

BRYANT WATER AND WASTE WATER DEPARTMENT
Bryant, Arkansas

Financial Statements
December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Bryant Water and Waste Water Department
City of Bryant, AR

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, of Bryant Water and Waste Water Department, component unit of City of Bryant, AR, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Bryant Water and Waste Water Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bryant Water and Waste Water Department as of December 31, 2012, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bryant Water and Waste Water Department's basic financial statements. The bonds outstanding on pages 22 thru 24 are presented for the purpose 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information had been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2013, on our consideration of the Bryant Water and Waste Water Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bryant Water and Waste Water Department's internal control over financial reporting and compliance.

Gaunt & Company LTD

**Little Rock, AR
August 12, 2013**

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Net Position
December 31, 2012 and 2011

ASSETS	2012	2011	LIABILITIES	2012	2011
Current Assets			Current Liabilities (Payable from Current Assets)		
Cash, operating and maintenance fund	\$ 1,318,549.45	\$ 531,151.02	Accounts payable, trade	\$ 489,473.48	\$ 126,225.92
Cash, revenue fund	3,709,149.53	2,681,541.30	Notes payable, due within one year	97,022.07	136,105.25
Accounts receivable, customers	98,688.85	155,784.46	Payroll and sales tax payable	.00	15,724.00
Prepaid expenses	15,790.08	40,445.56	Customers meter deposits	462,876.00	396,141.00
Receivable, construction cost	.00	849,206.95	Total	\$ 1,049,371.55	\$ 674,196.17
Non-current Assets			Current Liabilities (Payable from Restricted Assets)		
Restricted assets			Bonds payable, due within one year	\$ 380,000.00	\$ 365,000.00
Impact fees, cash	\$ 1,497,308.77	\$ 1,577,972.53	Accrued interest payable	75,377.74	46,753.48
Bond fund, cash	92,063.15	87,535.84	Total	\$ 455,377.74	\$ 411,753.48
Bond reserve fund, cash	382,007.57	382,757.51	Total Current Liabilities	\$ 1,504,749.29	\$ 1,085,949.65
Depreciation fund, cash	833,750.74	640,575.71	Non-Current Liabilities		
Salem royalty, cash	44,730.54	45,444.19	Water Improvement District, No. 3		
Fair Share, cash	49,439.69	55,851.81	improvement bonds, Series 1998	\$ 50,000.00	\$ 56,000.00
Construction funds, cash	105.69	.00	Water and Sewer Refunding Revenue bonds, Series 2008A	2,440,000.00	2,795,000.00
Total Restricted Assets	\$ 2,899,394.15	\$ 2,790,137.62	Water and Sewer Refunding Revenue bonds, Series 2008B	4,865,000.00	4,870,000.00
Capital Assets			Notes payable	203,333.48	337,659.99
Property, building and equipment	\$ 36,239,224.82	\$ 30,168,655.74	Bond payable, Loan advances	8,036,966.59	2,877,081.74
Accumulated depreciation	(9,175,577.31)	(8,838,897.31)	Deferred cost of refunding	(261,122.90)	(287,235.19)
Total Capital Assets	\$ 27,063,647.51	\$ 21,309,758.43	Current maturity of bonds and notes payable	(477,022.07)	(501,105.25)
Other Assets			Total Noncurrent Liabilities	\$ 14,857,155.10	\$ 10,147,351.29
Unamortized debt discount & expense	\$ -316,155.65	\$ 357,822.17	Net Position		
Total Other Assets	\$ 316,155.65	\$ 357,822.17	Invested in Capital Assets, net of related debt	\$ 11,468,347.44	\$ 10,374,046.70
Total Non-current Assets	\$ 30,279,197.31	\$ 24,457,698.22	Restricted for debt service	474,060.72	470,293.38
TOTAL ASSETS	\$ 35,421,375.22	\$ 28,735,827.51	Restricted, other purposes	2,349,955.69	2,273,090.76
			Unrestricted	4,767,106.98	4,385,095.73
			Total Net Assets	\$ 19,059,470.83	\$ 17,502,526.57
			TOTAL LIABILITIES AND NET ASSETS	\$ 35,421,375.22	\$ 28,735,827.51

