

**ROGERS WATER UTILITIES
WATER DEPARTMENT
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
JUNE 30, 2015 AND 2014
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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, 2015 and 2014, 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, 2015 and 2014, and its changes in net position 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 and pension schedules on pages 35 and 36 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, 2015 and 2014. 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 October 15, 2015 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
October 15, 2015

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015, 2014, AND 2013**

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, 2015, 2014 and 2013. 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 \$921,000 or 1.5%, over fiscal year 2014. Net position increased by \$1,105,000 or 1.8% in fiscal year 2014 over 2013.
- Water Department operating revenues decreased by \$402,000, or 4.3% from 2014. Operating Revenues decreased \$91,000 or 1.0% in 2014 over 2013.
- Operating expenses increased by \$24,000, or 0.3% from 2014. Operating Expenses increased \$131,000 or 1.7% in 2014 over 2013.
- Net Position decreased by \$157,000 before capital contributions during fiscal year 2015. In fiscal year 2014, net position before capital contributions increased by \$243,000.

Rogers Water Department Fiscal Year 2015 Highlights

- Fell short of budgeted and prior year operating results.
- While the number of customers increased by 721 or 2.4% from the prior year, overall billed water consumption decreased 7.4% for fiscal year 2015.
- Appointed Robert Frazier, Frazier & Frazier Attorneys as General Counsel for the Rogers Waterworks and Sewer Commission. Appointed Mitchell Williams as consulting Attorneys for Bond and other issues.
- Continued the focus on the Utility goal of debt-reduction by decreasing outstanding debt, and considering a possible bond call if reserves are deemed adequate.
- Presented an Investment Policy for consideration by the Rogers Waterworks and Sewer Commission. The policy became effective March 16, 2015.
- Presented a water rate increase to the Rogers Waterworks and Sewer Commission and Rogers City Council. The rate increase was approved by both governing bodies and became effective July 1, 2015.
- Contracted with Garver professional engineering firm to prepare a Water Master Plan for consideration by management and the Commission. The proposed plan should be ready for consideration in Fiscal Year 2016.
- Added the position of Operations Manager in April of 2015. The Operations Manager coordinates and supervises the water and sewer field operations departments as well as the meter reading department.

ROGERS WATER UTILITIES WATER DEPARTMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Budgeted staff and funds for a meter change out program, possibly to be implemented in fiscal year 2016.
- Received notification from our water supplier, Beaver Water District of a rate increase of \$.03 per thousand effective October 1, 2015.
- Negotiated a contract with Benton County Water District #1 to provide water. The final contract was approved August 12, 2015.
- Began testing of electronic service orders using tablets in the field. Placed the process in service in August 2015.
- Implemented GASB 68 regarding pension plan reporting.

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 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 UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015, 2014, AND 2013**

