

**CITY OF BRYANT, ARKANSAS
WATER AND WASTEWATER DEPARTMENT**

December 31, 2015 and 2014

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INDEPENDENT AUDITORS REPORT

To the City Council
City of Bryant, Arkansas

We have audited the accompanying financial statements the City of Bryant, Arkansas Water and Wastewater Department as of and for the years ended December 31, 2015 and 2014, and the related notes to financial statements, which comprise the City of Bryant, Arkansas Water and Wastewater 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 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the City of Bryant, Arkansas Water and Wastewater Department, as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters*Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted 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. Our opinion on the basic financial statements is not affected by this omitted information.

Other Information

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2017, on our consideration of the City of Bryant, Arkansas Water and Wastewater Department's internal control over financial reporting 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 to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Bryant's Water and Wastewater Department's internal control over financial reporting and compliance.



Certified Public Accountants
Hot Springs, Arkansas

February 9, 2017

City of Bryant, Arkansas
Water and Wastewater Department
STATEMENT OF NET POSITION
December 31, 2015 and 2014

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>			
Cash and cash equivalents		\$ 7,283,424	\$ 6,866,322
Accounts receivable (net of allowance for uncollectible)		<u>642,905</u>	<u>76,085</u>
Total Current Assets		\$ 7,926,329	\$ 6,942,407
<u>Restricted Assets</u>			
Bond Fund		\$ 16,648	\$ 12,587
Bond reserve		218,168	7,168
Bond reserve investments		143,386	356,414
Construction Fund		11	110
Depreciation Fund		830,411	627,044
Fair-share		2	2
Impact fee		350,423	241,513
Salem royalty		<u>43,770</u>	<u>43,992</u>
Total Restricted Assets		1,602,819	1,288,830
<u>Capital Assets</u>			
Property, plant and equipment – heavy equipment		\$ 42,716,618	\$ 41,735,967
Water Storage Agreement		<u>1,264,056</u>	<u>1,264,056</u>
Total		\$ 43,980,674	\$ 43,000,023
Less accumulated depreciation		<u>13,230,715</u>	<u>11,839,424</u>
		30,749,959	\$ 31,160,599
Construction in progress		<u>2,315,618</u>	<u>502,132</u>
Total Capital Assets		<u>33,065,577</u>	<u>31,662,731</u>
<u>Total Assets</u>		\$ 42,594,725	\$ 39,893,968
<u>Deferred Outflows of Resources</u>			
Deferred cost of refunding		\$ 176,476	\$ 223,036
Unamortized discount – bond expense		182,785	208,898
Deferred pension contributions		<u>129,051</u>	<u>-</u>
Total Deferred Outflows of Resources		<u>488,312</u>	<u>431,934</u>
<u>Total Assets and Deferred Outflows of Resources</u>		<u>\$ 43,083,037</u>	<u>\$ 40,325,902</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Department
STATEMENT OF NET POSITION
December 31, 2015 and 2014

LIABILITIES AND NET POSITION

	<u>2015</u>	<u>2014</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 666,482	\$ 71,100
Other deductions payable	9,447	
Customer deposits payable	565,760	549,306
Short-term portion of long-term debt	1,118,948	968,418
Accrued interest	91,014	91,014
Total Current Liabilities	<u>\$ 2,451,651</u>	<u>\$ 1,679,838</u>
<u>Long-term Liabilities</u>		
Bonds payable:		
Wastewater 2012	\$ 6,844,908	\$ 5,205,064
Water 2011	5,879,922	6,076,974
Water/Wastewater Bond A 2008	880,000	1,295,000
Water/Wastewater Bond B 2008	4,830,000	4,840,000
Contract payable	682,716	910,288
Net Pension Liability	795,188	
Due to/from		<u>[46,186]</u>
Total Long-term Liabilities	<u>\$ 19,912,734</u>	<u>18,281,140</u>
<u>Total Liabilities</u>	<u>\$ 22,364,385</u>	<u>\$19,960,978</u>
<u>Deferred Inflows of Resources</u>		
Deferred pension experience gains	<u>91,584</u>	<u>-</u>
<u>Net Position</u>		
Net invested in capital assets	\$ 13,834,245	\$ 12,368,345
Restricted	394,193	285,505
Unrestricted	<u>6,398,630</u>	<u>7,711,074</u>
Total Net Position	<u>20,627,068</u>	<u>20,364,924</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 43,083,037</u>	<u>\$ 40,325,902</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Department
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

