

BRYANT WATER AND WASTE WATER DEPARTMENT
Bryant, Arkansas

Financial Statements
December 31, 2011 and 2010

BRYANT WATER AND WASTE WATER DEPARTMENT

Financial Statements
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INDEPENDENT AUDITORS' REPORT

Bryant Water and Waste Water Department
City of Bryant, Arkansas

We have audited the accompanying Financial Statements of the Bryant Water and Waste Water Department as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Bryant Water and Waste Water Department and are not intended to present fairly the financial position of the City of Bryant, Arkansas, and the results of its operations and cash flows in conformity with generally accepted accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bryant Water and Waste Water Department as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. The Utility has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Bryant Water and Waste Water Department
Bryant, Arkansas
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In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2012, on our consideration of the Department's internal control over financial reporting and 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 of the internal control over financial reporting or on compliance. The 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's financial statements. The bonds outstanding on pages 21 through 23 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

August 31, 2012

Gaunt & Company LTD

BRYANT WATER AND WASTEWATER
Statement of Financial Position
December 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash, operating and maintenance fund	\$ 551,151.02	\$ 550,032.89
Cash, revenue fund	2,681,541.30	1,486,584.89
Accounts receivable, customers	155,784.46	107,884.36
Prepaid expenses	40,445.56	27,949.91
Receivable, construction cost	849,206.95	
	<u>\$ 4,278,129.29</u>	<u>\$ 2,172,452.05</u>
<u>Non-current Assets</u>		
<u>Restricted assets</u>		
Impact fees, cash	\$ 1,577,972.53	\$ 963,331.82
Bond fund, cash	87,535.84	76,094.48
Bond reserve fund, cash	382,757.54	372,544.07
Depreciation fund, cash	640,575.71	440,445.22
Salem royalty, cash	45,444.19	46,253.72
Fair Share	55,851.81	44,829.24
Total Restricted Assets	<u>\$ 2,790,137.62</u>	<u>\$ 1,943,498.55</u>
<u>Capital Assets</u>		
Property, building and equipment	\$ 30,168,635.74	\$ 27,364,257.36
Accumulated depreciation	<u>(8,858,897.31)</u>	<u>(8,430,829.31)</u>
Total Capital Assets	<u>\$ 21,309,738.43</u>	<u>\$ 18,933,428.05</u>
<u>Other Assets</u>		
Unamortized debt discount & expense	<u>\$ 357,822.17</u>	<u>\$ 394,057.08</u>
Total Other Assets	<u>\$ 357,822.17</u>	<u>\$ 394,057.08</u>
Total Non-current Assets	<u>\$ 24,457,698.22</u>	<u>\$ 21,270,983.68</u>
 TOTAL ASSETS	 <u>\$ 28,735,827.51</u>	 <u>\$ 23,443,435.73</u>

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

WATER DEPARTMENT

Assets
and 2010

<u>LIABILITIES</u>	<u>2011</u>	<u>2010</u>
<u>Current Liabilities (Payable from Current Assets)</u>		
Accounts payable, trade	\$ 126,225.92	\$ 108,028.52
Notes payable, due within one year	136,105.25	88,802.88
Payroll and sales tax payable	15,724.00	15,143.00
Customers' meter deposits	396,141.00	367,781.00
Total	<u>\$ 674,196.17</u>	<u>\$ 579,755.40</u>
 <u>Current Liabilities (Payable from Restricted Assets)</u>		
Bonds payable, due within one year	\$ 365,000.00	\$ 355,000.00
Accrued interest payable	46,753.48	31,475.51
Total	<u>\$ 411,753.48</u>	<u>\$ 386,475.51</u>
Total Current Liabilities	<u>\$ 1,085,949.65</u>	<u>\$ 966,230.91</u>
 Water Improvement District, No. 3 improvement bonds, Series 1998	\$ 56,000.00	\$ 62,000.00
Water and Sewer Refunding Revenue bonds, Series 2008A	2,795,000.00	3,140,000.00
Water and Sewer Refunding Revenue bonds, Series 2008B	4,870,000.00	4,875,000.00
Notes payable	337,659.99	388,280.03
Bond payable, Loan advances	2,877,031.74	
Deferred cost of refunding	(287,235.19)	(297,873.52)
Current maturity of bonds and notes payable	(501,105.25)	(443,802.88)
Total Noncurrent Liabilities	<u>\$ 10,147,351.29</u>	<u>\$ 7,723,603.63</u>
 <u>Net Assets</u>		
Invested in Capital Assets, net of related debt	\$ 10,374,046.70	\$ 10,468,148.02
Restricted for debt service	470,293.38	448,638.55
Restricted, other	2,273,090.76	1,550,001.99
Unrestricted	4,385,095.73	2,286,812.63
Total Net Assets	<u>\$ 17,502,526.57</u>	<u>\$ 14,753,601.19</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 28,735,827.51</u></u>	 <u><u>\$ 23,443,435.73</u></u>