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, 2015, 2014, AND 2013

Financial Highlights

Assets, Liabilities and Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Total current assets	\$ 11,271,475	\$ 10,913,738	\$ 10,725,780
Restricted cash and investments	6,074,164	6,246,564	6,462,471
Other noncurrent assets	75,277,330	74,685,644	74,055,077
Total assets	<u>\$ 92,622,969</u>	<u>\$ 91,845,946</u>	<u>\$ 91,243,328</u>
Deferred Outflows of Resources			
Deferred pension outflows	\$ 239,547	\$ -	\$ -
Deferred bond refunding costs	694,142	742,571	791,000
	<u>\$ 933,689</u>	<u>\$ 742,571</u>	<u>\$ 791,000</u>
Liabilities			
Total current liabilities	\$ 2,894,069	\$ 2,307,955	\$ 2,154,645
Liabilities payable from restricted assets	1,132,002	1,091,173	1,070,273
Long-term liabilities	25,667,073	26,556,129	26,379,381
Total liabilities	<u>\$ 29,693,144</u>	<u>\$ 29,955,257</u>	<u>\$ 29,604,299</u>
Deferred Inflows of Resources			
Deferred pension inflows	<u>\$ 309,352</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position			
Invested in capital assets, net of related debt	\$ 50,285,276	\$ 48,976,290	\$ 47,654,811
Restricted	4,942,159	5,155,391	5,392,198
Unrestricted	8,326,727	8,501,579	9,383,020
Total net position	<u>\$ 63,554,162</u>	<u>\$ 62,633,260</u>	<u>\$ 62,430,029</u>
Operating Results and Changes in Net Position			
Operating revenues	<u>\$ 8,925,466</u>	<u>\$ 9,327,316</u>	<u>\$ 9,418,426</u>
Operating expenses			
Depreciation	2,164,798	2,116,383	2,074,703
Other operating expenses	5,906,708	5,931,164	5,841,541
Total operating expenses	<u>8,071,506</u>	<u>8,047,547</u>	<u>7,916,244</u>
Operating income	<u>853,960</u>	<u>1,279,769</u>	<u>1,502,182</u>
Other revenues (expenses)			
Interest expense	(1,054,236)	(1,077,610)	(1,098,553)
Other income (expenses)	43,774	40,685	36,286
Total other revenues (expenses)	<u>(1,010,462)</u>	<u>(1,036,925)</u>	<u>(1,062,267)</u>
Change in net position before capital contributions	(156,502)	242,844	439,915
Capital Contributions	<u>1,077,404</u>	<u>861,768</u>	<u>782,220</u>
Change in Net Position	920,902	1,104,612	1,222,135
Net Position, Beginning of Year	<u>62,633,260</u>	<u>62,430,029</u>	<u>61,207,894</u>
Net Position, End of Year	<u>\$ 63,554,162</u>	<u>63,534,641</u>	<u>\$ 62,430,029</u>
Implementation of GASB 68		<u>(901,381)</u>	
Net Position, Restated		<u>\$ 62,633,260</u>	

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015, 2014, AND 2013**

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the Water Department's investment in capital assets was \$75,256,000 (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 \$1,378,000 were incurred on a variety of construction projects during 2015. \$1,196,000 of constructed assets were completed and placed in service, consisting mostly of water main construction and rehabilitation projects. In addition, \$1,001,000 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 position. In 2014 the Water Department had construction of \$1,512,000 and contributed capital of \$785,000, and in 2013 construction of \$673,000 and contributed capital of \$727,000.
- Capital expenditures for additions and improvements to the Water Department, in addition to the constructed assets, were \$419,000 in 2015, as compared to \$489,000 in 2014 and \$366,000 in 2013.

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

Long-Term Debt

The Water Department had \$25,830,000 in revenue bonds outstanding as of June 30, 2015, which is a decrease of \$735,000 from 2014. The decrease is due to scheduled principal payments. Revenue bonds outstanding as of June 30, 2014 were \$26,565,000 which was a decrease of \$710,000 from 2013. Additional information regarding long-term debt can be found on Note 9 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Additional Management Comments

Water consumption in fiscal year 2015 was 7.4% 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 2014, and also less than the budget. The focus on controlling expenses continues.

Also of significance to the Rogers Water Department during fiscal year 2015 was the appointment of Brent Dobler, Operations Manager. Mr. Dobler has many years of experience in the water industry, as well as extensive management experience and education.

The Rogers Water Department funded capital improvements out of reserves in fiscal year 2015. Significant projects in process at the end of the year included various City of Rogers street improvements. Major projects expected in fiscal year 2016 also 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. Rate increases from the water supplier, Beaver Water District, are driven by updated water usage forecasts, and indicate the likelihood of a series of rate increases over the next five years totaling \$.12/1000 gallons. Beaver Water District, is poised to meet the demand of Rogers Water Utility water customers for maximum daily demand twenty years hence. An internal rate study was completed by Utility personal during fiscal year 2015. It indicated a rate increase was appropriate. Utility personal proposed a water rate increase to the Rogers Waterworks and Sewer Commission and the Rogers City Council. Both governing bodies approved the rate increase, and it became effective July 1, 2015.

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."

