

ROGERS

— A R K A N S A S —

WHERE POSSIBLE LIVES

**Financial Statements
December 31, 2022**

(With Independent Auditor's Report Thereon)

CITY OF ROGERS, ARKANSAS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Rogers, Arkansas
Rogers, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the general fund; street fund; and the aggregate remaining fund information of the **City of Rogers, Arkansas** (the City), as of and for the year ended December 31, 2022, the Rogers Water Utilities, a component unit of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the funds as presented of the City as of December 31, 2022 (June 30, 2022 for Rogers Water Utilities), and their respective revenues, expenditures, and changes in fund balances and budgetary comparisons for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the State described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City as of December 31, 2022 (June 30, 2022 for Rogers Water Utilities), or changes in financial position thereof for the year then ended.

Basis for Unmodified Opinion on Regulatory Basis of Accounting

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code Annotated 10-4-412 as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State.

Honorable Mayor and City Council
City of Rogers, Arkansas

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the State of Arkansas to demonstrate compliance with the State of Arkansas' regulatory basis of accounting and budget laws. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting practices prescribed or permitted by the State, which practices differ from accounting principles generally accepted in the United States of America, require that certain supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the State, 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 audit 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

This Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated September 28, 2023, on our consideration of the City'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 City's internal control over financial reporting and compliance.



Basic Financial Statements

City of Rogers, Arkansas

Statement of Assets, Liabilities, and Funds Balances – Regulatory Basis December 31, 2022

	General Fund	Street Fund	Other Funds In the Aggregate	Rogers Water Utilities June 30, 2022	Total
ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES					
Assets					
Cash and cash equivalents	\$ 56,008,915	\$ -	\$ -	\$ 7,525,715	\$ 63,534,630
Investments	17,607,853	-	-	30,257,309	47,865,162
Accounts receivable, net	66,499	1,055	-	4,163,140	4,230,694
Due from other funds	9,004,932	7,500	-	-	9,012,432
Inventories	-	-	-	711,524	711,524
Prepaid expenses	53,710	2,567	507	225,441	282,225
Restricted assets					
Cash and cash equivalents	-	16,850,535	153,369,036	1,027,895	171,247,466
Investments	-	-	20,490,085	5,530,519	26,020,604
Accounts receivable, net	-	-	75,825	-	75,825
Fixed assets, net	-	-	-	217,683,823	217,683,823
	82,741,909	16,861,657	173,935,453	267,125,366	540,664,385
 Deferred Outflows of Resources	 -	 -	 -	 1,266,042	 1,266,042
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 82,741,909	 \$ 16,861,657	 \$ 173,935,453	 \$ 268,391,408	 \$ 541,930,427

See accompanying notes to financial statements.

City of Rogers, Arkansas

Statement of Assets, Liabilities, and Funds Balances – Regulatory Basis December 31, 2022

	General Fund	Street Fund	Other Funds In the Aggregate	Rogers Water Utilities June 30, 2022	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,929,515	\$ 3,929,515
Accrued expenses	-	-	-	1,532,370	1,532,370
Settlements pending	-	-	598,661	-	598,661
Due to other funds	7,500	-	9,004,932	-	9,012,432
Payables from restricted assets	-	-	31,432	1,486,681	1,518,113
Capital improvement bonds payable	-	-	-	27,431,702	27,431,702
Net pension liability	-	-	-	1,380,182	1,380,182
	7,500	-	9,635,025	35,760,450	45,402,975
Deferred Inflows of Resources	-	-	-	2,824,534	2,824,534
Total Liabilities and Deferred Inflows of Resources	7,500	-	9,635,025	38,584,984	48,227,509
Fund Balances					
Governmental funds					
Restricted	53,778	16,854,157	158,343,065	-	175,251,000
Committed	-	-	5,957,363	-	5,957,363
Assigned	8,299,752	7,500	-	-	8,307,252
Unassigned	74,380,879	-	-	-	74,380,879
Enterprise funds					
Invested in fixed assets, net of related debt	-	-	-	189,849,299	189,849,299
Restricted for maintenance of system	-	-	-	5,071,733	5,071,733
Unrestricted	-	-	-	34,885,392	34,885,392
	82,734,409	16,861,657	164,300,428	229,806,424	493,702,918
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 82,741,909	\$ 16,861,657	\$ 173,935,453	\$ 268,391,408	\$ 541,930,427

See accompanying notes to financial statements.