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 Change in Net Position

Years Ended December 31, 2012 and 2011

	2012	2012	2012	2011	2011	2011
	WATER	WASTE WATER	TOTAL	WATER	SEWER	TOTAL
<u>Operating Revenues</u>						
Water sales	\$ 2,666,998.82	\$	\$ 2,666,998.82	\$ 2,604,194.50		\$ 2,604,194.50
Sewer charges		3,445,563.89	3,445,563.89		3,203,794.22	3,203,794.22
Service connections	44,870.00	24,900.00	69,770.00	175,740.00	102,000.00	277,740.00
Permits		120.00	120.00		480.00	480.00
Other income	51,494.49	559.21	52,053.70	56,058.24	54,355.73	110,413.97
Delinquent (penalty) charges	123,346.78		123,346.78	112,503.87		112,503.87
Service charges	28,449.62		28,449.62	20,414.69		31,282.19
System development charges	20,700.00		20,700.00	96,830.00		96,832.00
Interest income	292.44	292.45	584.89	506.60	506.60	1,013.20
Gain on sale of assets				322.50		322.50
Total Operating Revenues	\$ 2,936,152.15	\$ 3,471,435.55	\$ 6,407,587.70	\$ 3,066,570.40	\$ 3,372,004.05	6,438,576.45
<u>Operating Expenses</u>						
Maintenance and repairs	\$ 54,144.17	\$ 132,529.02	\$ 186,643.19	\$ 33,263.35	\$ 89,655.29	\$ 122,918.64
Water purchased	915,027.17		915,027.17	1,042,714.13		1,042,714.13
Utilities & telephone	28,980.66	208,114.71	237,095.37	13,621.98	212,834.30	226,456.28
Salaries & wages	451,372.95	554,288.37	1,005,661.32	406,159.01	453,863.32	860,022.33
Employee benefits	150,887.14	238,351.89	389,239.03	148,736.49	234,468.78	383,205.27
Office supplies & postage	36,816.48	44,561.26	81,377.74	34,820.21	37,986.91	72,807.12
Accounting	5,953.50	5,953.50	11,907.00	6,227.50	6,227.50	12,455.00
Insurance & bond	8,209.29	19,949.26	28,158.55	11,508.22	19,611.08	31,119.30
Chemical expense		68,254.42	68,254.42	179.35	11,662.12	11,841.47
Operating supplies	157,302.81	134,769.45	292,072.26	75,229.67	65,501.94	140,731.61
Dues and fees	47,674.13	28,234.03	75,908.16	35,897.50	15,910.40	51,807.90
Other	1,255.91	3,028.48	4,284.39	3,721.35	6,209.09	9,930.44
Vehicle expense	40,505.45	37,846.73	78,352.18	35,448.87	37,388.53	72,837.40
Depreciation	446,827.00	518,113.00	964,940.00	329,268.00	506,144.00	835,412.00
Printing & advertising	9,405.45	9,528.40	18,933.85	10,199.57	8,573.61	18,773.18
Training & safety	15,425.73	9,301.74	24,727.47	8,651.63	9,144.31	17,795.94
Lab expense		29,048.04	29,048.04		25,648.48	25,648.48
Interest Expense - operating		10,814.98	10,814.98		15,661.31	15,661.31
Water storage o/m agreement	46,761.38		46,761.38	44,194.79		44,194.79
Total Operating Expenses	\$ 2,416,519.22	\$ 2,052,687.28	\$ 4,469,206.50	\$ 2,239,841.62	\$ 1,756,490.97	3,996,332.59
Operating income (loss) - forwarded	\$ 519,632.93	\$ 1,418,748.27	\$ 1,938,381.20	\$ 826,728.78	\$ 1,615,513.08	\$ 2,442,243.86

