

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

December 31, 2016 and 2015

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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*.

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HARRY C. KEATON, CPA
(1920-2006)
CLARENCE W. JORDAN, CPA
(1930-2009)
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INDEPENDENT AUDITORS REPORT

To the City Council
City of Bryant, Arkansas

We have audited the accompanying financial statements of the Water and Wastewater Funds of the City of Bryant, Arkansas as of and for the years ended December 31, 2016 and 2015, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Water and Wastewater Funds of the City of Bryant, Arkansas as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water and Wastewater Funds and do not purport to, and do not present fairly the financial position of the City of Bryant, Arkansas, as of December 31, 2016 and 2015, the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water and Wastewater Funds of the City of Bryant, Arkansas' basic financial statements. 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 (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20 2017, on our consideration of the Water and Wastewater Funds of the City of Bryant, Arkansas 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 report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water and Wastewater Funds of the City of Bryant's internal control over financial reporting and compliance.

Jordan, Woosley, Crane + Keeton Ltd.

Certified Public Accountants
Hot Springs, Arkansas

September 20, 2017

City of Bryant, Arkansas
Water and Wastewater Funds
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 7,474,279	\$ 7,283,424
Grants receivable		447,746
Accounts receivable (net of allowance for uncollectible)	<u>255,261</u>	<u>195,159</u>
Total Current Assets	\$ 7,729,540	\$ 7,926,329
<u>Restricted Assets</u>		
Bond Fund	\$ 64,710	\$ 16,648
Bond reserve	288,168	218,168
Bond reserve investments	72,338	143,386
Construction Fund	-	11
Depreciation Fund	1,046,373	830,411
Fair-share	2	2
Impact fee	518,778	350,423
Salem royalty	<u>43,399</u>	<u>43,770</u>
Total Restricted Assets	2,033,768	1,602,819
<u>Capital Assets</u>		
Property, plant and equipment – heavy equipment	\$ 42,898,179	\$ 42,716,618
Water Storage Agreement	<u>1,358,213</u>	<u>1,264,056</u>
Total	\$ 44,256,392	\$ 43,980,674
Less accumulated depreciation	<u>14,682,163</u>	<u>13,230,715</u>
	29,574,229	\$ 30,749,959
Construction in progress	<u>4,457,002</u>	<u>2,315,618</u>
Total Capital Assets	<u>34,031,231</u>	<u>33,065,577</u>
<u>Total Assets</u>	\$ 43,794,539	\$ 42,594,725
<u>Deferred Outflows of Resources</u>		
Deferred cost of refunding	\$ 129,915	\$ 176,476
Unamortized discount – bond expense	156,672	182,785
Deferred pension contributions	<u>239,500</u>	<u>129,051</u>
Total Deferred Outflows of Resources	<u>526,087</u>	<u>488,312</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>\$ 44,320,626</u>	<u>\$ 43,083,037</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Funds
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

LIABILITIES AND NET POSITION

	<u>2016</u>	<u>2015</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 358,773	\$ 666,482
Other deductions payable	-	9,447
Customer deposits payable	568,009	565,760
Short-term portion of long-term debt	1,151,189	1,118,948
Accrued interest	<u>102,245</u>	<u>91,014</u>
Total Current Liabilities	\$ 2,180,216	\$ 2,451,651
 <u>Long-term Liabilities</u>		
Bonds payable:		
Wastewater 2012	\$ 7,519,710	\$ 6,844,908
Water 2011	5,617,702	5,879,922
Water/Wastewater Bond A 2008	450,000	880,000
Water/Wastewater Bond B 2008	4,820,000	4,830,000
Contract payable	568,930	682,716
Net Pension Liability	<u>939,675</u>	<u>795,188</u>
Total Long-term Liabilities	\$ 19,916,017	\$ 19,912,734
 <u>Total Liabilities</u>	 \$ 22,096,233	 \$ 22,364,385
 <u>Deferred Inflows of Resources</u>		
Deferred pension experience gains	\$ <u>87,784</u>	\$ <u>91,584</u>
 <u>Net Position</u>		
Net invested in capital assets	\$ 13,903,700	\$ 13,834,245
Restricted	425,216	394,193
Unrestricted	<u>7,807,693</u>	<u>6,398,630</u>
Total Net Position	<u>22,136,609</u>	<u>20,627,068</u>
 <u>Total Liabilities and Net Position</u>	 <u>\$ 44,320,626</u>	 <u>\$ 43,083,037</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Funds
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015