BRYANT WATER AND WASTE WATER

Statement of Revenues, Expenses and Changes
Years ended December 31, 2011

	<u>2011</u> <u>WATER</u>	<u>2011</u> <u>SEWER</u>
<u>Operating Revenues</u>		
Water sales	\$ 2,604,194.50	
Sewer charges		3,203,794.22
Service connections	175,740.00	102,000.00
Permits		480.00
Other income	56,058.24	54,355.73
Delinquent (penalty) charges	112,503.87	
Service charges	20,414.69	10,867.50
System development charges	96,830.00	
Interest income	506.60	506.60
Gain on sale of assets	322.50	
Total Operating Revenues	<u>\$ 3,066,570.40</u>	<u>\$ 3,372,004.05</u>
 <u>Operating Expenses</u>		
Maintenance and repairs	\$ 33,263.35	\$ 89,655.29
Water purchased	1,042,714.13	
Utilities & telephone	13,621.98	212,834.30
Salaries & wages	406,159.01	453,863.32
Employee benefits	148,736.49	234,468.78
Office supplies & postage	34,820.21	37,986.91
Accounting	6,227.50	6,227.50
Insurance & bond	11,508.22	19,611.08
Chemical expense	179.35	11,662.12
Operating supplies	75,229.67	65,501.94
Dues and fees	35,897.50	15,910.40
Other	3,721.35	6,209.09
Vehicle expense	35,448.87	37,388.53
Depreciation	329,268.00	506,144.00
Printing & advertising	10,199.57	8,573.61
Training & safety	8,651.63	9,144.31
Lab expense		25,648.48
Interest Expense - operating		15,661.31
Water storage o/m agreement	44,194.79	
Total Operating Expenses	<u>\$ 2,239,841.62</u>	<u>\$ 1,756,490.97</u>
Operating income (loss) - forwarded	<u>\$ 826,728.78</u>	<u>\$ 1,615,513.08</u>

DEPARTMENT

Changes in Net Assets
and 2010

<u>2011</u> <u>TOTAL</u>	<u>2010</u> <u>TOTAL</u>
\$ 2,604,194.50	\$ 2,220,258.61
3,203,794.22	2,748,518.39
277,740.00	83,790.00
480.00	410.00
110,413.97	97,221.94
112,503.87	97,345.17
31,282.19	5,874.75
96,832.00	62,804.49
1,013.20	114.36
322.50	28,223.48
<u>6,438,576.45</u>	<u>\$ 5,344,561.19</u>