BRYANT WATER AND WASTE WATER DEPARTMENT

Statement of Revenues, Expenses and Changes in Net Position (Continued)
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating income (loss) - brought forward	<u>\$ 1,938,381.20</u>	<u>\$ 2,442,243.86</u>
<u>Non-Operating Revenues</u>		
Improvement district tax	\$ 12,575.57	\$ 14,882.92
Interest earned	6,889.27	4,756.76
Unrealized Gain	(756.70)	10,130.43
Impact fee income	179,244.00	730,596.00
Salem royalty income	758.60	732.07
Fair Share	.00	11,000.00
Total non-operating revenues	<u>\$ 198,710.74</u>	<u>\$ 772,098.18</u>
<u>Non-Operating Expenses</u>		
Interest expense	\$ 532,314.86	\$ 421,842.30
Amortization of debt discount	41,666.52	36,234.91
Trustee and agents' fees	4,637.50	5,332.50
Salem royalty fees	1,528.80	1,506.95
Impact fee refunded, net	.00	500.00
Total non-operating expenses	<u>\$ 580,147.68</u>	<u>\$ 465,416.66</u>
Net non-operating revenues (expenses)	<u>\$ (381,436.94)</u>	<u>\$ 306,681.52</u>
Change in Net Position	\$ 1,556,944.26	\$ 2,748,925.38
Net Position, beginning	<u>17,502,526.57</u>	<u>14,753,601.19</u>
Net Position, ending	<u><u>\$ 19,059,470.83</u></u>	<u><u>\$ 17,502,526.57</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
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 6,464,683.31	\$ 6,389,340.65
Payment to suppliers	(2,168,362.15)	(2,294,615.51)
Payment to employees	972,656.79	(860,022.33)
Other receipts (payments)	(1,020,440.15)	(819,511.25)
Net cash provided by operating activities	<u>\$ 4,248,537.80</u>	<u>\$ 2,415,191.56</u>
<u>Cash Flows from Capital and</u>		
<u>Related Financing Activities:</u>		
Proceeds from capital debt	\$ 5,159,934.85	\$ 2,916,820.79
Purchases of capital assets	(6,741,690.08)	(3,211,722.38)
Book value assets sold	22,841.00	
Principal paid on capital debt	(500,326.51)	(446,409.09)
Interest paid on capital debt	(477,578.31)	(395,926.00)
Revenue from debt service surcharge and impact fees	179,244.00	730,596.00
Developer contributions	.00	11,000.00
Increase (decrease) in other assets	.00	25,745.42
Other receipts (payments)	6,411.17	(7,339.44)
Net cash (used) by capital and related financing activities	<u>\$ (2,351,163.88)</u>	<u>\$ (377,234.70)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest	\$ 6,889.27	\$ 4,756.75
Net cash provided by investing activities	<u>\$ 6,889.27</u>	<u>\$ 4,756.75</u>
Net increase in cash and equivalents	<u>\$ 1,904,263.19</u>	<u>\$ 2,042,713.61</u>
Balances, beginning of year	<u>\$ 6,022,829.94</u>	<u>\$ 3,980,116.33</u>
Balances, end of year	<u><u>\$ 7,927,093.13</u></u>	<u><u>\$ 6,022,829.94</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided (used) by Operating Activities</u>		
Operating income (loss)	\$ 1,938,381.20	\$ 2,442,243.86
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	964,940.00	835,412.00
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	57,095.61	(47,900.10)
(Increase)decrease in prepaid expenses	24,655.48	(12,495.65)
(Increase)decrease in receivable, construction cost	849,206.95	(849,206.95)
Increase in accounts payable	363,247.56	18,197.40
Increase(decrease) in payroll and sales tax payable	(15,724.00)	581.00
Increase in customer meter deposits	66,735.00	28,360.00
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 4,248,537.80</u>	<u>\$ 2,415,191.56</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 (Continued)
December 31, 2012