	<u>Fund</u>		<u>Fund</u>	
	<u>Water</u>	<u>Wastewater</u>	<u>Water</u>	<u>Wastewater</u>
	<u>2016</u>		<u>2015</u>	
<u>Operating Revenues</u>				
Water	\$ 2,927,691		\$ 2,841,932	
Wastewater		\$ 4,234,204		\$ 3,951,256
Penalties	157,681		150,684	
Service charges	25,950		25,230	
Service connections	40,030	22,850	27,711	12,400
System development	19,954		13,155	
Other	196,694	4,862	183,506	
Total Operating Revenues	<u>\$ 3,368,000</u>	<u>\$ 4,261,916</u>	<u>\$ 3,242,218</u>	<u>\$ 3,963,656</u>
<u>Operating Expenses</u>				
Building/grounds	\$ 78,876	\$ 315,594	\$ 87,978	\$ 282,969
Depreciation	623,816	827,632	592,713	798,578
Miscellaneous	89,198	88,137	43,230	48,713
Operational	418,945	100,308	411,375	57,648
Personnel costs	592,725	845,192	577,325	847,963
Professional services	29,108	30,808	72,747	46,769
Supplies/water purchases	1,221,418	305,364	1,138,870	273,057
Vehicle	40,404	83,395	38,359	57,476
Transfers	[152,151]	[43,122]	[5,771]	
Total Operating Expenses	<u>\$ 2,942,339</u>	<u>\$ 2,553,308</u>	<u>\$ 2,956,826</u>	<u>\$ 2,413,173</u>
<u>Net Operating Revenues</u>	<u>\$ 425,661</u>	<u>\$ 1,708,608</u>	<u>\$ 285,392</u>	<u>\$ 1,550,483</u>
<u>Non-operating Revenues [Expenses]</u>				
Interest income	\$ 1,656	\$ 581	\$ 2,511	\$ 362
Miscellaneous	93,722	87,138	68,193	52,711
Bond fees	[3,868]		[4,052]	
Interest expense	[563,440]	[210,279]	[581,790]	[186,283]
Net Non-Operating Expenses	<u>\$ [471,930]</u>	<u>\$ [122,560]</u>	<u>\$ [515,138]</u>	<u>\$ 133,210]</u>
<u>Change in Net Position</u>	<u>\$ [46,269]</u>	<u>\$ 1,586,048</u>	<u>\$ [229,746]</u>	<u>\$ 1,417,273</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Funds
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015

<u>Net Position January 1, as previously stated</u>	\$ 20,627,068	\$ 20,364,924
<u>Restatement</u>		
Reduction to net position for net pension liability after adoption of GASB 68	[30,238]	[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> </u>	<u>[167,662]</u>
Cumulative effect of adjustment	<u>\$ [30,238]</u>	<u>[925,383]</u>
Net Position January 1, as restated	\$ 20,596,830	\$ 19,439,541
Net Change in Net Position for the year ended December 31	<u>1,539,779</u>	<u>1,187,527</u>
<u>Net Position – December 31</u>	<u>\$ 22,136,609</u>	<u>\$ 20,627,068</u>

See independent auditors report and notes to financial statements.

City of Bryant, Arkansas
Water and Wastewater Funds
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 8,019,810	\$ 6,639,054
Payments to employees	[1,447,364]	[1,425,288]
Payments to suppliers	[3,109,264]	[1,932,137]
Other receipts (payments)	<u>76,151</u>	<u> </u>
Net Cash Provided by Operating Activities	\$ 3,539,333	\$ 3,281,629
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of capital assets	\$[2,417,102]	\$ [2,796,584]
Proceeds from capital debt	674,802	1,639,844
Interest paid on capital debt	[689,814]	[768,073]
Principal paid on capital debt	[664,643]	[699,094]
Other receipts	[3,869]	[46,186]
Revenue from debt-service surcharge/impact fees	<u>180,860</u>	<u>116,682</u>
Net Cash Used in Capital and Related Financing Activities	\$[2,919,766]	\$ [2,553,411]
<u>Cash Flows from Investing Activities</u>		
Interest	\$ <u>2,237</u>	\$ <u>2,873</u>
Net Cash Provided by Investing Activities	\$ <u>2,237</u>	\$ <u>2,873</u>
<u>Increase in Cash and Cash Equivalents</u>	\$ 621,804	\$ 731,091
<u>Cash and Cash Equivalents – January 1</u>	\$ 8,886,243	<u>8,155,152</u>
<u>Cash and Cash Equivalents - December 31</u>	* \$ <u>9,508,047</u>	* \$ <u>8,886,243</u>

*Current assets December 31, 2016 \$7,474,279; restricted assets \$2,033,768

*Current assets December 31, 2015 \$7,283,424; restricted assets \$1,602,819

See independent auditors report and note to financial statements.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1: Summary of Significant Accounting Policies –

Organization. The Bryant Water and Wastewater Funds are organized as proprietary funds of the City of Bryant, Arkansas. The Funds prepare their financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Deposits and Investments. The Water and wastewater Fund'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. Receivables consist of uncollected utility charges to users of the system. A provision totaling \$100,135 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 Funds 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 funds restrict 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, 2016, the deposits and investments held by the Funds were as follows:

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

	<u>Carrying Value</u>
Deposits:	
Demand	\$ 9,435,099
Cash on Hand	610
Total Deposits	\$ 9,435,709
Investments – U. S. agency obligations	72,338
Total Deposits and Investments	\$ 9,508,047

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 Funds do not have a policy for custodial credit risk. At December 31, 2016 the carrying amount of the entire deposits of the Water and Wastewater Funds was \$9,435,099 with a corresponding bank balance of \$9,485,318. Of this amount, \$8,985,318 was subject to custodial credit risk. The Funds have, 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 Funds have restricted cash and investments totaling \$2,033,768 in the Water and Wastewater bond and customer related funds.

NOTE 4: Capital Assets – Capital asset activity for the years ended December 31, 2016 and 2015, were as follows:

	<u>2016</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	37,289,838	\$ 9,919		37,299,757
Machinery and equipment	4,381,573	171,642		4,553,215
Office furniture and fixtures	269,145			269,145
Water storage agreement	1,264,056	94,157		1,358,213
Subtotal	\$ 43,980,674	\$ 275,718		\$ 44,256,392
Accumulated depreciation	13,230,715	1,451,448		14,682,163
Net Capital Assets	\$ 30,749,959	\$ [1,175,730]		\$ 29,574,229
Construction in progress	2,315,618	2,141,384		4,457,002
Total Capital Assets	\$ 33,065,577	\$ 965,654		\$ 34,031,231

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

2015

	<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	\$ 980,561		\$ 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

At December 31, 2016 The Funds had the following active construction projects;

	<u>Expenditures Through December 31, 2016</u>	<u>Remaining Contract Commitments</u>
Highway 5 Water	\$ 91,065	
Highway 5 Wastewater	33,069	
Boone Rd Water	342,691	
Reynolds Rd. Water	28,088	\$ 4,690
Snooks Water	306,121	
Gravity Lift Station Wastewater	57,737	
Pipe Bursting Wastewater	297,194	
System Evaluation Wastewater	78,735	144,049
Dewatering Wastewater	267,980	2,822,226
ANRC-Dewatering Wastewater	2,954,321	
Total	\$ 4,457,001	\$ 2,970,965

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 Funds and improvement district taxes. Notes payable are secured by the assets that were purchased with the proceeds.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

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. 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. The interest rate is 1.95% with a 1% service fee. Principal and interest payments began April 15, 2015.

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond advances	\$ 13,304,992	\$ 1,009,984	\$ 580,161	\$ 13,734,815
Bonds payable	6,135,000		425,000	5,710,000
Contracts payable	796,502		113,786	682,716
	<u>\$ 20,236,494</u>	<u>\$ 1,009,984</u>	<u>\$ 1,118,947</u>	<u>\$ 20,127,531</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
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>

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

Debt-service requirements at December 31, 2016, were as follows (with disclosure under ANRC fully funded status):

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,157,185	\$ 676,729	\$ 1,833,914
2018	1,194,939	640,486	1,835,425
2019	1,173,222	602,424	1,775,646
2020	1,212,044	565,330	1,777,374
2021	1,251,428	526,586	1,778,014
2022-2026	4,694,753	2,094,507	6,789,260
2027-2031	5,098,424	1,316,725	6,415,149
2032-2036	3,737,928	459,263	4,197,191
2036-2038	607,608	43,725	651,333
	<u>\$ 20,127,531</u>	<u>\$ 6,925,775</u>	<u>\$ 27,053,306</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 Fund is responsible for operation and maintenance.

NOTE 7: Defeased Bond – On December 1, 2008, the Bryant Water and Wastewater funds issued \$8,685,000 in revenue refunding bonds with interest rates ranging between 3% and 5.5%. The funds issued the bonds to advance refund \$9,600,000 of the outstanding Series 2003 and 2005 revenue bonds with various interest rates. The Funds 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 Water and Wastewater Funds have removed the liability from their financial statements.

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 \$11.14 for a 5/8" meter up to \$ 557.00 for a 6" meter. All water consumption in excess of 2,000 gallons is \$.525 for each 100 gallons. There were approximately 8,312 water customers at December 31, 2016. The total annual billable water for customers in 2016 was \$2,673,060 including 462 for commercial and 7,850 for residential customers.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

Wastewater customers pay \$16.46 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 8,543 wastewater users at December 31, 2016.

During 2016, the City Council approved an ordinance charging \$3.00 per month for residential customers and \$6.00 per month for commercial customers to fund improvements to the stormwater system. Total revenue collected in 2016 was \$157,452.

NOTE 9: Change in Accounting Principle – The Funds 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 Funds are required to report their 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	<u>[795,188]</u>

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.