	<u>Department</u>		<u>Department</u>	
	<u>Water</u>	<u>Wastewater</u>	<u>Water</u>	<u>Wastewater</u>
	<u>2015</u>		<u>2014</u>	
<u>Operating Revenues</u>				
Water	\$ 2,841,932		\$ 2,566,574	
Wastewater		\$ 3,951,256		\$ 3,413,609
Penalties	150,684		113,648	
Service charges	25,230		26,490	
Service connections	27,711	12,400	22,210	11,400
System development	13,155		14,263	
Other	<u>183,506</u>		<u>143,492</u>	<u>1,163</u>
Total Operating Revenues	<u>\$ 3,242,218</u>	<u>\$ 3,963,656</u>	<u>\$ 2,886,677</u>	<u>\$ 3,426,172</u>
<u>Operating Expenses</u>				
Building/grounds	\$ 87,978	\$ 282,969	\$ 88,388	\$ 337,638
Depreciation	592,713	798,578	620,756	785,991
Miscellaneous	43,230	48,713	35,509	19,999
Operational	411,375	57,648	343,508	48,636
Personnel costs	577,325	847,963	554,916	794,819
Professional services	72,747	46,769	40,681	50,743
Supplies/water purchases	1,138,870	273,057	1,141,113	203,469
Vehicle	38,359	57,476	34,947	62,050
Transfers	<u>[5,771]</u>		<u>[27,396]</u>	
Total Operating Expenses	<u>\$ 2,956,826</u>	<u>\$ 2,413,173</u>	<u>\$ 2,832,422</u>	<u>\$ 2,303,345</u>
<u>Net Operating Revenues</u>	<u>\$ 285,392</u>	<u>\$ 1,550,483</u>	<u>\$ 54,255</u>	<u>\$ 1,122,827</u>
<u>Non-operating Revenues [Expenses]</u>				
Interest income	\$ 2,511	\$ 362	\$ 2,894	\$ 2,570
Miscellaneous	68,193	52,711		
Bond fees	<u>[4,052]</u>		<u>[4,265]</u>	
Interest expense	<u>[581,790]</u>	<u>[186,283]</u>	<u>[493,470]</u>	<u>[2,639]</u>
Net Non-operating Expenses	<u>\$ [515,138]</u>	<u>\$ [133,210]</u>	<u>\$ [494,841]</u>	<u>\$ [69]</u>
<u>Change in Net Position</u>	<u>\$ [229,746]</u>	<u>\$ 1,417,273</u>	<u>\$ [440,586]</u>	<u>\$ 1,122,758</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Department
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

<u>Net Position January 1, as previously stated</u>	\$ 20,364,924	\$ 19,939,150
 <u>Restatement</u>		
Reduction to net position for net pension liability after adoption of GASB 68	[757,721]	
Reduction to net position for prior years' adjustments to bond principal receipts (previously recorded as revenue) and bond principal payments (previously recorded as expenses)	<u>[167,662]</u>	<u>[256,398]</u>
Cumulative effect of adjustment	\$ <u>[925,383]</u>	<u>[256,398]</u>
Net Position January 1, as restated	\$ 19,439,541	\$ 19,682,752
 Net Change in Net Position for the year ended December 31	 <u>1,187,527</u>	 <u>682,172</u>
 <u>Net Position – December 31</u>	 <u>\$ 20,627,068</u>	 <u>\$ 20,364,924</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Department
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 6,639,054	\$ 6,478,640
Payments to employees	[1,425,288]	[966,954]
Payments to suppliers	[1,932,137]	[2,793,896]
Net Cash Provided by Operating Activities	\$ 3,281,629	\$ 2,717,790
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of capital assets	\$[2,796,584]	\$[984,953]
Proceeds from capital debt	1,639,844	261,995
Interest paid on capital debt	[768,073]	[416,950]
Principal paid on capital debt	[699,094]	[483,727]
Other receipts	[46,186]	2,454
Revenue from debt-service surcharge/impact fees	<u>116,682</u>	<u>83,945</u>
Net Cash Used in Capital and Related Financing Activities	[2,553,411]	[1,537,236]
<u>Cash Flows from Investing Activities</u>		
Interest	\$ 2,873	\$ 5,466
Investment loss	<u>-</u>	[4,495]
Net Cash Provided by Investing Activities	<u>2,873</u>	<u>971</u>
<u>Increase in Cash and Cash Equivalents</u>	\$ 731,091	\$ 1,181,525
<u>Cash and Cash Equivalents – January 1</u>	<u>\$ 8,155,152</u>	<u>6,973,627</u>
<u>Cash and Cash Equivalents - December 31</u>	<u>* \$ 8,886,243</u>	<u>* \$ 8,155,152</u>

