

BRYANT WATER AND WASTE WATER DEPARTMENT
Bryant, Arkansas

Financial Statements
December 31, 2009 and 2008

BRYANT WATER AND WASTE WATER DEPARTMENT

Financial Statements
December 31, 2009 and 2008

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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, 2009 and 2008 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.

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, 2009 and 2008, 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 April 11, 2010, 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 16 through 20 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 11, 2010

Gaunt & Company LTD.

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Net Assets
December 31, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>	<u>LIABILITIES</u>	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>			<u>Current Liabilities (Payable from Current Assets)</u>		
Cash, operating and maintenance fund	\$ 202,440.58	\$ 60,905.06	Accounts payable, trade	\$ 97,534.16	\$ 91,576.75
Cash, revenue fund	1,227,423.07	403,227.90	Notes payable, due within one year	102,857.58	13,393.59
Accounts receivable, customers	114,264.42	87,654.99	Payroll and sales tax payable	13,872.00	13,872.00
Prepaid insurance	28,112.26	34,442.48	Customers' meter deposits	324,391.00	300,636.00
Total Current Assets	<u>\$ 1,572,240.33</u>	<u>\$ 586,230.43</u>	Interfund payable	31,196.03	17,009.63
			Total	<u>\$ 569,850.77</u>	<u>\$ 436,487.97</u>
<u>Non-current Assets</u>			<u>Current Liabilities (Payable from Restricted Assets)</u>		
<u>Restricted assets</u>			Bonds payable, due within one year	\$ 329,000.00	\$ 325,000.00
Impact fees, cash and certificates of deposit	\$ 903,123.89	\$ 1,153,831.87	Accrued interest payable	\$ 32,785.83	\$ 33,686.25
Bond fund, cash	88,683.08	142,236.48	Total	<u>\$ 361,785.83</u>	<u>\$ 358,686.25</u>
Construction fund, cash, Owen Creek	-	20.81	Total Current Liabilities	<u>\$ 931,636.60</u>	<u>\$ 795,174.22</u>
Bond reserve fund, cash	372,537.39	372,530.69			
Depreciation fund, cash	282,680.08	262,668.75	<u>Noncurrent Liabilities</u>		
Salem royalty, cash	39,708.73	25,892.51	Water Improvement District, No. 3		
Fair Share	15,817.20	15,776.61	improvement bonds, Series 1998	\$ 86,000.00	\$ 90,000.00
Accrued interest receivable	329.84	764.74	Water and Sewer Refunding Revenue bonds, Series 2008A	3,475,000.00	3,800,000.00
Interfund receivable	31,196.03	17,009.63	Water and Sewer Refunding Revenue bonds, Series 2008B	4,880,000.00	4,885,000.00
Total Restricted Assets	<u>\$ 1,734,076.24</u>	<u>\$ 1,990,732.09</u>	Notes payable	532,977.35	73,611.89
			Deferred cost of refunding	(308,511.85)	(319,150.18)
<u>Capital Assets</u>			Current maturity of bonds, leases and notes payable	(431,857.58)	(338,393.59)
Property, building and equipment	\$ 26,827,161.84	\$ 25,648,461.17	Total Noncurrent Liabilities	<u>\$ 8,233,607.92</u>	<u>\$ 8,191,068.12</u>
Accumulated depreciation	(8,015,628.31)	(7,184,692.31)			
Total Capital Assets	<u>\$ 18,811,533.53</u>	<u>\$ 18,463,768.86</u>	<u>Net Assets</u>		
			Invested in Capital Assets, net of related debt	\$ 9,881,714.42	\$ 9,569,049.78
<u>Other Assets</u>			Restricted for debt service	428,434.64	514,767.17
District organization expense	\$ 2,150.00	\$ 2,150.00	Restricted, other	1,272,855.77	1,475,964.92
Unamortized debt discount & expense	418,668.12	444,279.16	Unrestricted	1,790,418.87	941,136.33
Total Other Assets	<u>\$ 420,818.12</u>	<u>\$ 446,429.16</u>	Total Net Assets	<u>\$ 13,373,423.70</u>	<u>\$ 12,500,918.20</u>
Total Non-current Assets	<u>\$ 20,966,427.89</u>	<u>\$ 20,900,930.11</u>			
			TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,538,668.22</u>	<u>\$ 21,487,160.54</u>
TOTAL ASSETS	<u>\$ 22,538,668.22</u>	<u>\$ 21,487,160.54</u>			

