

BRYANT WATER AND WASTE WATER DEPARTMENT
Bryant, Arkansas

Financial Statements
December 31, 2013 and 2012

BRYANT WATER AND WASTE WATER DEPARTMENT

Financial Statements
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Bryant Water and Waste Water
City of Bryant, AR

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, of Bryant Water and Waste Water, component unit of city of City of Bryant, AR, as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City of Bryant Water and Waste Water 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bryant Water and Waste Water as of December 31, 2013 and 2012, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the Bryant Water and Waste Water 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 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 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 Bryant Water and Waste Water internal control over financial reporting and compliance.

Grant & Company LTD

**Little Rock, AR
June 30, 2016**

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<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>		
Cash, operating and maintenance fund	\$ 1,554,647.33	\$ 1,318,549.45
Cash, revenue fund	4,289,425.79	3,709,149.53
Restricted cash/investments - debt service	479,799.81	474,060.72
Restricted cash - other	649,754.13	2,425,333.43
Receivable, net	217,716.08	98,688.85
Prepaid expenses	18,598.26	15,790.08
Total current assets	<u>\$ 7,209,941.40</u>	<u>\$ 8,041,572.06</u>
 <u>Capital Assets</u>		
Property, building and equipment	\$ 42,517,200.68	\$ 36,239,224.82
Accumulated depreciation	<u>(10,432,636.31)</u>	<u>(9,175,577.31)</u>
Total Non-current Assets	<u>\$ 32,084,564.37</u>	<u>\$ 27,063,647.51</u>
TOTAL ASSETS	<u><u>\$ 39,294,505.77</u></u>	<u><u>\$ 35,105,219.57</u></u>

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

WATER DEPARTMENT
 Position
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LIABILITIES

Current Liabilities

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 121,326.58	\$ 505,926.40
Notes payable	104,359.16	97,022.07
Accrued expenses	91,013.62	75,377.74
Customers' meter deposits	525,146.20	462,876.00
Bonds payable	395,000.00	380,000.00
Contracts payable	113,785.99	0.00
Bonds payable, Loan advance	120,411.00	0.00
Total Current Liabilities	<u>1,471,042.55</u>	<u>1,521,202.21</u>

Non-Current Liabilities

Bonds payable		
Notes payable	\$ 6,074,393.53	\$ 6,397,721.45
Bond payable, Loan advances	0.00	106,311.41
Contracts payable	10,899,631.79	8,036,966.59
	910,287.92	0.00
Total Non-current Liabilities	<u>\$ 17,884,313.24</u>	<u>\$ 14,540,999.45</u>

Net Position

Net Investment in Capital Assets		
Restricted for debt service	\$ 12,871,074.89	\$ 11,468,347.44
Restricted, other	479,799.81	474,060.72
Unresticed	649,754.13	2,349,955.69
	5,938,521.15	4,750,654.06
Total Net Assets	<u>\$ 19,939,149.98</u>	<u>\$ 19,043,017.91</u>

TOTAL LIABILITIES AND NET POSITION

<u>\$ 39,294,505.77</u>	<u>\$ 35,105,219.57</u>
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2013
WATER

Operating Revenues

Water sales	\$ 2,612,588.15
Sewer charges	
Service connections	35,475.17
Permits	
Other income	118,859.68
Delinquent (penalty) charges	141,553.37
Service charges	21,240.00
System development charges	19,258.58
Interest income	26.51
Gain on sale of assets	1,675.00
Total Operating Revenues	<u>\$ 2,950,676.46</u>

Operating Expenses

Maintenance and repairs	\$ 67,028.50
Water purchased	1,033,695.77
Utilities & telephone	62,951.18
Salaries & wages	382,238.86
Employee benefits	163,251.88
Office supplies & postage	40,541.07
Accounting	6,179.00
Insurance & bond	13,078.71
Chemical expense	4,820.63
Operating supplies/expense	185,280.56
Dues and fees	47,455.44
Other	25,682.38
Vehicle expense	32,958.03
Depreciation	582,093.00
Printing & advertising	4,823.85
Training & safety	11,329.49
Lab expense	697.80
Interest Expense - operating	7,209.06
Water storage o/m agreement	3,256.79
Total Operating Expenses	<u>\$ 2,674,572.00</u>

Operating income (loss) - forwarded \$ 276,104.46

WASTEWATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Change in Net Position
Enterprise Fund
Years Ended December 31, 2013 and 2012

