

**ROGERS WATER UTILITIES  
WATER DEPARTMENT  
FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
JUNE 30, 2014 AND 2013  
TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	11
Statements of Revenues, Expenses and Changes in Net Position.....	13
Statements of Cash Flows .....	14
Notes to Financial Statements .....	16
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Operating Expenses .....	31
Schedules of Principal and Interest Payments:	
Water Revenue Improvement Bonds – Series 2006.....	32
Water Revenue Refunding Bonds – Series 2008 .....	33
Water Revenue Refunding Bonds – Series 2008B.....	34
Water Revenue Refunding Bonds – Series 2012 .....	35
Schedules of Fixed Assets .....	36
Schedule of Water System Rates.....	38
Schedules of Water Customers.....	39
Schedules of Billable Gallons .....	40
<b>INDEPENDENT AUDITORS' 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</b> .....	41

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **Rogers Water Utilities Water Department** ("the Water Department"), a component unit of the City of Rogers, Arkansas, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements which collectively comprise the Water Department's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Water Department's 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider internal control relevant to the Water Department'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 Water Department'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 opinion.

### ***Opinion***

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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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 the City of Rogers, Arkansas, and the changes in their financial position, or, where applicable, their cash flows in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the Water Department's basic financial statements. The supplementary information, as listed in

the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 as of and for the years ended June 30, 2014 and 2013. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated August 15, 2014 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 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 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* in considering the Water Department's internal control over financial reporting and compliance.

*Beall Barclay & Company, PLC*

**BEALL BARCLAY & COMPANY, PLC**  
Certified Public Accountants

Rogers, Arkansas  
August 15, 2014

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014, 2013, AND 2012**

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, 2014, 2013 and 2012. 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 position increased by \$1,105,000 or 1.8%, over fiscal year 2013. Net position increased by \$1,222,000 or 2.0% in fiscal year 2013 over 2012.
- Water Department operating revenues decreased by \$91,000, or 1.0% from 2013. Operating Revenues decreased \$28,000 or .3% in 2013 over 2012.
- Operating expenses increased by \$131,000, or 1.7% from 2013. Operating Expenses increased \$37,000, or .5% in 2013 over 2012.
- Net Assets increased by \$243,000 before capital contributions during fiscal year 2014. In fiscal year 2013, net position before capital contributions increased by \$440,000.

**Rogers Water Department Fiscal Year 2014 Highlights**

- Exceeded budgeted operating results by \$221,000. Fell short of matching prior year operating results.
- While the number of customers increased by 728 or 2.5% from the prior year, overall billed water consumption decreased 3.9% for fiscal year 2014.
- Commenced the search for a new Utility Superintendent with the appointment of Earl Rausch. Rausch has over 15 years of service with RWU. He is a licensed Professional Engineer and has treatment and distribution licenses for both water and sewer with the State of Arkansas.
- Entered into a cost-sharing agreement with the City of Rogers for Human Resource Services.
- Appointed Deputy City Attorney, Chris Griffin, as attorney due to Deputy Attorney, Jim Clark's retirement from the City of Rogers.
- Focused on the Utility goal of debt-reduction by continuing to decrease outstanding debt.
- Conducted a professional wage comparison survey to ensure Utility wages are comparable to industry and area standards.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014, 2013, AND 2012**

**Rogers Water Department Fiscal Year 2013 Highlights**

- Exceeded budgeted operating results with the help of a dry fall. Fell slightly short of matching prior year operating results.
- Completed the remodeling of the utility training center and record retention/storage facility.
- While the number of customers increased by 636 or 2.24% from the prior year, overall billed water consumption decreased 1.0% for fiscal year 2013.
- The search for a new Utility Superintendent continues due to the retirement of the former superintendent after 28 years of service.
- Revenue from access and impact fees exceeded both the prior year and budgeted amounts. New construction in Rogers appears to be recovering after being sluggish during the recession.
- Absorbed a \$.02/1000 gallons rate increase from Beaver Water District for bulk water purchases.
- Implemented GASB 65.

**Rogers Water Department Fiscal Year 2012 Highlights**

- Exceeded budgeted and prior year operating results with the help of a dry fall, spring and summer.
- Completed the remodeling of the old administration building which provided better employee working conditions, better customer service, and employee safety.
- Performed an internally prepared rate study which indicated a rate increase is necessary in the near future.
- While the number of customers increased by only 430 or 1.54% from the prior year, overall billed water consumption increased by 10.4% for fiscal year 2012.
- Refunded the 2004 Revenue Improvement Bonds and issued \$8,505,000 of 2012 Revenue Refunding Bonds. This resulted in an "in-substance defeasance" of the 2004 Bonds, and a net present value benefit of \$480,000.
- Began the search for a new Utility Superintendent due to the retirement of the former superintendent after 28 years of service.
- Revenue from access and impact fees fell below both the prior year and budgeted amounts. New construction in Rogers continues to be sluggish.
- Absorbed a \$.02/1000 gallons rate increase from Beaver Water District for bulk water purchases.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014, 2013, AND 2012**

**Using This Annual Report**

The Water Department's financial statements consist of three statements - a statement of net position; a statement of revenues, expenses and changes in net position; 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.



