

BRYANT WATER AND WASTE WATER DEPARTMENT
Bryant, Arkansas

Financial Statements
December 31, 2008 and 2007

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, 2008 and 2007 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, 2008 and 2007, 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 6, 2009, 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 6, 2009

Gaunt & Company LTD.

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Net Assets

December 31, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>	<u>LIABILITIES</u>	<u>2008</u>	<u>2007</u>
<u>Current Assets</u>			<u>Current Liabilities (Payable from Current Assets)</u>		
Cash, operating and maintenance fund	\$ 60,905.06	\$ 50,044.92	Accounts payable, trade	\$ 91,576.75	\$ 87,888.06
Cash, revenue fund	403,227.90	412,058.16	Notes payable, due within one year	13,393.59	14,569.56
Accounts receivable, customers	87,654.99	82,643.60	Capital leases, due within one year	0.00	31,601.67
Prepaid insurance	34,442.48	44,365.67	Payroll and sales tax payable	13,872.00	12,501.01
Prepaid interest	0.00	1,357.95	Customers' meter deposits	300,636.00	271,446.00
Total Current Assets	<u>\$ 586,230.43</u>	<u>\$ 590,470.30</u>	Interfund payable	17,009.63	23,391.76
			Total	<u>\$ 436,487.97</u>	<u>\$ 441,398.06</u>
<u>Non-current Assets</u>			<u>Current Liabilities (Payable from Restricted Assets)</u>		
Restricted assets			Bonds payable, due within one year	\$ 325,000.00	\$ 374,000.00
Impact fees, cash and certificates of deposit	\$ 1,153,831.87	\$ 1,266,485.77	Accrued interest payable	\$ 33,686.25	\$ 53,647.81
Impact fees, cash, Lindsey Project	0.00	131,855.70	Total	<u>\$ 358,686.25</u>	<u>\$ 427,647.81</u>
Bond fund, cash	142,236.48	416,547.70	Total Current Liabilities	<u>\$ 795,174.22</u>	<u>\$ 869,045.87</u>
Construction fund, cash	0.00	3,057.92			
Construction fund, cash, Owen Creek	20.81	403,901.94	<u>Noncurrent Liabilities</u>		
Bond reserve fund, cash	372,530.69	805,970.72	Water Improvement District, No. 3		
Depreciation fund, cash	262,668.75	244,581.84	improvement bonds, Series 1998	\$ 90,000.00	\$ 94,000.00
Salem royalty, cash	25,892.51	14,891.34	Water and Sewer Refunding and		
Redemption fund, cash	0.00	599,914.82	Construction bonds, Series 2003	0.00	5,270,000.00
Fair Share	15,776.61	0.00	Water and Sewer Revenue bonds, Series 2005	0.00	4,700,000.00
Accrued interest receivable	764.74	1,644.92	Water and Sewer Refunding Revenue bonds, Series 2008A	3,800,000.00	0.00
Accounts receivable, other	0.00	235,781.00	Water and Sewer Refunding Revenue bonds, Series 2008B	4,885,000.00	0.00
Interfund receivable	17,009.63	23,391.76	Note payable	73,611.89	88,181.45
Total Restricted Assets	<u>\$ 1,990,732.09</u>	<u>\$ 4,148,025.43</u>	Capital leases payable	0.00	31,601.67
			Deferred cost of refunding	(319,150.18)	0.00
<u>Capital Assets</u>			Current maturity of bonds, leases and notes payable	(338,393.59)	(420,171.23)
Property, building and equipment	\$ 25,648,461.17	\$ 23,974,722.11	Total Noncurrent Liabilities	<u>\$ 8,191,068.12</u>	<u>\$ 9,763,611.89</u>
Accumulated depreciation	(7,184,692.31)	(6,539,758.31)			
Total Capital Assets	<u>\$ 18,463,768.86</u>	<u>\$ 17,434,963.80</u>	<u>Net Assets</u>		
			Invested in Capital Assets, net of related debt	\$ 9,569,049.78	\$ 7,299,144.01
<u>Other Assets</u>			Restricted for debt service	514,767.17	1,822,433.24
District organization expense	\$ 2,150.00	\$ 2,150.00	Restricted, other	1,475,964.92	2,325,592.19
Unamortized debt discount & expense	444,279.16	290,779.96	Unrestricted	941,136.33	386,562.29
Total Other Assets	<u>\$ 446,429.16</u>	<u>\$ 292,929.96</u>	Total Net Assets	<u>\$ 12,500,918.20</u>	<u>\$ 11,833,731.73</u>
Total Non-current Assets	<u>\$ 20,900,930.11</u>	<u>\$ 21,875,919.19</u>	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,487,160.54</u>	<u>\$ 22,466,389.49</u>
TOTAL ASSETS	<u>\$ 21,487,160.54</u>	<u>\$ 22,466,389.49</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues</u>		
Water sales	\$ 1,726,761.39	\$ 1,642,288.79
Sewer charges	1,065,636.80	1,024,105.24
Service connections	228,533.57	71,465.00
Permits	1,345.00	1,640.00
Other income	121,009.95	56,528.37
Delinquent (penalty) charges	63,860.90	58,905.60
Service charges	25,435.66	21,445.00
System development charges	84,871.93	27,375.00
Interest income	898.44	1,170.81
