

CITY OF BRYANT, ARKANSAS
Water and Wastewater Department
Schedule of Expenditures of Federal Awards

For the Year Ended
December 31, 2013

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Independent Auditors Report

City of Bryant, Arkansas
City Council
Bryant, Arkansas

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of the City of Bryant, Arkansas Water and Wastewater Department for the year ended December 31, 2013, and the related notes.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; 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 an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

identified in Finding 2013-01. Compliance with such requirements is necessary, in our opinion, for the City of Bryant, Arkansas Water and Wastewater Department to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA 66.458 Clean Water Revolving Loan Fund and CFDA 66.468 Drinking Water Revolving Loan Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Bryant, Arkansas Water and Wastewater Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 66.458 Clean Water State Revolving Loan Fund and CFDA 66.468 Drinking Water State Revolving Loan Fund for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the City of Bryant, Arkansas Water and Wastewater Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bryant Arkansas Water and Wastewater Department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bryant, Arkansas Water and Wastewater Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs in Finding 2013-01 to be a material weakness.

The City of Bryant, Arkansas Water and Wastewater Department's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bryant's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Jason Woosley, CMAA & Keaton Ltd.
Certified Public Accountants
Hot Springs, Arkansas

October 6, 2016

City of Bryant, Arkansas
Water and Wastewater Department
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

<u>Federal CFDA Number</u>	<u>Grant</u>	<u>Loan Proceeds</u>
	U. S. Environmental Protection Agency passed through Arkansas Natural Resources Protection Commission:	
66.468	Drinking Water State Revolving Loan Fund	\$ 5,876,693
66.458	Clean Water State Revolving Loan Fund	<u>5,143,350</u>
Total		<u>\$ 11,020,043</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2013

NOTE 1: Summary of Significant Accounting Policies -

Basis of Accounting. The Department's assistance program funds are accounted for on the accrual basis of accounting. Program receipts are recorded when earned and authorized under the program requirements, and expenditures are recorded as authorized costs are incurred.

NOTE 2: Pass-through Funds – In the current year, funds totaling \$2,725,415 provided by the U. S. Environmental Protection Agency passed through the Arkansas Natural Resources Commission Clean Water Revolving Loan fund in the form of a loan for clean water capital projects.

See independent auditors report.

**City of Bryant, Arkansas
Water and Wastewater
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013**

A. Summary of Audit Results

1. One material weakness in internal control over major federal award programs is reported in the independent auditors report on compliance for each major program and on internal control over compliance in required by *OMB Circular A-133*.
2. The independent auditors report on compliance for each major federal award program for the City of Bryant, Arkansas Water and Wastewater Department expresses a qualified opinion.
3. The programs tested as a major program were:

	<u>CFDA</u>	
U. S. Environmental Protection Agency	66.458	Clean Water State Revolving Loan Fund
U.S. Environmental Protection Agency	66.468	Drinking Water State Revolving Loan Fund

4. The threshold for distinguishing Types A and B programs was \$300,000.
5. The City of Bryant, Arkansas Water and Wastewater Department was determined not to be a low-risk auditee.

B. Findings - Financial Statement Audit - None

C. Federal Awards Findings and Questioned Costs –

Federal Awards Findings and Questioned Costs: 2013-01

Criteria: CFDA 66.468 Drinking Water State Revolving Loan Fund and CFDA 66.458 Clean Water State Revolving Loan Fund. The City of Bryant, Arkansas agreement with the Arkansas Natural Resource Commission, (pass-through agency) requires the City to provide audited financial statements to the Commission and the Arkansas Division of Legislative Audit in a timely manner. The single audit submission also must be submitted to the Federal Audit Clearing House within nine months of year end.

Condition: The City of Bryant, Arkansas Water and Wastewater Department has not submitted the 2014 audited financial statements or Federal Audit Clearing House submission in the required time frames.

Effect: The City of Bryant, Arkansas Water and Wastewater Department is out of compliance with the grant agreements.

Cause: Failure to obtain audited financial statements and audit under OMB circular A-133 in a timely manner.

City of Bryant, Arkansas
Water and Wastewater
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Questioned Costs: None

Recommendations: The City of Bryant, Arkansas Water and Wastewater Department should take steps to ensure that audited financial statements can be obtained in a timely manner consistent with the requirements of the grant.

Management Response: The City takes this issue very seriously and is currently addressing the issue.

Planned Corrective Action: The City plans to complete the other outstanding OMB Circular A-133 single audits in a timely manner and remain up-to-date regarding future audit requirements.

City of Bryant, Arkansas
Water and Wastewater
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
For the Year Ended December 31, 2013

NONE