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Effective January 1, 2014 brass meters are no longer allowed to be placed in the ground for potable water usage. Brass meters already in service will be allowed to continue in service, but, if they are physically removed for any purpose they can only be reinstalled at the location they were removed from. Otherwise, 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
YEARS ENDED JUNE 30, 2015 AND 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2015	2014 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,065,112	\$ 2,757,815
Investments	5,518,764	6,400,485
Accounts receivable, net of allowance for doubtful accounts of \$179,000 and \$186,000, respectively	1,395,639	1,394,139
Accrued interest receivable	-	144
Due from sewer department	-	90,550
Inventory	263,922	246,235
Prepaid expenses	<u>28,038</u>	<u>24,370</u>
 Total Current Assets	 <u>11,271,475</u>	 <u>10,913,738</u>
 RESTRICTED CASH AND INVESTMENTS		
Restricted cash and cash equivalents	240,693	537,559
Investments	5,833,336	5,708,796
Accrued interest receivable	<u>135</u>	<u>209</u>
 Total Restricted Cash and Investments	 <u>6,074,164</u>	 <u>6,246,564</u>
 FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION		
	<u>75,256,252</u>	<u>74,623,466</u>
 OTHER ASSETS		
Forbearance agreement receivable	<u>21,078</u>	<u>62,178</u>
 Total Assets	 <u>92,622,969</u>	 <u>91,845,946</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	239,547	-
Deferred bond refunding costs	<u>694,142</u>	<u>742,571</u>
	<u>933,689</u>	<u>742,571</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 93,556,658</u>	 <u>\$ 92,588,517</u>

See Independent Auditors' Report and Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2015	2014 (Restated)
CURRENT LIABILITIES		
Accounts payable - trade	\$ 432,057	\$ 385,119
Accounts payable to construction contractors	526,669	142,994
Accounts payable - other	717,690	679,162
Due to sewer department	98,506	-
Accrued expenses	319,244	324,798
Current portion of bonds payable	760,000	735,000
Accrued vouchers	39,903	40,882
	<u>2,894,069</u>	<u>2,307,955</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer meter deposits	959,354	913,879
Accrued interest payable	172,648	177,294
	<u>1,132,002</u>	<u>1,091,173</u>
LONG-TERM LIABILITIES		
Bonds payable, net of unamortized premiums and discounts	24,905,116	25,654,748
Net pension liability	761,957	901,381
	<u>25,667,073</u>	<u>26,556,129</u>
Total Long-Term Liabilities	<u>25,667,073</u>	<u>26,556,129</u>
Total Liabilities	29,693,144	29,955,257
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	309,352	-
	<u>309,352</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>30,002,496</u>	<u>29,955,257</u>
NET POSITION		
Invested in capital assets, net of related debt	50,285,276	48,976,290
Restricted	4,942,159	5,155,391
Unrestricted	8,326,727	8,501,579
	<u>63,554,162</u>	<u>62,633,260</u>
Total Net Position	<u>63,554,162</u>	<u>62,633,260</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 93,556,658</u>	<u>\$ 92,588,517</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, 2015 AND 2014

	2015	2014 (Restated)
OPERATING REVENUES		
Residential water	\$ 4,743,281	\$ 4,929,536
Commercial water	1,980,145	2,108,443
Industrial water	775,995	891,909
Sprinkler service / hydrant	39,715	38,709
Service charges and penalties	507,931	484,921
Access / impact / new customer fees	584,200	610,050
Other operating revenue	<u>294,199</u>	<u>263,748</u>
 Total Operating Revenues	 <u>8,925,466</u>	 <u>9,327,316</u>
OPERATING EXPENSES		
Water purchased	3,801,562	3,950,494
Plant operations and distribution	1,046,655	1,145,869
General and administrative	1,058,491	834,801
Depreciation	<u>2,164,798</u>	<u>2,116,383</u>
 Total Operating Expenses	 <u>8,071,506</u>	 <u>8,047,547</u>
OPERATING INCOME	 <u>853,960</u>	 <u>1,279,769</u>
OTHER REVENUES (EXPENSES)		
Interest income	50,645	39,349
Gain on disposal of fixed assets	4,029	12,336
Interest expense	(1,054,236)	(1,077,610)
Trustee fees	<u>(10,900)</u>	<u>(11,000)</u>
 Total Other Revenues (Expenses)	 <u>(1,010,462)</u>	 <u>(1,036,925)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	 (156,502)	 242,844
CAPITAL CONTRIBUTIONS	 <u>1,077,404</u>	 <u>861,768</u>
CHANGE IN NET POSITION	 920,902	 1,104,612
NET POSITION, JUNE 30, 2014, AS PREVIOUSLY REPORTED		62,430,029
IMPLEMENTATION OF GASB 68		<u>(901,381)</u>
NET POSITION, JUNE 30, 2014, AS RESTATED	<u>62,633,260</u>	<u>\$ 62,633,260</u>
NET POSITION, JUNE 30, 2015	<u>\$ 63,554,162</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, 2015 AND 2014