<u>2013</u> <u>WASTE WATER</u>	<u>2013</u> <u>TOTAL</u>	<u>2012</u> <u>WATER</u>	<u>2012</u> <u>WASTE WATER</u>	<u>2012</u> <u>TOTAL</u>
\$	\$ 2,612,588.15	\$ 2,666,998.82	\$	\$ 2,666,998.82
3,492,878.65	3,492,878.65		3,445,563.89	3,445,563.89
15,450.00	50,925.17	44,870.00	24,900.00	69,770.00
			120.00	120.00
1,667.93	120,527.61	35,041.57	559.21	35,600.78
	141,553.37	123,346.78		123,346.78
	21,240.00	28,449.62		28,449.62
	19,258.58	20,700.00		20,700.00
26.51	53.02	292.44	292.45	584.89
1,675.00	3,350.00			
<u>\$ 3,511,698.09</u>	<u>\$ 6,462,374.55</u>	<u>\$ 2,919,699.23</u>	<u>\$ 3,471,435.55</u>	<u>\$ 6,391,134.78</u>
\$ 113,462.19	\$ 180,490.69	\$ 54,144.17	\$ 132,529.02	\$ 186,643.19
	1,033,695.77	915,027.17		915,027.17
228,561.63	291,512.81	28,980.66	208,114.71	237,095.37
556,649.58	938,888.44	451,372.95	554,288.37	1,005,661.32
255,704.70	418,956.58	150,887.14	238,351.89	389,239.03
46,785.62	87,326.69	36,816.48	44,561.26	81,377.74
6,179.00	12,358.00	5,953.50	5,953.50	11,907.00
16,429.17	29,507.88	8,209.29	19,949.26	28,158.55
60,000.00	64,820.63		68,254.42	68,254.42
245,664.23	430,944.79	157,302.81	134,769.45	292,072.26
32,318.25	79,773.69	47,674.13	28,234.03	75,908.16
27,311.94	52,994.32	1,255.91	3,028.48	4,284.39
54,387.48	87,345.51	40,505.45	37,846.73	78,352.18
674,966.00	1,257,059.00	446,827.00	518,113.00	964,940.00
4,807.56	9,631.41	9,405.45	9,528.40	18,933.85
14,685.01	26,014.50	15,425.73	9,301.74	24,727.47
34,740.79	35,438.59		29,048.04	29,048.04
	7,209.06		10,814.98	10,814.98
	3,256.79	46,761.38		46,761.38
<u>\$ 2,372,653.15</u>	<u>\$ 5,047,225.15</u>	<u>\$ 2,416,519.22</u>	<u>\$ 2,052,687.28</u>	<u>\$ 4,469,206.50</u>
<u>\$ 1,139,044.94</u>	<u>\$ 1,415,149.40</u>	<u>\$ 519,632.93</u>	<u>\$ 1,418,748.27</u>	<u>\$ 1,921,928.28</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Position (Continued)
 Enterprise Fund
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating income (loss) - brought forward	\$ 1,415,149.40	\$ 1,921,928.28
<u>Non-Operating Revenues</u>		
Improvement district tax	\$ 14,257.37	\$ 12,575.57
Interest earned	3,559.26	6,889.27
Investment Gain	(3,889.25)	(756.70)
Impact fee income	167,888.00	179,244.00
Salem royalty income	662.30	758.60
Total non-operating revenues	<u>\$ 182,477.68</u>	<u>\$ 198,710.74</u>
<u>Non-Operating Expenses</u>		
Interest expense	\$ 696,290.66	\$ 573,981.38
Trustee and agents' fees	3,722.00	4,637.50
Salem royalty fees	1,482.35	1,528.80
Total non-operating expenses	<u>\$ 701,495.01</u>	<u>\$ 580,147.68</u>
Net non-operating revenues (expenses)	<u>\$ (519,017.33)</u>	<u>\$ (381,436.94)</u>
Change in Net Position	\$ 896,132.07	\$ 1,540,491.34
Net Position, beginning	<u>19,043,017.91</u>	<u>17,502,526.57</u>
Net Position, ending	<u>\$ 19,939,149.98</u>	<u>\$ 19,043,017.91</u>

