

**Water Department  
Rogers Water Utilities**

A Component Unit of the City of Rogers, Arkansas  
Accountants' Report and Financial Statements

Years Ended June 30, 2009 and 2008

**Water Department  
Rogers Water Utilities  
June 30, 2009 and 2008**

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## Independent Accountants' Report

To the Waterworks and Sewer Commission  
Rogers Water Utilities  
Rogers, Arkansas

We have audited the accompanying statement of net assets of the Water Department of Rogers Water Utilities, a component unit of the City of Rogers, Arkansas, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Water Department's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Water Department as of and for the year ended June 30, 2008, were audited by other accountants whose report dated August 22, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 Water Department and do not purport to, and do not, present fairly the financial position of the Rogers Water Utilities or of the City of Rogers, Arkansas and the changes in their financial position, or, where applicable, their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Department as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the Water 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 the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Waterworks and Sewer Commission  
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The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Department's basic financial statements. The accompanying supplemental information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

September 3, 2009

BKD, LLP

**Water Department**  
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**Management's Discussion and Analysis**  
**June 30, 2009 and 2008**

This management's discussion and analysis of the financial performance of the Rogers Water Utilities, Water Department (Water Department) provides an overview of the Water Department's financial activities for the years ended June 30, 2009 and 2008. Rogers Water Utilities is a component unit of the City of Rogers, Arkansas and is overseen by the Rogers Waterworks and Sewer Commission, an autonomous board of directors, created by the Rogers City Council. The Rogers Water Department is rate-funded, receiving no general tax revenue. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

**Financial Highlights Discussion**

- The Water Department's net assets increased by \$2,341,266, or 4%, over fiscal year 2008 and \$3,486,641, or 7% over 2007.
- Water Department operating revenues decreased by \$826,301, or 10% in 2008 and \$314,672 or 3.5% over 2007.
- Operating expenses decreased by \$109,366, or 1% over 2008 and increased \$549,045 or 8% over 2007.
- A loss before capital contributions of \$427,715 was incurred in 2009 as opposed to a modest budgeted income of \$33,552, due primarily to the significant decrease in operating revenues. Income before capital contributions was \$584,599 in 2008.

**Rogers Water Department Fiscal Year 2009 Highlights**

- Provided water and fire protection infrastructure for the new hotel district on S. 52<sup>nd</sup> St. and points west.
- Absorbed a two percent rate increase from Beaver Water District for bulk water purchases.
- Substantially completed construction of a new two million gallon elevated tank. The new tank will be placed in service early in fiscal year 2010, significantly increasing water storage capacity.
- Issued a Water Revenue Refunding Bond Series 2008B refunding Series 2003 totaling \$3,565,000 in September 2008.

***Using This Annual Report***

The Water Department's financial statements consist of three statements—a statement of net assets; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Water Department, including resources held by the Water Department but restricted for specific purposes by creditors. The Water Department is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

# Water Department Rogers Water Utilities

## A Component Unit of the City of Rogers, Arkansas Management's Discussion and Analysis

June 30, 2009 and 2008

### Financial Highlights

#### Assets, Liabilities and Net Assets

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>			
Total current assets	\$ 8,083,515	\$ 7,714,653	\$ 7,486,441
Investment and long-term receivables	7,042,292	11,168,900	12,296,472
Other noncurrent assets	75,711,050	69,577,150	65,570,967
Total Assets	\$ 90,836,857	\$ 88,460,703	\$ 85,353,880
<b>Liabilities</b>			
Total current liabilities	\$ 2,469,790	\$ 2,095,945	\$ 1,996,969
Liabilities payable from restricted assets	985,522	967,684	939,077
Other noncurrent liabilities	28,011,584	28,368,379	28,875,780
Total Liabilities	\$ 31,466,896	\$ 31,432,008	\$ 31,811,826
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 48,898,488	\$ 47,221,045	\$ 44,188,523
Restricted	4,297,748	3,768,942	3,364,059
Unrestricted	6,173,725	6,038,708	5,989,472
Total Net Assets	\$ 59,369,961	\$ 57,028,695	\$ 53,542,054
<b>Operating Results and Changes in Net Assets</b>			
<b>Operating Revenues</b>	<b>\$ 7,757,979</b>	<b>\$ 8,584,280</b>	<b>\$ 8,898,952</b>
<b>Operating Expenses</b>			
Depreciation and amortization	1,889,297	1,789,874	1,432,240
Other operating expenses	5,399,960	5,608,749	5,417,338
Total Operating Expenses	7,289,257	7,398,623	6,849,578
<b>Operating Income</b>	<b>468,722</b>	<b>1,185,657</b>	<b>2,049,374</b>
<b>Other Revenues (Expenses)</b>			
Interest expenses	(1,226,661)	(1,281,135)	(1,077,428)
Other income	330,224	680,077	752,772
Total Other Revenues ( Expenses)	(896,437)	(601,058)	(324,656)
<b>Income (Loss) Before Capital Contributions</b>	<b>(427,715)</b>	<b>584,599</b>	<b>1,724,718</b>
<b>Capital Contributions</b>	<b>2,768,981</b>	<b>2,902,042</b>	<b>9,478,328</b>
<b>Change in Net Assets</b>	<b>2,341,266</b>	<b>3,486,641</b>	<b>11,203,046</b>
<b>Net Assets, Beginning of Year</b>	<b>57,028,695</b>	<b>53,542,054</b>	<b>42,339,008</b>
<b>Net Assets, End of Year</b>	<b>\$ 59,369,961</b>	<b>\$ 57,028,695</b>	<b>\$ 53,542,054</b>

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**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2009, the Water Department's investment in capital assets was \$75,173,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and contributed property.