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Assets
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating Revenues</u>		
Water sales	\$ 2,005,883.62	\$ 1,726,761.39
Sewer charges	2,443,576.06	1,065,636.80
Service connections	68,606.36	228,533.57
Permits	1,160.00	1,345.00
Other income	76,357.21	121,009.95
Delinquent (penalty) charges	84,900.55	63,860.90
Service charges	19,251.65	25,435.66
System development charges	48,990.00	84,871.93
Interest income	80.04	898.44
Total Operating Revenues	<u>\$ 4,748,805.49</u>	<u>\$ 3,318,353.64</u>
 <u>Operating Expenses</u>		
Maintenance and repairs	188,059.12	\$ 174,267.02
Water purchased	783,743.74	776,475.35
Utilities & telephone	227,508.39	259,830.79
Salaries & wages	855,927.14	795,854.80
Employee benefits	345,322.70	364,240.92
Office supplies & postage	62,536.50	61,268.57
Accounting	14,678.00	10,737.00
Insurance & bond	21,410.64	31,342.94
Chemical expense	20,823.82	17,365.58
Operating supplies	130,452.61	122,446.44
Dues and fees	36,068.88	64,516.12
Other	18,462.21	28,002.74
Vehicle expense	56,105.56	82,535.21
Depreciation	830,936.00	644,934.00
Bad debt expense	-	8,028.49
Printing & advertising	6,087.16	22,454.88
Training & safety	21,633.45	35,383.37
Lab expense	39,239.46	63,546.00
Total Operating Expenses	<u>\$ 3,658,995.38</u>	<u>\$ 3,563,230.22</u>
Operating income (loss) - forwarded	<u>\$ 1,089,810.11</u>	<u>\$ (244,876.58)</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Assets (Continued)
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating income (loss) - brought forward	\$ 1,089,810.11	\$ (244,876.58)
<u>Non-Operating Revenues</u>		
Improvement district tax	\$ 12,929.88	\$ 12,822.77
Interest earned	5,198.76	56,548.74
Impact fee income	183,550.00	549,279.98
Impact fee income, debt service	574.75	54,682.82
Debt service surcharge	-	643,709.63
Salem royalty income	30,681.18	29,632.79
Fair Share	-	15,810.00
Developer contributions, Owen Creek	-	43,600.00
Total non-operating revenues	<u>\$ 232,934.57</u>	<u>\$ 1,406,086.73</u>
<u>Non-Operating Expenses</u>		
Interest expense	\$ 403,574.79	\$ 409,706.16
Amortization of debt discount	24,611.04	17,799.11
Trustee and agents' fees	5,142.50	5,673.22
Salem royalty fees	16,910.85	18,434.35
Refunds of improvement district tax	-	42,410.84
Total non-operating expenses	<u>\$ 450,239.18</u>	<u>\$ 494,023.68</u>
Net non-operating revenues (expenses)	<u>\$ (217,304.61)</u>	<u>\$ 912,063.05</u>
Change in Net assets	\$ 872,505.50	\$ 667,186.47
Net Assets, beginning	<u>12,500,918.20</u>	<u>11,833,731.73</u>
Net assets, ending	<u>\$ 13,373,423.70</u>	<u>\$ 12,500,918.20</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 4,722,116.02	\$ 3,313,342.25
Payment to suppliers	(1,966,174.83)	(2,107,458.55)
Payment to employees	(855,927.14)	(795,854.80)
Other receipts (payments)	30,165.26	30,547.95
Net cash provided by operating activities	<u>\$ 1,930,179.31</u>	<u>\$ 440,576.85</u>
 <u>Cash Flows from Capital and</u>		
<u>Related Financing Activities:</u>		
Proceeds from capital debt	\$ 474,708.00	\$ 8,685,000.00
Purchases of capital assets	(1,178,700.67)	(1,673,739.06)
Principal paid on capital debt	(349,342.54)	(10,020,171.23)
Interest paid on capital debt	(404,475.21)	(429,667.72)
Revenue from debt service surcharge and impact fees	184,124.75	1,247,672.43
Developer contributions	-	59,410.00
Increase in accounts receivable, other	-	235,781.00
Increase (decrease) in other assets	25,611.04	(471,649.38)
Other receipts (payments)	7,504.96	(41,981.78)
Net cash (used) by capital and related financial services	<u>\$ (1,240,569.67)</u>	<u>\$ (2,409,345.74)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest	<u>\$ 5,713.70</u>	<u>\$ 56,548.74</u>
Net cash provided by investing activities	<u>\$ 5,713.70</u>	<u>\$ 56,548.74</u>
Net increase (decrease) in cash and equivalents	<u>\$ 695,323.34</u>	<u>\$ (1,912,220.15)</u>
Balances, beginning of year	<u>\$ 2,437,090.68</u>	<u>\$ 4,349,310.83</u>
Balances, end of year	<u><u>\$ 3,132,414.02</u></u>	<u><u>\$ 2,437,090.68</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (used) by Operating Activities</u>		
Operating income (loss)	\$ 1,089,810.11	\$ (244,876.58)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	830,936.00	644,934.00
Change in assets and liabilities:		
(Increase) in accounts receivable	(26,609.43)	(5,011.39)
(Increase) decrease in prepaid expenses	6,330.22	11,281.14
Increase (decrease) in accounts payable	5,957.41	3,688.69
Increase in payroll and sales tax payable	-	1,370.99
Increase in customer meter deposits	<u>23,755.00</u>	<u>29,190.00</u>
Net cash provided by operating activities	<u>\$ 1,930,179.31</u>	<u>\$ 440,576.85</u>