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Cash Flows
Enterprise Fund
Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 6,343,347.32	\$ 6,464,683.31
Payment to suppliers	(3,235,877.53)	(2,168,362.15)
Payment to employees	(938,888.44)	(972,656.79)
Other receipts (payments)	59,462.02	924,873.43
Net cash provided by operating activities	<u>\$ 2,228,043.37</u>	<u>\$ 4,248,537.80</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>		
Proceeds from capital debt	\$ 4,007,150.11	\$ 5,159,934.85
Purchases of capital assets	(6,277,975.86)	(6,741,690.08)
Book value assets sold	0.00	22,841.00
Principal paid on capital debt	(479,974.32)	(500,326.51)
Interest paid on capital debt	(607,982.70)	(477,578.31)
Revenue from debt service surcharge and impact fees	167,888.00	179,244.00
Other receipts (payments)	9,715.32	6,411.17
Net cash (used) by capital and related financing activities	<u>\$ (3,181,179.45)</u>	<u>\$ (2,351,163.88)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest	\$ 3,559.26	\$ 6,889.27
Investment gain (loss)	\$ (3,889.25)	
Net cash provided by investing activities	<u>\$ (329.99)</u>	<u>\$ 6,889.27</u>
 Net (decrease) increase in cash and equivalents	 <u>\$ (953,466.07)</u>	 <u>\$ 1,904,263.19</u>
Balances, beginning of year	<u>\$ 7,927,093.13</u>	<u>\$ 6,022,829.94</u>
Balances, end of year	<u><u>\$ 6,973,627.06</u></u>	<u><u>\$ 7,927,093.13</u></u>

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Cash Flows (Continued)
Enterprise Fund
Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided (used) by Operating Activities</u>		
Operating income (loss)	\$ 1,415,149.40	\$ 1,921,928.28
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,257,059.00	964,940.00
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(119,027.23)	57,095.61
(Increase)decrease in prepaid expenses	(2,808.18)	24,655.48
(Increase)decrease in receivable, construction cost	0.00	849,206.95
Increase (decrease) in accounts payable	(384,599.82)	379,700.48
Increase(decrease) in payroll and sales tax payable	0.00	(15,724.00)
Increase in customer meter deposits	<u>62,270.20</u>	<u>66,735.00</u>
Net cash provided by operating activities	<u>\$ 2,228,043.37</u>	<u>\$ 4,248,537.80</u>

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2013

Note 1: Summary of Significant Accounting Policies

Organization: The Bryant Water and Waste Water Department is organized as a Proprietary Fund of the City of Bryant, Arkansas. The accrual basis of accounting is used by the Proprietary Fund. The accrual basis of accounting recognizes revenues when earned, expenses are recorded when incurred.

Cash: For the purposes of reporting cash flows, cash includes both restricted and non-restricted cash. Cash includes demand deposits with an original maturity of three months or less.

Receivables: A provision has been made totaling \$44,135.41 for delinquent accounts receivable which may be uncollectible.

Capital Assets: Property, plant and equipment are stated at cost or, for contributed items, at estimated fair value at the date of contribution. Depreciation is provided primarily by the straight-line method over the estimated useful lives of the assets. The utility maintains a capitalization threshold of \$500.00. Fully depreciated assets still in service are not being depreciated.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 those estimates.

Defining Operating Revenues and Expenses: The proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the City's water and sewer funds consist of charges for services and the costs of providing those services, including depreciation excluding interest costs. All other revenues and expenses are reported as non-operating.

Note 2: Cash and Investments

Cash and investments includes certain amounts, which are restricted assets. Cash and Investments include cash in bank, certificates of deposit and U.S. Treasury Notes.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements

December 31, 2013

Note 3: Capital Assets

A summary of capital assets owned, accumulated depreciation, together with the estimated useful life of each classification is as follows:

	<u>Estimated Useful Life</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land		\$ 43,338.52	\$ 87,260.63	\$	\$ 43,338.52
Water system	40 - 45	9,048,757.85	2,993,529.37		9,136,018.48
Sewer system	15 - 45	18,152,431.93	553,686.76		21,145,961.30
Building and fences	20	179,037.69			732,724.45
Wells, pumps & tanks	10 - 40	5,174,347.95			5,174,347.95
Tools & equipment	5 - 10	1,560,662.57	2,403,149.90		3,963,812.47
Office furn. & fix.	5 - 10	231,922.82	37,222.34		269,145.16
Water storage Agreement		350,000.00	1,137,859.90		1,487,867.88
Construction in progress		<u>1,498,717.51</u>	<u>563,984.47</u>	<u>1,498,717.51</u>	<u>563,984.47</u>
Total Cost		\$36,239,224.82	\$7,776,693.37	\$ <u>1,498,717.51</u>	\$ 42,517,200.68
Accumulated depreciation		<u>(9,175,577.31)</u>	<u>(1,257,059.00)</u>		<u>(10,432,636.31)</u>
Net Capital Assets		<u>\$ 27,063,647.51</u>	<u>\$ 6,519,634.37</u>	<u>\$ 1,498,717.51</u>	<u>\$ 32,084,564.37</u>

Note 4: Restricted Assets

Restricted funds are used first for all restricted use requirements.