Major capital asset events include the following:

- Construction of \$4,933,519 was made to a variety of construction projects including a new water tower, administration building, and rehabilitation projects for existing water mains. In addition, \$2,705,930 of water mains constructed by developers were contributed to the Water Department to own and maintain. This is recorded as a capital contribution in the statement of revenues, expenses, and changes in net assets. In 2008, the Water Department had construction of \$2,574,969 and contributed capital of \$2,760,971 in 2007 construction of \$8,113,330 and contributed capital of \$9,223,292.
- Capital expenditures for additions and improvements to the Water Department's water system were \$1,226,435 as compared to \$3,471,438 in 2008 and \$10,718,232 in 2007.

Additional information regarding capital assets can be found on Note 5 of this report.

**Long-term Debt**

The Water Department had \$28,780,000 in revenue bonds outstanding as of June 30, 2009, which is a decrease of \$190,000 from 2008 which is due to the issuance of revenue refunding bonds Series 2008B totaling \$3,565,000 and principal payments totaling \$3,755,000. Revenue bonds outstanding as of June 30, 2008 were \$28,970,000, which is a decrease of \$600,000 from 2007 which is due to the issuance of revenue refunding bonds Series 2008 totaling \$2,220,000 and principal payments totaling \$2,820,000.

Additional information regarding long-term debt can be found at Note 6 of this report.

**Additional Management Comments**

The slow down in the rate of growth of assets seems to mirror the current malaise in the overall economy. Contributed capital (water assets built by developers and dedicated to the City of Rogers) is down from last year. Income is down, reflecting the downturn in impact fees due to the slow down in the residential home building, and decrease in water sales, due to the cooler and wetter than normal year and overall decrease in consumption. Even though the Rogers Water Department absorbed a 2 percent rate increase from Beaver Water District, expenses shrank slightly, due to the decrease in demand. The slower growth

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in net assets should be compared with past years' growth rates, to see a definite "leveling off" of growth rate. A negative growth rate for fiscal year 2010 is predicted. A water rate increase of 6% next year is indicated based on a study by our rate consultants, HDR Engineering, Inc.



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**Statements of Net Assets**  
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**Assets**

	<u>2009</u>	<u>2008</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,989,521	\$ 1,478,624
Investments	4,479,211	4,662,013
Accounts receivable, net of allowance; 2009 - \$137,000, 2008 - \$110,985	1,208,914	1,284,407
Accrued interest receivable	6,030	50,488
Due from Sewer Department	173,203	-
Inventories	203,540	213,475
Prepaid expenses	<u>23,096</u>	<u>25,646</u>
Total current assets	<u>8,083,515</u>	<u>7,714,653</u>
<b>Investments and Long-term Receivables</b>		
Restricted cash and cash equivalents	323,748	546,061
Investments	6,712,958	10,603,991
Accrued interest receivable	<u>5,586</u>	<u>18,848</u>
Total restricted cash and investments	<u>7,042,292</u>	<u>11,168,900</u>
<b>Property and Equipment, At Cost</b>		
Land	584,040	569,018
Buildings	546,488	544,368
Machinery and equipment	83,059,189	79,262,696
Furniture and fixtures	603,791	609,219
Construction in progress	<u>5,510,379</u>	<u>1,462,494</u>
	90,303,887	82,447,795
Less accumulated depreciation and amortization	<u>15,130,071</u>	<u>13,402,415</u>
Net capital assets	<u>75,173,816</u>	<u>69,045,380</u>
<b>Other Assets</b>		
Other assets	<u>537,234</u>	<u>531,770</u>
Total assets	<u>\$ 90,836,857</u>	<u>\$ 88,460,703</u>

## Liabilities and Net Assets

	<b>2009</b>	<b>2008</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 375,722	\$ 351,769
Accounts payable to construction contractors	658,684	449,041
Accounts payable - other	600,170	572,575
Accrued expenses	275,214	243,160
Bonds payable, current portion	560,000	420,000
Due to Sewer Department	-	59,400
	<hr/>	<hr/>
Total current liabilities	2,469,790	2,095,945
<b>Liabilities Payable From Restricted Assets</b>		
Customer meter deposits	771,666	747,764
Accrued interest payable	213,856	219,920
	<hr/>	<hr/>
Total restricted liabilities	985,522	967,684
<b>Long-term Debt</b>		
Bonds payable, net of unamortized premiums and discounts	28,011,584	28,368,379
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	48,898,488	47,221,045
Restricted	4,297,748	3,768,942
Unrestricted	6,173,725	6,038,708
	<hr/>	<hr/>
Total net assets	59,369,961	57,028,695
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 90,836,857</u>	<u>\$ 88,460,703</u>

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**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>		
Residential water	\$ 3,947,506	\$ 4,144,149
Commercial water	1,649,738	1,754,673
Industrial water	1,103,603	1,170,408
Sprinkler service / hydrant	33,369	32,068
Service charges and penalties	399,829	363,978
Access / impact / new customer fees	377,675	786,030
Other operating revenue	<u>246,259</u>	<u>332,974</u>
Total operating revenues	<u>7,757,979</u>	<u>8,584,280</u>
<b>Operating Expenses</b>		
Water purchased	3,389,460	3,611,543
Plant operations and distribution	1,125,587	1,008,567
General and administrative	884,913	988,639
Depreciation and amortization	<u>1,889,297</u>	<u>1,789,874</u>
Total operating expenses	<u>7,289,257</u>	<u>7,398,623</u>
<b>Operating Income</b>	<u>468,722</u>	<u>1,185,657</u>
<b>Other Revenue (Expense)</b>		
Interest income	335,273	678,034
Gain on disposal of capital assets	4,751	13,166
Interest expense	(1,226,661)	(1,281,135)
Trust fees	<u>(9,800)</u>	<u>(11,123)</u>
Total other revenue (expense)	<u>(896,437)</u>	<u>(601,058)</u>
<b>Income (Loss) Before Capital Contributions</b>	(427,715)	584,599
<b>Capital Contributions</b>	<u>2,768,981</u>	<u>2,902,042</u>
<b>Change in Net Assets</b>	2,341,266	3,486,641
<b>Net Assets, Beginning of Year</b>	<u>57,028,695</u>	<u>53,542,054</u>
<b>Net Assets, End of Year</b>	<u>\$ 59,369,961</u>	<u>\$ 57,028,695</u>