**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014, 2013, AND 2012**

**Financial Highlights**

**Assets, Liabilities and Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Total current assets	\$ 10,913,738	\$ 10,725,780	\$ 10,312,314
Restricted cash and investments	6,246,564	6,462,471	5,980,201
Other noncurrent assets	<u>74,685,644</u>	<u>74,055,077</u>	<u>74,403,209</u>
Total assets	<u>\$ 91,845,946</u>	<u>\$ 91,243,328</u>	<u>\$ 90,695,724</u>
<b>Deferred Outflows of Resources</b>			
Deferred bond refunding costs	<u>\$ 742,571</u>	<u>\$ 791,000</u>	<u>\$ 839,428</u>
<b>Liabilities</b>			
Total current liabilities	\$ 2,307,955	\$ 2,154,645	\$ 2,187,204
Liabilities payable from restricted assets	1,091,173	1,070,273	1,061,042
Noncurrent liabilities	<u>25,654,748</u>	<u>26,379,381</u>	<u>27,079,012</u>
Total liabilities	<u>\$ 29,053,876</u>	<u>\$ 29,604,299</u>	<u>\$ 30,327,258</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	\$ 48,976,289	\$ 47,654,811	\$ 47,387,974
Restricted	5,155,391	5,392,198	4,919,159
Unrestricted	<u>9,402,961</u>	<u>9,383,020</u>	<u>8,900,761</u>
Total net position	<u>\$ 63,534,641</u>	<u>\$ 62,430,029</u>	<u>\$ 61,207,894</u>
<b>Operating Results and Changes in Net Position</b>			
Operating revenues	<u>\$ 9,327,316</u>	<u>\$ 9,418,426</u>	<u>\$ 9,447,017</u>
<b>Operating expenses</b>			
Depreciation	2,116,383	2,074,703	2,100,290
Other operating expenses	<u>5,931,164</u>	<u>5,841,541</u>	<u>5,779,255</u>
Total operating expenses	<u>8,047,547</u>	<u>7,916,244</u>	<u>7,879,545</u>
Operating income	<u>1,279,769</u>	<u>1,502,182</u>	<u>1,567,472</u>
<b>Other revenues (expenses)</b>			
Interest expense	(1,077,610)	(1,098,553)	(1,166,956)
Other income (expenses)	<u>40,685</u>	<u>36,286</u>	<u>59,104</u>
Total other revenues (expenses)	<u>(1,036,925)</u>	<u>(1,062,267)</u>	<u>(1,107,852)</u>
Change in net position before capital contributions	242,844	439,915	459,620
Capital Contributions	<u>861,768</u>	<u>782,220</u>	<u>200,633</u>
Change in Net Assets	1,104,612	1,222,135	660,253
Net Position, Beginning of Year	<u>62,430,029</u>	<u>61,207,894</u>	<u>60,547,641</u>
Net Position, End of Year	<u>\$ 63,534,641</u>	<u>\$ 62,430,029</u>	<u>\$ 61,207,894</u>

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014, 2013, AND 2012**

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2014, the Water Department's investment in capital assets was \$74,623,000 (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, machinery and equipment, and contributed property.

**Major capital asset events include the following:**

- Construction costs of \$1,512,000 were incurred on a variety of construction projects during 2014. \$653,000 of constructed assets were completed and placed in service, consisting mostly of water main construction and rehabilitation projects. In addition, \$785,000 of water mains constructed by developers was 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 2013, the Water Department had construction of \$673,000 and contributed capital of \$727,000, and in 2012 construction of \$899,000 and contributed capital of \$161,000.
- Capital expenditures for additions and improvements to the Water Department, in addition to the constructed assets, were \$489,000 in 2014, as compared to \$366,000 in 2013 and \$232,000 in 2012.

Additional information regarding capital assets can be found on Note 8 of this report.

**Long-Term Debt**

The Water Department had \$26,565,000 in revenue bonds outstanding as of June 30, 2014, which is a decrease of \$710,000 from 2013. The decrease is due to scheduled principal payments. Revenue bonds outstanding as of June 30, 2013 were \$27,275,000 which was a decrease of \$635,000 from 2012. Additional information regarding long-term debt can be found in Note 9 of this report.

**Additional Management Comments**

Water consumption in fiscal year 2014 was 3.9% less than the previous year. Wetter weather was the major contributor to the overall decrease in water consumption. This, of course, has impacted the bottom line, resulting in operating income less than fiscal year 2013, while still exceeding the budget. The focus on controlling expenses continues.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014, 2013, AND 2012**

Also of significance to the Rogers Water Department during fiscal year 2014 was the appointment of Earl Rausch, Utility Engineer, as the Utility Superintendent. Mr. Rausch served as Interim Superintendent since July 2013 and was appointed to the permanent position by the Waterworks and Sewer Commission in March 2014.

The Rogers Water Department funded capital improvements out of reserves in fiscal year 2014. Significant projects in process at the end of the year include the Price Lane replacement and Monte Ne Road improvements. Major projects expected in fiscal year 2015 include water main projects for City of Rogers street projects.

Looking ahead, the source of water for all Northwest Arkansas, Beaver Lake, appears to be in good shape, with reserves adequate to meet current needs without additional rate increases at this time. Our water wholesaler, Beaver Water District, is poised to meet the demand of Rogers Water Utility water customers for maximum daily demand twenty years hence. Beaver Water District has implemented a series of rate increases which have not been passed along to our customers. An internal rate study was completed by Utility personal during fiscal year 2012. It indicated a rate increase is necessary in the near future. The drought conditions of the previous few years have helped delay a rate increase for the time being. However, 2014 has proven to be wetter than normal and additional work on rate studies may be eminent.

The distribution system, storage, and metering systems in Rogers are fairly up-to-date and able to meet anticipated demands. The water distribution system is able to deliver water in sufficient quantities to those who demand it. New construction in Rogers seems to be increasing. Financial reserves appear to be sufficient to enable the Rogers Waterworks and Sewer Commission and Rogers Water Utilities staff to meet most future contingencies.

Water quality issues continue to challenge Beaver Water District and the four cities of Northwest Arkansas that are their customers. Disinfection By-products Rule Phase II Total Trihalomethane (TTHM) and Total Haloacetic Acid (THAA) regulations became effective January 1, 2013. Beaver Water District has changed its process to Chlorine Dioxide pre-treatment to reduce the production of these pollutants during the treatment process. The individual cities of NWA will ultimately be responsible for adhering to a these regulations and all provisions of the Safe Drinking Water Act. The Arkansas Department of Health is providing classes for continuing education and training to assist the Cities in compliance with these standards.