	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,537,636	\$ 8,001,449
Cash received from access, impact and new customer fees	583,221	601,578
Cash received from service charges, penalties and other operating revenue	847,605	773,635
Payments for water	(3,795,503)	(3,987,335)
Payments for salaries and benefits	(1,424,114)	(1,176,184)
Payments to suppliers for goods and services	<u>(509,097)</u>	<u>(836,461)</u>
Net Cash From Operating Activities	<u>3,239,748</u>	<u>3,376,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(1,336,984)	(1,785,395)
Cash received from sale of fixed assets	4,508	12,336
Principal payments on bonds	(735,000)	(710,000)
Interest and paying agent fees, net of capitalized interest	(1,010,985)	(1,033,880)
Collections on forbearance agreement	<u>41,100</u>	<u>39,707</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(3,037,361)</u>	<u>(3,477,232)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	50,863	40,465
Net change in investments	881,721	(285,023)
Net change in restricted investments	<u>(124,540)</u>	<u>147,136</u>
Net Cash From (Used for) Investing Activities	<u>808,044</u>	<u>(97,422)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,010,431	(197,972)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,295,374</u>	<u>3,493,346</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,305,805</u>	<u>\$ 3,295,374</u>
CASH AND CASH EQUIVALENTS	\$ 4,065,112	\$ 2,757,815
RESTRICTED CASH AND CASH EQUIVALENTS	<u>240,693</u>	<u>537,559</u>
	<u>\$ 4,305,805</u>	<u>\$ 3,295,374</u>

See Independent Auditors' Report and Notes to Financial Statements.

	2015	2014 (Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income	<u>\$ 853,960</u>	<u>\$ 1,279,769</u>
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	2,164,798	2,116,383
Allowance for doubtful accounts	7,000	6,500
Net change in pension liability	(69,619)	-
Redeemed vouchers	(979)	(8,472)
Changes in assets and liabilities:		
Accounts receivable	(8,500)	26,352
Inventory	(17,687)	(10,984)
Prepaid expenses	(3,668)	(1,647)
Accounts payable - trade and other	85,466	(81,779)
Accrued expenses	39,921	103,447
Due to/from sewer department	<u>189,056</u>	<u>(52,887)</u>
Total adjustments	<u>2,385,788</u>	<u>2,096,913</u>
Net Cash From Operating Activities	<u>\$ 3,239,748</u>	<u>\$ 3,376,682</u>
OTHER NONCASH TRANSACTIONS		
Capital contributions	<u>\$ 1,077,404</u>	<u>\$ 861,768</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, 2015 AND 2014

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, 2015 AND 2014

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, 2015 and 2014, 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, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, cumulative contributed capital fixed assets amounted to approximately \$35,089,000 and \$34,088,000, 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, 2015 and 2014 amounted to approximately \$4,213,000 and \$4,243,000, respectively.

Amortization of Bond Discounts and Premiums

Bond discounts and premiums are amortized over the lives of the related bond issues. Amortization expense of \$10,368 and \$10,367, respectively, for the years ended June 30, 2015 and 2014 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, 2015 AND 2014

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, for the years ended June 30, 2015 and 2014 is included as a component of interest expense.

Implementation of GASB 68 – Prior Year Financial Statements Restated

During the year ended June 30, 2015, the Water Department adopted GASB Statement Number 68 (GASB 68) which improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 states that for cost-sharing pension plans, a liability should be recognized for the employer's proportionate share of the collective net pension liability, measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. Accordingly, the effect of this change was to add \$901,381 to net pension liability, and a corresponding reduction of unrestricted net assets as of June 30, 2014.