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**Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 6,776,340	\$ 7,033,916
Cash received from access / impact / and new customer fees	377,675	786,030
Cash received from other charges	470,756	729,020
Payments for water	(3,372,413)	(3,615,640)
Payments for salaries and benefits	(1,298,630)	(1,249,776)
Payments to suppliers for goods and services	(632,830)	(745,897)
	<u>2,320,898</u>	<u>2,937,653</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(5,006,381)	(2,696,873)
Cash received from sale of capital assets	4,751	65,166
Proceeds from bond issuance, net	3,489,198	2,180,134
Principal payments on bonds	(3,755,000)	(2,820,000)
Interest and paying agent fees, net of capitalized interest	(1,226,661)	(1,300,924)
	<u>(6,494,093)</u>	<u>(4,572,497)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	387,944	712,347
(Increase) decrease in investments	182,802	(701,869)
Decrease in restricted investments	3,891,033	1,563,426
	<u>4,461,779</u>	<u>1,573,904</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	288,584	(60,940)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,024,685</u>	<u>2,085,625</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,313,269</u>	<u>\$ 2,024,685</u>
<b>Presented on the Statement of Net Assets</b>		
Current assets - cash and cash equivalents	\$ 1,989,521	\$ 1,478,624
Noncurrent assets - restricted cash and cash equivalents	<u>323,748</u>	<u>546,061</u>
	<u>\$ 2,313,269</u>	<u>\$ 2,024,685</u>

See Notes to Financial Statements

	<b>2009</b>	<b>2008</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating Income	\$ 468,722	\$ 1,185,657
Adjustments		
Depreciation and amortization	1,889,297	1,789,874
Changes in		
Accounts receivable	75,493	(35,314)
Inventories	9,935	12,570
Prepays	2,550	2,567
Other assets	(173,203)	-
Accounts payable	51,548	30,881
Accrued expenses	55,956	12,721
Other current assets and liabilities	<u>(59,400)</u>	<u>(61,303)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,320,898</u>	<u>\$ 2,937,653</u>
 <b>Non-Cash Transactions</b>		
Contributed capital	\$ 2,768,981	\$ 2,902,042

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**Note 1: Summary of Significant Accounting Policies**

***Nature of Business***

The City of Rogers, Arkansas operates under a Mayor – Council form of government. Rogers Water Utilities (the Utility) is a blended component unit of the City of Rogers, Arkansas and is governed by the Waterworks and Sewer Commission, which is appointed by the City Council. The Utility operates through two separate departments – the Water Department and the Sewer Department. The Water Department provides water services to the City of Rogers and certain surrounding areas. The City Council approves the rates changes of the Utility. The debt of the Utility is maintained in the name of the City of Rogers, Arkansas.

***Basis of Accounting***

The Rogers Water Utility departments are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as other revenue (expense), but remain a major component of the overall revenues and expenses of the Water Department.

The Water Department prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Water Department has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Water Department considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted of certificates of deposit.

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***Customer Accounts Receivable***

Customer accounts receivable are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of past due accounts. The allowance for uncollectible accounts at June 30, 2009 and 2008 was \$137,000 and \$110,985 respectively.

***Inventory***

Inventory, which consists of construction and maintenance supplies related to the water system, is valued at the lower of cost or market value. Cost is determined on the first-in, first-out (FIFO) basis.

***Investments***

Investments consist of certificates of deposit with original maturities of greater than ninety days and governmental securities. Certificates of deposit are recorded at amortized cost. Governmental securities are recorded at fair market value based on quoted market prices; income related to investments is recorded when earned.

***Property and Equipment***

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

<b>Assets</b>	<b>Years</b>
Structures	5 – 40
Mains and hydrants	50
Water towers	10 – 50
Water service lines	33
Water meters	25
Shop equipment and machinery	3 – 10
Transportation equipment	3 – 10
Two-way radio system	5 – 15
Field equipment	1 – 20
Office equipment	3 – 10

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***Contributed Capital***

The Water Department records all contributed fixed assets at their estimated fair market value at date of contribution as capital contributions in the statements of revenues, expenses and changes in net assets and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of water lines and related system infrastructure. At June 30, 2009 and 2008, cumulative contributed capital amounted to \$30,669,512 and \$27,963,582, respectively.

***Net Assets Classifications***

Net assets is classified and displayed in the following three components:

- *Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- *Unrestricted net assets* – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

***Compensated Absences***

The Water Department’s policies permit employees to earn time off benefits. Expense and the related liability are recognized as time off benefits and are accrued regardless of whether the employee is expected to realize the benefit. Compensated absences are computed using the regular pay rate in effect at the balance sheet date.

***Reclassifications***

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.



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**Note 2: Deposits and Investments**

***Deposits***

The financial institutions holding the Water Department's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At June 30, 2009, the Water Department's interest-bearing cash accounts were within federally insured limits.

State law requires collateralization of all deposits with federal insurance and other acceptable collateral in specific amounts.

***Investments***

The Water Department's investment policies are to comply with the provisions of state statutes which generally require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States Government.