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

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements December 31, 2009

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 and certificates of deposits with an original maturity of six months or less.

Investments: Investments consist of bank certificates of deposit. The investments are stated at market value.

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.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2009

Note 2: Cash and Investments

Cash includes certain amounts, which are restricted assets.

Investments include bank certificates of deposit. It is the Department's intention to hold all investments to maturity. Aggregate market value of the investments at December 31, 2009 was \$118,054.60.

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	6,006,688.19	156,382.49	-	6,163,070.68
Sewer system	15 - 45	15,601,348.74	1,311,903.71	-	16,913,252.45
Building and fences	20	121,180.84	2,061.00	-	123,241.84
Wells, pumps & tanks	10 - 25	1,119,516.51	21,157.92	-	1,140,674.43
Tools & equipment	5 - 10	1,166,437.73	556,663.09	-	1,723,100.82
Office furn. & fix.	5 - 10	232,755.54	5,260.81	-	238,016.35
Springhill water and sewer system	20	235,000.00	-	-	235,000.00
Construction in progress		<u>1,122,195.10</u>	<u>-</u>	<u>874,728.35</u>	<u>247,466.75</u>
Total Cost		\$25,648,461.17	\$2,053,429.02	\$ 874,728.35	\$26,827,161.84
Accumulated depreciation		<u>(7,184,692.31)</u>	<u>(830,936.00)</u>	<u>-</u>	<u>(8,015,628.31)</u>
Net Capital Assets		<u>\$ 18,463,768.86</u>	<u>\$1,222,493.02</u>	<u>\$ 874,728.35</u>	<u>\$18,811,533.53</u>

Note 4: Receivable and Payable Within the Reporting Entity

The revenue and operating and maintenance accounts owe \$31,196.03 to the respective restricted accounts as of December 31, 2009.

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 16 through 18 for details of serial bond issues.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2009

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.

Note Payable – Arkansas Natural Resources Commission

Notes payable to Arkansas Natural Resources Commission; original amount of note, \$73,000.00 with interest of 5% per annum. Payable in annual installments of \$4,254.31 until the year 2025.

Note Payable – Caterpillar Financial Services

Notes payable to Caterpillar Financial Services; original amount of note, \$67,151.00 with interest of 5.35% per annum. Payable in annual installments of \$14,865.09 until the year 2011. Principal payments began May 5, 2006.

