

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

**MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
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BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

To the Bono City Council
Bono, Arkansas 72416

Report on the Financial Statements

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, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Modified Cash Basis of Accounting; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Bono Water and Sewer Department, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1 to the financial statements.

Basis of Accounting

As disclosed in Note 1 to the financial statements, these financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 3–5 and 17 be presented to supplement the basic financial statements. Such 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 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 Information

As discussed in Note A, the accompanying financial statements of the Bono Water and Sewer Department are intended to present the financial position, and the changes in financial position and the cash flows of the City that is attributable to the transactions of the Bono Water and Sewer Department. They do not purport to, and do not, present fairly the financial position of the City of Bono, Arkansas, as of December 31, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with the modified cash basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bono Water and Sewer Department's basic financial statements. The schedule of water and sewer rates on page 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of water and sewer rates are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit 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 schedule of water and sewer rates is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, 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
February 10, 2022

**BONO WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

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, 2020. The Water and Sewer Department's financial performance is discussed and analyzed with 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 Assets, Liabilities, and Net Position-Modified Cash Basis and the Statement of Revenues, Expenses and Other Changes in Net Position – Modified Cash Basis provide information about the Water and Sewer Department as a whole and present a longer term view of the Department's finances. The Statement of Cash In-Flows and Out 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 Bono Water and Sewer Department as a whole

Our analysis of the Water and Sewer Department as a whole follow 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 Water and Sewer Department's finances is: "Is the Department as a whole better off as a result of this year's activities?" The Statement of Assets, Liabilities, and Net Position - Modified Cash Basis, and the Statement of Revenues, Expenses, and Changes in Net Position- Modified Basis report information about the Water and Sewer Department as a whole, and its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting, which is similar to the accounting used by most private-sector companies. Revenues and expenses are taken into account when cash is received or paid.

These two statements report the Water and Sewer Department's net position and the changes which have occurred in the year. You can think of the Department's net position (the difference between its assets and liabilities) as one way to measure the Water and Sewer 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 (cont'd)
December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Financial Highlights			
Beginning Net Position	\$ 1,086,709	\$ 1,167,341	\$ 1,242,622
Increase (Decrease) in Net Position	<u>46,353</u>	<u>(80,632)</u>	<u>(75,281)</u>
Ending Net Position	<u>\$ 1,133,062</u>	<u>\$ 1,086,709</u>	<u>\$ 1,167,341</u>

Assets, liabilities, and net position for 2020, 2019, and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 332,559	\$ 211,178	\$ 284,034
Restricted Assets	151,913	149,866	96,263
Capital Assets	<u>762,603</u>	<u>833,234</u>	<u>883,307</u>
Total Assets	<u>\$ 1,247,075</u>	<u>\$ 1,194,278</u>	<u>\$ 1,263,604</u>
Current Liabilities	\$ 114,013	\$ 107,569	\$ 96,263
Long-term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>114,013</u>	<u>107,569</u>	<u>96,263</u>
Net Position			
Unrestricted	370,459	253,475	284,034
Restricted for Debt Service	-	-	-
Net Investment in Capital Assets	<u>762,603</u>	<u>833,234</u>	<u>883,307</u>
Total Net Position	<u>\$ 1,133,062</u>	<u>\$ 1,086,709</u>	<u>\$ 1,167,341</u>

**BONO WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
December 31, 2020**

The following schedule presents a summary of revenues and expenditures for the year ended December 31, 2020, 2019, and 2018:

	2020	2019	2018
Operating Revenues	\$ 513,248	\$ 392,739	\$ 544,421
Operating Expenses	471,256	473,943	622,930
Operating Income	41,992	(81,204)	(78,509)
Other Income (Expenses)	4,361	572	3,228
	<u>\$ 46,353</u>	<u>\$ (80,632)</u>	<u>\$ (75,281)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end December 31, 2020, the Department had \$762,603 invested in capital assets. This represents a net decrease of \$70,630 which is the result of depreciation expense recognized of \$70,630.

Debt

At year end, the Water and Sewer Department had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Water and Sewer 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 Water and Sewer 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 Kasandra Dunivan, Clerk of the Bono Water and Sewer Department.