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Water Department's investment policy is to attempt to match investment maturities with cash flow requirements.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Water Department's policy to minimize credit risk losses due to default of security issuers or backers by limiting investments to the safest types of securities. The Water Department's investments consist of certificates of deposits with original maturities of greater than ninety days and securities issued by the U.S. Government.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a failure of the counterparty, the Water Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside part. As of June 30, 2009 and 2008 the Utility was fully collateralized.

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At June 30, 2009, Water Department investments consisted of the following:

	<b>Fair Value</b>	<b>Maturities in Years</b>			
		<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>
Certificates of Deposit	\$ 8,405,142	\$ 8,405,142	\$ -	\$ -	\$ -
U.S. Treasury Obligations	<u>2,787,027</u>	<u>2,787,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,192,169</u>	<u>\$ 11,192,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2008, Water Department investments consisted of the following:

	<b>Fair Value</b>	<b>Maturities in Years</b>			
		<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>
Certificates of Deposit	\$ 8,004,671	\$ 8,004,671	\$ -	\$ -	\$ -
U.S. Treasury Obligations	<u>7,261,333</u>	<u>7,261,333</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,266,004</u>	<u>\$ 15,266,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Included in the following Statement of Net Assets captions:

	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Investments	\$ 4,479,211	\$ 4,662,013
<b>Noncurrent Assets</b>		
Investments	<u>6,712,958</u>	<u>10,603,991</u>
	<u>\$ 11,192,169</u>	<u>\$ 15,266,004</u>

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**Note 3: Due To / From Sewer Department**

The Sewer Department and Water Department of the City of Rogers, Arkansas constitutes the Rogers Water Utilities. Rogers Water Utilities sends a monthly billing statement containing both water and sewer fees to each customer. All moneys are received by the Water Department, which then transfers sewer collections to the Sewer Department. These transactions give rise to receivables / payables between departments. At June 30, 2009 and 2008, amounts due to the Sewer Department from the Water Department were \$0 and \$59,400, respectively. At June 30, 2009 and 2008, amounts due from the Sewer Department to the Water Department were \$173,203 and \$0, respectively.

**Note 4: Restricted Assets**

Restricted assets are held for specific purposes as follows:

	<u>2009</u>	<u>2008</u>
Meter deposits	\$ 944,179	\$ 936,790
Debt service reserve	1,015,511	726,161
Depreciation reserve for additional replacements to the sewer system	3,244,650	2,893,164
Construction	1,819,872	6,491,039
New customer fees collected for additions of property and equipment	12,494	102,898
Accrued interest	<u>5,586</u>	<u>18,848</u>
	<u>\$ 7,042,292</u>	<u>\$ 11,168,900</u>

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**Note 5: Capital Assets**

A summary of the changes in capital assets for the years ended June 30, 2009 and 2008, consisted of the following:

	<u>Balance June 30, 2008</u>	<u>Transfers / Additions</u>	<u>Transfers / Disposals</u>	<u>Balance June 30, 2009</u>
Land	\$ 569,018	\$ 15,022	\$ -	\$ 584,040
Buildings	544,368	2,120	-	546,488
Equipment	51,459,790	1,171,074	(71,950)	52,558,914
Vehicles	448,543	38,219	(52,208)	434,554
Contributed Property	27,963,582	2,705,930	-	30,669,512
Construction in Progress	1,462,494	4,933,519	(885,634)	5,510,379
	<u>82,447,795</u>	<u>8,865,884</u>	<u>(1,009,792)</u>	<u>90,303,887</u>
Less: accumulated depreciation	<u>13,402,415</u>	<u>1,851,814</u>	<u>124,158</u>	<u>15,130,071</u>
	<u>\$ 69,045,380</u>	<u>\$ 7,014,070</u>	<u>\$ (885,634)</u>	<u>\$ 75,173,816</u>

	<u>Balance June 30, 2007</u>	<u>Transfers / Additions</u>	<u>Transfers / Disposals</u>	<u>Balance June 30, 2008</u>
Land	\$ 617,268	\$ 3,750	\$ (52,000)	\$ 569,018
Buildings	543,817	551	-	544,368
Equipment	48,081,245	3,452,766	(74,221)	51,459,790
Vehicles	443,310	14,371	(9,138)	448,543
Contributed Property	25,202,611	2,760,971	-	27,963,582
Construction in Progress	1,899,309	2,574,969	(3,011,784)	1,462,494
	<u>76,787,560</u>	<u>8,807,378</u>	<u>(3,147,143)</u>	<u>82,447,795</u>
Less: accumulated depreciation	<u>11,726,672</u>	<u>1,759,100</u>	<u>83,357</u>	<u>13,402,415</u>
	<u>\$ 65,060,888</u>	<u>\$ 7,048,278</u>	<u>\$ (3,063,786)</u>	<u>\$ 69,045,380</u>

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**Note 6: Long-term Liabilities**

Changes in long-term liabilities for the years ended June 30, 2009 and 2008, consisted of the following:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year	Amounts Due Greater Than One Year
Revenue bonds	\$ 28,970,000	\$ 3,565,000	\$ (3,755,000)	\$ 28,780,000	\$ 560,000	\$ 28,220,000
Less discounts	(257,276)	(93,801)	70,804	(280,273)	-	(280,273)
Add premiums	75,655	-	(3,798)	71,857	-	71,857
Bonds payable, net	<u>\$ 28,788,379</u>	<u>\$ 3,471,199</u>	<u>\$ (3,687,994)</u>	<u>\$ 28,571,584</u>	<u>\$ 560,000</u>	<u>\$ 28,011,584</u>

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Amounts Due Within One Year	Amounts Due Greater Than One Year
Revenue bonds	\$ 29,570,000	\$ 2,220,000	\$ (2,820,000)	\$ 28,970,000	\$ 420,000	\$ 28,550,000
Less discounts	(268,146)	-	10,870	(257,276)	-	(257,276)
Add premiums	73,926	5,120	(3,391)	75,655	-	75,655
Bonds payable, net	<u>\$ 29,375,780</u>	<u>\$ 2,225,120</u>	<u>\$ (2,812,521)</u>	<u>\$ 28,788,379</u>	<u>\$ 420,000</u>	<u>\$ 28,368,379</u>

**Series 2003 Revenue Bonds**

In October 2003, the Water Department issued \$4,125,000 in Revenue Improvement Bonds (Series 2003) at an average rate of 3.6% to finance improvements to the water system, including the cost to construct an 8,000,000-gallon ground water storage tank and pump station. This issue was refunded by the 2008B series bonds.