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 has two items that qualify for reporting in this category: bond refunding costs and changes regarding pension liabilities. 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 for additional information. In regards to the deferred outflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 10 for additional information.

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 one item that qualifies for reporting in this category. In regards to the deferred inflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 10 for additional information.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (“APERS”) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Current Accounting Developments

In February 2015, the GASB issued Statement Number 72 (GASB 72), Fair Value Measurement and Application, effective for fiscal years beginning after June 15, 2015. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In June 2015, the GASB issued Statement Number 76 (GASB 76), The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for fiscal years beginning after June 15, 2015. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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 rates in effect at June 30, 2015 and 2014.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2015, the Water Department had approximately \$4,349,000 in deposit balances reported as cash and cash equivalents in the Statements of Net Position, of which approximately \$750,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities’ name. Additionally, the Water Department had approximately \$9,906,000 in certificates of deposit reported as investments in the Statements of Net Position, of which approximately \$9,336,000 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 12 for details regarding the impact of voucher redemptions on the due to/due from Sewer Department balance. The balances as of June 30, 2015 and 2014 are shown in the Statements of Net Position under the caption “Due from sewer department” and “Due to sewer department.”

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments are held for specific purposes at June 30, 2015 and 2014 as follows:

	2015	2014
Meter deposits	\$ 1,140,785	\$ 1,058,486
Debt service reserve	1,178,729	1,169,507
Depreciation reserve for additional replacements to the water system	3,423,614	3,751,461
Construction	63,985	63,793
New customer fees collected for additions of fixed assets	266,916	203,108
Accrued interest	135	209
	\$ 6,074,164	\$ 6,246,564

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 \$21,078 and \$62,178, reported in the Statements of Net Position as of June 30, 2015 and 2014, respectively, represents the Water Department's share of the forbearance agreement receivable.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 five years 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, 2015, investments of the Water Department were fully collateralized or insured.

At June 30, 2015 and 2014, the Water Department's investments consisted of \$9,906,456 and \$10,736,666, respectively, held in certificates of deposit and \$1,445,644 and \$1,372,615, respectively, held in United States government securities. All investments at June 30, 2015 and 2014 had maturities of less than five years.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 8: CHANGES IN FIXED ASSETS

	Balance June 30, 2014	Transfers/ Additions	Disposals	Balance June 30, 2015
Land	\$ 605,510	\$ -	\$ -	\$ 605,510
Buildings	1,677,719	63,537	(4,577)	1,736,679
Equipment	61,656,170	1,550,542	(201,047)	63,005,665
Vehicles	385,039	621	-	385,660
Contributed property	34,087,821	1,001,113	-	35,088,934
Construction in progress	865,663	1,377,754	(1,195,506)	1,047,911
	99,277,922	3,993,567	(1,401,130)	101,870,359
Accumulated depreciation	(24,654,456)	(2,164,798)	205,147	(26,614,107)
	<u>\$ 74,623,466</u>	<u>\$ 1,828,769</u>	<u>\$ (1,195,983)</u>	<u>\$ 75,256,252</u>
	Balance June 30, 2013	Transfers/ Additions	Disposals	Balance June 30, 2014
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>

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, 2015 and 2014, the outstanding principal was \$14,350,000 and \$14,520,000, respectively.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9: BONDS PAYABLE – CONTINUED

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, 2015 and 2014, the outstanding principal was \$935,000 and \$1,155,000, 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, 2015 and 2014, the outstanding principal was \$2,400,000 and \$2,605,000, 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, 2015 and 2014, the outstanding principal was \$8,145,000 and \$8,285,000, respectively.

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, 2015 and 2014 is 1.77 and 1.95, respectively. Total interest paid during the years ended June 30, 2015 and 2014 totaled \$1,000,086 and \$1,022,880, respectively. No interest was capitalized during the years ended June 30, 2015 and 2014.