City of Rogers, Arkansas

Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis Year ended December 31, 2022

	General Fund	Street Fund	Other Funds in the Aggregate	Rogers Water Utilities June 30, 2022	Total
REVENUES					
Sales taxes	\$ 46,984,805	\$ -	\$ 27,367,615	\$ -	\$ 74,352,420
Property taxes	5,716,567	2,949,248	6,354	-	8,672,169
Franchise taxes	4,896,967	-	-	-	4,896,967
Turnback	1,042,908	6,035,622	-	-	7,078,530
Fines, forfeitures and costs	779,482	-	215,127	-	994,609
Insurance reimbursement	243,325	21,169	2,354	-	266,848
Program service revenues	6,049,402	471,721	2,771,762	-	9,292,885
Emergency 911 fees	-	-	1,030,612	-	1,030,612
Rental income	93,735	132,000	196,231	-	421,966
Contributions, donations, and grants	1,975,409	3,295,438	7,336,686	-	12,607,533
Water and sewer service fees	-	-	-	32,694,527	32,694,527
Investment income	(75,999)	140,089	2,782,741	-	2,846,831
Miscellaneous income	312,275	114,861	8,409	-	435,545
Net decrease in fair value of investments	(133,740)	(44,993)	(5,709,687)	-	(5,888,420)
	67,885,136	13,115,155	36,008,204	32,694,527	149,703,022
EXPENDITURES					
General government	11,821,901	-	6,642,194	-	18,464,095
Law enforcement	11,282,707	-	1,095,549	-	12,378,256
Public safety	6,073,613	-	10,127,367	-	16,200,980
Streets and planning	3,215,826	7,218,966	-	-	10,434,792
Parks, recreation, and culture	9,363,558	-	70,701	-	9,434,259
Airport	-	-	743,071	-	743,071
Capital outlay	4,006,731	366,033	30,282,323	-	34,655,087
Water and sewer	-	-	-	23,688,813	23,688,813
Debt service					
Bond and loan principal and fees	-	-	20,676,115	-	20,676,115
Bond and loan interest	-	-	6,138,980	-	6,138,980
	45,764,336	7,584,999	75,776,300	23,688,813	152,814,448
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,120,800	5,530,156	(39,768,096)	9,005,714	(3,111,426)

See accompanying notes to financial statements.

City of Rogers, Arkansas

Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis Year ended December 31, 2022

	General Fund	Street Fund	Other Funds in the Aggregate	Rogers Water Utilities June 30, 2022	Total
OTHER FINANCING SOURCES (USES)					
Transfers in	274,619	-	88,885,876	-	89,160,495
Transfers out	(4,260,038)	(521,088)	(84,379,369)	-	(89,160,495)
Proceeds from bond issuance	-	-	83,540,000	-	83,540,000
Premium on bond issuance	-	-	4,282,995	-	4,282,995
Proceeds from the sale of fixed assets	60,805	-	-	-	60,805
Capital contributions	-	-	-	3,419,344	3,419,344
	<u>(3,924,614)</u>	<u>(521,088)</u>	<u>92,329,502</u>	<u>3,419,344</u>	<u>91,303,144</u>
NET CHANGE IN FUND BALANCES	<u>18,196,186</u>	<u>5,009,068</u>	<u>52,561,406</u>	<u>12,425,058</u>	<u>88,191,718</u>
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	64,538,223	11,852,589	112,785,645	217,381,366	406,557,823
PRIOR PERIOD ADJUSTMENT	-	-	(1,046,623)	-	(1,046,623)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>64,538,223</u>	<u>11,852,589</u>	<u>111,739,022</u>	<u>217,381,366</u>	<u>405,511,200</u>
FUND BALANCES, END OF YEAR	<u>\$ 82,734,409</u>	<u>\$ 16,861,657</u>	<u>\$ 164,300,428</u>	<u>\$ 229,806,424</u>	<u>\$ 493,702,918</u>

See accompanying notes to financial statements.