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
December 31, 2009

Note 5: Long Term Liabilities (Continued)

Long term liability activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 8,775,000.00	\$.00	\$ 334,000.00	\$ 8,441,000.00
Notes payable	<u>73,611.89</u>	<u>474,708.00</u>	<u>15,342.54</u>	<u>532,977.35</u>
	<u>\$ 8,848,611.89</u>	<u>\$ 474,708.00</u>	<u>\$ 349,342.54</u>	<u>\$ 8,973,977.35</u>

Debt service requirements at December 31, 2009 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 441,856.62	\$ 402,218.18
2011	445,004.28	388,615.41
2012	458,572.35	465,368.56
2013-2017	2,233,978.81	1,660,752.12
2018-2022	2,377,706.51	1,109,272.54
2023-2027	706,858.78	720,243.11
2028-2032	890,000.00	513,155.00
2033-2038	<u>1,420,000.00</u>	<u>250,385.00</u>
	<u>\$ 8,973,977.35</u>	<u>\$5,510,009.92</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, 2009 was \$73,214.56.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements December 31, 2009

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	\$ 464,132.96	\$ 1,972,957.72	\$ 2,437,090.68
Net increase	<u>965,730.69</u>	<u>(270,407.35)</u>	<u>695,323.34</u>
Cash, ending	<u>\$1,429,863.65</u>	<u>\$ 1,702,550.37</u>	<u>\$ 3,132,414.02</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.



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, 2009, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated April 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bryant Water and Waste Water Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bryant Water and Waste Water Department's financial statements that is more than inconsequential will not be prevented or detected by the Bryant Water and Waste Water Department's internal control.

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Bryant, Arkansas
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bryant Water and Waste Water Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we would 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 April 10, 2010

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.

April 10, 2010

Gaunt & Company LTD.

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, 2009

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
9/21/98	5.25%	1,000.00	4,000.00	9/1/2010
9/21/98	5.25%	1,000.00	5,000.00	9/1/2011
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	8,000.00	9/1/2021
9/21/98	5.25%	1,000.00	8,000.00	9/1/2022
9/21/98	5.25%	1,000.00	8,000.00	9/1/2023
Total Outstanding			<u>\$ 86,000.00</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, 2009**

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
12/1/08	3.125%	5,000.00	335,000.00	12/1/2010
12/1/08	3.375%	5,000.00	345,000.00	12/1/2011
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><u>\$3,475,000.00</u></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, 2008

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
12/1/08	4.30%	\$ 5,000.00	\$ 70,000.00	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	<u>1,215,000.00</u>	12/1/2038
	Total Outstanding		<u><u>\$4,880,000.00</u></u>	



Bryant Water and Waste Water Department
Bryant, Arkansas

In planning and performing our audit of the financial statements of the Bryant Water and Waster Water Department for the year ended December 31, 2009, we considered the department's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of items that are an opportunity for strengthening internal controls and operating efficiency.

Presented below is a summary of our comments concerning this item:

Investment Policy

We noted during the audit that the department does have a written policy concerning funds available for investment purposes.

However, we recommend that the investment committee review each bank account on a periodic basis and determine if excess funds should be invested in legally qualifying investments to maximize earnings. This is a repeat recommendation from last year.

Chart of Accounts

It was observed during the audit that the utility implemented a new chart of accounts during a previous year, which was detailed by Fund.

We recommend that the software be adjusted so that a total financial statement may be easily prepared on an interim basis. This is a repeat recommendation from last year.

This Financial Statement should include a balance sheet indicating all assets, liabilities, and fund balances.

General Ledger "Out of Balance"

The general ledger trial balance of the operating fund at December 31, 2009 was out of balance by \$6,284.15.

We recommend that management review this with the software provider so that all accounts are included.

Improper Invoice

A payment totaling \$9,800.00 to Phase II construction does not appear to be documented by a proper invoice.

This has been discussed with management.

Payment to Utility Services (LR Water)

The October 2009 payment to utility services (LR Water) was the gross amount due totaling \$73,322.23 not net amount of \$67,152.44. This is a difference of \$6,169.79. The payment appears to have been timely paid.

This was discussed with management.

This letter does not affect our report dated April 11, 2010 on the financial statements of Bryant Water and Waste Water Department.

April 11, 2010

Gaunt & Company LTO.