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9: BONDS PAYABLE – CONTINUED

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, 2015 and 2014.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	890,000	866,941	1,756,941
2021-2025	5,080,000	3,858,329	8,938,329
2026-2030	5,890,000	2,895,483	8,785,483
2031-2035	7,345,000	1,576,885	8,921,885
2036-2037	<u>3,425,000</u>	<u>151,484</u>	<u>3,576,484</u>
Total	<u>\$ 25,830,000</u>	<u>\$ 13,092,978</u>	<u>\$ 38,922,978</u>

ROGERS WATER UTILITIES WATER DEPARTMENT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9: BONDS PAYABLE – CONTINUED

Following is a summary of changes in bonds payable:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Revenue Improvement Bonds, Series 2006	\$ 14,520,000	\$ -	\$ 170,000	\$ 14,350,000	\$ 175,000
Revenue Refunding Bonds, Series 2008	1,155,000	-	220,000	935,000	220,000
Revenue Refunding Bonds, Series 2008B	2,605,000	-	205,000	2,400,000	215,000
Revenue Refunding Bonds, Series 2012	<u>8,285,000</u>	<u>-</u>	<u>140,000</u>	<u>8,145,000</u>	<u>150,000</u>
Bonds payable, gross	26,565,000	-	735,000	25,830,000	760,000
Less discounts	(214,037)	-	(13,248)	(200,789)	-
Plus premiums	<u>38,785</u>	<u>-</u>	<u>2,880</u>	<u>35,905</u>	<u>-</u>
	<u><u>\$ 26,389,748</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 724,632</u></u>	<u><u>\$ 25,665,116</u></u>	<u><u>\$ 760,000</u></u>

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due Within One Year
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>

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

The following brief description of the Arkansas Public Employees Retirement System ("APERS") is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

Benefits Provided - Continued

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$1,418,912,236 was measured as of June 30, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

At June 30, 2015, the Water Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2014, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (9,681)
Changes of assumptions	90,257	-
Net difference between projected and actual earnings on pension plan investments		(299,671)
Contributions subsequent to measurement date	149,290	-
	<u>\$ 239,547</u>	<u>\$ (309,352)</u>

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2016, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water Department's financial statements as follows:

Years ended June 30:

2015	\$ (52,518)
2016	(52,518)
2017	(52,518)
2018	(61,541)
Thereafter	-

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (14 years for District Judges New Plan/Paid Off Old Plan and 21 Years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Salary Increases	3.75% - 10.35% including inflation (3.75% - 7.71% including inflation for District Judges)
Including	3.75%
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in APERS' target asset allocation as of June 30, 2015 are summarized in the table below:

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 10: PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

Actuarial Assumptions- Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	28%	1.30%
Domestic Equity	31%	5.40%
International Equity	21%	5.60%
Real Estate	10%	5.00%
Private Equity	7%	7.40%
Commodities	1%	2.30%
Cash	2%	0.00%
Total	100%	

Discount Rate

A single discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.75%	Discount Rate 7.75%	1% Higher 8.75%
\$ 1,367,110	\$ 761,957	\$ 257,757

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 11: COMMITMENTS AND CONCENTRATION

The Water Department is committed to several construction contracts in process at year end totaling \$1,799,406. As of June 30, 2015, \$1,047,911 had been incurred in connection with these contracts.

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

NOTE 12: 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, 2015 and 2014 was \$39,903 and \$40,882, 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, 2015, \$531 of vouchers accrued by the Sewer Department were redeemed by the Water Department. See Note 3.