City of Rogers, Arkansas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Regulatory Basis – General Fund – Budget to Actual Comparison Year ended December 31, 2022

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Sales taxes	\$ 38,485,000	\$ 46,984,805	\$ 8,499,805
Property taxes	5,220,000	5,716,567	496,567
Franchise taxes	4,014,595	4,896,967	882,372
Turnback	895,000	1,042,908	147,908
Fines, forfeitures and costs	726,200	779,482	53,282
Insurance reimbursement	198,514	243,325	44,811
Program service revenues	5,061,050	6,049,402	988,352
Rental income	95,500	93,735	(1,765)
Contributions, donations, and grants	2,533,309	1,975,409	(557,900)
Investment income	350,000	(75,999)	(425,999)
Miscellaneous income	162,170	312,275	150,105
Net decrease in fair value of investments	-	(133,740)	(133,740)
	<u>57,741,338</u>	<u>67,885,136</u>	<u>10,143,798</u>
EXPENDITURES			
General government	24,700,982	11,821,901	12,879,081
Law enforcement	17,122,467	11,282,707	5,839,760
Public safety	12,254,977	6,073,613	6,181,364
Streets and planning	5,035,466	3,215,826	1,819,640
Parks, recreation, and culture	10,464,416	9,363,558	1,100,858
Capital outlay	16,764,949	4,006,731	12,758,218
	<u>86,343,257</u>	<u>45,764,336</u>	<u>40,578,921</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(28,601,919)</u>	<u>22,120,800</u>	<u>50,722,719</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	344,832	274,619	(70,213)
Transfers out	(4,869,038)	(4,260,038)	609,000
Proceeds from the sale of fixed assets	15,000	60,805	45,805
	<u>(4,509,206)</u>	<u>(3,924,614)</u>	<u>584,592</u>
NET CHANGE IN FUND BALANCE	(33,111,125)	18,196,186	51,307,311
FUND BALANCE, BEGINNING OF YEAR	<u>64,538,223</u>	<u>64,538,223</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 31,427,098</u>	<u>\$ 82,734,409</u>	<u>\$ 51,307,311</u>

See accompanying notes to financial statements.

City of Rogers, Arkansas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Regulatory Basis – Street Fund – Budget to Actual Comparison Year ended December 31, 2022

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,700,000	\$ 2,949,248	\$ 249,248
Turnback	4,500,000	6,035,622	1,535,622
Insurance reimbursement	-	21,169	21,169
Program service revenues	-	471,721	471,721
Rental income	-	132,000	132,000
Contributions, donations, and grants	2,871,000	3,295,438	424,438
Investment income	25,000	140,089	115,089
Miscellaneous income	225,079	114,861	(110,218)
Net decrease in fair value of investments	-	(44,993)	(44,993)
	<u>10,321,079</u>	<u>13,115,155</u>	<u>2,794,076</u>
EXPENDITURES			
Streets and planning	8,080,993	7,218,966	862,027
Capital outlay	9,107,965	366,033	8,741,932
	<u>17,188,958</u>	<u>7,584,999</u>	<u>9,603,959</u>
EXCESS DEFICIENCY OF REVENUES OVER UNDER EXPENDITURES			
	<u>(6,867,879)</u>	<u>5,530,156</u>	<u>12,398,035</u>
OTHER FINANCING (USES)			
Transfers in	339,051	-	(339,051)
Transfers out	(528,497)	(521,088)	7,409
	<u>(189,446)</u>	<u>(521,088)</u>	<u>(331,642)</u>
NET CHANGE IN FUND BALANCE			
	(7,057,325)	5,009,068	12,066,393
FUND BALANCE, BEGINNING OF YEAR			
	<u>11,852,589</u>	<u>11,852,589</u>	<u>-</u>
FUND BALANCE, END OF YEAR			
	<u>\$ 4,795,264</u>	<u>\$ 16,861,657</u>	<u>\$ 12,066,393</u>

See accompanying notes to financial statements.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 1: NATURE OF ACTIVITIES

The City of Rogers, Arkansas (the City) was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The City is authorized by its Charter to provide the following services:

1. Public Safety (Police and Fire)
2. Streets
3. Public Improvements
4. Planning and Zoning
5. General Administrative
6. Water and Sewer

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All funds, excluding enterprise and fiduciary funds, are accounted for using the regulatory basis of accounting described below, which is on a modified cash basis of accounting. Their revenues are recognized when received or available and expenditures are recognized when paid. Modifications to the pure cash basis of accounting include recording of inter-fund receivables and payables, recording payables for retirement funding, recording payables for funds collected on behalf of other governments, recording of liabilities for payroll withholdings, recording of deferred revenues and recording of interest earned on certificates of deposit. This regulatory basis differs from accounting principles generally accepted in the United States of America.

All enterprise and fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of the related cash flows. Unbilled water and sewer fund utility service receivables are recorded at year-end.

Reporting Entity

The reporting entity includes all funds of the City. The criteria provided in Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* have been considered.

Regulatory Accounting

The Arkansas Legislature enacted a law in 2005 that allows municipalities to present their financial statements in a prescribed format and also restricts the basis of accounting for this format to one of three methods. The City's governing body, however, can adopt a resolution annually to adopt GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as their reporting model in lieu of reporting on this regulatory basis established by Arkansas Code 10-4-412. The City's Council did not adopt such a resolution for 2022.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

The regulatory presentation is on a fund basis with no distinction being made as to the type of funds (Proprietary, Governmental, etc.) being presented. The required financial statements consist of a balance sheet (or statement of assets, liabilities, and fund balance), statement of revenues, expenditures, and changes in fund balance, and a statement of budget versus actual for the General Fund and the Street Fund. A schedule of capital assets is also required to be presented. Columnar headings are required for the General Fund, the Street Fund and All Other Funds in the Aggregate, but additional funds (columns) may be presented separately. The basis of accounting is limited to cash basis, modified cash basis or modified accrual. The City has elected to utilize the modified cash basis of accounting. Effective January 1, 2005, the City implemented this regulatory basis of accounting for year-end financial statement reporting purposes.

Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is described as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following funds are recognized in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund - The Street Fund is a special revenue fund which accounts for resources related to street, drainage, and traffic control operations. Minor maintenance, repair and construction of streets, drainage systems as well as street lighting and landscaping are included in this fund.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all governmental funds included in the financial statements except for the General Fund, Street Fund, and Rogers Water Utilities Enterprise Funds. The following types of funds are included in this column:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of special revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt, including capital lease obligations, principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for acquisition or construction of major capital facilities which are not financed by enterprise or general operating funds.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Fiduciary Funds - Fiduciary funds of the City include:

Pension Trust Funds - Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans.

Agency Funds - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

Use of Estimates

Management uses 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.

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (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 (2) 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.

Enterprise funds consist of the activity for Rogers Water Utilities. Rogers Water Utilities is a 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 operates through two separate departments - the Water Department and the Sewer Department. The Water Department provides water services to the City of Rogers and certain surrounding areas. The Sewer Department provides sewer 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. Rogers Water Utilities is reported as an enterprise fund of the City.

The accounting policies of Rogers Water Utilities conform to accounting principles generally accepted in the United States of America as applicable to governments and are reported as of their fiscal year-end of June 30, 2022.

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 December 31, 2022 (June 30, 2022 for Rogers Water Utilities), cash equivalents consisted of money market funds and certificates of deposit with original maturities of ninety days or less. See Notes 3 and 4.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Investments

Investments consist of certificates of money market funds held within an investment portfolio, certificates of deposit with original maturities greater than ninety days and governmental securities. Certificates of deposit are recorded at amortized cost-plus accrued interest, which approximates fair value. Investment portfolios of the government may also hold money market accounts providing for more liquidity. Governmental securities are recorded at fair market value based on quoted market prices. Investments in fiduciary funds also include corporate bonds, stocks and money market funds recorded at fair market value based on quoted market prices. Income related to investments is recorded when earned. See Note 4.

Inventories - Enterprise Funds

Inventories of Rogers Water Utilities consists of construction and maintenance supplies and are valued at the lower of cost or net realizable value on the first-in, first-out basis.