Total Operating Revenues	<u>\$ 3,318,353.64</u>	<u>\$ 2,904,923.81</u>
 <u>Operating Expenses</u>		
Maintenance and repairs	\$ 174,267.02	\$ 113,731.20
Water purchased	776,475.35	716,438.95
Utilities & telephone	259,830.79	231,698.30
Salaries & wages	795,854.80	838,439.09
Employee benefits	364,240.92	412,048.54
Office supplies & postage	61,268.57	72,199.23
Legal	0.00	579.30
Accounting	10,737.00	8,816.00
Insurance & bond	31,342.94	32,342.60
Chemical expense	17,365.58	18,606.71
Operating supplies	122,446.44	61,925.11
Dues and fees	64,516.12	66,456.61
Other	28,002.74	17,948.16
Vehicle expense	82,535.21	91,492.69
Depreciation	644,934.00	603,568.00
Bad debt expense	8,028.49	15,314.24
Printing & advertising	22,454.88	38,943.98
Training & safety	35,383.37	35,055.05
Lab expense	63,546.00	59,375.00
Total Operating Expenses	<u>\$ 3,563,230.22</u>	<u>\$ 3,434,978.76</u>
Operating loss - forwarded	<u>\$ (244,876.58)</u>	<u>\$ (530,054.95)</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Assets (Continued)
 Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating loss - brought forward	\$ (244,876.58)	\$ (530,054.95)
<u>Non-Operating Revenues</u>		
Improvement district tax	\$ 12,822.77	\$ 13,895.25
Interest earned	56,548.74	37,799.29
Impact fee income	549,279.98	212,650.00
Impact fee income, debt service	54,682.82	15,590.00
Debt service surcharge	643,709.63	636,285.37
Salem royalty income	29,632.79	28,047.01
Fair Share	15,810.00	0.00
Developer contributions, Owen Creek	43,600.00	630,000.00
Total non-operating revenues	<u>\$ 1,406,086.73</u>	<u>\$ 1,574,266.92</u>
<u>Non-Operating Expenses</u>		
Interest expense	\$ 409,706.16	\$ 425,267.20
Amortization of debt discount	17,799.11	17,799.11
Trustee and agents' fees	5,673.22	5,095.00
Salem royalty fees	18,434.35	23,446.25
Refunds of improvement district tax	42,410.84	0.00
Total non-operating expenses	<u>\$ 494,023.68</u>	<u>\$ 471,607.56</u>
Net non-operating revenues (expenses)	<u>\$ 912,063.05</u>	<u>\$ 1,102,659.36</u>
Change in Net assets	\$ 667,186.47	\$ 572,604.41
Net Assets, beginning	<u>11,833,731.73</u>	<u>11,261,127.32</u>
Net assets, ending	<u>\$ 12,500,918.20</u>	<u>\$ 11,833,731.73</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 3,313,342.25	\$ 2,887,333.78
Payment to suppliers	(2,107,458.55)	(1,962,420.79)
Payment to employees	(795,854.80)	(838,439.09)
Other receipts (payments)	30,547.95	1,170.81
Net cash provided by operating activities	<u>\$ 440,576.85</u>	<u>\$ 87,644.71</u>
 <u>Cash Flows from Capital and</u>		
<u>Related Financing Activities:</u>		
Proceeds from capital debt	\$ 8,685,000.00	\$ 0.00
Purchases of capital assets	(1,673,739.06)	(2,994,272.30)
Principal paid on capital debt	(10,020,171.23)	(382,835.54)
Interest paid on capital debt	(429,667.72)	(426,165.12)
Revenue from debt service surcharge and impact fees	1,247,672.43	864,525.37
Developer contributions	59,410.00	630,000.00
Increase in accounts receivable, other	235,781.00	(235,781.00)
Increase in other assets	(471,649.38)	0.00
Other receipts (payments)	(41,981.78)	13,401.01
Net cash (used) by capital and related financial services	<u>\$ (2,409,345.74)</u>	<u>\$ (2,531,127.58)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest	<u>\$ 56,548.74</u>	<u>\$ 39,172.29</u>
Net cash provided by investing activities	<u>\$ 56,548.74</u>	<u>\$ 39,172.29</u>
 Net (decrease) in cash and equivalents	 <u>\$ (1,912,220.15)</u>	 <u>\$ (2,404,310.58)</u>
 Balances, beginning of year	 <u>\$ 4,349,310.83</u>	 <u>\$ 6,753,621.41</u>
 Balances, end of year	 <u><u>\$ 2,437,090.68</u></u>	 <u><u>\$ 4,349,310.83</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (used) by Operating Activities</u>		
Operating income (loss)	\$ (244,876.58)	\$ (530,054.95)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	644,934.00	603,568.00
Change in assets and liabilities:		
(Increase) in accounts receivable	(5,011.39)	(16,419.22)
(Increase) decrease in prepaid expenses	11,281.14	(5,728.12)
Increase (decrease) in accounts payable	3,688.69	14,113.99
Increase in payroll and sales tax payable	1,370.99	2,131.01
Increase in customer meter deposits	29,190.00	20,034.00
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 440,576.85</u>	<u>\$ 87,644.71</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, 2008