Also, new requirements regarding the replacement of brass water meters have been enforced in order to comply with the "Reduction of Lead in Drinking Water Act." Effective January 1, 2014 brass meters are no longer allowed to be placed in the

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014, 2013, AND 2012**

ground. Brass meters already in service will be allowed to continue in service, but, if they are physically removed for any purpose they cannot be reinstalled. They must be replaced with composite or no lead brass meters. Over the next eight to ten years Rogers Water Department plans to change out all noncompliant meters in our system.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,757,815	\$ 2,887,015
Investments	6,400,485	6,115,462
Accounts receivable, net of allowance for doubtful accounts of \$186,000 and \$192,500, respectively	1,394,139	1,426,991
Accrued interest receivable	144	1,261
Due from sewer department	90,550	37,077
Inventory	246,235	235,251
Prepaid expenses	<u>24,370</u>	<u>22,723</u>
 Total Current Assets	 <u>10,913,738</u>	 <u>10,725,780</u>
 <b>RESTRICTED CASH AND INVESTMENTS</b>		
Restricted cash and cash equivalents	537,559	606,331
Investments	5,708,796	5,855,932
Accrued interest receivable	<u>209</u>	<u>208</u>
 Total Restricted Cash and Investments	 <u>6,246,564</u>	 <u>6,462,471</u>
 <b>FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION</b>		
	<u>74,623,466</u>	<u>73,953,192</u>
 <b>OTHER ASSETS</b>		
Forbearance agreement receivable	<u>62,178</u>	<u>101,885</u>
 Total Assets	 91,845,946	 91,243,328
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred bond refunding costs	<u>742,571</u>	<u>791,000</u>
 Total assets and deferred outflow of resources	 <u>\$ 92,588,517</u>	 <u>\$ 92,034,328</u>

See Independent Auditors' Report and Notes to Financial Statements.

## LIABILITIES AND NET POSITION

	2014	2013
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 385,119	\$ 428,144
Accounts payable to construction contractors	142,994	3,500
Accounts payable - other	679,162	717,916
Accrued expenses	324,798	246,317
Current portion of bonds payable	735,000	710,000
Accrued vouchers	40,882	48,768
	<u>2,307,955</u>	<u>2,154,645</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer meter deposits	913,879	888,913
Accrued interest payable	177,294	181,360
	<u>1,091,173</u>	<u>1,070,273</u>
<b>BONDS PAYABLE, NET OF UNAMORTIZED PREMIUMS AND DISCOUNTS</b>	<u>25,654,748</u>	<u>26,379,381</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	48,976,289	47,654,811
Restricted	5,155,391	5,392,198
Unrestricted	9,402,961	9,383,020
	<u>63,534,641</u>	<u>62,430,029</u>
Total Liabilities and Net Position	<u>\$ 92,588,517</u>	<u>\$ 92,034,328</u>

See Independent Auditors' Report and Notes to Financial Statements.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>OPERATING REVENUES</b>		
Residential water	\$ 4,929,536	\$ 5,022,704
Commercial water	2,108,443	2,105,795
Industrial water	891,909	958,390
Sprinkler service / hydrant	38,709	37,845
Service charges and penalties	484,921	441,473
Access / impact / new customer fees	610,050	554,225
Other operating revenue	<u>263,748</u>	<u>297,994</u>
 Total Operating Revenues	 <u>9,327,316</u>	 <u>9,418,426</u>
<b>OPERATING EXPENSES</b>		
Water purchased	3,950,494	4,004,682
Plant operations and distribution	1,145,869	1,029,264
General and administrative	834,801	807,595
Depreciation	<u>2,116,383</u>	<u>2,074,703</u>
 Total Operating Expenses	 <u>8,047,547</u>	 <u>7,916,244</u>
<b>OPERATING INCOME</b>	 <u>1,279,769</u>	 <u>1,502,182</u>
<b>OTHER REVENUES (EXPENSES)</b>		
Interest income	39,349	40,469
Gain on disposal of fixed assets	12,336	6,617
Interest expense	(1,077,610)	(1,098,553)
Trustee fees	<u>(11,000)</u>	<u>(10,800)</u>
 Total Other Revenues (Expenses)	 <u>(1,036,925)</u>	 <u>(1,062,267)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	 242,844	 439,915
<b>CAPITAL CONTRIBUTIONS</b>	 <u>861,768</u>	 <u>782,220</u>
<b>CHANGE IN NET POSITION</b>	 1,104,612	 1,222,135
<b>NET POSITION, BEGINNING OF YEAR</b>	 <u>62,430,029</u>	 <u>61,207,894</u>
<b>NET POSITION, END OF YEAR</b>	 <u>\$ 63,534,641</u>	 <u>\$ 62,430,029</u>

See Independent Auditors' Report and Notes to Financial Statements.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 8,001,449	\$ 8,382,743
Cash received from access, impact and new customer fees	601,578	539,491
Cash received from service charges, penalties and other operating revenue	773,635	760,891
Payments for water	(3,987,335)	(4,076,686)
Payments for salaries and benefits	(1,176,184)	(1,176,846)
Payments to suppliers for goods and services	<u>(836,461)</u>	<u>(483,939)</u>
Net Cash From Operating Activities	<u>3,376,682</u>	<u>3,945,654</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures	(1,785,395)	(1,043,568)
Cash received from sale of fixed assets	12,336	6,617
Principal payments on bonds	(710,000)	(635,000)
Interest and paying agent fees, net of capitalized interest	(1,033,880)	(1,062,749)
Collections of forbearance agreement	<u>39,707</u>	<u>38,766</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,477,232)</u>	<u>(2,695,934)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	40,465	41,140
Net change in investments	(285,023)	(456,765)
Net change in restricted investments	<u>147,136</u>	<u>(115,050)</u>
Net Cash (Used for) Investing Activities	<u>(97,422)</u>	<u>(530,675)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(197,972)	719,045
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,493,346</u>	<u>2,774,301</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,295,374</u>	<u>\$ 3,493,346</u>
<b>CASH AND CASH EQUIVALENTS</b>	\$ 2,757,815	\$ 2,887,015
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>	<u>537,559</u>	<u>606,331</u>
	<u>\$ 3,295,374</u>	<u>\$ 3,493,346</u>

See Independent Auditors' Report and Notes to Financial Statements.



	2014	2013
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating Income	<u>\$ 1,279,769</u>	<u>\$ 1,502,182</u>
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	2,116,383	2,074,703
Allowance for doubtful accounts	6,500	(500)
Redeemed vouchers	(8,472)	(14,734)
Changes in assets and liabilities:		
Accounts receivable	26,352	258,509
Inventory	(10,984)	7,162
Prepaid expenses	(1,647)	(3,460)
Accounts payable - trade and other	(81,779)	(29,714)
Accrued expenses	103,447	15,859
Due to/from sewer department	<u>(52,887)</u>	<u>135,647</u>
Total adjustments	<u>2,096,913</u>	<u>2,443,472</u>
Net Cash From Operating Activities	<u><u>\$ 3,376,682</u></u>	<u><u>\$ 3,945,654</u></u>
<b>OTHER NONCASH TRANSACTIONS</b>		
Capital contributions	<u><u>\$ 861,768</u></u>	<u><u>\$ 782,220</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity - Water Department***

The City of Rogers, Arkansas was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. Rogers Water Utilities (the Utilities) 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 Utilities operate 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 rate changes of the Utilities. The debt of the Utilities is maintained in the name of the City of Rogers, Arkansas.