*Current assets December 31, 2016 \$7,283,424; restricted assets \$1,602,819

*Current assets December 31, 2015 \$6,866,322; restricted assets \$1,288,830

See independent auditors report and note to financial statements.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1: Summary of Significant Accounting Policies –

Organization. The Bryant Water and Wastewater Department is organized as a proprietary fund of the City of Bryant, Arkansas. The Department prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Deposits and Investments. The Department's cash and cash equivalents are considered cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statute authorizes the City to invest in obligations of the United States government, commercial paper and certain corporate bonds. For the purpose of reporting cash flows, cash includes both restricted and nonrestricted cash.

Receivables. A provision totaling \$44,135 has been made for delinquent accounts receivable that may be uncollectible at year end.

Property, Plant and Equipment. Property, plant and equipment are stated at historical cost if purchased or constructed. Contributed capital assets are stated at estimated fair-market value at the date of the contribution. Property, plant and equipment are depreciated using the straight-line method over the useful lives of the assets. Ordinance 2002-09 set the capitalized asset threshold at \$2,500.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Defining Operating Revenues and Expenses. Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Department consist of charges for services and the cost of providing those services, including depreciation and excluding interest expense. All other revenues and expenses are reported as non-operating.

Restricted Assets. The proprietary fund restricts assets in accordance with requirements of bond obligation agreements. The assets consist primarily of cash and short-term investment funds.

NOTE 2: Deposits and Investments – At December 31, 2015, the deposits and investments held by the Department were as follows:

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

	<u>Carrying Value</u>
Deposits:	
Demand	\$ 8,742,247
Cash on Hand	610
Total Deposits	\$ 8,742,857
Investments – U. S. agency obligations	143,386
Total Deposits and Investments	<u>\$ 8,886,243</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. At December 31, 2015 the carrying amount of the entire Department's deposits was \$8,742,247 with a corresponding bank balance of \$9,306,713. Of this amount, \$8,256,373 was subject to custodial credit risk. The City has, however, collateralized pledged securities held by and in the name of Regions Bank and Bank of the Ozarks in excess of amounts not covered by FDIC insurance.

NOTE 3: Restricted Assets – The City has restricted cash and investments totaling \$1,602,819 in the Water and Wastewater bond and customer related funds.

NOTE 4: Capital Assets – Capital asset activity for the years ended December 31, 2015 and 2014, were as follows:

	<u>2015</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 43,338			\$ 43,338
Buildings	732,724			732,724
Improvements	36,726,948	\$ 562,890		37,289,838
Machinery and equipment	3,963,812	417,761		4,381,573
Office furniture and fixtures	269,145			269,145
Water Storage Agreement	1,264,056			1,264,056
Subtotal	\$ 43,000,023	\$ 980,651		\$ 43,980,674
Accumulated depreciation	11,839,424	1,391,291		13,230,715
Net Capital Assets	\$ 31,160,599	\$ [410,640]		\$ 30,749,959
Construction in progress	502,132	2,293,249	[479,763]	2,315,618
Total Capital Assets	\$ 31,662,731	\$ 1,882,609	[\$479,763]	\$ 33,065,577

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

2014

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 43,338			\$ 43,338
Buildings	732,724			732,724
Improvements	35,456,327	\$ 1,270,621		36,726,948
Machinery and equipment	3,963,812			3,963,812
Office furniture and fixtures	269,145			269,145
Water Storage Agreement	1,487,868		\$[223,812]	1,264,056
Subtotal	\$ 41,953,214	\$ 1,270,621	\$[223,812]	\$ 43,000,023
Accumulated depreciation	10,432,636	1,406,788		11,839,424
Net Capital Assets	\$ 31,520,578	\$[136,167]	\$[223,812]	\$ 31,160,599
Construction in progress	563,986	725,604	[787,458]	502,132
Total Capital Assets	<u>\$ 32,084,564</u>	<u>\$ 589,437</u>	<u>\$[1,011,270]</u>	<u>\$ 31,662,731</u>

NOTE 5: Long-Term Liabilities – Long-term liabilities consist of bond issues and notes payable. Bond issues outstanding are secured by pledged revenues of the Department and improvement district taxes. Notes payable are secured by the assets that were purchased with the proceeds.

