

**KANIS & DENNY ROADS SUBURBAN  
WATER IMPROVEMENT DISTRICT NO. 349  
OF PULASKI COUNTY, ARKANSAS**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2018**



**KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT  
DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS  
JUNE 30, 2018**

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## **Independent Auditors' Report**

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To the Board of Commissioners  
Kanis & Denny Roads Suburban Water Improvement  
District No. 349 of Pulaski County, Arkansas  
Little Rock, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Kanis & Denny Roads Suburban Water Improvement District No. 349 of Pulaski County, Arkansas (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Kanis & Denny Roads Suburban Water Improvement District No. 349 of Pulaski County, Arkansas as of June 30, 2018, and the respective changes in financial position 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 the 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 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 statement in an appropriate operational, 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 November 19, 2018, on our consideration of the Kanis & Denny Roads Suburban Water Improvement District No. 349 of Pulaski County, Arkansas' 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* and should be considered in assessing the results of our audit.



**Przybysz & Associates, CPAs, P.C.  
Fort Smith, Arkansas  
November 19, 2018**

***FINANCIAL STATEMENTS***

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## Statement of Net Assets and Governmental Funds Balance Sheet

**AS OF JUNE 30, 2018**

	General	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 173,331	\$ -	\$ 173,331
Restricted cash	82,177	-	82,177
Capital assets, net of accumulated depreciation	-	1,886,218	1,886,218
<b>Total Assets</b>	<b>255,508</b>	<b>1,886,218</b>	<b>2,141,726</b>
<b>Deferred Outflows</b>			
Deferred amount on refunding of debt, net of amortization	-	43,736	43,736
<b>Total Deferred Outflows</b>	<b>-</b>	<b>43,736</b>	<b>43,736</b>
<b>Liabilities</b>			
Accrued interest	17,348	-	17,348
Long term liabilities:			
Due within one year	-	105,000	105,000
Due after one year	-	1,567,907	1,567,907
<b>Total Liabilities</b>	<b>17,348</b>	<b>1,672,907</b>	<b>1,690,255</b>
<b>Fund Balances/Net Position</b>			
Fund balances:			
Reserved for debt service	80,934	(80,934)	-
Unreserved			
Undesignated	157,226	(157,226)	-
<b>Total fund balances</b>	<b>238,160</b>	<b>(238,160)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 255,508</b>		
<b>Net position:</b>			
Net investment in capital assets		257,047	257,047
Restricted		64,829	64,829
Unrestricted		173,331	173,331
<b>Total Net Position</b>		<b>\$ 495,207</b>	<b>\$ 495,207</b>

See accompanying notes and independent auditor's report.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

**AS OF JUNE 30, 2018**

<b>Total Governmental Fund Balances</b>	\$	238,160
<b>Amounts reported in governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$2,702,640 and the accumulated depreciation is \$816,423.		1,886,218
Deferred amount on refunding of prior debt are not financial resources and therefore are not reported as assets in the governmental funds. The deferred amount on refunding was \$61,936 and the accumulated amortization is \$18,201.		43,736
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$ (1,700,000)	
Unamortized bond discounts	27,093	(1,672,907)
<b>Net Assets of Governmental Activities</b>	\$	495,207

See accompanying notes and independent auditor's report.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>General Revenues</b>			
Assessment income	\$ 162,601	\$ -	\$ 162,601
Interest income	1,957	-	1,957
<b>Total General Revenues</b>	<b>164,558</b>	<b>-</b>	<b>164,558</b>
<b>Expenditures/Expenses</b>			
Professional fees	4,975	-	4,975
Hydrant maintenance	1,401	-	1,401
Other expenses	1,468	-	1,468
Debt service:			
Principal	105,000	(105,000)	-
Interest expense	53,921	5,279	59,200
Depreciation	-	67,566	67,566
<b>Total Expenditures/Expenses</b>	<b>166,765</b>	<b>(32,155)</b>	<b>134,610</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,207)</b>	<b>32,155</b>	<b>29,948</b>
<b>Change in Fund Balance/Net Position</b>	<b>(2,207)</b>	<b>32,155</b>	<b>29,948</b>
<b>Fund Balance/Net Position Beginning of Year</b>	<b>240,367</b>	<b>224,892</b>	<b>465,259</b>
<b>Fund Balance/Net Position End of Year</b>	<b>\$ 238,160</b>	<b>\$ 257,047</b>	<b>\$ 495,207</b>

See accompanying notes and independent auditor's report.



# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities

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**FOR THE YEAR ENDED JUNE 30, 2018**

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**Net Change in Governmental Fund Balances** \$ (2,207)

**Amounts reported for the governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (67,566)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which long-term liabilities were reduced. 105,000

Governmental funds report the bond discount and issue costs as expenditures. However, in the statement of activities the cost of those assets is allocated over the life of the bonds and reported as amortization expense and part of interest expense. This is the amount by which the amortization of the bond discount and issue costs is exceeded by the occurrence of current year bond discount and issue costs. (5,279)

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**Change in Net Assets of Governmental Activities** \$ 29,948

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See accompanying notes and independent auditor's report.