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, 2008

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, 2008 was \$114,869.18.

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	5,435,752.00	570,936.19	-	6,006,688.19
Sewer system	15 - 45	13,319,549.84	2,281,798.90	-	15,601,348.74
Building and fences	20	121,180.84	-	-	121,180.84
Wells, pumps & tanks	10 - 25	1,119,516.51	-	-	1,119,516.51
Tools & equipment	5 - 10	1,118,125.19	48,312.54	-	1,166,437.73
Office furn. & fix.	5 - 10	223,200.43	9,555.11	-	232,755.54
Springhill water and sewer system	20	235,000.00	-	-	235,000.00
Construction in progress		<u>2,359,058.78</u>	<u>-</u>	<u>1,236,863.68</u>	<u>1,122,195.10</u>
Total Cost		\$23,974,722.11	\$2,910,602.74	\$1,236,863.68	\$25,648,461.17
Accumulated depreciation		<u>(6,539,758.31)</u>	<u>(644,934.00)</u>	<u>-</u>	<u>(7,184,692.31)</u>
Net Capital Assets		<u>\$ 17,434,963.80</u>	<u>\$2,265,668.74</u>	<u>\$1,236,863.68</u>	<u>\$18,463,768.86</u>

Note 4: Receivable and Payable Within the Reporting Entity

The revenue and operating and maintenance accounts owe \$17,009.63 to the respective restricted accounts as of December 31, 2008.