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2020**

Current Assets:	
Cash on Hand and in Banks	\$ 169,870
Certificates of Deposit	162,689
Total Current Assets	<u>332,559</u>
Restricted Assets:	
CD-Customer Deposits	<u>151,913</u>
Total Restricted Assets	<u>151,913</u>
Property, Plant and Equipment:	
Capital Assets	2,271,516
Less: Accumulated Depreciation	<u>(1,508,913)</u>
Net Property, Plant and Equipment	<u>762,603</u>
Total Assets	<u><u>\$ 1,247,075</u></u>
Current Liabilities	
Customer Deposits	<u>\$ 114,013</u>
Total Current Liabilities	<u>114,013</u>
Total Liabilities	<u>114,013</u>
Net Position	
Net Investment in Capital Assets	762,603
Unrestricted	<u>370,459</u>
Total Net Position	<u>1,133,062</u>
Total Liabilities and Net Position	<u><u>\$ 1,247,075</u></u>

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

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020**

Operating Revenues:	
Water Fees	\$ 272,014
Sewer Fees	176,313
Other Revenues	<u>64,921</u>
Total Operating Revenues	<u>513,248</u>
Operating Expenses:	
Water Purchases	16,875
Salaries and Wages	151,939
Auto and Truck Expense	2,422
Depreciation	70,630
Employee Benefits	25,561
Insurance Expense	23,279
Laboratory Expense	4,044
License and Fees	1,895
Miscellaneous	9,185
Office Expense	5,858
Payroll Taxes	11,718
Professional Fees	18,677
Repairs and Maintenance	31,676
Training	7,178
Supplies	54,442
Uniform Expense	3,543
Utilities Expense	<u>32,334</u>
Total Operating Expenses	<u>471,256</u>
OPERATING INCOME (LOSS)	<u>41,992.00</u>
Non-operating Revenues (Expenses):	
Interest Income	<u>4,361</u>
Total Non-operating Revenues (Expenses)	<u>4,361</u>
Change in Net Position	46,353
Beginning Net Postion	<u>1,086,709</u>
Ending Net Position	<u>\$ 1,133,062</u>

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

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020**

Cash Flows from Operating Activities	
Receipts from Customers	\$ 519,693
Payments to Suppliers	(223,126)
Payments to Employees	(177,500)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 119,067</u>
Cash Flows from Non-Capital Financing Activities	
Transfers (to) from Restricted Accounts	(2,047)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(2,047)</u>
Cash Flows from Investing Activities	
Interest Income	4,361
Net Cash Provided by (Used in) Investing Activities	<u>4,361</u>
Increase (Decrease) in Cash and Cash Equivalents	121,381
Cash and Cash Equivalents, Beginning of Year	211,178
Cash and Cash Equivalents, End of Year	<u>\$ 332,559</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 41,992
Depreciation	70,630
Increase (Decrease) in Customer Deposits	6,444
Total Adjustments	<u>77,074</u>
Net Cash Provided by Operating Activities	<u>\$ 119,066</u>

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

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 consist 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 modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principle generally accepted in the United States of America (GAAP). Under the modified cash basis of accounting, the Department generally recognizes assets, liabilities, deferred inflows (outflows) of resources, revenues and expenditures when cash is received or paid. Therefore, these financial statements do not report accounts receivable and revenues for services billed or provided, but not collected. In addition, these financial statements do not reflect liabilities or expenditures for goods or services received before year end for which payment has not yet been made. The only transactions reported on these financial statements that are not directly attributable to the receipts or disbursements of cash are depreciation of the Department's capital assets over the estimated useful lives of the assets.

Estimates - The preparation of financial statements in conformity with modified cash basis 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 with a maturity of three months or less 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 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.

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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.