NOTE 13: SUBSEQUENT EVENT

On June 2015, the City Council approved a rate increase for the Water Department, effective beginning July 1, 2015. The changes are as follows:

<u>MONTHLY WATER RATE FOR CUSTOMERS</u>	<u>INSIDE CITY</u>	
	<u>CURRENT RATES</u>	<u>NEW RATES</u>
First 1,500 gallons or portion thereof	\$5.94 minimum	\$6.89 minimum
Next 98,500 gallons	\$2.54 / thousand	\$2.99 / thousand
Next 400,000 gallons	\$2.25 / thousand	\$2.65 / thousand
Next 500,000 gallons	\$2.06 / thousand	\$2.41 / thousand
All in excess of 1,000,000 gallons	\$1.95 / thousand	\$2.25 / thousand

<u>MONTHLY WATER RATE FOR CUSTOMERS</u>	<u>OUTSIDE CITY</u>	
	<u>CURRENT RATES</u>	<u>NEW RATES</u>
First 1,500 gallons or portion thereof	\$7.72 minimum	\$8.82 minimum
Next 98,500 gallons	\$3.31 / thousand	\$3.81 / thousand
Next 400,000 gallons	\$2.93 / thousand	\$3.38 / thousand
Next 500,000 gallons	\$2.67 / thousand	\$3.07 / thousand
All in excess of 1,000,000 gallons	\$2.53 / thousand	\$2.88 / thousand

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14: 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 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, 2015 and 2014 were \$49,964 and \$39,814, 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, 2015 and 2014 was \$4,160 and \$3,835, respectively. At June 30, 2015 and 2014, there were three employees participating in the plan.

REQUIRED SUPPLEMENTARY INFORMATION

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
SCHEDULE OF THE WATER DEPARTMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015**

	<u>2015*</u>
Proportion of the net pension liability	0.05%
Proportionate share of the net pension liability	\$ 761,957
Covered - employee payroll	\$ 1,086,721
Proportionate share of the net pension liability as percentage of covered-employee payroll	70.12%
Plan's fiduciary net position	\$ 761,957
Plan's fiduciary net position as a percentage of the total pension liability	100.00%

*Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2014, therefore only one year is shown.

**ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2015**

	<u>2015*</u>
Contractually required contribution	\$ 149,290
Contributions in relation to the contractually required contribution	\$ (149,290)
Contribution deficiency (excess)	\$ -
Water Department's covered-employee payroll	\$ 1,086,721
Contributions as a percentage of covered-employee payroll	13.74%

*Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2014, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

ROGERS WATER UTILITIES WATER DEPARTMENT
A COMPONENT UNIT OF THE CITY OF ROGERS, ARKANSAS
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
WATER PURCHASED	<u>\$ 3,801,562</u>	<u>\$ 3,950,494</u>
PLANT OPERATIONS AND DISTRIBUTION		
Employee benefits	122,630	211,649
Insurance	18,138	17,021
Operating supplies and other	48,952	63,386
Payroll taxes	44,526	42,875
Repairs and maintenance	140,335	152,506
Salaries	609,062	595,184
Utilities	<u>63,012</u>	<u>63,248</u>
	<u>1,046,655</u>	<u>1,145,869</u>
GENERAL AND ADMINISTRATIVE		
Bad debts	22,006	26,729
Employee benefits	176,941	123,925
Insurance	11,382	10,742
Office supplies and postage	101,649	95,395
Other	157,866	140,669
Payroll taxes	44,302	27,922
Professional fees	70,195	62,699
Salaries	360,141	236,484
Taxes and fees	91,015	87,552
Utilities	<u>22,994</u>	<u>22,684</u>
	<u>1,058,491</u>	<u>834,801</u>
DEPRECIATION	<u>2,164,798</u>	<u>2,116,383</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 8,071,506</u></u>	<u><u>\$ 8,047,547</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, 2015

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
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, 2015	<u>\$ 14,350,000</u>		<u>\$ 9,991,183</u>	<u>\$ 24,341,183</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, 2015**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
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, 2015	<u>\$ 935,000</u>		<u>\$ 66,274</u>	<u>\$ 1,001,274</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, 2015**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
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, 2015	<u>\$ 2,400,000</u>		<u>\$ 496,736</u>	<u>\$ 2,896,736</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, 2015**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 150,000	2.000%	\$ 241,881	\$ 391,881
2017	150,000	2.000%	238,881	388,881
2018	150,000	2.000%	235,881	385,881
2019	160,000	2.000%	232,781	392,781
2020	435,000	2.000%	226,831	661,831
2021	450,000	2.250%	217,419	667,419
2022	455,000	2.500%	206,669	661,669
2023	465,000	2.625%	194,878	659,878
2024	480,000	2.750%	182,175	662,175
2025	805,000	3.000%	163,500	968,500
2026	830,000	3.000%	138,975	968,975
2027	855,000	3.500%	111,563	966,563
2028	885,000	3.500%	81,113	966,113
2029	920,000	3.500%	49,525	969,525
2030	<u>955,000</u>	3.500%	<u>16,713</u>	<u>971,713</u>
Balance, June 30, 2015	<u>\$ 8,145,000</u>		<u>\$ 2,538,785</u>	<u>\$ 10,683,785</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, 2015 AND 2014