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, 2008

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 and Construction Bonds, Dated 7/01/03

Original principal amount of bonds \$6,400,000.00. Interest on the bonds is payable on June 1 and December 1 of each year, commencing December 1, 2003 and ending in 2022.

The debt service surcharge established by ordinance 2003-20 provides that sewer customers of the system be imposed a monthly charge based upon meter size for each sewer customer.

The \$6,400,000.00 issue provided for the establishment of the following funds:

- a) Bond fund established by ordinance 2003-20.
- b) Debt service reserve fund to which shall be transferred \$474,371.26.
- c) Construction fund established by ordinance 2003-20.
- d) Redemption fund established by ordinance 2003-20.

These bonds were fully paid as of December 31, 2008.

Water and Sewer Revenue Bonds, Dated 5/01/05

Original principal amount of bonds, \$4,875,000.00. Interest on the bonds is payable on May 1 and November 1 of each year, commencing November 1, 2005 and ending in 2035.

The \$4,875,000.00 issue provided for the establishment of the following funds:

- a) Bond fund established by ordinance 2005-07.
- b) Debt service reserve fund to which shall be transferred \$306,545.00.
- c) Construction fund established by ordinance 2005-07.

These bonds were fully paid as of December 31, 2008.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2008

Note 5: Long Term Liabilities (Continued)

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.

Long term liability activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$10,064,000.00	\$8,685,000.00	\$9,974,000.00	\$ 8,775,000.00
Notes payable	<u>88,181.45</u>	<u>.00</u>	<u>14,569.56</u>	<u>73,611.89</u>
	<u>\$10,152,181.45</u>	<u>\$8,685,000.00</u>	<u>\$9,988,569.56</u>	<u>\$ 8,848,611.89</u>

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2008

Note 5: Long Term Liabilities (Continued)

Debt service requirements at December 31, 2008 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 344,342.54	\$ 393,836.86
2010	355,156.54	383,062.86
2011	356,201.40	371,562.89
2012	362,256.15	359,513.16
2013-2017	2,031,089.97	1,575,679.08
2018-2022	2,382,706.51	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>\$ 8,848,611.89</u>	<u>\$5,676,710.50</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, 2008 was \$80,241.98.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2008

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	\$ 462,103.08	\$ 3,887,207.75	\$ 4,349,310.83
Net decrease	<u>2,029.88</u>	<u>(1,914,250.03)</u>	<u>(1,912,220.15)</u>
Cash, ending	<u>\$ 464,132.96</u>	<u>\$ 1,972,957.72</u>	<u>\$ 2,437,090.68</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: Lease Commitments

The Water and Sewer Departments lease equipment under agreements classified as capital leases. Assets under capital leases are capitalized using interest rates appropriate at the inception of the lease.

The following is a schedule of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of December 31, 2008.

Year ending December 31:		
2009	\$	0.00

Note 10: Accounts Receivable, Other

Accounts receivable, other represents an overpayment to a contractor on project B-40-3; pumping stations and force mains, as of December 31, 2007.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements
December 31, 2008

Note 11: 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, 2008, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated April 6, 2009. 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.

Bryant Water and Waste Water Departments
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Page Two

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 6, 2009

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 6, 2009

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, 2008

<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	9/1/2009
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>\$ 90,000.00</u>	

BRYANT WATER AND WASTE WATER DEPARTMENT

Bonds Outstanding
\$6,400,000.00 Water and Sewer Refunding and
Construction Revenue Bonds, Series 2003, Dated 07/01/03
December 31, 2008