# **KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

### **1. Summary of Significant Accounting Policies**

#### **a. Financial Reporting Entity - Basis of Presentation**

Kanis & Denny Roads Suburban Water Improvement District NO. 349 of Pulaski County, Arkansas (the District) was formed under Arkansas Acts 1941, No. 41 of the acts of the General Assembly of the State of Arkansas on February 8, 2000. The District is composed of approximately 265 parcels of land that are taxed based on an assessed valuation as determined by the District.

For financial reporting purposes, the general-purpose financial statements of the District include all of the funds relevant to the operations of the District.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

The financial statements include:

Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.

A change in the fund financial statements to focus on the major funds.

#### **b. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 1. Summary of Significant Accounting Policies (Continued)

#### b. Basic Financial Statements (continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the Organization has only a governmental fund.

#### c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred.

Taxes and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports one major governmental fund. The general fund of the District is the District's primary operating fund. It accounts for all financial resources of the government.

#### d. Assets, Liabilities and Net Assets or Equity

##### Cash and Cash Equivalents

Cash equivalents are defined as short term highly liquid investments that are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 1. Summary of Significant Accounting Policies (Continued)

#### d. Assets, Liabilities and Net Assets or Equity (continued)

##### **Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The water system is being depreciated using the straight-line method over forty years.

##### **Bond discount and deferred loss on refunding**

Bond discounts are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented on the Statement of Net Position as a deferred outflow.

##### **Income Taxes**

The District is exempt from income taxes as a governmental agency.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 1. Summary of Significant Accounting Policies (Continued)

#### d. Assets, Liabilities and Net Assets or Equity (continued)

##### Investments

The District's investments are recorded at net realizable value and consists of the District's interest in delinquent properties.

Accounting principles generally accepted in the United States establish a fair value hierarchy for determining and measurement of fair value. The hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy is generally as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3: Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

### 2. Cash Deposits

At June 30, 2018, the District had deposits in two financial institutions which were entirely FDIC/SIPC insured.

Restricted cash consists of the portion of the bond fund restricted to payments on debt principal under the arbitrage requirements.

### 3. Assessment Revenue

The District is composed of approximately 265 active parcels of land that are taxed based on an assessed valuation as determined by the district. The office of Pulaski County Assessor books and bills the assessments in March of each year for the current year with the tax being due on receipt of the bill. Assessments collected by the County are transferred to the District less a 2% and a 1.375% collection fee.

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 4. Long Term Debt

Long-term debt of the District consists of the following:

2012 Series refunding bonds - payments are made on March 1 and September 1 of each year, commencing September 1, 2013 and include interest of 2%-3.5%. The bonds are secured by revenues of the District and are scheduled to mature March 1, 2032	\$ 1,700,000
Total debt	1,700,000
Less current maturity	105,000
Long-term debt	1,595,000
Less unamortized bond discounts	27,093
Total long-term debt	\$ 1,567,907

Activity of the long-term debt consists of the following:

As Of	July 1, 2017	Debt Additions	Debt Retirements	June 30, 2018
2012 Series Refunding Bonds	\$ 1,805,000	\$ -	\$ 105,000	\$ 1,700,000
<b>Total</b>	<b>\$ 1,805,000</b>	<b>\$ -</b>	<b>\$ 105,000</b>	<b>\$ 1,700,000</b>

Debt is scheduled to be repaid as follows:

As of June 30,	Principal	Interest	Total
2019	\$ 105,000	\$ 52,760	\$ 157,760
2020	105,000	50,503	155,503
2021	110,000	48,035	158,035
2022	115,000	45,230	160,230
2023	115,000	42,068	157,068
2024-2028	640,000	153,850	793,850
2029-2032	510,000	41,300	551,300
<b>Total</b>	<b>\$ 1,700,000</b>	<b>\$ 433,745</b>	<b>\$ 2,133,745</b>

# KANIS & DENNY ROADS SUBURBAN WATER IMPROVEMENT DISTRICT NO. 349 OF PULASKI COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 5. Change in Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

As Of	July 1, 2017	Additions & Contributions	Retirements	June 30, 2018
Water system	\$ 2,702,641	\$ -	-	\$ 2,702,641
Less accumulated depreciation	748,857	67,566	-	816,423
<b>Capital assets, net</b>	<b>\$ 1,953,784</b>	<b>\$ (67,566)</b>	<b>\$ -</b>	<b>\$ 1,886,218</b>

### 6. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2018 through November 19, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

***ADDITIONAL REQUIRED REPORT***





**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***

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To the Board of Commissioners  
Kanis & Denny Roads Suburban Water Improvement  
District No. 349 of Pulaski County, Arkansas  
Little Rock, 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 Kanis & Denny Roads Suburban Water Improvement District No. 349 of Pulaski County, Arkansas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated November 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 19, 2018**