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***Series 2004 Revenue Bonds***

In December 2004, the Water Department issued \$8,000,000 in Revenue Improvement Bonds (Series 2004) at an average rate of 4.75% to finance general improvements to the water system and related infrastructure; and, to purchase a portion of a commonly owned transmission line shared with the City of Bentonville, Arkansas. The bond matures in fiscal year 2030 with principal payments due in November and interest payments due in November and May of each year. As of June 30, 2009 and 2008 the outstanding principal is \$7,800,000 and \$7,850,000, respectively.

***Series 2006 Revenue Bonds***

In November 2006, the Water Department issued \$15,525,000 in Revenue Improvement Bonds (Series 2006) at an average rate of 4.3% to finance general improvements to the water system and related infrastructure. The bond matures in fiscal year 2037 with principal payments due in November and interest payments due in November and May of each year. As of June 30, 2009 and 2008 the outstanding principal is \$15,270,000 and \$15,400,000, respectively.

***Series 2008 Revenue Refunding Bonds***

In May 2008, the Water Department issued \$2,220,000 in Revenue Refunding Bonds (Series 2008) at an average rate of 3.2% to finance the cost of refunding the Water Revenue Improvement Bonds, Series 1998. This transaction resulted in an economic gain of \$79,791. The bond matures in fiscal year 2019 with principal payments due in November and interest payments due in November and May of each year. As of June 30, 2009 and 2008 the outstanding principal is \$2,145,000 and \$2,220,000, respectively.

***Series 2008B Revenue Refunding Bonds***

In September 2008, the Water Department issued \$3,565,000 in Revenue Refunding Bonds (Series 2008-B) at an average rate of 3.48% to finance the cost of refunding the Water Revenue Bonds, Series 2003. This transaction resulted in an economic gain of \$91,933. The bond matures in fiscal year 2024 with principal and interest payments due in April and October of each year. As of June 30, 2009 and 2008 the outstanding principal is \$3,565,000 and \$0, respectively.

System revenues and all assets are pledged to the bonds outstanding.

The Water Department is required to establish rates sufficient to pay the expenses of operation and maintenance of the water system, make monthly deposits into Bond Funds for repayment obligations which will be due and payable in the forthcoming year, and, to make deposits in an amount equal to 4% of gross water system revenues for the preceding month into the Depreciation Fund. The Water Department was in compliance with all debt covenants for the years ended June 30, 2009 and 2008.

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Principal and interest maturities of the Water Department bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 560,000	\$ 1,210,479	\$ 1,770,479
2011	580,000	1,193,404	1,773,404
2012	590,000	1,175,256	1,765,256
2013	615,000	1,155,798	1,770,798
2014	635,000	1,135,036	1,770,036
2015-2019	3,535,000	5,305,782	8,840,782
2020-2024	4,590,000	4,498,567	9,088,567
2025-2029	5,615,000	3,312,034	8,927,034
2030-2034	7,035,000	1,889,641	8,924,641
2035-2037	5,025,000	336,328	5,361,328
	<u>\$ 28,780,000</u>	<u>\$ 21,212,325</u>	<u>\$ 49,992,325</u>

Total interest costs for the years ended June 30, 2009 and 2008 were \$1,226,661 and \$1,281,135. All of the costs were expenses and none were capitalized.

**Note 7: Public Employees Retirement System (A Defined Benefit Plan)**

***Plan Description***

The Water Department is a participant in the Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing multiple-employer retirement system established by the authority of the Arkansas General Assembly. All employees who work a minimum of eighty hours per month for more than ninety consecutive calendar days receive coverage under the plan. Contribution and benefit provisions are established by state law and may be amended only by the Arkansas General Assembly. General administration and responsibility for the operation of the system is vested in a nine-member Board of Trustees.

Members are eligible for full retirement benefits (1) at age 65 with five years of actual service, (2) at any age with twenty-eight years of actual service, or (3) at age 55 with thirty-five years of service. The member's final average salary and the number of years of service determine the normal retirement benefit which is paid on a monthly basis.

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**June 30, 2009 and 2008**

A member may retire with a reduced benefit, provided they have at least ten years of actual service, if the member is within ten years of their normal retirement age. The plan also provides for disability and survivor benefits.

APERS issues a report which includes financial statements and all required supplementary information. The report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-3777.

***Funding Policy***

The plan, which applies to all persons hired after December 31, 1997, originally did not allow employee contributions. However, Arkansas Act 2084 of 2005 requires that new members of APERS, those becoming members on or after July 1, 2005 contribute 5% of their earnings to the retirement system. The Act also provided an opportunity for those non-contributory members of the System to elect to be contributory provided they did so by December 31, 2005. The Water Department is required to contribute amounts necessary to provide benefits to its employees as provided by state law.

***Contributions Required and Contributions Made***

For 2009 and 2008, the Water Department was required by state law to contribute 11.01% in 2009 and 12.54% in 2008 of the gross salaries of the employees participating in the System. Water Department contributions for the years ended June 30, 2009, 2008 and 2007 were \$103,691, \$116,173 and \$125,341, respectively. Employee contributions for the years ended June 30, 2009 and 2008 were \$7,429 and \$5,738, respectively.