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
7/1/03	2.350%	\$ 5,000.00	\$ 280,000.00	12/1/2008
7/1/03	2.650%	5,000.00	285,000.00	12/1/2009
7/1/03	2.950%	5,000.00	290,000.00	12/1/2010
7/1/03	3.050%	5,000.00	300,000.00	12/1/2011
7/1/03	3.250%	5,000.00	310,000.00	12/1/2012
7/1/03	3.350%	5,000.00	320,000.00	12/1/2013
7/1/03	3.500%	5,000.00	330,000.00	12/1/2014
7/1/03	3.650%	5,000.00	345,000.00	12/1/2015
7/1/03	3.875%	5,000.00	355,000.00	12/1/2016
7/1/03	4.000%	5,000.00	370,000.00	12/1/2017
7/1/03	4.050%	5,000.00	385,000.00	12/1/2018
7/1/03	4.150%	5,000.00	400,000.00	12/1/2019
7/1/03	4.250%	5,000.00	415,000.00	12/1/2020
7/1/03	4.300%	5,000.00	435,000.00	12/1/2021
7/1/03	4.750%	5,000.00	<u>450,000.00</u>	12/1/2022
Total Outstanding			<u><u>\$5,270,000.00</u></u>	

These bonds were fully paid during the year ended December 31, 2008.

BRYANT WATER AND WASTE WATER DEPARTMENT

Bonds Outstanding
\$4,875,000.00 Water and Sewer Revenue Bonds
Series 2005, Dated 05/01/05
December 31, 2008

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
5/1/05	3.10%	\$ 5,000.00	\$ 90,000.00	5/1/2008
5/1/05	3.25%	5,000.00	95,000.00	5/1/2009
5/1/05	3.45%	5,000.00	95,000.00	5/1/2010
5/1/05	3.60%	5,000.00	100,000.00	5/1/2011
5/1/05	3.75%	5,000.00	105,000.00	5/1/2012
5/1/05	3.90%	5,000.00	105,000.00	5/1/2013
5/1/05	4.00%	5,000.00	110,000.00	5/1/2014
5/1/05	4.10%	5,000.00	115,000.00	5/1/2015
5/1/05	4.20%	5,000.00	120,000.00	5/1/2016
5/1/05	4.30%	5,000.00	125,000.00	5/1/2017
5/1/05	4.35%	5,000.00	130,000.00	5/1/2018
5/1/05	4.40%	5,000.00	140,000.00	5/1/2019
5/1/05	4.45%	5,000.00	145,000.00	5/1/2020
5/1/05	4.50%	5,000.00	150,000.00	5/1/2021
5/1/05	4.55%	5,000.00	160,000.00	5/1/2022
5/1/05	4.60%	5,000.00	165,000.00	5/1/2023
5/1/05	4.65%	5,000.00	175,000.00	5/1/2024
5/1/05	4.70%	5,000.00	180,000.00	5/1/2025
5/1/05	4.85%	5,000.00	190,000.00	5/1/2026
5/1/05	4.85%	5,000.00	200,000.00	5/1/2027
5/1/05	4.85%	5,000.00	210,000.00	5/1/2028
5/1/05	4.85%	5,000.00	220,000.00	5/1/2029
5/1/05	4.85%	5,000.00	230,000.00	5/1/2030
5/1/05	5.00%	5,000.00	245,000.00	5/1/2031
5/1/05	5.00%	5,000.00	255,000.00	5/1/2032
5/1/05	5.00%	5,000.00	270,000.00	5/1/2033
5/1/05	5.00%	5,000.00	280,000.00	5/1/2034
5/1/05	5.00%	5,000.00	295,000.00	5/1/2035
Total Outstanding			<u><u>\$4,700,000.00</u></u>	

These bonds were fully paid during the year ended December 31, 2008

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, 2008**

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
12/1/08	3.000%	\$ 5,000.00	\$ 325,000.00	12/1/2009
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	<u>450,000.00</u>	12/1/2018
	Total Outstanding		<u><u>\$3,800,000.00</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	\$ 75,000.00	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>\$4,885,000.00</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, 2008, 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.

Financial Statements

We noted during the audit that interim financial statements did not include all restricted account activity.

We recommend that interim financial statements include all funds including restricted funds and all required balance sheets. This is a repeat recommendation from previous years.

This letter does not affect our report dated April 6, 2009 on the financial statements of Bryant Water and Waste Water Department.

April 6, 2009

Gaunt & Company, Ltd.