Restricted Assets

Restricted assets include cash, investments, and accounts receivable restricted by state acts, bond covenants and equitable sharing agreements. The state acts require funds to be used for designated purposes that are outlined in the act. The bond covenants establish the reserve funds, the manner of accumulation, and allowable expenditures. The sharing agreements require funds to be used to increase or supplement law enforcement. The City was in compliance with restricted assets requirements as of December 31, 2022. Restricted assets of Rogers Water Utilities also include funds restricted by ordinance for meter deposits and fees collected for additions of property and equipment.

Long-Lived Assets

Financial Accounting Standards Board (FASB) Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the City's reported changes in fund balance or financial position.

Fixed Assets - Enterprise Funds

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 of all exhaustible fixed assets used by enterprise funds are charged as an expense against their operations and computed using the straight-line basis. Accumulated depreciation is reported in enterprise fund accounts. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method.

The Rogers Water Utilities' capitalization policy states that capital assets are defined as assets with an estimated useful life greater than one year. Complete financial statements for Rogers Water Utilities may be obtained at its administrative office located at 601 South 2nd Street, Rogers, Arkansas.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

The estimated useful lives are as follows:

Structures	5 - 40 years
Mains and hydrants	50 years
Control facility	2 - 50 years
Water towers	10 - 50 years
Sewer and water service lines	33 - 50 years
Meters	20 - 25 years
Shop equipment and machinery	2 - 10 years
Transportation equipment	3 - 10 years
Two-way radio system	5 - 15 years
Field equipment	1 - 20 years
Office equipment	3 - 20 years

Compensated Absences

Rogers Water Utilities' 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 year-end.

Fund Balance

Fund balance is classified and could be displayed in the following components:

General Fund, Street Fund, and Other Funds in Aggregate

Restricted – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that are to be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit the amounts. For the City, the highest level of decision-making authority would be the City Council.

Assigned – represents amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – represents amounts that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Rogers Water Utilities

Invested in fixed 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 – 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. Net assets have been restricted by bond covenants in the amount of restricted assets less the amount payable from restricted assets.

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

Fund balance components of the General Fund, Street Fund, and Other Funds in Aggregate are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds In Aggregate</u>	<u>Total</u>
Restricted				
General Government	\$ -	\$ -	\$ 11,186,379	\$ 11,186,379
Law Enforcement	-	-	22,258,899	22,258,899
Airport	-	-	1,048,915	1,048,915
Parks and Recreation	51,712	-	623,199	674,911
Public Safety	2,066	-	(35,111)	(33,045)
Street Maintenance	-	16,854,157	-	16,854,157
Capital Projects	-	-	107,263,006	107,263,006
Debt Service	-	-	15,997,778	15,997,778
Committed				
General Government	-	-	5,957,363	5,957,363
Assigned				
General Government	3,396,360	-	-	3,396,360
Parks and Recreation	1,555,601	-	-	1,555,601
Law Enforcement	3,355,291	-	-	3,355,291
Streets and Planning	(7,500)	7,500	-	-
Unassigned				
General Government	74,380,879	-	-	74,380,879
Total Fund Balance	<u>\$ 82,734,409</u>	<u>\$ 16,861,657</u>	<u>\$ 164,300,428</u>	<u>\$ 263,896,494</u>

Advertising

The City follows the policy of charging advertising to expense as paid.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Current Accounting Developments

GASB Statement No. 96, *Subscription Based Information Technology Arrangements*: This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

This development is related to the Rogers Water Utilities whose fiscal year end is June 30, 2022. Management is currently evaluating the impact of implementation of this statement to the financial statements of the City and does not expect the implementation of this statement to significantly impact the financial statements of the City.

Adoption of GASB Statements

GASB Statement No. 87, *Leases*: This statement is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases for governments. This statement is related to the Rogers Water Utilities whose fiscal year end is June 30, 2022. The adoption of this statement had no impact on the City's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*: This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement is related to the Rogers Water Utilities whose fiscal year end is June 30, 2022. The adoption of this statement had no impact on the City's financial statements.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Assets, Liabilities, and Fund Balance – Regulatory Basis, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The City only has two items that qualify for reporting in this category. A deferred outflow of resources on the 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. The City also has a deferred outflow of resources related to pension liabilities as the result of implementing GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. See Note 13.