***Fund Type***

The Water Department is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Basis of Accounting***

The financial statements are presented 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 of the Water Department. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Water Department.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Water Department applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Use of Estimates***

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions 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 expenditures during the reporting period. Actual results could differ from those estimates.

***Inventory***

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of construction and maintenance supplies related to the water system.

***Cash Equivalents***

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. At June 30, 2014 and 2013, the Water Department had no cash equivalents.

***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 which approximates fair value. Governmental securities are recorded at fair market value based on quoted market prices. Income related to investments is recorded when earned.

***Accounts Receivable***

Accounts receivable relate to water and trash service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a ten percent penalty. Customers are required to make a deposit, and deposits can be offset against the receivable.

***Subsequent Events***

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Long-Lived Assets***

The Water Department reviews long-lived assets and certain identifiable intangibles held and used by the Water Department for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended June 30, 2014 and 2013, this review has not materially affected the Water Department’s reported earnings, financial position or results of operations.

***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 Position and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of water lines and related infrastructure. At June 30, 2014 and 2013, cumulative contributed capital fixed assets amounted to approximately \$34,088,000 and \$33,303,000, respectively.

***Fixed Assets***

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Structures	5 - 40 years
Mains and hydrants	50 years
Water towers	5 - 50 years
Water service lines	33 years
Water meters	20 - 25 years
Shop equipment and machinery	3 - 10 years
Transportation equipment	3 - 10 years
Two-way radio system	5 - 15 years
Field equipment	1 - 20 years
Office equipment	3 - 10 years

The Water Department’s capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year. The cost basis of fully depreciated property and equipment still in use by the Water Department at June 30, 2014 and 2013 amounted to approximately \$4,243,000 and \$4,102,000, respectively.

***Amortization of Bond Discounts and Premiums***

Bond discounts and premiums are amortized over the lives of the related bond issues. Amortization expense of \$10,367 and \$10,369, respectively, for the years ended June 30, 2014 and 2013 is included as a component of interest expense.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Amortization of Deferred Bond Refunding Costs***

The deferred bond refunding cost associated with the 2012 Water Revenue Refunding Bonds is amortized over the life of the related bond issue (See Note 9). Amortization expense of \$48,429 and \$48,428, respectively, for the years ended June 30, 2014 and 2013 is included as a component of interest expense.

***Deferred Inflows and Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Water Department only has one item that qualifies for reporting in this category. It is the deferred outflow of resources on the bond refunding costs reported in the statement of net position. A deferred outflow on bond refunding costs results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Water Department has no items that qualify for reporting in this category.

***Current Accounting Developments***

In June 2012, the GASB issued Statement Number 67 (GASB 67), Financial Reporting for Pension Plans – An amendment of GASB Statement No.25, effective for periods beginning after June 15, 2013. GASB 67 is intended to improve the accounting and financial reporting for public employee pensions by state and local governments. GASB 67 replaces the requirements of GASB Statement No. 25 and GASB Statement No. 50, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

In June 2012, the GASB issued Statement Number 68 (GASB 68), Accounting and Financial Reporting for Pensions, effective for periods beginning after June 15, 2014. GASB 68 is intended to improve the accounting and financial reporting for public employee pensions by state and local governments. GASB 68 replaces the requirements of GASB Statement No. 27 and GASB Statement No. 50, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Current Accounting Developments - Continued***

In April 2013, the GASB issued Statement Number 70 (GASB 70), Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for periods beginning after June 15, 2013. GASB 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

In November 2013, the GASB issued Statement Number 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, effective for fiscal years beginning after June 15, 2014. GASB 71 is intended to improve the accounting and financial reporting for public employee pensions by state and local governments. GASB 71 amends GASB Statement No. 68 as it relates to initial recognition of deferred inflows of resources and deferred outflows of resources related to pension plans.

Management is currently evaluating the impact of implementation of these statements to the financial statements of the Water Department and does not expect the implementation of these statements to significantly impact the financial statements of the Water Department.

***Compensated Absences***

The Water Department's policies permit employees to earn time off benefits. The expense and related liability are recognized and accrued regardless of whether the employee is expected to realize the benefit. Compensated absences are computed using the regular pay rate in effect at June 30, 2014 and 2013.

***Net Position Classifications***

Net position 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 position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Water Department's policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 2: DEPOSITS IN FINANCIAL INSTITUTIONS**

Deposits in financial institutions are financial instruments that could potentially subject the Water Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At June 30, 2014, the Water Department had approximately \$3,442,000 in deposit balances reported as cash and cash equivalents in the Statements of Net Position, of which approximately \$703,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities' name. Additionally, the Water Department had approximately \$10,737,000 in certificates of deposit reported as investments in the Statements of Net Position, of which approximately \$9,530,000 were FDIC insured and the remaining balances were collateralized by securities held by the bank in the Utilities' name.

**NOTE 3: DUE TO/FROM SEWER DEPARTMENT**

The Sewer Department and the Water Department of the City of Rogers, Arkansas constitute the Rogers Water Utilities. Rogers Water Utilities sends a monthly billing statement containing both water and sewer fees to each customer. All monies are received by the Water Department, which then transfers sewer collections to the Sewer Department. Additionally, all operating expenses are paid from one bank account and allocated to the appropriate department. These transactions give rise to receivables and payables between the departments. In addition, see Note 13 for details regarding the impact of voucher redemptions on the due to/due from Sewer Department balance. The balances as of June 30, 2014 and 2013 are shown in the Statements of Net Position under the caption "Due from sewer department."