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

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 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 14.50% for municipal employees and 26.49% for district judges of compensation from January 1, to June 30, 2016, 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 Funds were \$513,483 for the year ended December 31, 2015.

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City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2015, the Funds reported a liability of \$939,675 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Funds' proportion was 0.178%.

For the year ended December 31, 2016, the Funds recognized APERS pension expense of \$125,639. At December 31, 2016, the Funds reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 33,708
Changes of assumptions	\$ 72,008	
Changes in proportion and differences between Funds contributions and proportionate share of contributions	3,432	54,076
Net difference between projected and actual earnings on investments	<u>164,060</u>	
Total	<u>\$ 239,500</u>	<u>\$ 87,784</u>

\$31,540 reported as deferred outflows of resources related to pensions resulting from the Funds' 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	<u>39,165</u>
	<u>\$ 30,522</u>

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City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	<u>17%</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, 2016. 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.

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City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

Sensitivity of the Funds' proportionate share of the net pension liability to changes in the discount rate. The following presents the Funds' proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Funds' 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:

	1% Decrease	Current Discount Rate	1% Increase
Funds' proportionate share of the net pension liability	\$ 1,547,809	\$ 939,675	\$ 433,848

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, 2016, the funds did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2016.

Note 11: Other Postemployment Benefits –

Plan Description: The Water and Wastewater Funds of the City of Bryant sponsor and administer an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the Funds' retirement plans with 20 years of service and attains 55 years of age may continue to participate in the Funds' 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 Funds do 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 funds 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 Funds' health insurance plan. The plan has no retired participants paying premiums as of December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation: The Funds' 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 Funds' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Funds' net OPEB obligation.

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

See independent auditors report.

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

The Funds' 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 Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 52,788	18.15%	\$ 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.

Note 12: Risk Management – The Funds have various insurance policies to cover their 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 Funds 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 Funds pay no deductible; however, the Funds pay a \$3,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2015 to 2016; nor have settlement amounts exceeded insurance coverage for each of the past three years.

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City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31 2016 and 2015

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>2016</u>	<u>2015</u>
Operating income	\$ 2,134,269	\$ 1,835,875
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	\$ 1,451,448	\$ 1,391,291
Change in accounts receivable	149,400	[566,820]
Change in accrued expenses	[9,447]	-
Change in accounts payable	[188,587]	604,829
Change in meter deposits	<u>2,250</u>	<u>16,454</u>
Net Adjustments	<u>\$ 1,405,064</u>	<u>\$ 1,445,754</u>
Net Cash Provided by Operating Activities	<u>\$ 3,539,333</u>	<u>\$ 3,281,629</u>

NOTE 14: Subsequent Events – Management has evaluated subsequent events through September 20, 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, 2016.

See independent auditors report.

SUPPLEMENTARY INFORMATION

**City of Bryant, Arkansas Water and Wastewater Funds
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2016**

Federal CFDA	Grant	Bonds Payable	Principal Repayments/ Expenditures
 U. S. Environmental Protection Agency passed through Arkansas Natural Resources Protection Commission:			
66.468	Drinking Water State Revolving Loan Fund	\$ 5,878,727	\$ 253,491
66.458	Clean Water State Revolving Loan Fund	<u>7,856,088</u>	<u>866,775</u>
	Total	<u>\$ 13,734,815</u>	<u>\$ 1,120,266</u>

City of Bryant, Arkansas
Water and Wastewater Funds
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE 1: Summary of Significant Accounting Policies -

Basis of Accounting. The Funds' assistance program funds are accounted for on the accrual basis of accounting. Program receipts (bond fund advances) are recorded when received and authorized under the program requirements, and expenditures are recorded as authorized costs and loan payments are incurred.

NOTE 2: Federal Awards - During the year ended December 31, 2016, the Funds were the recipient of various federal grant funds. These funds were received indirectly through a State of Arkansas pass-through agency.

NOTE 3: Loan Fund Balance- The loan fund balances at December 31, 2016 were as follows:

	<u>Year</u> <u>Originated</u>	<u>Balance</u> <u>December 31, 2016</u>
Drinking Water State Revolving Loan Fund	2011	\$ 5,878,727
Clean Water State Revolving Loan Fund	2012	<u>7,856,088</u>
Total		<u>\$13,734,815</u>

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 Funds

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 Water and Wastewater Funds of the City of Bryant, Arkansas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Water and Wastewater Funds of the City of Bryant, Arkansas', basic financial statements and have issued our report thereon dated September 20, 2017.

Internal Control over Financial Reporting

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

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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water and Wastewater Funds of the City of Bryant, Arkansas' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, Crane + Keeton Ltd.

Certified Public Accountants
Hot Springs, Arkansas

September 20, 2017