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, 2020, cash deposits categorized by level of risks are as follows:

Carrying Amount	Category		
	1	2	3
<u>\$ 484,472</u>	<u>\$ 250,000</u>	<u>\$ 234,472</u>	<u>\$ -</u>

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE C – PROPERTY AND EQUIPMENT

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

	December 31, 2019	Additions	Deletions	December 31, 2020
Land - Water	\$ 24,360			\$ 24,360
Land -Sewer	6,750			6,750
Total Non Depreciable	<u>31,110</u>	<u>-</u>	<u>-</u>	<u>31,110</u>
Buildings - Water	54,771			54,771
Water System	1,166,835			1,166,835
Vehicles - Water	49,812			49,812
Office Equipment - Water	31,967			31,967
Tools and Equipment	59,736			59,736
Buildings - Sewer	10,333			10,333
Sewer System	865,403			865,403
Office Equipment - Sewer	1,549			1,549
Total Depreciable Assets	<u>2,240,406</u>	<u>-</u>	<u>-</u>	<u>2,240,406</u>
Accumulated Depreciation	<u>(1,438,283)</u>	<u>(70,630)</u>		<u>(1,508,913)</u>
Capital Assets Net	<u>\$ 833,233</u>	<u>\$ (70,630)</u>	<u>\$ -</u>	<u>\$ 762,603</u>

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE E – 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, 2020, the Customer Meter Deposit cash exceeded the liability balances by \$ 37,900.

NOTE F – CONCENTRATIONS

The Bono Water and Sewer Department purchases a portion of the water sold from the City Water and Light in Jonesboro, Arkansas.

NOTE G – 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.

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 school districts is 15.32% of covered salaries. The Department's contribution to APERS for the year ended December 31, 2020 were \$ 25,561 equal to the required contributions.

Net Pension Liability

The Department's proportionate share of the collective net pension liability at December 31, 2020 is unable to be determined due to combined city and water retirement reporting.

NOTE H – 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*

Members of the City Council
Bono, 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 Bono Water and Sewer Department as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Water and Sewer Department's basic financial statements and have issued our report thereon dated February 10, 2022.

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 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 Water and Sewer 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (#20-001)

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 Water and Sewer 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 Water and Sewer 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
February 10, 2022

**BONO MUNICIPAL WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2020**

20-01 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 Commission.

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2020**

Prior year finding #19-01 – Lack of Segregation of Duties

This finding has been repeated as finding #20-01.

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues:			
Water Fees	\$ 272,014	\$ 640,000	\$ (367,986)
Sewer Fees	176,313		176,313
Other Revenues	64,921	122,600	(57,679)
Total Operating Revenues	<u>513,248</u>	<u>762,600</u>	<u>(249,352)</u>
Operating Expenses:			
Water Purchases	16,875	16,500	375
Salaries and Wages	177,500	148,336	29,164
Auto and Truck Expense	2,422	8,000	(5,578)
Depreciation	70,630		70,630
Employee Benefits	10,721	41,000	(30,279)
Insurance Expense	23,279	35,000	(11,721)
Laboratory Expense	4,044	5,000	(956)
License and Fees	1,895	10,000	(8,105)
Miscellaneous	9,185	220,000	(210,815)
Office Expense	5,858	7,500	(1,642)
Payroll Taxes	11,718	14,000	(2,282)
Professional Fees	18,677	35,000	(16,323)
Repairs and Maintenance	31,676	50,000	(18,324)
Supplies	54,442	80,000	(25,558)
Utilities Expense	32,334	27,000	5,334
Total Operating Expenses	<u>471,256</u>	<u>697,336</u>	<u>(226,080)</u>
OPERATING INCOME (LOSS)	<u>41,992.00</u>	<u>65,264.00</u>	<u>(23,272.00)</u>
Non-operating Revenues (Expenses):			
Interest Income	4,361	266	4,095
Transfers In			-
Transfers Out			-
Total Non-operating Revenues (Expenses)	<u>4,361</u>	<u>266</u>	<u>4,095</u>
Change in Net Position	<u>\$ 46,353</u>	<u>\$ 65,530</u>	<u>\$ (19,177.00)</u>

**BONO WATER AND SEWER DEPARTMENT
CITY OF BONO, ARKANSAS
SCHEDULE OF WATER AND SEWER RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Customer Service	In-Town Residential	
	Water	Sewer
First 1,000 gallons	\$ 10.25	\$ 8.00
Per 1,000 gallons	3.50	3.50