

BONO WATER AND SEWER DEPARTMENT  
CITY OF BONO, ARKANSAS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
Bono, Arkansas 72416

**Opinions**

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Bono Water and Sewer Department as of and for the year ended December 31, 2022, 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, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Bono Water and Sewer Department, as of December 31, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

**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 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.

**Emphasis of Matter—Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

## **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 September 25, 2023, 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  
September 25, 2023

**BONO WATER AND SEWER DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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, 2022. 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 - Modified Cash Basis and the Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis provide information about the Department as a whole and present a longer term view of the Department's finances. The Statement of Cash Flows- Modified Cash Basis provides a summary of the changes in cash and cash equivalents for the year ended December 31, 2022. 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 - Modified Cash Basis, and the Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis 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 modified cash 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 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, 2022**

Financial Highlights:

	2022	2021	2020
Beginning Net Position	\$ 1,186,130	\$ 1,133,062	\$1,086,709
Increase (decrease) in Net Position	67	53,068	46,353
Ending Net Position	<u>\$ 1,186,197</u>	<u>\$ 1,186,130</u>	<u>\$ 1,133,062</u>

Assets, liabilities, and net position for years ended December 31, 2022, 2021, and 2020 are summarized as follows:

	2022	2021	2020
Current and Other Assets	\$ 386,303	\$ 390,112	\$ 332,559
Restricted Assets	157,919	153,556	151,913
Capital Assets	766,643	771,323	762,603
Total Assets	<u>\$ 1,310,865</u>	<u>\$ 1,314,991</u>	<u>\$ 1,247,075</u>
Current Liabilities	\$ 124,668	\$ 128,861	\$ 114,013
Long Term Liabilities	-	-	-
Total Liabilities	<u>124,668</u>	<u>128,861</u>	<u>114,013</u>
Net Position			
Unrestricted	419,554	414,807	370,459
Net Investment in Capital Assets	766,643	771,323	762,603
Total Net Position	<u>1,186,197</u>	<u>1,186,130</u>	<u>1,133,062</u>
Total Liabilities and Net Position	<u>\$ 1,310,865</u>	<u>\$ 1,314,991</u>	<u>\$ 1,247,075</u>

**BONO WATER AND SEWER DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

The following schedule presents a summary of revenues and expenses for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
Operating Revenues	\$ 625,858	\$ 585,842	\$ 513,248
Operating Expenses	628,383	534,951	471,256
Operating Income	(2,525)	50,891	41,992
other Income (Expense)	2,592	2,177	4,361
	<u>\$ 67</u>	<u>\$ 53,068</u>	<u>\$ 46,353</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2022, the Department had \$ 766,643 invested in capital assets. This represents a net decrease of \$ 4,680 which is the result of depreciation expense recognized of \$ 73,187 and purchases of \$ 68,507.

**Debt**

As of December 31, 2022, 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- MODIFIED CASH BASIS  
DECEMBER 31, 2022

Current Assets:	
Cash on Hand and in Banks	\$ 222,757
Certificates of Deposit	163,546
Total Current Assets	<u>386,303</u>
Restricted Assets:	
CD-Customer Deposits	<u>157,919</u>
Total Restricted Assets	<u>157,919</u>
Property, Plant and Equipment:	
Capital Assets	2,418,023
Less: Accumulated Depreciation	(1,651,380)
Net Property, Plant and Equipment	<u>766,643</u>
Total Assets	<u>\$ 1,310,865</u>
Current Liabilities	
Customer Deposits	\$ 124,668
Total Current Liabilities	<u>124,668</u>
Total Liabilities	<u>124,668</u>
Net Position	
Net Investment in Capital Assets	766,643
Unrestricted	419,554
Total Net Position	<u>1,186,197</u>
Total Liabilities and Net Position	<u>\$ 1,310,865</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  
MODIFIED CASH BASIS  
DECEMBER 31, 2022

Operating Revenues:

Water Fees	\$ 316,867
Sewer Fees	233,611
Other Revenues	<u>75,380</u>
Total Operating Revenues	<u>625,858</u>

Operating Expenses:

Salaries and Wages	231,601
Auto and Truck Expense	9,328
Depreciation	73,187
Employee Benefits	43,148
Insurance Expense	47,905
Laboratory Expense	4,308
License and Fees	8,232
Miscellaneous	4,294
Office Expense	5,793
Payroll Taxes	17,859
Professional Fees	23,849
Repairs and Maintenance	50,504
Training	3,736
Supplies	56,721
Uniform Expense	3,212
Utilities Expense	<u>44,706</u>
Total Operating Expenses	<u>628,383</u>

OPERATING INCOME (LOSS)	<u>(2,525)</u>
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Non-operating Revenues (Expenses):

Transfers In from City General Fund	1,407
Interest Income	<u>1,185</u>
Total Non-operating Revenues (Expenses)	<u>2,592</u>

Change in Net Position	67
Beginning Net Postion	<u>1,186,130</u>
Ending Net Position	<u>\$ 1,186,197</u>