\$ 122,918.64	\$ 202,678.14
1,042,714.13	905,208.60
226,456.28	232,501.16
860,022.33	835,769.98
383,205.27	335,097.87
72,807.12	68,147.19
12,455.00	15,690.00
31,119.30	19,747.81
11,841.47	18,964.83
140,731.61	125,026.11
51,807.90	35,685.70
9,930.44	20,711.76
72,837.40	55,265.83
835,412.00	848,265.00
18,773.18	8,556.02
17,795.94	24,870.54
25,648.48	31,439.15
15,661.31	22,365.10
44,194.79	
<u>3,996,332.59</u>	<u>\$ 3,805,990.79</u>
<u>\$ 2,442,243.86</u>	<u>\$ 1,538,570.40</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Assets (Continued)
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating income (loss) - brought forward	\$ 2,442,243.86	\$ 1,538,570.40
<u>Non-Operating Revenues</u>		
Improvement district tax	\$ 14,882.92	\$ 11,538.30
Interest earned	4,756.76	3,782.78
Unrealized Gain	10,130.43	
Impact fee income	730,596.00	212,174.00
Salem royalty income	732.07	8,757.43
Fair Share	11,000.00	29,000.00
Total non-operating revenues	<u>\$ 772,098.18</u>	<u>\$ 265,252.51</u>
<u>Non-Operating Expenses</u>		
Interest expense	\$ 421,842.30	\$ 389,213.03
Amortization of debt discount	36,234.91	24,611.04
Trustee and agents' fees	5,332.50	4,977.50
Salem royalty fees	1,506.95	4,843.85
Impact fee refunded, net	500.00	
Total non-operating expenses	<u>\$ 465,416.66</u>	<u>\$ 423,645.42</u>
Net non-operating revenues (expenses)	<u>\$ 306,681.52</u>	<u>\$ (158,392.91)</u>
Change in Net assets	\$ 2,748,925.38	\$ 1,380,177.49
Net Assets, beginning	<u>14,753,601.19</u>	<u>13,373,423.70</u>
Net assets, ending	<u>\$ 17,502,526.57</u>	<u>\$ 14,753,601.19</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
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 6,389,340.65	\$ 5,175,381.47
Payment to suppliers	(2,294,615.51)	(2,023,680.75)
Payment to employees	(860,022.33)	(835,769.98)
Other receipts (payments)	(819,511.25)	132,602.43
Net cash provided by operating activities	<u>\$ 2,415,191.56</u>	<u>\$ 2,448,533.17</u>
 <u>Cash Flows from Capital and</u>		
<u>Related Financing Activities:</u>		
Proceeds from capital debt	\$ 2,916,820.79	\$
Purchases of capital assets	(3,211,722.38)	(1,022,430.52)
Book value assets sold		52,271.00
Principal paid on capital debt	(446,409.09)	(508,697.32)
Interest paid on capital debt	(395,926.00)	(390,523.35)
Revenue from debt service surcharge and impact fees	730,596.00	232,469.73
Developer contributions	11,000.00	29,000.00
Increase (decrease) in other assets	25,745.42	26,761.04
Other receipts (payments)	(7,339.44)	(25,324.40)
Net cash (used) by capital and related financial services	<u>\$ (377,234.70)</u>	<u>\$ (1,606,473.82)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest	<u>\$ 4,756.75</u>	<u>\$ 5,642.96</u>
Net cash provided by investing activities	<u>\$ 4,756.75</u>	<u>\$ 5,642.96</u>
 Net increase (decrease) in cash and equivalents	 <u>\$ 2,042,713.61</u>	 <u>\$ 847,702.31</u>
Balances, beginning of year	<u>\$ 3,980,116.33</u>	<u>\$ 3,132,414.02</u>
Balances, end of year	<u><u>\$ 6,022,829.94</u></u>	<u><u>\$ 3,980,116.33</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)
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided (used) by Operating Activities</u>		
Operating income (loss)	\$ 2,442,243.86	\$ 1,538,570.40
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	835,412.00	848,265.00
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(47,900.10)	6,380.06
(Increase)Decrease in prepaid expenses	(12,495.65)	162.35
Increase in receivable, construction cost	(849,206.95)	
Increase in accounts payable	18,197.40	10,494.36
Increase in payroll and sales tax payable	581.00	1,271.00
Increase in customer meter deposits	28,360.00	43,390.00
	<u>\$ 2,415,191.56</u>	<u>\$ 2,448,533.17</u>
Net cash provided by operating activities		

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)
December 31, 2011

Note 1: Summary of Significant Accounting Policies

Organization: The Bryant Water and Waste Water Department is organized as an Enterprise Fund of the City of Bryant, Arkansas. The accrual basis of accounting is used by the Enterprise 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: No provision is made for delinquent accounts receivable which may be uncollectible.