Note 1: Summary of Significant Accounting Policies

Organization: The Bryant Water and Waste Water Department is organized as a Proprietary Fund of the City of Bryant, Arkansas. The accrual basis of accounting is used by the Proprietary 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, 2012

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	6,636,724.80	2,895,030.03	136,207.00	9,395,547.83
Sewer system	15 - 45	17,245,274.48	1,092,278.45	181,903.00	18,155,649.93
Building and fences	20	138,024.54	43,937.15	2,924.00	179,037.69
Wells, pumps & tanks	10 - 25	1,084,992.95	4,091,741.00	2,386.00	5,174,347.95
Tools & equipment	5 - 10	1,540,513.88	116,499.65	96,350.96	1,560,662.57
Office furn. & fix.	5 - 10	148,252.82	100,000.00	16,330.00	231,922.82
Springhill water and sewer system	20	235,000.00		235,000.00	.00
Construction in progress		<u>3,096,513.75</u>	<u>1,498,717.51</u>	<u>3,096,513.75</u>	<u>1,498,717.51</u>
Total Cost		\$30,168,635.74	\$9,838,203.79	\$3,767,614.71	\$ 36,239,224.82
Accumulated depreciation		<u>(8,858,897.31)</u>	<u>(964,940.00)</u>	<u>648,260.00</u>	<u>(9,175,577.31)</u>
Net Capital Assets		<u>\$ 21,309,738.43</u>	<u>\$ 8,873,263.79</u>	<u>\$3,119,354.71</u>	<u>\$ 27,063,647.51</u>

Note 4: Receivable and Payable Within the Reporting Entity

The revenue and operating and maintenance accounts owe \$19,300.00 to the respective restricted accounts as of December 31, 2012.

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, 2012

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, 2012 \$5,707,526.90. Interest rate 1.95 % with 1% service fee. Re-payment begins October 15, 2014.

Bond payable water and sewer revenue bond, series 2012 original amount of bonds \$8,500,000.00. Bond proceeds advanced at December 31, 2012 \$2,329,439.69. Interest rate 1.95% with 1% service fee. Re-payment begins April 15, 2015

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, 2012

Note 5: Long Term Liabilities (Continued)

Long term liability activity for the year ended December 31, 2012 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Bonds payable	\$ 7,721,000.00	\$.00	\$ 366,000.00	\$ 7,355,000.00
Notes payable	337,659.03	.00	134,326.51	203,333.48
Bond advances	<u>2,877,031.74</u>	<u>5,159,934.85</u>	<u>.00</u>	<u>8,036,966.59</u>
	<u>\$ 10,935,691.73</u>	<u>\$ 5,159,934.85</u>	<u>\$ 500,326.51</u>	<u>\$ 15,595,300.07</u>

Debt service requirements at December 31, 2012 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 477,022.07	\$ 435,798.33
2014	619,022.20	496,116.70
2015	977,118.21	801,623.43
2016	1,011,162.00	767,625.00
2017	1,043,403.00	715,609.00
2018-2022	5,062,347.69	2,487,392.32
2023-2027	2,346,087.00	1,236,498.00
2028-2032	2,639,137.90	761,369.50
2033-2039	<u>1,420,000.00</u>	<u>284,835.00</u>
	<u>\$ 15,595,300.07</u>	<u>\$ 7,986,867.28</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, 2012 was \$106,099.28.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2012

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	\$ 3,232,692.32	\$ 2,790,137.62	\$ 6,022,829.94
Net increase	<u>1,795,006.66</u>	<u>109,256.53</u>	<u>1,904,263.19</u>
Cash, ending	<u>\$5,027,698.98</u>	<u>\$ 2,899,394.15</u>	<u>\$ 7,927,093.13</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 was \$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 \$9.26 with 5/8" meter to \$463.02 with 6" meter; in excess of 2,000 gallons thereafter, is 0.476 per 100 gallons. There are approximately 7,500 water customers.