Water and Wastewater Refunding Revenue Bonds - Dated December 31, 2008

These bonds were issued for the purpose of refunding the Series 2003 bonds. The interest rates range from 3% to 5.5%. Original face value of the bonds was \$3,800,000 for the Series A bonds and \$4,885,000 for the Series B Bonds. Principal payments are due annually on December 1, and interest payments are due semi-annually on June 1, and December 1.

Bond Payable-Loan Advances-Arkansas Natural Resource Commission (ANRC)

Bond payable water and wastewater revenue bond series 2011 original face value of the bonds was \$6,500,000. Bond proceeds advanced as of December 31, 2015, are \$6,133,414. The interest rate is 1.95% with a 1% service fee. Principal and interest payments began April 15, 2014.

Bond payable water and wastewater revenue bond series 2012 original face value of the bonds \$8,500,000. Bond proceeds advanced as of December 31, 2015 \$7,171,578. The interest rate is 1.95% with a 1% service fee. Principal and interest payments began April 15, 2015.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond advances	\$ 11,845,456	\$ 2,022,954	\$ 563,418	\$ 13,304,992
Bonds payable	6,540,000		405,000	6,135,000
Contracts payable	910,288		113,786	796,502
	<u>\$ 19,295,744</u>	<u>\$ 2,022,954</u>	<u>\$ 1,082,204</u>	<u>\$ 20,236,494</u>

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bond advances	\$ 11,020,043	\$ 825,413		\$ 11,845,456
Bonds payable	6,974,000		\$ 434,000	6,540,000
Contracts payable	1,024,074		113,786	910,288
Notes payable	104,359		104,359	
	<u>\$ 19,122,476</u>	<u>\$ 825,413</u>	<u>\$ 652,145</u>	<u>\$ 19,295,744</u>

Debt-service requirements at December 31, 2015, were as follows (with disclosure under ANRC fully funded status):

Year Ending December 31,	Principal	Interest	Total
2016	\$ 1,118,948	\$ 660,006	\$ 1,778,954
2017	1,151,189	676,729	1,827,918
2018	1,188,943	640,486	1,829,429
2019	1,167,222	602,424	1,769,646
2020	1,206,048	565,330	1,771,378
2021-2025	5,017,632	2,261,960	7,279,592
2026-2030	5,049,598	1,480,534	6,530,132
2031-2035	3,571,914	612,512	4,184,426
2036-2038	765,000	85,800	850,800
	<u>\$ 20,236,494</u>	<u>\$ 7,585,781</u>	<u>\$ 27,822,275</u>

NOTE 6: Bryant Water Improvement District No. 2 – Midway – The City of Bryant, Arkansas entered into an inter-local cooperation agreement with the Bryant Water Improvement District No. 2 and the Arkansas Soil and Water Conservation Commission whereby water improvements were constructed in the Midway area that totaled approximately \$245,000. The improvements were financed by Improvement District bonds. During the time that the bonds are outstanding, the system is owned by the Soil and Water Commission and is leased to the City. The Water Department is responsible for operation and maintenance.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

NOTE 7: Bond Advance Refunding – On December 1, 2008, the Bryant Water and Wastewater Department issued \$8,685,000 in revenue refunding bonds with interest rates ranging between 3% and 5.5%. The Department issued the bonds to advance refund \$9,600,000 of the outstanding Series 2003 and 2005 revenue bonds with various interest rates. The Department used the net proceeds along with other resources to purchase U. S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2005 series bonds. As a result, that portion of the 2005 series bonds is considered defeased, and the Department has removed the liability from its financial statements. The outstanding principal of the defeased bonds was \$4,610,000 at December 31, 2008.

NOTE 8: Water/Wastewater Rates and Customers – Customers pay for the first 2,000 gallons of water consumption each month or portion thereof, rates that vary from \$11.08 for a 5/8" meter up to \$554.00 for a 6" meter. All water consumption in excess of 2,000 gallons is \$.519 for each 100 gallons. There were approximately 7,919 water customers at December 31, 2015. The total annual billable water for customers in 2015 was \$2,573,123 including 631 for commercial and 7,288 for residential customers.