Restricted Funds – Debt Service as of 12/31/2013 are presented as follows:

Bond Funds	\$ 98,680.96
Debt Service Reserve Funds	<u>381,118.85</u>
Total	<u>\$479,799.81</u>

Restricted Funds – Other as of 12/31/2013 are presented as follows:

Depreciation	\$441,635.97
Impact	163,033.39
Fair Share	2.16
Salem Royalty	44,982.91
Construction	<u>109.70</u>
Total	<u>\$649,754.13</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)
December 31, 2013

Note 5: Statement of Cash Flows:

Presented below is a reconciliation of cash per statement of cash flows to the balance sheet:

	Unrestricted	Restricted	Total
Cash, beginning	\$ 5,027,698.98	\$ 2,899,394.15	\$ 7,927,093.13
Net Increase	816,374.14	(1,769,840.21)	(953,466.07)
Cash, ending	<u>\$ 5,844,073.12</u>	<u>\$ 1,129,553.94</u>	<u>\$ 6,973,627.06</u>

Note 6: Arkansas Public Employee Retirement System

Plan Description: The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing, multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under the system. APERS 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 be amended only by the Arkansas General Assembly. The Arkansas Public Employee Retirement System 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 Employee Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas, 72201 or by calling 1-800-682-7377.

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate of established by the Board of Trustees of the system based on the annual actuarial valuation. Contributions to the non-contributory plan for the year ended December 31, 2013 was \$106,099.28.

Note 7: 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 which totaled approximately \$245,000.00. 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.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2013

Note 8: Bond Advance Refunding

On December 1, 2008 the Bryant Water and Waster Water Department issued \$8,685,000.00 in revenue refunding bonds with interest rates ranging between 3.0% and 5.50%. The Department issued the bonds to advance refund \$9,600,000.00 of the outstanding series 2003 and 2005 revenue bonds with a various interest rate. 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 accounts. The outstanding principal of the defeased bonds was \$4,610,000.00 at December 31, 2008.

Note 9: Water/Sewer Rates and Customers

For the first 2,000 gallons of water consumption per month or portion thereof, the water rates vary from \$9.58 with 5/8" meter to \$479.02 with 6" meter; in excess of 2,000 gallons thereafter, is 0.494 per 100 gallons. There are approximately 7,500 water customers.

For the first 2,000 gallons of water, the sewer rate is \$15.22; in excess of 2, 000 gallons the rate is 0.746 per 100 gallons there are approximately 7,000 sewer customers.

Presented below is a summary of water rates by meter size for the first 2,000 gallons or less.

<u>Meter Size</u>	<u>Amount</u>
5/8"	\$ 9.58
3/4"	14.38
1"	23.96
1 1/2"	47.92
2"	76.67
3"	143.77
4"	239.61
6"	479.22

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2013

Note 10: Insurance coverage

As a department of a municipality, the utility has the following insurance coverage:

Vehicle Liability	\$25,000/\$50,000/\$25,000
Property Damage:	
Vehicles/Equipment	<u>\$1,247,664.00</u>
Improvements/Structures	<u>\$10,000,830.00</u>

Note 11: Non-current Liabilities

Non-current liabilities include bond issues, notes payable and contracts payable. Bond issues outstanding are secured by pledged revenues of the department and improvement district taxes. Note payables are secured by the assets that were purchased with the proceeds. Contracts payable are unsecured.

Water Improvement District No. 3 Improvement Bonds, Dated 9/21/98 (Wolf Creek)

Original principal amount of bonds \$121,000.00. Interest on the bonds is payable on March 1 and September 1 of each year, commencing on March 1, 1999, and the bonds mature September 1 of each year, beginning in 1999 and ending in 2023.

The \$121,000.00 issue provided for the establishment of the following funds:

- a) Bond fund established by ordinance 98-15
- b) Debt service reserve fund to which shall be transferred \$9,305.00.

Water and Sewer Refunding Revenue Bonds, Dated 12/31/08

Original principal amount of bonds Series A \$3,800,000.00

Original principal amount of bonds Series B \$4,885,000.00

Interest on the bonds is payable on June 1 and December 1 of each year, commencing June 1, 2009 and ending in 2038.