**NOTE 4: RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments are held for specific purposes at June 30, 2014 and 2013 as follows:

	<b>2014</b>	<b>2013</b>
Meter deposits	\$ 1,058,486	\$ 1,115,964
Debt service reserve	1,169,507	1,137,066
Depreciation reserve for additional replacements to the water system	3,751,461	4,050,148
Construction	63,793	63,602
New customer fees collected for additions of fixed assets	203,108	95,483
Accrued interest	209	208
	<u>\$ 6,246,564</u>	<u>\$ 6,462,471</u>

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5: 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 6: FORBEARANCE AGREEMENT RECEIVABLE**

In September of 2006, the Utilities and a commercial developer entered into a cost sharing agreement for the construction of water and sewer mains to a commercial development. During the year ended June 30, 2010, the Utilities entered into a forbearance agreement with the developer. Under the terms of the agreement, the developer will pay \$311,974 of cost sharing, in monthly installments of \$5,000, bearing interest at 5% per year, with a lump sum of \$198,100 due July 1, 2012. In June 2012, the Utilities and the developer entered into an extension agreement for payment of the \$198,100 lump sum. The extension agreement provides for monthly installments of \$5,000, bearing interest at 3½% per year and amortized to December 2015. The balance of \$62,178 and \$101,885, reported in the Statements of Net Position as of June 30, 2014 and 2013, respectively, represents the Water Department's share of the forbearance agreement receivable.

**NOTE 7: 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 deposit with original maturities of greater than ninety days and less than one year and securities issued by the United States 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 possession of an outside party. As of June 30, 2014, investments of the Water Department were fully collateralized or insured.



**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 7: INVESTMENTS – CONTINUED**

At June 30, 2014 and 2013, the Water Department's investments consisted of \$10,736,666 and \$10,738,845, respectively, held in certificates of deposit and \$1,372,615 and \$1,232,549, respectively, held in United States government securities. All investments at June 30, 2014 and 2013 had maturities of less than one year.

**NOTE 8: CHANGES IN FIXED ASSETS**

	<b>Balance June 30, 2013</b>	<b>Transfers/ Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2014</b>
Land	\$ 605,510	\$ -	\$ -	\$ 605,510
Buildings	1,679,699	-	(1,980)	1,677,719
Equipment	60,755,450	1,101,345	(200,625)	61,656,170
Vehicles	384,827	41,177	(40,965)	385,039
Contributed property	33,302,530	785,291	-	34,087,821
Construction in progress	6,819	1,512,047	(653,203)	865,663
	96,734,835	3,439,860	(896,773)	99,277,922
Accumulated depreciation	(22,781,643)	(2,116,383)	243,570	(24,654,456)
	<u>\$ 73,953,192</u>	<u>\$ 1,323,477</u>	<u>\$ (653,203)</u>	<u>\$ 74,623,466</u>
	<b>Balance June 30, 2012</b>	<b>Transfers/ Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2013</b>
Land	\$ 605,510	\$ -	\$ -	\$ 605,510
Buildings	1,545,436	134,263	-	1,679,699
Equipment	59,931,860	925,402	(101,812)	60,755,450
Vehicles	395,607	17,084	(27,864)	384,827
Contributed property	32,575,710	726,820	-	33,302,530
Construction in progress	45,051	672,803	(711,035)	6,819
	95,099,174	2,476,372	(840,711)	96,734,835
Accumulated depreciation	(20,836,616)	(2,074,703)	129,676	(22,781,643)
	<u>\$ 74,262,558</u>	<u>\$ 401,669</u>	<u>\$ (711,035)</u>	<u>\$ 73,953,192</u>

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9: BONDS PAYABLE**

***Series 2006 Revenue Improvement 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, 2014 and 2013, the outstanding principal was \$14,520,000 and \$14,680,000, 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, 2014 and 2013, the outstanding principal was \$1,155,000 and \$1,365,000, respectively.

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

In September 2008, the Water Department issued \$3,565,000 in Revenue Refunding Bonds (Series 2008B) at an average rate of 3.48% to finance the cost of refunding the Water Revenue Improvement 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, 2014 and 2013, the outstanding principal was \$2,605,000 and \$2,805,000, respectively.

***Series 2012 Water Revenue Refunding Bonds***

On April 18, 2012, the Water Department issued \$8,505,000 in Water Revenue Refunding Bonds (Series 2012) with an average interest rate of 3.13% to advance refund \$7,645,000 of outstanding Water Revenue Improvement Bonds, Series 2004 with an average interest rate of 4.75%. The net proceeds of \$8,456,998 (after payment of bond issuance costs and other costs) were deposited in an irrevocable trust with an escrow agent and were used to purchase U.S. government securities. The trust will provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Water Department's Statements of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$847,499. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense over the life of the bonds using the straight-line method. The Water Department completed the advance refunding to reduce its total debt service payments over the next 18 years by \$610,822 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$480,287. As of June 30, 2014 and 2013, the outstanding principal was \$8,285,000 and \$8,425,000, respectively.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9: BONDS PAYABLE – CONTINUED**

***All Bond Issues***

System revenues and all assets are pledged to the bonds outstanding. The debt service coverage ratio, calculated as described in the Series 2008 bond documents, as of June 30, 2014 and 2013 is 1.95 and 2.25, respectively. Total interest paid during the years ended June 30, 2014 and 2013 totaled \$1,022,880 and \$1,051,950, respectively. No interest was capitalized during the years ended June 30, 2014 and 2013.

The Water Department is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, making 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, 2014 and 2013.

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 735,000	\$ 1,000,084	\$ 1,735,084
2016	760,000	975,499	1,735,499
2017	780,000	950,139	1,730,139
2018	815,000	923,319	1,738,319
2019	845,000	894,899	1,739,899
2020-2024	4,910,000	4,027,189	8,937,189
2025-2029	5,680,000	3,102,407	8,782,407
2030-2034	7,015,000	1,883,198	8,898,198
2035-2037	5,025,000	336,328	5,361,328
Total	<u>\$ 26,565,000</u>	<u>\$ 14,093,062</u>	<u>\$ 40,658,062</u>

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9: BONDS PAYABLE – CONTINUED**

Following is a summary of changes in bonds payable:

	<b>Balance June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Revenue Improvement Bonds, Series 2006	\$ 14,680,000	\$ -	\$ 160,000	\$ 14,520,000	\$ 170,000
Revenue Refunding Bonds, Series 2008	1,365,000	-	210,000	1,155,000	220,000
Revenue Refunding Bonds, Series 2008B	2,805,000	-	200,000	2,605,000	205,000
Revenue Refunding Bonds, Series 2012	<u>8,425,000</u>	<u>-</u>	<u>140,000</u>	<u>8,285,000</u>	<u>140,000</u>
Bonds payable, gross	27,275,000	-	710,000	26,565,000	735,000
Less discounts	(227,284)	-	(13,247)	(214,037)	-
Plus premiums	<u>41,665</u>	<u>-</u>	<u>2,880</u>	<u>38,785</u>	<u>-</u>
	<u><u>\$ 27,089,381</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 699,633</u></u>	<u><u>\$ 26,389,748</u></u>	<u><u>\$ 735,000</u></u>