Property, Plant and Equipment: 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.

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 includes certain amounts, which are restricted assets.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)
December 31, 2011

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	\$	\$	\$ 43,338.52
Water system	40 - 45	6,714,714.57	295,865.23	373,855.00	6,636,724.80
Sewer system	15 - 45	17,231,168.33	282,348.15	268,242.00	17,245,274.48
Building and fences	20	123,241.84	20,189.70	5,407.00	138,024.54
Wells, pumps & tanks	10 - 25	1,097,915.56	36,032.39	48,955.00	1,084,992.95
Tools & equipment	5 - 10	1,520,686.70	51,989.18	32,162.00	1,540,513.88
Office furn. & fix.	5 - 10	150,725.09	8,507.74	6,611.00	148,252.82
Springhill water and sewer system	20	235,000.00			235,000.00
Construction in progress		<u>247,466.75</u>	<u>2,849,047.00</u>		<u>247,466.75</u>
Total Cost		\$27,364,257.36	\$3,539,610.38	\$ 735,232.00	\$30,168,635.74
Accumulated depreciation		<u>(8,430,829.31)</u>	<u>(835,412.00)</u>	<u>407,344.00</u>	<u>(8,858,897.31)</u>
Net Capital Assets		<u>\$ 18,933,428.05</u>	<u>\$ 2,704,198.38</u>	<u>\$ 327,888.00</u>	<u>\$21,309,738.43</u>

Note 4: Receivable and Payable Within the Reporting Entity

The revenue and operating and maintenance accounts owe \$11,800.00 to the respective restricted accounts as of December 31, 2011.

Note 5: Long Term Liabilities

Long term liabilities include bond issues and note payables. 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. See also pages 20 through 22 for details of serial bond issues.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)
December 31, 2011

Note 5: Long Term Liabilities (Continued)

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 bonds.

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, 2011 \$2,877,031.74. Interest rate 1.95 % with 1% service fee. Re-payment begins October 15, 2014.

Note Payable – Caterpillar Financial Services

Lease purchase agreement for hydraulic excavator. Monthly payments totaling \$1,202.39. Balloon payment of \$27,765.15 due November, 2012.

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.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)
December 31, 2011

Note 5: Long Term Liabilities (Continued)

Long term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
Bonds payable	\$ 8,077,000.00	\$.00	\$	356,000.00	\$	7,721,000.00
Notes payable	388,280.03		39,789.05		90,409.09		337,659.99
Bond advances	.00		2,877,031.74		.00		2,877,031.74
	<u>\$ 8,465,280.03</u>		<u>\$ 2,916,820.79</u>		<u>\$ 446,409.09</u>		<u>\$ 10,935,691.73</u>

Debt service requirements at December 31, 2011 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 501,105.25	\$ 365,574.20
2013	484,116.20	344,339.20
2014	614,183.64	440,214.20
2015	657,176.00	498,113.50
2016	411,000.00	448,267.50
2017-2021	3,634,037.00	1,672,953.00
2022-2026	1,480,581.64	728,903.00
2027-2031	730,000.00	670,725.00
2032-2038	2,150,000.00	400,950.00
	<u>\$ 10,935,691.73</u>	<u>\$ 5,570,039.60</u>

Note 6: Arkansas Public Employee Retirement System (APERS)

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, 2011 was \$90,128.35.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2011

Note 7: Restricted Assets

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	\$ 2,036,617.78	\$ 1,943,498.55	\$ 3,980,116.33
Net increase	<u>1,196,074.54</u>	<u>846,639.07</u>	<u>2,042,713.61</u>
Cash, ending	<u>\$3,232,692.32</u>	<u>\$ 2,790,137.62</u>	<u>\$ 6,022,829.94</u>

Note 8: 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.