Wastewater customers pay \$16.41 for the first 2,000 gallons of water consumed. Consumption in excess of 2,000 gallons is \$.852 for each 100 gallons. There were approximately 8,528 wastewater users at December 31, 2015.

NOTE 9: Change in Accounting Principle – The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the year ended December 31, 2015. Statement 68 is required to be implemented retroactively for pensions provided through pension plans administered as trust or similar arrangements that meet certain criteria with the beginning net position restated for the cumulative effects of implementation. Implementation required reporting a beginning net pension liability and a beginning deferred outflows of resources related to pensions. Under Statement 68, the City is required to report its proportionate share of the net pension liability of each cost-sharing multiple employer defined benefit pension plan and the net pension liability of each agent multiple-employer defined benefit pension plan. In addition, deferred outflows of resources and deferred inflows of resources related to the various net pension liabilities will be reported. The net cumulative effect of implementing Statement 68 on beginning net position as previously reported on December 31, 2014, is as follows:

Business-type Activities Net Position

Beginning net position	\$ -
GASB 68 – Beginning net pension liability and deferred outflows related to pensions	795,188
Beginning net position, restated	\$ 795,188

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

NOTE 10: Arkansas Public Employee Retirement System (APERS) –

Plan description. APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this plan, college and university employees, and certain non-teaching school employees. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. Benefits and contribution provisions are established by Arkansas law and can be amended only by the Arkansas General Assembly.

Benefits provided. Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of living adjustment of 3% of the current benefit is added each year.

Contributions. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.75% for municipal employees and 25.82% for district judges of compensation from January 1, to June 30, 2015, and 14.50% for municipal employees and 24.69% for district judges from July 1, to December 31, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials. Contributions to the APERS from the City were \$513,483 for the year ended December 31, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2015, the City reported a liability of \$3,611,209 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2015, the City's proportion was 0.196%, which was unchanged from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized APERS pension expense of \$ 95,674. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 52,131
Changes of assumptions	\$ 117,353	
Net difference between projected and actual earnings on pension plan investments		39,453
Changes in proportion and differences between City con- tributions and proportionate share of contributions	4,753	
City contributions subsequent to the measurement	6,945	
Total	\$ 129,051	\$ 91,584

\$31,540 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>		
2016	\$[463]
2017	[463]
2018	[7,717]
2019		39,165
2020		-0-
Thereafter		-0-
	\$	30,522

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.95% – 9.85%
Post-Retirement cost-of-living increases	3% annual compounded increase
Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Average service lives of all members	4.5972

Mortality rates were based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in APERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	<u>16%</u>	0.83%
	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.50% for the year ended June 30, 2015. The single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability	\$ 1,309,881	\$ 795,188	\$ 367,146

APERS fiduciary net position. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports..>

Payable to the pension plan. At December 31, 2015, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2015.

Note 11: Other Postemployment Benefits –

Plan Description: The City of Bryant sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the city's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the city's healthcare plan after retirement. In addition, members employed at least 5 years with age plus service exceeding 70 at retirement are eligible for benefits. The State of Arkansas has the authority to establish and amend the requirements of this statute. The city does not issue stand-alone financial statements of the plan but all required information is presented in this report.

Funding Policy: The contribution requirements of OPEB plan members are established by the city and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit of the blended premium rate from all of the employees participating in the city's health insurance plan. The plan has no retired participants paying premiums as of December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation: The city's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost of each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's net OPEB obligation.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

Annual Required Contribution (ARC)	\$ 52,788
Annual OPEB Cost	\$ 52,788
Annual Employer Contribution	[9,583]
Change in Net OPEB Obligation	\$ 43,205
Net OPEB Obligation – Beginning of Year	-
Net OPEB Obligation – End of Year	\$ 43,205

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB liability for 2015 is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2015	\$ 52,788	18.24%	\$ 43,205

Funded Status and Funding Progress. On a city-wide basis as of December 31, 2015, the most recent and actuarial valuation date, the actuarial accrued liability for benefits was \$365,860, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$365,860. The projected benefits do not reflect legal or contractual funding limitations.