	<b>Balance June 30, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>	<b>Amounts Due Within One Year</b>
Revenue Improvement Bonds, Series 2006	\$ 14,835,000	\$ -	\$ 155,000	\$ 14,680,000	\$ 160,000
Revenue Refunding Bonds, Series 2008	1,570,000	-	205,000	1,365,000	210,000
Revenue Refunding Bonds, Series 2008B	3,000,000	-	195,000	2,805,000	200,000
Revenue Refunding Bonds, Series 2012	<u>8,505,000</u>	<u>-</u>	<u>80,000</u>	<u>8,425,000</u>	<u>140,000</u>
Bonds payable, gross	27,910,000	-	635,000	27,275,000	710,000
Less discounts	(240,531)	-	(13,247)	(227,284)	-
Plus premiums	<u>44,543</u>	<u>-</u>	<u>2,878</u>	<u>41,665</u>	<u>-</u>
	<u><u>\$ 27,714,012</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 624,631</u></u>	<u><u>\$ 27,089,381</u></u>	<u><u>\$ 710,000</u></u>

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Plan Description**

The Water Department contributes to the Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing multiple-employer defined benefit pension plan administered by the State of Arkansas. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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 number of years of service determines the normal retirement benefit which is paid on a monthly basis.

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.

The State of Arkansas 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 Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on the web at [www.apers.org](http://www.apers.org).

**Funding Policy**

The plan, which applies to all persons hired after December 31, 1997, originally did not allow employee contributions. Arkansas Act 2084 of 2005 requires participants who joined after July 1, 2005 to contribute 5% of their gross wages. The Water Department is required to contribute at an actuarially determined rate. For the years ended June 30, 2014 and 2013, the rates were 14.88% and 14.24%, respectively, of annual covered payroll. Effective July 1, 2014, the rate changed to 14.76% of annual covered payroll. The contribution requirements of plan members and the Water Department are established and may be amended only by state law. Water Department contributions for the years ended June 30, 2014, 2013 and 2012 totaled \$136,575, \$128,918, and \$107,317, respectively. Employee contributions for the years ended June 30, 2014, 2013 and 2012 totaled \$10,630, \$11,917, and \$7,714, respectively.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED**

**Annual Pension Cost**

For the years ended June 30, 2014 and 2013, the Water Department's annual pension cost of \$136,575 and \$128,918, respectively, for APERS was equal to the Water Department's required and actual contributions. The required contribution was determined as part of the June 30, 2013 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 8% per year, compounded annually, (b) projected salary increase of 4% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 4.7% to 10.6% per year, attributable to seniority/merit, (d) pre- and post-retirement mortality based on the RP-2000 Combined Mortality table set forward two years for men, and (e) annual compounded post-retirement increases of 3% per year. Present assets (cash and investments) are valued on a market related basis in which differences between actual and assumed returns are phased in over a four year period. The unfunded actuarial accrued liabilities are being amortized to produce contribution amounts (principal and interest) which are a level percent of payroll contributions. The amortization period as of June 30, 2013 was 30 years.

**Schedule of Funding Progress (\$Millions)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>
June 30, 2011	\$ 5,467	\$ 7,734	\$ 2,267
June 30, 2012	5,625	8,163	2,538
June 30, 2013	6,159	8,284	2,125

<b>Actuarial Valuation Date</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
June 30, 2011	70.7%	\$ 1,623	139.7%
June 30, 2012	68.9%	1,686	150.5%
June 30, 2013	74.3%	1,693	125.5%

**Three-Year Trend Information**

<b>Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2012	\$ 107,317	100%	\$ -
June 30, 2013	128,918	100%	-
June 30, 2014	136,575	100%	-

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 11: EMPLOYEE BENEFIT PLANS**

**Flexible Benefit Plan**

The City of Rogers, Arkansas offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by the Rogers Water Utilities. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code (IRC) of 1954, as amended, to provide for group medical/dental assistance for its eligible employees and dependents. The plan is funded solely by salary redirections as elected on a voluntary basis by participants. Water Department employee contributions for the years ended June 30, 2014 and 2013 were \$39,814 and \$33,315, respectively.

**Deferred Compensation Plan**

The Utilities offers a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code as a benefit to its employees. Each employee may contribute amounts up to the maximum allowed under the IRC. The plan permits employees 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. Other than incidental expenses of collecting and disbursing the employees' deferrals and other minor administrative matters, there are no costs to the Water Department for the deferred compensation plan.

Plan assets remain the property of the 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 Utilities in an amount equal to the fair market value of the deferred account for each participant. The 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, 2014 and 2013 was \$3,835 and \$6,410, respectively. At June 30, 2014 and 2013, there were three and five employees participating in the plan, respectively.

**NOTE 12: COMMITMENTS AND CONCENTRATION**

The Water Department is committed to several construction contracts in process at year end totaling \$969,199. As of June 30, 2014, \$799,008 had been incurred in connection with these contracts.

During the years ended June 30, 2014 and 2013, the Water Department had an industrial customer who made up 0% and 2.75% of accounts receivable, respectively. For the years ended June 30, 2014 and 2013, this customer also accounted for 8.39% and 10.77%, respectively, of total consumption.

The Water Department purchases substantially all of its water from the Beaver Water District.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 13: ACCRUED VOUCHERS**

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. During the year ended June 30, 2011, management of the Utilities and the plaintiffs reached a settlement agreement. Under the terms of the settlement, the Utilities issued vouchers for 53% of the fees collected between June 27, 2008 and August 31, 2010. The vouchers were issued to the person or entities filing a valid claim with the Utilities by September 7, 2010. The vouchers are redeemable against future access, impact or hookup fees, are transferable and expire in five years. The Water Department had accrued \$224,137 in vouchers payable at June 30, 2010, representing the claims filed and approved by the court. The remaining balance at June 30, 2014 and 2013 was \$40,882 and \$48,768, respectively, and represents vouchers not yet redeemed.