**Note 8: Flexible Benefit Plan**

The City offers all active full-time employees and elected city officials who receive a federal W-2 form the option to participate in a flexible benefit plan administered by the Rogers Water Utilities. This plan was established as a cafeteria plan under Section 125 of the Internal Revenue Code of 1954, as amended, to provide for group medical and dental assistance for its eligible employees and dependents. The plan is funded solely by salary reductions as elected on a voluntary basis by participants. Water Department employee contributions for the years ended June 30, 2009 and 2008 were \$28,662 and \$24,976, respectively.

**Note 9: Deferred Compensation Plan**

The Rogers Water Utilities offers as a benefit to its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, which is available



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to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Plan assets remain the property of the Rogers Water Utilities until paid and are subject only to claims of the Utilities' creditors. Participants' rights under the plan are equivalent to the claims of general creditors of the Rogers Water Utilities in an amount equal to the fair market value of the deferred account for each participant. The Rogers Water Utilities fulfills its fiduciary responsibility by remitting all deferred amounts each pay period to an outside service for investment in a diversified portfolio.

Deferred compensation remitted for investment during the years ended June 30, 2009 and 2008 was \$18,625 and \$18,985, respectively.

At June 30, 2009 and 2008, there were ten and nine employees participating in the plan.

**Note 10: Risk Management**

The Water Department is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Note 11: Related Parties**

The Water Department maintains deposits with banks whose officers serve on the Commission of the Rogers Water Utilities. At June 30, 2009 and 2008, these deposits amounted to \$6,339,667 and \$6,265,741, respectively.

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**June 30, 2009 and 2008**

**Note 12: Significant Estimated and Concentrations**

***Current Economic Conditions***

The current economic environment presents governmental entities with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Water Department.

Current economic conditions and financial market conditions could adversely affect the Water Departments results of operations in future periods. The current instability in the financial markets may make it difficult for certain Water Department customers to honor their water bills, which may significantly impact the volume of future revenues which could have an adverse impact on the Water Departments future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could negatively affect the water funds ability to meet debt covenants or maintain sufficient liquidity.

***Litigation***

In April 2008, a lawsuit was filed against the Utilities in Benton County Circuit Court claiming violations of law including illegal exaction of development impact fees and access fees. The Plaintiffs contend that these fees violate various provisions of Arkansas law and are therefore illegal exactions. Management of the Utilities has and will continue to vigorously defend this action.

***Significant Commitments***

The Water Department is committed to several construction and supply contracts totaling \$1,117,588 as of June 30, 2009. These commitments arose in the normal course of business and are for maintenance, expansion, and office furniture for the newly constructed administration building. All commitments are expected to be paid in full within one year.

**Note 13: Subsequent Event**

The City Council of the City of Rogers, Arkansas approved a rate increase for the Rogers Water Utility of 6% which is effective October 2009.

## **Supplemental Information**

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Schedule of Operating Expenses**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Water Purchased</b>	\$ 3,389,460	\$ 3,611,543
<b>Plant Operations and Distribution</b>		
Salaries	612,547	508,420
Payroll taxes	42,865	37,092
Employee benefits	178,918	164,102
Insurance	18,487	18,702
Repairs and maintenance	160,247	145,477
Utilities	45,154	49,518
Operating supplies and other	67,369	85,256
	<u>1,125,587</u>	<u>1,008,567</u>
<b>General and Administrative</b>		
Salaries	320,280	349,250
Salaries - commissioners	898	923
Payroll taxes	42,301	48,020
Employee benefits	132,875	154,690
Office supplies and postage	83,804	87,096
Insurance	12,081	13,599
Taxes and fees	83,081	78,777
Utilities	17,497	15,229
Professional fees	47,748	106,986
Bad debts	47,538	37,985
Other	96,810	96,084
	<u>884,913</u>	<u>988,639</u>
Depreciation and amortization	<u>1,889,297</u>	<u>1,789,874</u>
Total operating expenses	<u>\$ 7,289,257</u>	<u>\$ 7,398,623</u>

**Water Department**  
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**Water Revenue Bonds – Series 2004**  
**June 30, 2009 and 2008**

Year	Principal	Interest Rate	Interest	Total
2010	\$ 50,000	3.000%	\$ 365,813	\$ 415,813
2011	50,000	3.000%	364,313	414,313
2012	55,000	3.250%	362,669	417,669
2013	60,000	3.250%	360,800	420,800
2014	65,000	3.500%	358,688	423,688
2015	60,000	3.500%	356,500	416,500
2016	70,000	4.000%	354,050	424,050
2017	70,000	4.000%	351,250	421,250
2018	70,000	4.000%	348,450	418,450
2019	80,000	4.000%	345,450	425,450
2020	355,000	4.000%	336,750	691,750
2021	375,000	5.000%	320,275	695,275
2022	390,000	5.000%	301,150	691,150
2023	410,000	5.000%	281,150	691,150
2024	435,000	5.000%	260,025	695,025
2025	765,000	5.000%	230,025	995,025
2026	805,000	4.750%	191,781	996,781
2027	845,000	4.750%	152,594	997,594
2028	885,000	4.750%	111,503	996,503
2029	930,000	4.750%	68,400	998,400
2030	<u>975,000</u>	4.750%	<u>23,156</u>	<u>998,156</u>
Balance June 30, 2009	<u>\$ 7,800,000</u>		<u>\$ 5,844,792</u>	<u>\$ 13,644,792</u>

Dated: December 1, 2004

Payment Dates: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank, Little Rock, Arkansas

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Water Revenue Improvement Bonds – Series 2006**  
**June 30, 2009 and 2008**