In addition to liabilities, the Statement of Assets, Liabilities, and Fund Balance – Regulatory Basis 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 City has one item that qualifies for reporting in this category. The City has a deferred inflow of resources related to pension liabilities as the result of implementing GASB 68. See Note 13.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Budgets and Budgetary Accounting

The City follows Arkansas Act 28 of 1959 in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund may be approved by the City Council, except (1) that tax levies for specific purposes may not be diverted to another purpose, and (2) appropriated funds may not be diverted where any creditor would be prejudiced thereby.
3. Formal budgetary integration is employed as a management control device for the General Fund, Street Fund and Special Revenue Funds.
4. Budgets for General, Street, and Special Revenue Funds are adopted on the modified cash basis of accounting.

NOTE 3: CASH DEPOSITS IN FINANCIAL INSTITUTIONS

Deposits in financial institutions are financial instruments that could potentially subject the City to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. The City maintains deposit balances in various financial institutions, and all deposit balances are carried at cost.

Legal or Contractual Provisions for Deposits and Investments

(a) Governmental Fund Types

State law generally requires 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/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations, the principal and interest on which are fully guaranteed by the United States of America.

(b) Pension Trust Funds

State law provides certain restrictions for pension trust funds. If the total assets of the fund are less than one hundred thousand dollars (\$100,000), the funds may be deposited or invested as noted in the preceding paragraph and may also include the following: deposits in federally insured saving and loans located in the State of Arkansas and notes secured by mortgages on real estate guaranteed either by the United States government or by a corporation approved by the State Commissioner of Insurance. Investments of other types are allowed by State law, but it has not been a common practice to utilize them. If the total assets of the fund exceed one hundred thousand dollars (\$100,000), the fund may employ a professional investment counselor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,526,386	\$ 1,526,386
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	24,211,780	26,246,525
U.S. government guaranteed accounts	209,037,680	209,289,556
Total Deposits	\$ 234,775,846	\$ 237,062,467

The above total deposits do not include cash on hand of \$6,250.

NOTE 4: INVESTMENTS

Arkansas statutes authorize the City to invest in U.S. Government and its collateralized agency securities, bank certificates of deposit, and repurchase agreements. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds, and other appropriate securities.

A summary of investments at December 31, 2022 (June 30, 2022 for Rogers Water Utilities) is as follows:

	General Fund	Street Fund	Other Funds in the Aggregate	Enterprise Funds	Total
Certificates of Deposit	\$ 9,846,672	\$ -	\$ -	\$ 30,257,309	\$ 40,103,981
U.S government obligations	-	-	-	5,530,519	5,530,519
Municipal Bonds	3,728,371	-	1,169,903	-	4,898,274
Collateralized mortgage obligations	3,887,923	-	-	-	3,887,923
Corporate Bonds	144,887	-	7,559,140	-	7,704,027
Equities/REITs	-	-	10,561,742	-	10,561,742
Mutual Funds	-	-	1,199,300	-	1,199,300
Total Investments	\$ 17,607,853	\$ -	\$ 20,490,085	\$ 35,787,828	\$ 73,885,766

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 5: FIXED ASSETS - ENTERPRISE FUNDS

Rogers Water Utilities records all contributed fixed assets at their estimated fair market value at date of contribution as capital contributions in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Regulatory Basis, and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of water lines, sewer lines and related infrastructure.

At June 30, 2022, changes in Rogers Water Utilities’ fixed assets were as follows:

	Balance June 30, 2021	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2022
Land	\$ 2,539,134	\$ -	\$ -	\$ 2,539,134
Buildings	69,385,228	5,086,877	(4,057)	74,468,048
Equipment	129,592,102	6,153,374	(930,070)	134,815,406
Vehicles	1,922,787	130,048	(53,038)	1,999,797
Software hosting	180,000	716,656	(67,656)	829,000
Contributed property	100,093,728	3,184,487	-	103,278,215
Construction in progress	7,068,790	9,772,540	(9,594,589)	7,246,741
	<u>310,781,769</u>	<u>25,043,982</u>	<u>(10,649,410)</u>	<u>325,176,341</u>
Accumulated depreciation	<u>(100,461,115)</u>	<u>(8,011,630)</u>	<u>980,227</u>	<u>(107,492,518)</u>
Property and equipment, net	<u>\$ 210,320,654</u>	<u>\$ 17,032,352</u>	<u>\$ (9,669,183)</u>	<u>\$ 217,683,823</u>

Depreciation expense for the year ended June 30, 2022 was \$8,011,630.