The vouchers were allocated to the Water Department or the Sewer Department based on which department originally received the impact and access fees. The vouchers can be redeemed by either department which results in an intercompany transaction between the two departments. During the year ended June 30, 2014, \$587 of vouchers accrued by the Sewer Department were redeemed by the Water Department. See Note 3.



## **SUPPLEMENTARY INFORMATION**

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>WATER PURCHASED</b>	<u>\$ 3,950,494</u>	<u>\$ 4,004,682</u>
<b>PLANT OPERATIONS AND DISTRIBUTION</b>		
Employee benefits	211,649	187,301
Insurance	17,021	15,842
Operating supplies and other	63,386	54,924
Payroll taxes	42,875	38,528
Repairs and maintenance	152,506	143,542
Salaries	595,184	528,850
Utilities	<u>63,248</u>	<u>60,277</u>
	<u>1,145,869</u>	<u>1,029,264</u>
<b>GENERAL AND ADMINISTRATIVE</b>		
Bad debts	26,729	22,530
Employee benefits	123,925	137,500
Insurance	10,742	9,649
Office supplies and postage	95,395	86,181
Other	140,669	101,425
Payroll taxes	27,922	29,723
Professional fees	62,699	33,273
Salaries	236,484	273,549
Salaries - commissioners	-	848
Taxes and fees	87,552	90,461
Utilities	<u>22,684</u>	<u>22,456</u>
	<u>834,801</u>	<u>807,595</u>
<b>DEPRECIATION</b>	<u>2,116,383</u>	<u>2,074,703</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 8,047,547</u></u>	<u><u>\$ 7,916,244</u></u>

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
WATER REVENUE IMPROVEMENT BONDS – SERIES 2006  
JUNE 30, 2014 AND 2013**

YEAR	PRINCIPAL	INTEREST RATE	INTEREST	TOTAL
2015	\$ 170,000	5.00%	\$ 620,931	\$ 790,931
2016	175,000	4.00%	613,181	788,181
2017	180,000	4.00%	606,081	786,081
2018	195,000	4.00%	598,581	793,581
2019	200,000	4.00%	590,681	790,681
2020	210,000	4.00%	582,481	792,481
2021	215,000	4.00%	573,981	788,981
2022	225,000	4.125%	565,041	790,041
2023	235,000	4.25%	555,406	790,406
2024	245,000	4.25%	545,206	790,206
2025	255,000	4.25%	534,581	789,581
2026	265,000	4.25%	523,531	788,531
2027	275,000	4.25%	512,056	787,056
2028	290,000	4.25%	500,050	790,050
2029	300,000	4.25%	487,513	787,513
2030	315,000	4.25%	474,444	789,444
2031	1,345,000	4.25%	439,169	1,784,169
2032	1,405,000	4.25%	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, 2014	<u>\$ 14,520,000</u>		<u>\$ 10,612,114</u>	<u>\$ 25,132,114</u>

Dated: November 1, 2006

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
WATER REVENUE REFUNDING BONDS – SERIES 2008  
JUNE 30, 2014 AND 2013**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 220,000	3.10%	\$ 35,242	\$ 255,242
2016	220,000	3.25%	28,258	248,258
2017	230,000	3.35%	20,830	250,830
2018	240,000	3.45%	12,837	252,837
2019	<u>245,000</u>	3.55%	<u>4,349</u>	<u>249,349</u>
Balance, June 30, 2014	<u>\$ 1,155,000</u>		<u>\$ 101,516</u>	<u>\$ 1,256,516</u>

Dated: May 1, 2008

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
WATER REVENUE REFUNDING BONDS – SERIES 2008B  
JUNE 30, 2014 AND 2013**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 205,000	3.40%	\$ 99,480	\$ 304,480
2016	215,000	3.55%	92,179	307,179
2017	220,000	3.65%	84,347	304,347
2018	230,000	3.75%	76,020	306,020
2019	240,000	3.85%	67,088	307,088
2020	245,000	3.95%	57,629	302,629
2021	255,000	4.05%	47,626	302,626
2022	270,000	4.15%	36,860	306,860
2023	280,000	4.25%	25,308	305,308
2024	<u>445,000</u>	4.35%	<u>9,679</u>	<u>454,679</u>
Balance, June 30, 2014	<u>\$ 2,605,000</u>		<u>\$ 596,216</u>	<u>\$ 3,201,216</u>

Dated: September 30, 2008

Principal and Interest Payment Dates: April 1 and October 1

Payable to: Simmons First Trust Company; Pine Bluff, Arkansas

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
WATER REVENUE REFUNDING BONDS – SERIES 2012  
JUNE 30, 2014 AND 2013**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 140,000	1.50%	\$ 244,431	\$ 384,431
2016	150,000	2.00%	241,881	391,881
2017	150,000	2.00%	238,881	388,881
2018	150,000	2.00%	235,881	385,881
2019	160,000	2.00%	232,781	392,781
2020	435,000	2.00%	226,831	661,831
2021	450,000	2.25%	217,419	667,419
2022	455,000	2.50%	206,669	661,669
2023	465,000	2.625%	194,878	659,878
2024	480,000	2.75%	182,175	662,175
2025	805,000	3.00%	163,500	968,500
2026	830,000	3.00%	138,975	968,975
2027	855,000	3.50%	111,563	966,563
2028	885,000	3.50%	81,113	966,113
2029	920,000	3.50%	49,525	969,525
2030	955,000	3.50%	16,713	971,713
Balance, June 30, 2014	<u>\$ 8,285,000</u>		<u>\$ 2,783,216</u>	<u>\$ 11,068,216</u>

Dated: April 18, 2012

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**SCHEDULES OF FIXED ASSETS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**2014**

**Fixed Assets**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	602,936	54,963	(56,942)	600,957
Vehicles	384,827	41,177	(40,965)	385,039
Shop equipment	64,997	4,539	(2,600)	66,936
Field equipment	748,507	58,053	(24,620)	781,940
Radio equipment	51,241	6,136	(26,649)	30,728
Pumping equipment	90,735	2,200	(16,162)	76,773
Water meters	2,392,355	206,934	(73,652)	2,525,637
Water services	1,378,630	-	-	1,378,630
Water tower	11,321,521	38,775	-	11,360,296
Main line	44,104,528	729,745	-	44,834,273
Structures and parking lots	1,679,699	-	(1,980)	1,677,719
Easements	331,890	-	-	331,890
Contributed water main	<u>33,302,530</u>	<u>785,291</u>	<u>-</u>	<u>34,087,821</u>
	96,728,016	1,927,813	(243,570)	98,412,259
Construction in progress	<u>6,819</u>	<u>1,512,047</u>	<u>(653,203)</u>	<u>865,663</u>
	<u>\$ 96,734,835</u>	<u>\$ 3,439,860</u>	<u>\$ (896,773)</u>	<u>\$ 99,277,922</u>

