) from Restricted CDs	824	(8,420)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>127,348</u>	<u>(32,733)</u>
Cash flows from capital and related financing activities		
Principal Paid on Capital Debt	\$ (15,577)	(48,022)
Purchase of Capital Assets	(20,112)	(24,013)
Interest Paid on Capital Debt	(20,831)	(22,044)
Net cash provided (used) by capital and related activities	<u>(56,520)</u>	<u>(94,079)</u>
Cash flows from investing activities		
Interest income	7,421	2,258
Net cash provided (used) by investing activities	<u>7,421</u>	<u>2,258</u>
Increase (decrease) in cash and cash equivalents	24,852	(15,142)
Cash and cash equivalents, beginning of year	110,059	125,201
Cash and cash equivalents, end of year	<u>\$ 134,911</u>	<u>\$ 110,059</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (67,390)	\$ 33,630
Depreciation	49,623	43,658
(Increase) Decrease in:		
Accounts receivable	(39,363)	29,004
Increase (Decrease) in :		
Sales Tax Payable	333	135
Customer Deposits	2,270	2,951
Accounts Payable	1,130	34
Net cash provided by operating activities	<u>\$ (53,397)</u>	<u>\$ 109,412</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position		
Cash	\$ 109,424	\$ 87,982
Cash Restricted - Customer Deposits	25,487	22,077
Cash and Cash Equivalents	<u>\$ 134,911</u>	<u>\$ 110,059</u>

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

BAY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Organization and Financial Reporting – Bay Water and Sewer Department is a component unit of the City of Bay, Arkansas. The accompanying financial statements present only the Bay Water and Sewer Department and do not include all funds, account groups, and programs controlled by the City of Bay. 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 Bay 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 Bay Water and Sewer Department considers all cash, savings accounts, and certificate of deposits purchased to be 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 Bay Water and Sewer Department minimizes risk of loss through purchase of commercial insurance coverage.

Operating Revenues and Expenses – Operating Revenues and Expenses consists 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 Bay 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.

BAY WATER AND SEWER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2024 and 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, 2024, cash deposits categorized by level of risks are as follows:

	Carrying amount	Category		
		1	2	3
Deposits with Financial Institutions	\$ 214,743	\$ 214,743		
Petty Cash	500			
	\$ 215,243			

**BAY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 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	\$ 12,038			\$ 12,038
Buildings	12,593			12,593
Equipment	144,014	20,112		164,126
System Plant, Wells, & Lines	1,971,550			1,971,550
Total Depreciable Assets	<u>2,140,195</u>	<u>20,112</u>	<u>-</u>	<u>2,160,307</u>
Less Accumulated Depreciation	<u>(1,518,708)</u>	<u>(49,624)</u>		<u>(1,568,332)</u>
Net Property and Equipment	<u>\$ 621,487</u>	<u>\$ (29,512)</u>	<u>\$ -</u>	<u>\$ 591,975</u>

NOTE D – LONG TERM NOTES PAYABLE

The following is a summary of the Bay Water and Sewer Department's long-term notes payable:

	<u>2024</u>	<u>2023</u>
USDA, 4.375 % , monthly \$ 728, through June 2044, secured by future revenues	\$ 105,996	\$ 109,999
USDA, 4.375 % , monthly \$ 2,306 through June 2044, secured by future revenues	361,655	373,229
	<u>\$ 467,651</u>	<u>\$ 483,228</u>
Less Current Portion	<u>(16,270)</u>	<u>(15,518)</u>
Net Long-Term Notes Payable	<u>\$ 451,381</u>	<u>\$ 467,710</u>

**BAY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023**

NOTE D – LONG TERM NOTES PAYABLE (CONT'D)

A summary of notes payable activity is as follows:

	<u>12/31/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2024</u>
USDA 91.04	\$ 109,999		\$ 4,003	\$ 105,996
USDA 91.05	373,229		11,574	361,655
Total	<u>\$ 483,228</u>	<u>\$ -</u>	<u>\$ 15,577</u>	<u>\$ 467,651</u>

A schedule of the future payments required is as follows:

For the Years Ending December 31,	Principal	Interest	Total
2025	\$ 16,270	\$ 20,138	\$ 36,408
2026	16,997	19,411	36,408
2027	17,755	18,653	36,408
2028	18,497	17,911	36,408
2029	19,374	17,034	36,408
For the five years ending December 31,			
2034	110,592	76,173	186,765
2039	137,591	50,328	187,919
2044	130,575	18,686	149,261
	<u>\$ 467,651</u>	<u>\$ 238,334</u>	<u>\$ 705,985</u>

NOTE E – RESTRICTED ASSETS

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, 2024, the Customer Meter Deposit cash exceeded the liability balances by \$ 14,695.

**BAY WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023**

NOTE F – RETIREMENT PLANS

The Department maintains a pension plan for all water and sewer employees and has contracted with a private insurance carrier, who maintains the account for the Department. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The plan requires the Department to contribute to the insurance carrier an amount up to 5% of employee contribution match of the employee's base salary. Eligibility commences upon retirement. Earnings are credited to the employees' account quarterly. Employees are entitled only to the funds deposited by them and on their behalf; therefore, there is no unfunded liability. The department's contribution to the plan for the years ended December 31, 2024 and 2023 was \$2,361, and \$27 respectively.

NOTE F – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the July 14, 2025; the date this report was available to be issued, 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
Bay Water and Sewer Department
Bay, Arkansas 72411

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 Bay Water and Sewer Department as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Bay Water and Sewer Department's basic financial statements and have issued our report thereon dated July 14, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay 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 Bay Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay 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 (#24-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay 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*.

Bay Water and Sewer Department's Response to Findings

Bay 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 Bay 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

July 14, 2025

**BAY WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2024**

24-01 Segregation of Duties

CONDITION: The Bay 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.

**BAY WATER AND SEWER DEPARTMENT
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2024**

Prior year finding #23-01 – Lack of Segregation of Duties

This finding has been repeated as finding #24-01.

**BAY WATER AND SEWER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2024**

OPERATING REVENUES	Actual	Budget	Variance
Water Fees	\$ 235,444	\$ 528,000	\$ (292,556)
Sewer Fees	123,337	1,000	122,337
Other Revenue	28,326	6,500	21,826
Total Operating Revenue	<u>387,107</u>	<u>535,500</u>	<u>(148,393)</u>
OPERATING EXPENSES:			
Operating Supplies	33,985	60,000	(26,015)
Salaries and Wages	82,014	77,653	4,361
Dues and Fees	6,228	10,000	(3,772)
Auto and Truck Expenses	4,241	10,000	(5,759)
Depreciation	49,623		49,623
Employee Benefits	16,754	19,200	(2,446)
Insurance Expense	5,198	7,600	(2,402)
Laboratory Expense	8,490	8,000	490
Miscellaneous	3,541	7,450	(3,909)
Office Expense	24,295	20,500	3,795
Professional Fees	6,500	7,858	(1,358)
Sales Tax		30,000	(30,000)
Sanitation		130,000	
Travel	2,606	3,500	(894)
Repairs and Maintenance	158,890	11,000	
Uniforms		5,000	
USDA Payments		40,524	
Utilities Expense	52,132	50,000	2,132
Water Meters		40,000	
Total Operating Expenses	<u>454,497</u>	<u>538,285</u>	<u>(83,788)</u>
OPERATING INCOME (LOSS)	<u>(67,390)</u>	<u>(2,785)</u>	<u>(64,605)</u>

**BAY WATER AND SEWER DEPARTMENT
 SCHEDULE OF WATER AND SEWER RATES
 FOR THE YEAR ENDED DECEMBER 31, 2024**

<u>Customer Service</u>	<u>Water</u>
First 1,000 gallons	\$ 11.00
1,000 - 10,000	3.00 (Per 1,000 Gallons)
Over 10,000	2.30 (Per 1,000 Gallons)

	<u>Sewer</u>
First 1,000 gallons	\$ 8.00
1,000 - 10,000	1.50 (Per 1,000 Gallons)
Over 10,000	1.05 (Per 1,000 Gallons)