Actuarial Methods and Assumptions. Actuarial valuations involve estimates and assumptions about the probability of events far into the future and the liability amounts are subject to continual revision and reflect a long-term perspective. Assumptions used were a 5.5% discount rate, 10% medical inflation rate, no payroll growth, projected unit credit with linear proration to decrement cost method, thirty year level amortization based on open group and health care trend rates as follows: 10% for 2016; 9% for 2017; 8% for 2018; 7.5% for 2019, with .5% reductions annually down to 5% in the 9th year.

Note12: Risk Management – The City has various insurance policies to cover its potential liability risk areas, i.e., automobile, personal property, contents and outside structures and workers' compensation. Coverage is provided commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML the City pays no deductible; however, the City pays a \$3,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2014 to 2015; nor have settlement amounts exceeded insurance coverage for each of the past three years.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2015 and 2014

NOTE 13: Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities – The following is a reconciliation of the increase in net assets as reflected in the statement of cash flows at Exhibit C to net cash provided by operating activities:

	<u>2015</u>	<u>2014</u>
Operating income	\$ 1,835,875	\$ 1,177,082
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,391,291	1,406,788
Change in accounts receivable	[566,820]	141,631
Change in prepaid expenses	-	18,598
Decrease in accounts payable	604,829	[50,469]
Increase in meter deposits	<u>16,454</u>	<u>24,160</u>
Net Adjustments	<u>1,445,754</u>	<u>1,540,708</u>
Net Cash Provided by Operating Activities	<u>\$ 3,281,629</u>	<u>\$ 2,717,790</u>

NOTE 14: Subsequent Events – Management has evaluated subsequent events through February 9, 2017, which is the date the financial statements were available to be issued and have determined there is no additional information requiring reporting or disclosing in the financial statements for the year ended December 31, 2015.

See independent auditors report.

SUPPLEMENTARY INFORMATION

**City of Bryant, Arkansas Water and Wastewater Department
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2015**

<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	\$ 6,133,414
66.458	Clean Water State Revolving Loan Fund	<u>7,171,578</u>
	Total	<u>\$ 13,304,992</u>

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Department
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
For the Year Ended December 31, 2015

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: Federal Awards - During the year ended December 31, 2015, the Department was the recipient of various federal grant funds. These funds were received indirectly through a State of Arkansas pass-through agency.

See independent auditors report.

COMPLIANCE REPORTS

GARY D. WELCH, CPA, PRINCIPAL
JIMMY M. PATE, CPA, PRINCIPAL
DENNIS C. FASON, CPA, PRINCIPAL
JOE L. WOOSLEY, CPA



HARRY C. KEATON, CPA
(1920-2006)
CLARENCE W. JORDAN, CPA
(1930-2009)
GLEN W. CRONE, JR., CPA
(1936-2016)

**INDEPENDENT AUDITORS 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 City Council
City of Bryant, Arkansas Water and Wastewater Department

We have audited, in accordance with the 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 City of Bryant, Arkansas Water and Wastewater Department's, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Bryant, Arkansas Water and Wastewater Department's basic financial statements and have issued our report thereon dated August 26, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bryant, Arkansas Water and Wastewater 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 City of Bryant, Arkansas Water and Wastewater Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Bryant, Arkansas Water and Wastewater 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 entity'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 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 that

we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See Finding 2015-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bryant, Arkansas Water and Wastewater Department's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs, see Finding 2015-01.

City of Bryant, Arkansas Water and Wastewater Department's Response to Findings

City of Bryant, Arkansas Water and Wastewater Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Bryant, Arkansas Water and Wastewater Department's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Jordan Woosley, Cerne & Keaton Ltd.
Certified Public Accountants
Hot Springs, Arkansas

February 9, 2017

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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council
City of Bryant, Water and Wastewater Department

Report on Compliance for Each Major Federal Program

We have audited the City of Bryant, Arkansas Water and Wastewater Department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Bryant, Arkansas Water and Wastewater Department's major federal programs for the year ended December 31, 2015. City of Bryant, Arkansas Water and Wastewater Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bryant, Arkansas Water and Wastewater Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 uniform *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bryant, Arkansas Water and Wastewater Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bryant, Arkansas Water and Wastewater Department's compliance.