**Accumulated Depreciation**

Office equipment	\$ 443,280	\$ 55,287	\$ (56,942)	\$ 441,625
Vehicles	352,939	14,335	(40,966)	326,308
Shop equipment	62,352	1,130	(2,600)	60,882
Field equipment	582,830	48,224	(24,621)	606,433
Radio equipment	45,751	2,060	(26,648)	21,163
Pumping equipment	46,737	5,107	(16,162)	35,682
Water meters	1,280,770	91,565	(73,652)	1,298,683
Water services	1,094,047	30,151	-	1,124,198
Water tower	3,020,513	219,294	-	3,239,807
Main line	10,711,990	901,351	-	11,613,341
Structures and parking lots	660,414	72,111	(1,979)	730,546
Contributed water main	<u>4,480,020</u>	<u>675,768</u>	<u>-</u>	<u>5,155,788</u>
	<u>\$ 22,781,643</u>	<u>\$ 2,116,383</u>	<u>\$ (243,570)</u>	<u>\$ 24,654,456</u>

**See Independent Auditors' Report.**

**ROGERS WATER UTILITIES WATER DEPARTMENT**  
**A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS**  
**SCHEDULES OF FIXED ASSETS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**2013**

**Fixed Assets**

	<u>Balance June 30, 2012</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2013</u>
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	615,651	77,544	(90,259)	602,936
Vehicles	395,607	17,084	(27,864)	384,827
Shop equipment	65,491	-	(494)	64,997
Field equipment	698,989	59,208	(9,690)	748,507
Radio equipment	46,990	5,620	(1,369)	51,241
Pumping equipment	46,143	44,592	-	90,735
Water meters	2,294,213	98,142	-	2,392,355
Water services	1,375,111	3,519	-	1,378,630
Water tower	11,316,982	4,539	-	11,321,521
Main line	43,472,290	632,238	-	44,104,528
Structures and parking lots	1,545,436	134,263	-	1,679,699
Easements	331,890	-	-	331,890
Contributed water main	<u>32,575,710</u>	<u>726,820</u>	<u>-</u>	<u>33,302,530</u>
	95,054,123	1,803,569	(129,676)	96,728,016
Construction in progress	<u>45,051</u>	<u>672,803</u>	<u>(711,035)</u>	<u>6,819</u>
	<u>\$ 95,099,174</u>	<u>\$ 2,476,372</u>	<u>\$ (840,711)</u>	<u>\$ 96,734,835</u>

**Accumulated Depreciation**

Office equipment	\$ 481,889	\$ 51,650	\$ (90,259)	\$ 443,280
Vehicles	364,679	16,124	(27,864)	352,939
Shop equipment	61,977	869	(494)	62,352
Field equipment	549,845	42,675	(9,690)	582,830
Radio equipment	46,244	876	(1,369)	45,751
Pumping equipment	43,890	2,847	-	46,737
Water meters	1,196,044	84,726	-	1,280,770
Water services	1,063,180	30,867	-	1,094,047
Water tower	2,801,904	218,609	-	3,020,513
Main line	9,815,995	895,995	-	10,711,990
Structures and parking lots	587,260	73,154	-	660,414
Contributed water main	<u>3,823,709</u>	<u>656,311</u>	<u>-</u>	<u>4,480,020</u>
	<u>\$ 20,836,616</u>	<u>\$ 2,074,703</u>	<u>\$ (129,676)</u>	<u>\$ 22,781,643</u>

**See Independent Auditors' Report.**



**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULE OF WATER SYSTEM RATES  
JUNE 30, 2014 AND 2013**

<u>MONTHLY WATER RATE FOR CUSTOMERS</u>	<u>INSIDE CITY</u>	<u>OUTSIDE CITY</u>
First 1,500 gallons or portion thereof	\$5.94 minimum	\$7.72 minimum
Next 98,500 gallons	\$2.54 / thousand	\$3.31 / thousand
Next 400,000 gallons	\$2.25 / thousand	\$2.93 / thousand
Next 500,000 gallons	\$2.06 / thousand	\$2.67 / thousand
All in excess of 1,000,000 gallons	\$1.95 / thousand	\$2.53 / thousand

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULES OF WATER CUSTOMERS  
JUNE 30, 2014 AND 2013**

<u>WATER CUSTOMER CLASSIFICATIONS</u>	<b>NUMBER OF CUSTOMERS</b>	
	<u>2014</u>	<u>2013</u>
Residential customers	27,175	26,479
Commerical customers	2,532	2,501
Industrial customers	<u>47</u>	<u>46</u>
	<u>29,754</u>	<u>29,026</u>

See Independent Auditors' Report.

**ROGERS WATER UTILITIES WATER DEPARTMENT  
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS  
SCHEDULES OF BILLABLE GALLONS  
JUNE 30, 2014 AND 2013**

<u>BILLABLE GALLONS CLASSIFICATIONS</u>	<b>NUMBER OF BILLABLE GALLONS</b>	
	<u>2014</u>	<u>2013</u>
Residential customers	1,539,797,300	1,596,864,500
Commerical customers	725,188,300	742,435,600
Industrial customers	<u>433,218,100</u>	<u>467,236,100</u>
	<u><u>2,698,203,700</u></u>	<u><u>2,806,536,200</u></u>

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' 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**

Waterworks and Sewer Commission  
**Rogers Water Utilities Water Department**  
Rogers, Arkansas

We have audited, 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, the financial statements of **Rogers Water Utilities Water Department** (“the Water Department”), a component unit of the City of Rogers, Arkansas, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 15, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Water Department’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 weaknesses 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 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Water Department'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 Water Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Beall Barclay & Company, PLC*

**BEALL BARCLAY & COMPANY, PLC**  
Certified Public Accountants

Rogers, Arkansas  
August 15, 2014