The \$3,800,000.00 issue and the \$4,885,000.00 issue provided for the establishment of the following fund:

- a) Bond fund established by ordinance 2008-39
- b) Debt service reserve fund which shall equal one-half of the maximum annual principal and interest requirements on the bond

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2013

Note 11: Non-current Liabilities (continued)

Bond Payable – Loan Advances – Arkansas Natural Resources Commission

Bond payable water and sewer revenue bond, series 2011 original amount of bonds \$6,500,000.00. Bond proceeds advanced at December 31, 2013 \$5,876,692.56. Interest rate 1.95 % with 1% service fee. Re-payment begins October 15, 2015.

Bond payable water and sewer revenue bond, series 2012 original amount of bonds \$8,500,000.00. Bond proceeds advanced at December 31, 2013 \$5,143,350.23. Interest rate 1.95% with 1% service fee. Re-payment begins April 15, 2015

Note Payable – Regions Bank

Notes payable to Regions Bank; original amount of note, \$474,708.00 with interest of 4.45% per annum. Payable in monthly installments of \$8,839.20 until the year 2014. Principal payments begin January, 2010.

Contracts Payable

Contracts payable to the Corps of Engineers for the future rights to water storage on Lake DeGray . Annual payments total \$113,785.99, including interest of 2.742%.

Long term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 7,355,000.00	\$.00	\$ 381,000.00	\$ 6,974,000.00
Notes payable	203,333.48	.00	98,974.32	104,359.16
Bond advances	8,036,966.59	2,983,076.20	.00	11,020,042.79
Contracts payable	.00	<u>1,137,859.90</u>	<u>113,785.99</u>	<u>1,024,073.91</u>
	<u>\$ 15,595,300.07</u>	<u>\$ 4,120,936.10</u>	<u>\$ 593,760.31</u>	<u>\$19,122,475.86</u>

Debt service requirements at December 31, 2013 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 733,556.15	\$ 495,316.24
2015	1,088,203.99	801,461.50
2016	1,124,947.99	767,625.00
2017	1,157,188.99	715,609.00
2018	1,194,942.99	660,937.50
2019-2023	5,761,251.96	2,625,484.50
2024-2028	4,354,312.23	1,734,049.16
2029-2033	2,493,071.56	666,634.00
2034-2040	1,215,000.00	207,350.00

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2013

Note 12: Custodian Credit Risk

At December 31, 2013 the utility and the city held deposits of approximately \$15,061,000.00 at financial institutions.

Presented below is a summary of deposits and custodian credit risks:

	<u>Amount</u>	<u>Collateral/Pledged/Insured</u>
Deposits bond funds	<u>\$3,118,352.00</u>	Fully insured due to bond debt and pro-RATA bond holders
Deposits, non-interest bearing	<u>\$4,298,027.00</u>	Fully insured
Deposits, interest bearing	<u>\$7,644,933.00</u>	Insured for \$250,000.00 collateralized by U.S. government Agency issues totaling \$12,987,000.00

The utility invests only in cash, certificates of deposit and U.S. Treasury Notes.

Note 13: Subsequent Event

Management has evaluated subsequent events through June 30, 2016 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



**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***

Bryant Water and Waste Water Department
Shannon Hills, Arkansas

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, Bryant Water and Waste Water Department, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Bryant Water and Waste Water Department basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Bryant Water and Waste Water Department 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 Bryant Water and Waste Water Department internal control. Accordingly, we do not express an opinion on the effectiveness of Bryant Water and Waste Water Department 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. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in Internal Control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bryant Water and Waste Water Department 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 statements amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Management has omitted Management's discussion and analysis.

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.

June 30, 2016

**BRYANT WATER AND WASTE WATER DEPARTMENT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2013**

Material Weaknesses

1. Prior year adjusting entries (2012) were not posted to the 2013 General Ledger
2. The revenue and operating bank accounts were not reconciled to the General Ledger at December 31, 2013.
3. The listing of accounts payable was not reconciled to the General Ledger at December 31, 2013.
4. Bond Payable – Loan Advance was not recorded on the General Ledger as a liability as of December 31, 2013.
5. Capitalized Interest – Loan Advance was not recorded on the General Ledger as of December 31, 2013.
6. The listing of Customers Accounts Receivable was not reconciled to the General Ledger at December 31, 2013.
7. Numerous Fixed Assets were purchased but were expensed rather than booked as a capital asset.