Note 9: 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 is \$4,610,000.00 at December 31, 2008.

Note 10: Water/Sewer Rates and Customers

For the first 2,000 gallons of water consumption per month or portion thereof, the water rates vary from \$8.99 with 5/8" meter to \$449.53 with 6" meter; in excess of 2,000 gallons thereafter, is \$4.62 per 1,000 gallons. There are approximately 7,052 water customers.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2011

Note 10: Water/Sewer Rates and Customers (continued)

For the first 2,000 gallons of water, the sewer rate is \$14.39; in excess of 2,000 gallons the rate is 7.03 per 1,000 gallons there are approximately 6,276 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"	\$ 8.99
3/4"	13.48
1"	22.48
1 1/2"	44.95
2"	71.92
3"	134.85
4"	224.77
6"	449.53

The total annual billable water for customers for 2011 was \$2,569,242.00 including \$670,162.00 for commercial, \$1,794,932.00 for residential and \$104,148.00 for other

Note 11: 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>\$1,375,000.00</u>
Improvements/Structures	<u>\$8,280,000.00</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2011

Note 12: Custodian Credit Risk

At December 31, 2011 the utility and the city held deposits of approximately \$16,182,000.00 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>\$4,457,284.88</u>	Fully insured due to bond debt and pro-RATA bond holders
Deposits, non-interest bearing	<u>\$2,629,925.12</u>	Fully insured
Deposits, interest bearing	<u>\$9,095,240.21</u>	Insured for \$250,000.00 collateralized by U.S. government Agency issues totaling \$17,040,000.00



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 Departments
Bryant, Arkansas

We have audited the accompanying financial statements of the business-type activities of Bryant Water and Waste Water Departments as of and for the year ended December 31, 2011, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated August 31, 2012. 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.

Internal Control over Financial Reporting

Management of Bryant Water and Waste Water Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bryant Water and Waste Water Departments' internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bryant Water and Waste Water Department's internal control over financial reporting.

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 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

Bryant Water and Waste Water Departments
Bryant, Arkansas
August 31, 2012
Page Two

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bryant Water and Waste Water Department'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 audits, 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.

We noted certain matters that we reported to management of the Bryant Water and Waste Water Department in a separate letter dated August 31, 2012.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Isaiah J. Conroy CEO

August 31, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133a,b

Bryant Water and Waste Water Department
Bryant, Arkansas

Compliance

We have audited Bryant Water and Waste Water's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bryant Water and Waste Water's major federal programs for the year ended December 31, 2011. Bryant Water and Waste Water's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bryant Water and Waste Water's management. Our responsibility is to express an opinion on Bryant Water and Waste Water's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bryant Water and Waste Water's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bryant Water and Waste Water's compliance with those requirements.

In our opinion Bryant Water and Waste Water's, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of Bryant Water and Waste Water is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bryant Water and Waste Water's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Bryant Water and Waste Water Department
Bryant, Arkansas
Page 2

Accordingly, we do not express an opinion on the effectiveness of Bryant Water and Waste Water's internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gaunt & Company LTD

August 31, 2012

Bryant Water and Waste Water Department
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2011

	<u>CFDA NO</u>	<u>Loan Proceeds</u>	<u>Loan Expenditures</u>
<u>Federal Assistance</u>			
Drinking Water State Revolving Fund (SRF)			
U.S. Environmental Protection Agency	66.648	<u>\$ 2,849,047.00</u>	<u>\$ 2,849,047.00</u>
		<u>Capitalized Interest</u>	<u>Capitalized Interest</u>
		<u>\$ 27,984.74</u>	<u>\$ 27,984.74</u>
 <u>Total</u>		 <u>\$ 2,877,031.74</u>	 <u>\$ 2,877,031.74</u>

Bryant Water and Waste Water Department
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Bryant Water and Waste Water Department
2. No significant deficiencies or material weaknesses were reported in the Schedule of Governmental financial assistance
3. No instances of non compliance material to the financial statements of Bryant Water and Waste Water were disclosed during the audit
4. No significant deficiencies in internal control over major federal awards were disclosed during the audit of schedule of Governmental financial assistance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Bryant Water and Waste Water Department expresses an unqualified opinion on the federal program.
6. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program was the drinking water state revolving loan fund CFDA No. 66.468.
8. Bryant Water and Waste Water Department was determined to be a low risk auditee.