2015

Fixed Assets

	<u>Balance</u> <u>June 30, 2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	600,957	55,112	(56,311)	599,758
Vehicles	385,039	621	-	385,660
Shop equipment	66,936	617	(2,088)	65,465
Field equipment	781,940	53,533	(31,058)	804,415
Radio equipment	30,728	5,590	-	36,318
Pumping equipment	76,773	-	-	76,773
Water meters	2,525,637	217,015	(111,590)	2,631,062
Water services	1,378,630	-	-	1,378,630
Water tower	11,360,296	17,490	-	11,377,786
Main line	44,834,273	1,201,185	-	46,035,458
Structures and parking lots	1,677,719	63,537	(4,577)	1,736,679
Easements	331,890	-	-	331,890
Contributed water main	<u>34,087,821</u>	<u>1,001,113</u>	<u>-</u>	<u>35,088,934</u>
	98,412,259	2,615,813	(205,624)	100,822,448
Construction in progress	<u>865,663</u>	<u>1,377,754</u>	<u>(1,195,506)</u>	<u>1,047,911</u>
	<u>\$ 99,277,922</u>	<u>\$ 3,993,567</u>	<u>\$ (1,401,130)</u>	<u>\$ 101,870,359</u>

Accumulated Depreciation

Office equipment	\$ 441,625	\$ 54,774	\$ (55,832)	\$ 440,567
Vehicles	326,308	15,780	-	342,088
Shop equipment	60,882	1,182	(2,089)	59,975
Field equipment	606,433	49,240	(31,057)	624,616
Radio equipment	21,163	2,766	-	23,929
Pumping equipment	35,682	4,679	-	40,361
Water meters	1,298,683	99,468	(111,591)	1,286,560
Water services	1,124,198	29,601	-	1,153,799
Water tower	3,239,807	223,097	-	3,462,904
Main line	11,613,341	921,445	-	12,534,786
Structures and parking lots	730,546	67,613	(4,578)	793,581
Contributed water main	<u>5,155,788</u>	<u>695,153</u>	<u>-</u>	<u>5,850,941</u>
	<u>\$ 24,654,456</u>	<u>\$ 2,164,798</u>	<u>\$ (205,147)</u>	<u>\$ 26,614,107</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, 2015 AND 2014

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	33,302,530	785,291	-	34,087,821
	<u>96,728,016</u>	<u>1,927,813</u>	<u>(243,570)</u>	<u>98,412,259</u>
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	4,480,020	675,768	-	5,155,788
	<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
SCHEDULE OF WATER SYSTEM RATES
JUNE 30, 2015 AND 2014**

<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, 2015 AND 2014**

<u>WATER CUSTOMER CLASSIFICATIONS</u>	NUMBER OF CUSTOMERS	
	<u>2015</u>	<u>2014</u>
Residential customers	27,848	27,175
Commerical customers	2,580	2,532
Industrial customers	<u>47</u>	<u>47</u>
	<u><u>30,475</u></u>	<u><u>29,754</u></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, 2015 AND 2014**

<u>BILLABLE GALLONS CLASSIFICATIONS</u>	NUMBER OF BILLABLE GALLONS	
	<u>2015</u>	<u>2014</u>
Residential customers	1,459,632,700	1,539,797,300
Commerical customers	679,544,000	725,188,300
Industrial customers	<u>362,359,400</u>	<u>433,218,100</u>
	<u><u>2,501,536,100</u></u>	<u><u>2,698,203,700</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, 2015, 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 October 15, 2015.

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
October 15, 2015