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

As described in the accompanying schedule of findings and questioned costs, the City of Bryant, Arkansas Water and Wastewater Department did not comply with requirements regarding reporting requirements as identified in Finding 2015-01. 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 that program.

Qualified Opinion on CFDA 66.458 Clean Water Revolving Loan Fund and CFDA 66.468 Drinking Water State 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, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item as Finding 2015-02. Our opinion on each major federal program is not modified with respect to this matter.

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

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 preceding paragraph 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 certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

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

noncompliance 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 as item Finding 2015-02 to be a significant deficiency.

City of Bryant, Arkansas Water and Wastewater Department's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Bryant, Arkansas Water and Wastewater Department'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Hot Springs, Arkansas

February 9, 2017

**City of Bryant, Arkansas Water and Wastewater Department
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015**

A. Summary of Audit Results

1. The independent auditors report expresses an unmodified opinion on the basic financial statements of the City of Bryant, Arkansas Water and Wastewater Department.
2. One significant deficiency (Finding 2015-02) relating to the audit of the financial statements are reported in the independent auditors 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.
3. One instance of noncompliance (Finding 2015-01) was disclosed during the audit of the financial statements of the City of Bryant, Arkansas Water and Wastewater Department and is required to be reported in accordance with *Government Auditing Standards*.
4. The finding listed above, (Finding 2015-02) is considered a significant deficiency relating to the audit of the major federal award programs and is reported in the independent auditors report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The independent auditors report on compliance for each major program and on internal control over compliance in accordance with the Uniform Guidance expresses a qualified opinion.
6. The programs tested as major included:

	<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
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. City of Bryant, Arkansas Water and Wastewater Department was determined not to be a low-risk auditee.

Federal Awards Findings and Questioned Costs: 2015-01

Condition: The City of Bryant, Arkansas Water and Wastewater Department has not submitted the 2015 audited financial statements or Federal Audit Clearing House submission in the required time frames. This is a repeat of finding 2014-01 from the prior year.

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.

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 the Uniform Guidance in a timely manner.

City of Bryant, Arkansas Water and Wastewater Department
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended December 31, 2015

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 all audits required under the Uniform Guidance in a timely manner and remain up-to-date regarding future audit requirements.

Findings - Financial Statement Audit – 2015-02

Condition: During our audit, we noted that significant cash accounts were not being reconciled on a timely basis and were materially out of balance at year end. This is a repeat of finding 2014-02 from the prior year.

Criteria: Under *Government Audit Standards*, the City of Bryant, Arkansas Water and Wastewater Department should have internal control procedures in place sufficient to ensure cash accounts reconcile accurately on a timely basis.

Cause of Condition: The City changed accounting software and lack of training on the new software as well as turnover in management of the finance department led to failure to adequately monitor cash accounts and reconcile balances monthly.

Effect: Cash was materially misstated at year-end prior to adjustment.

Questioned Costs: None

Recommendation: The City of Bryant, Arkansas Water and Wastewater Department should institute procedures to ensure bank accounts are reconciled each month and any variances corrected in a timely manner.

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

Planned Corrective Action: Bank reconciliations are being completed and reviewed each month prior to the City Council meeting. Once corrections from prior audits are implemented, any new issues will be addressed on a monthly basis.

City of Bryant, Arkansas Water and Wastewater Department
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
For the Year Ended December 31, 2014

Federal Awards Findings and Questioned Costs: 2014-01

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.

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.

Current Status: Issue not cleared as of December 31, 2015. The City is on track to correct this finding for the year ended December 31, 2016.

Finding - Financial Statement Audit – 2014-02

Condition: During our audit, we noted that significant cash accounts were not being reconciled on a timely basis and were materially out of balance at year end.

Recommendation: The City of Bryant, Arkansas Water and Wastewater Department should institute procedures to ensure bank accounts are reconciled each month and any variances corrected in a timely manner.

Current Status: Issue not cleared as of December 31, 2015. The City is on schedule to correct this finding for the year ended December 31, 2016.

Finding - Financial Statement Audit – 2014-03

Condition: The City of Bryant, Arkansas: Water and Wastewater Department is recording all purchases of capital assets as expenses and relying on their auditor's to maintain capital asset schedule.

Recommendation: The City should institute internal control procedures sufficient to identify and properly record capital purchases as well as develop and internal capital asset schedule.

Current Status: The issue has been addressed during 2016. No further action regarding this finding is deemed necessary.