BRYANT WATER AND WASTE WATER DEPARTMENT

Bonds Outstanding
\$121,000.00 Water Improvement District No. 3
Improvement Bonds, Series 1998, Dated 09/21/98 (Wolf Creek)
December 31, 2011

<u>Dated</u>	<u>Interest</u> Rate	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
9/21/98	5.25%	\$ 1,000.00	\$ 5,000.00	9/1/2012
9/21/98	5.25%	1,000.00	5,000.00	9/1/2013
9/21/98	5.25%	1,000.00	5,000.00	9/1/2014
9/21/98	5.25%	1,000.00	6,000.00	9/1/2015
9/21/98	5.25%	1,000.00	6,000.00	9/1/2016
9/21/98	5.25%	1,000.00	6,000.00	9/1/2017
9/21/98	5.25%	1,000.00	6,000.00	9/1/2018
9/21/98	5.25%	1,000.00	7,000.00	9/1/2019
9/21/98	5.25%	1,000.00	7,000.00	9/1/2020
9/21/98	5.25%	1,000.00	3,000.00	9/1/2021
Total Outstanding			<u><u>\$ 56,000.00</u></u>	

BRYANT WATER AND WASTE WATER DEPARTMENT

Bonds Outstanding
\$3,800,000.00 Water and Sewer Refunding Revenue Bonds, Series 2008A, Dated 12/01/08
December 31, 2011

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
12/1/08	3.650%	\$ 5,000.00	\$ 355,000.00	12/1/2012
12/1/08	3.850%	5,000.00	370,000.00	12/1/2013
12/1/08	4.000%	5,000.00	380,000.00	12/1/2014
12/1/08	4.000%	5,000.00	395,000.00	12/1/2015
12/1/08	4.100%	5,000.00	415,000.00	12/1/2016
12/1/08	4.200%	5,000.00	430,000.00	12/1/2017
12/1/08	4.300%	5,000.00	450,000.00	12/1/2018
Total Outstanding			<u>\$2,795,000.00</u>	

BRYANT WATER AND WASTE WATER DEPARTMENT

Bonds Outstanding

**\$4,885,000.00 Water and Sewer Refunding Revenue Bonds, Series 2008B, Dated 12/01/08
December 31, 2011**

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
12/1/08	4.30%	\$ 5,000.00	\$ 5,000.00	12/1/2012
12/1/08	4.30%	5,000.00	5,000.00	12/1/2013
12/1/08	4.30%	5,000.00	10,000.00	12/1/2014
12/1/08	4.30%	5,000.00	10,000.00	12/1/2015
12/1/08	4.30%	5,000.00	10,000.00	12/1/2016
12/1/08	4.30%	5,000.00	10,000.00	12/1/2017
12/1/08	4.30%	5,000.00	10,000.00	12/1/2018
12/1/08	4.35%	5,000.00	420,000.00	12/1/2019
12/1/08	4.40%	5,000.00	440,000.00	12/1/2020
12/1/08	4.45%	5,000.00	460,000.00	12/1/2021
12/1/08	4.50%	5,000.00	485,000.00	12/1/2022
12/1/08	4.60%	5,000.00	125,000.00	12/1/2023
12/1/08	5.00%	5,000.00	730,000.00	12/1/2028
12/1/08	5.20%	5,000.00	935,000.00	12/1/2033
12/1/08	5.50%	5,000.00	1,215,000.00	12/1/2038
Total Outstanding			<u><u>\$4,870,000.00</u></u>	