Year	Principal	Interest Rate	Interest	Total
2010	\$ 140,000	4.000%	\$ 652,382	\$ 792,382
2011	145,000	4.000%	646,681	791,681
2012	150,000	4.000%	640,780	790,780
2013	155,000	4.000%	634,681	789,681
2014	160,000	4.000%	628,381	788,381
2015	170,000	5.000%	620,931	790,931
2016	175,000	4.000%	613,181	788,181
2017	180,000	4.000%	606,081	786,081
2018	195,000	4.000%	598,581	793,581
2019	200,000	4.000%	590,681	790,681
2020	210,000	4.000%	582,481	792,481
2021	215,000	4.000%	573,981	788,981
2022	225,000	4.125%	565,041	790,041
2023	235,000	4.250%	555,406	790,406
2024	245,000	4.250%	545,206	790,206
2025	255,000	4.250%	534,581	789,581
2026	265,000	4.250%	523,531	788,531
2027	275,000	4.250%	512,056	787,056
2028	290,000	4.250%	500,050	790,050
2029	300,000	4.250%	487,513	787,513
2030	315,000	4.250%	474,444	789,444
2031	1,345,000	4.250%	439,169	1,784,169
2032	1,405,000	4.250%	380,731	1,785,731
2033	1,465,000	4.375%	318,828	1,783,828
2034	1,530,000	4.375%	253,313	1,783,313
2035	1,600,000	4.375%	184,844	1,784,844
2036	1,675,000	4.375%	113,203	1,788,203
2037	1,750,000	4.375%	38,281	1,788,281
Balance June 30, 2009	<u>\$ 15,270,000</u>		<u>\$ 13,815,019</u>	<u>\$ 29,085,019</u>

Dated: November 1, 2006

Payment Dates: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank, Little Rock, Arkansas

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Water Revenue Refunding Bonds – Series 2008**  
**June 30, 2009 and 2008**

Year	Principal	Interest Rate	Interest	Total
2010	\$ 185,000	3.000%	\$ 65,580	\$ 250,580
2011	195,000	3.000%	59,880	254,880
2012	195,000	3.000%	54,027	249,027
2013	205,000	3.000%	48,027	253,027
2014	210,000	3.000%	41,802	251,802
2015	220,000	3.100%	35,242	255,242
2016	220,000	3.250%	28,257	248,257
2017	230,000	3.350%	20,829	250,829
2018	240,000	3.450%	12,836	252,836
2019	<u>245,000</u>	3.550%	<u>4,349</u>	<u>249,349</u>
Balance June 30, 2009	<u>\$ 2,145,000</u>		<u>\$ 370,829</u>	<u>\$ 2,515,829</u>

Dated: May 1, 2008

Payment Dates: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank, Little Rock, Arkansas

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Water Revenue Refunding Bonds – Series 2008B**  
**June 30, 2009 and 2008**

Year	Principal	Interest Rate	Interest	Total
2010	\$ 185,000	2.150%	\$ 126,704	\$ 311,704
2011	190,000	2.300%	122,530	312,530
2012	190,000	2.700%	117,780	307,780
2013	195,000	3.000%	112,290	307,290
2014	200,000	3.200%	106,165	306,165
2015	205,000	3.400%	99,480	304,480
2016	215,000	3.550%	92,179	307,179
2017	220,000	3.650%	84,347	304,347
2018	230,000	3.750%	76,020	306,020
2019	240,000	3.850%	67,088	307,088
2020	245,000	3.950%	57,629	302,629
2021	255,000	4.050%	47,626	302,626
2022	270,000	4.150%	36,860	306,860
2023	280,000	4.250%	25,308	305,308
2024	<u>445,000</u>	4.350%	<u>9,679</u>	<u>454,679</u>
Balance June 30, 2009	<u>\$ 3,565,000</u>		<u>\$ 1,181,685</u>	<u>\$ 4,746,685</u>

Dated: September 30, 2008

Payment Dates: April 1, October 1

Interest Payment Dates: April 1 and October 1

Payable to: Simmons First Trust Co, Pine Bluff, Arkansas



**Water Department**  
**Rogers Water Utilities**  
A Component Unit of the City of Rogers, Arkansas  
**Property, Plant, Equipment and Accumulated Depreciation**  
**June 30, 2009 and 2008**

**Fixed Assets**

Description	Balance June 30, 2008	Transfers / Additions	Transfers / Disposals	Balance June 30, 2009
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office Equipment	609,219	65,213	(70,641)	603,791
Vehicles	448,543	38,219	(52,208)	434,554
Shop Equipment	64,225	2,075	(1,309)	64,991
Field Equipment	630,572	78,197	-	708,769
Radio Equipment	48,862	-	-	48,862
Pumping Equipment	46,143	-	-	46,143
Water Meters	2,032,623	67,994	-	2,100,617
Water Services	1,367,615	-	-	1,367,615
Water Tower	7,485,830	-	-	7,485,830
Main Line	39,174,701	957,595	-	40,132,296
Water Supply Facility	33,233	-	-	33,233
Structures and Parking Lots	511,135	2,120	-	513,255
Easements	295,398	15,022	-	310,420
Contributed Water Main	27,963,582	2,705,930	-	30,669,512
	80,985,301	3,932,365	(124,158)	84,793,508
Construction in Progress	1,462,494	4,933,519	(885,634)	5,510,379
	<u>\$ 82,447,795</u>	<u>\$ 8,865,884</u>	<u>\$ (1,009,792)</u>	<u>\$ 90,303,887</u>