BRYANT WATER AND WASTE WATER DEPARTMENT

Notes to Financial Statements (Continued)

December 31, 2012

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

For the first 2,000 gallons of water, the sewer rate is \$14.82; in excess of 2,000 gallons the rate is 0.724 per 100 gallons there are approximately 7,000 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"	\$ 9.26
3/4"	13.88
1"	23.15
1 1/2"	46.30
2"	74.08
3"	138.90
4"	231.51
6"	463.02

The total annual billable water for customers for 2012 was \$2,639,595.67 including \$685,565.00 for commercial, \$1,816,395.35 for residential and \$137,635.32 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>\$1,247,664.00</u>
Improvements/Structures	<u>\$10,240,830.00</u>

BRYANT WATER AND WASTE WATER DEPARTMENT
Notes to Financial Statements (Continued)
December 31, 2012

Note 12: Custodian Credit Risk

At December 31, 2012 the utility and the city held deposits of approximately \$17,909,384.00 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>\$5,227,347.00</u>	Fully insured due to bond debt and pro-RATA bond holders
Deposits, non-interest bearing	<u>\$ 179,099.00</u>	Fully insured
Deposits, interest bearing	<u>\$12,502,938.00</u>	Insured for \$250,000.00 collateralized by U.S. government Agency issues totaling \$13,170,000.00

Note 13: Subsequent Event

Management has evaluated subsequent events through August 12, 2013 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Bryant Water and Waste Water Department
Bryant, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of Bryant Water and Waste Water Department, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Bryant Water and Waste Water Department's basic financial statements, and have issued our report thereon dated August 12, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Bryant Water and Waste Water Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bryant Water and Waste Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Bryant Water and Waste Water Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bryant's Water and Waste Water Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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August 12, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bryant Water and Waste Water Department
Bryant, Arkansas

Report on Compliance for Each Major Federal Program

We have audited Bryant Water and Waste Water Department'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 Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bryant Water and Waste Water Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Bryant Water and Waste Water Department's compliance.

Opinion on Each Major Federal Program

In our opinion, Bryant Water and Waste Water Department complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of Bryant Water and Waste Water Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bryant Water and Waste Water Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bryant Water and Waste Water Department'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

August 12, 2013

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Bryant Water and Waste Water Department
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2012

	<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	66.468	<u>\$ 2,717,017.00</u>	<u>\$ 2,717,017.00</u>
		<u>Capitalized Interest</u>	<u>Capitalized Interest</u>
		<u>\$ 113,478.16</u>	<u>\$ 113,478.16</u>
<u>Total</u>		<u>\$ 2,830,495.16</u>	<u>\$ 2,830,495.16</u>
Clean Water State Revolving Fund (RLF)			
U.S. Environmental Protection Agency	66.458	<u>\$ 2,321,825.00</u>	<u>\$ 2,830,495.16</u>
		<u>Capitalized Interest</u>	<u>Capitalized Interest</u>
		<u>\$ 7,614.69</u>	<u>\$ 7,614.69</u>
<u>Total</u>		<u>\$ 2,329,439.69</u>	<u>\$ 2,329,439.69</u>

Bryant Water and Waste Water Department
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

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 programs tested as a major program was the drinking water state revolving loan fund CFDA No. 66.468 and the clean water revolving loan fund CFDA No. 66.458
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, 2012

<u>Dated</u>	<u>Interest</u> <u>Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
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	2,000.00	9/1/2021
Total Outstanding			<u>\$ 50,000.00</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, 2012**

<u>Dated</u>	<u>Interest Rate</u>	<u>Denomination</u>	<u>Amount</u>	<u>Maturity</u>
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>\$2,440,000.00</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, 2012**

<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	12/1/2013
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	<u>1,215,000.00</u>	12/1/2038
Total Outstanding			<u><u>\$4,865,000.00</u></u>	