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

BONO WATER AND SEWER DEPARTMENT  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities	
Receipts from Customers	\$ 621,665
Payments to Suppliers	(280,447)
Payments to Employees	(274,749)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 66,469</u>
Cash Flows from Non-Capital Financing Activities	
Transfers (to) from City of Bono	1,407
Transfers (to) from Restricted Accounts	(4,363)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(2,956)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(68,507)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(68,507)</u>
Cash Flows from Investing Activities	
Interest Income	<u>1,185</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,185</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,809)
Cash and Cash Equivalents, Beginning of Year	<u>390,112</u>
Cash and Cash Equivalents, End of Year	<u>\$ 386,303</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (2,525)
Depreciation	73,187
Increase (Decrease) in Customer Deposits	(4,193)
Total Adjustments	<u>68,994</u>
Net Cash Provided by Operating Activities	<u>\$ 66,469</u>

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

**BONO WATER AND SEWER DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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 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 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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, 2022, cash deposits categorized by level of risks are as follows:

Carrying Amount	Category		
	1	2	3
\$ 544,222	\$ 250,000	\$ 293,922	\$ 300

**BONO WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE C – PROPERTY AND EQUIPMENT**

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

	December 31, 2021	Additions	Deletions	December 31, 2022
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	\$ 14,569		1,181,404
Vehicles - Water	49,812	26,373		76,185
Office Equipment - Water	31,967			31,967
Tools and Equipment	59,737	8,000		67,737
Buildings - Sewer	10,333			10,333
Sewer System	943,403	19,564		962,967
Office Equipment - Sewer	1,549			1,549
Total Depreciable Assets	<u>2,318,407</u>	<u>68,506</u>	<u>-</u>	<u>2,386,913</u>
Accumulated Depreciation	<u>(1,578,193)</u>	<u>(73,187)</u>		<u>(1,651,380)</u>
Capital Assets Net	<u>\$ 771,324</u>	<u>\$ (4,681)</u>	<u>\$ -</u>	<u>\$ 766,643</u>

**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, 2022, the Customer Meter Deposit cash exceeded the liability balances by \$ 33,251.

**BONO WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE F – 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 municipalities is 15.32% of covered salaries. The Department's contribution to APERS for the year ended December 31, 2022 were \$ 43,148 equal to the required contributions.

**Net Pension Liability**

The Department's proportionate share of the collective net pension liability at December 31, 2022 is unable to be determined due to combined city and water retirement reporting.

**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.  
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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*

Mayor and City Council  
Bono Water and Sewer  
Bono, AR 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, 2022, 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 September 25, 2023.

**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 (#22-001).



## **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 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

September 25, 2023

**BONO MUNICIPAL WATER AND SEWER DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2022**

# 22-01 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 MUNICIPAL WATER AND SEWER DEPARTMENT  
SCHEDULE OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2022**

Prior year finding #21-01 – Lack of Segregation of Duties

This finding has been repeated as finding #22-01.

**BONO MUNICIPAL WATER AND SEWER DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues:			
Water Fees	\$ 316,867	\$ 360,000	\$ (43,133)
Sewer Fees	233,611	320,000	(86,389)
Other Revenues	<u>75,380</u>	<u>347,700</u>	<u>(272,320)</u>
Total Operating Revenues	<u>625,858</u>	<u>1,027,700</u>	<u>(401,842)</u>
Operating Expenses:			
Salaries and Wages	231,601	232,000	(399)
Auto and Truck Expense	9,328	7,000	2,328
Depreciation	73,187		73,187
Employee Benefits	43,148	30,000	13,148
Insurance Expense	47,905	67,000	(19,095)
Laboratory Expense	4,308	8,000	(3,692)
License and Fees	8,232	25,000	(16,768)
Miscellaneous	4,294	347,000	(342,706)
Office Expense	5,793	6,000	(207)
Payroll Taxes	17,859	13,000	4,859
Professional Fees	23,849	11,500	12,349
Repairs and Maintenance	50,504	370,000	(319,496)
Training	3,736	5,000	(1,264)
Supplies	56,721	64,000	(7,279)
Uniform Expense	3,212	3,000	212
Utilities Expense	<u>44,706</u>	<u>49,000</u>	<u>(4,294)</u>
Total Operating Expenses	<u>628,383</u>	<u>1,237,500</u>	<u>(609,117)</u>
OPERATING INCOME (LOSS)	<u>(2,525.00)</u>	<u>(209,800)</u>	<u>207,275</u>
Non-operating Revenues (Expenses):			
Interest Income	1,185	800	385
Transfers In	1,407	72,000	(70,593)
Transfers Out		<u>(29,000)</u>	<u>29,000</u>
Total Non-operating Revenues (Expenses)	<u>2,592</u>	<u>43,800</u>	<u>(41,208)</u>
Change in Net Position	<u>\$ 67</u>	<u>\$ (166,000)</u>	<u>\$ 166,067</u>

**BONO MUNICIPAL WATER AND SEWER DEPARTMENT  
SCHEDULE OF WATER AND SEWER RATES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Customer			
Service		Water	Sewer
First 1,000 gallons	\$	10.25	\$ 8.00
Per 1,000 gallons		3.50	3.50