**Accumulated Depreciation**

Description	Balance June 30, 2008	Transfers / Additions	Transfers / Disposals	Balance June 30, 2009
Office Equipment	\$ 472,889	\$ 64,843	\$ (70,641)	\$ 467,091
Vehicles	375,874	33,165	(52,208)	356,831
Shop Equipment	61,197	1,008	(1,309)	60,896
Field Equipment	435,511	53,292	-	488,803
Radio Equipment	48,118	702	-	48,820
Pumping Equipment	30,175	3,652	-	33,827
Water Meters	915,637	75,429	-	991,066
Water Services	932,923	33,452	-	966,375
Water Tower	2,027,614	141,097	-	2,168,711
Main Line	6,335,807	833,351	-	7,169,158
Water Supply Facility	33,233	-	-	33,233
Structures and Parking Lots	410,307	19,970	-	430,277
Contributed Water Main	1,323,130	591,853	-	1,914,983
	<u>\$ 13,402,415</u>	<u>\$ 1,851,814</u>	<u>\$ (124,158)</u>	<u>\$ 15,130,071</u>

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Property, Plant, Equipment and Accumulated Depreciation**  
**June 30, 2009 and 2008**

**Fixed Assets**

Description	Balance June 30, 2007	Transfers / Additions	Transfers / Disposals	Balance June 30, 2008
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office Equipment	600,970	42,737	(34,488)	609,219
Vehicles	443,310	14,371	(9,138)	448,543
Shop Equipment	64,225	-	-	64,225
Field Equipment	558,771	111,534	(39,733)	630,572
Radio Equipment	48,862	-	-	48,862
Pumping Equipment	46,143	-	-	46,143
Water Meters	1,982,299	50,324	-	2,032,623
Water Services	1,367,615	-	-	1,367,615
Water Tower	7,485,830	-	-	7,485,830
Main Line	35,926,530	3,248,171	-	39,174,701
Water Supply Facility	33,233	-	-	33,233
Structures and Parking Lots	510,584	551	-	511,135
Easements	343,648	3,750	(52,000)	295,398
Contributed Water Main	25,202,611	2,760,971	-	27,963,582
	74,888,251	6,232,409	(135,359)	80,985,301
Construction in Progress	1,899,309	2,574,969	(3,011,784)	1,462,494
	<u>\$ 76,787,560</u>	<u>\$ 8,807,378</u>	<u>\$ (3,147,143)</u>	<u>\$ 82,447,795</u>

**Accumulated Depreciation**

Description	Balance June 30, 2007	Transfers / Additions	Transfers / Disposals	Balance June 30, 2008
Office Equipment	\$ 445,910	\$ 61,467	\$ (34,488)	\$ 472,889
Vehicles	345,815	39,197	(9,138)	375,874
Shop Equipment	60,291	906	-	61,197
Field Equipment	430,466	44,776	(39,731)	435,511
Radio Equipment	45,176	2,942	-	48,118
Pumping Equipment	26,524	3,651	-	30,175
Water Meters	841,994	73,643	-	915,637
Water Services	898,923	34,000	-	932,923
Water Tower	1,885,944	141,670	-	2,027,614
Main Line	5,540,696	795,111	-	6,335,807
Water Supply Facility	33,233	-	-	33,233
Structures and Parking Lots	388,986	21,321	-	410,307
Contributed Water Main	782,714	540,416	-	1,323,130
	<u>\$ 11,726,672</u>	<u>\$ 1,759,100</u>	<u>\$ (83,357)</u>	<u>\$ 13,402,415</u>

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Schedule of Water System Rates**  
**Years Ended June 30, 2009 and 2008**

<b>Monthly Water Rates for Customers</b>	<b>Inside City</b>	<b>Outside City</b>
First 1,500 gallons or portion thereof	\$ 5.60 minimum	\$ 7.28 minimum
Next 98,500 gallons	\$ 2.40 / thousand	\$ 3.12 / thousand
Next 400,000 gallons	\$ 2.12 / thousand	\$ 2.76 / thousand
Next 500,000 gallons	\$ 1.94 / thousand	\$ 2.52 / thousand
All in excess of 1,000,000 gallons	\$ 1.84 / thousand	\$ 2.39 / thousand

**Water Department**  
**Rogers Water Utilities**  
A Component Unit of the City of Rogers, Arkansas  
Schedule of Water Customers  
Years Ended June 30, 2009 and 2008

<b>Water Customer Classifications</b>	<b>2009</b>	<b>2008</b>
Residential customers	24,621	24,465
Commercial customers	2,361	2,355
Industrial customers	<u>49</u>	<u>48</u>
Total	<u><u>27,031</u></u>	<u><u>26,868</u></u>

**Water Department**  
**Rogers Water Utilities**  
**A Component Unit of the City of Rogers, Arkansas**  
**Schedule of Billable Gallons**  
**Years Ended June 30, 2009 and 2008**

<b>Billable Gallons Classifications</b>	<b>2009</b>	<b>2008</b>
Residential customers	1,273,209,300	1,354,026,500
Commercial customers	576,456,200	621,905,400
Industrial customers	<u>567,664,500</u>	<u>587,912,400</u>
Total	<u><u>2,417,330,000</u></u>	<u><u>2,563,844,300</u></u>

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Waterworks and Sewer Commission  
Rogers Water Utilities  
Rogers, Arkansas

We have audited the basic financial statements of the Water Department of Rogers Water Utilities a component unit of the City of Rogers, Arkansas, as of and for the year ended June 30, 2009, and have issued our report dated September 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Water Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Water Department's ability to initiate, 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 Water Department's financial statements that is more than inconsequential will not be prevented or detected by the Water Department's internal control.

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 Water Department's internal control.

Our consideration of 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 consider to be material weaknesses as defined above.

To the Waterworks and Sewer Commission  
Rogers Water Utilities  
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Waterworks and Sewer Commission, and others within the Water Department and is not intended and should not be used by anyone other than these specified parties.

BKD, LLP

September 3, 2009