NOTE 6: PROPERTY TAX

The City levies its property tax during the month of October, prior to the current fiscal year. The County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Taxes are delinquent after October 10th. The amount of property taxes the City may levy is subject to a statutory limitation set by the State of Arkansas. The tax levy may not be increased except by amendment to the State Constitution. The assessed value of taxable property upon which the property tax is levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

NOTE 7: FEDERAL AND STATE AWARDS

The City receives federal and state awards. These grant programs are subject to audit by the federal and state governments or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 8: TRANSFERS IN AND OUT

Transfers between funds during the year ended December 31, 2022 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 274,619	\$ 4,260,038
Street Fund	-	521,088
Other Funds in the Aggregate		
Airport	-	32,865
Capital outlay	84,338,275	-
Debt service	-	84,338,275
Fire pension	45,210	5,389
Health insurance	4,502,391	-
Police pension	-	2,840
	\$ 89,160,495	\$ 89,160,495

NOTE 9: BONDS PAYABLE - ENTERPRISE FUNDS

The bonds payable of the Rogers Water Utilities are not general obligations of the City of Rogers, Arkansas. The Sewer Department had \$8,130,000 in revenue bonds outstanding at June 30, 2022, which is a decrease of \$1,130,000 from 2021 resulting from scheduled principal payments. The Water Department had \$18,145,000 in revenue bonds outstanding as of June 30, 2022, which is a decrease of \$820,000 from 2021 resulting from scheduled principal payments. Rogers Water Utilities' capital improvement bonds payable consisted of the following:

Series 2010 Sewer Revenue Bonds

In December 2010, the Sewer Department issued \$3,310,000 Revenue Bonds (Series 2010) at an average rate of 3.6% to finance the purchase and installation of a sludge dryer for the processing of solid waste. The bonds mature in fiscal year 2031 with principal payments due in December and interest payments due in December and June of each year.

Series 2016 Sewer Revenue Refunding Bonds

On December 13, 2016, the Sewer Department issued \$12,850,000 in Sewer Revenue (Series 2016) with an average interest rate of 3.89% and used unrestricted reserves of \$5,380,000 and debt service reserves of \$661,154 to refund \$19,600,000 of outstanding Sewer Revenue Improvement Bonds, Series 2007 with an average interest rate of 4.91%. The net proceeds of \$14,030,940 from the Series 2016 bond issues (after premiums, payment of bond issuance costs, and other costs) and additional sewer department reserves totaling \$6,041,154 were put in a trust and used to pay the outstanding principal and the accrued interest on the Series 2007 Sewer Bonds in entirety on February 1, 2017 when they first became callable. The bond matures in fiscal year 2029 with principal payments due in November and interest payments due in November and May of each year.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$477,851. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to interest expense over the life of the bonds using the straight-line method. The Sewer Department completed the refunding to reduce its total debt service payments over the next 21 years by \$14,530,274 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,599,564. The Series 2016 bond also included prepaid bond insurance costs of \$19,530 which are amortized against interest expense over the life of the Series 2016 bonds.

System revenues and all assets are pledged to the bonds outstanding. The debt service coverage ratio, calculated as described in the bond documents, as of June 30, 2022 is 7.13. Total interest paid during the year ended June 30, 2022 totaled \$351,800. No interest was capitalized during the year ended June 30, 2022. The Sewer Department is in compliance with all debt covenants for the year ended June 30, 2022.

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. All debt service payments were paid by the trust and all outstanding Water Revenue Improvement Bonds, Series 2004 Bonds were redeemed in full on November 1, 2014.

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.

Series 2016 Water Revenue Refunding Bonds

On December 13, 2016, the Water Department issued \$13,725,000 in Water Revenue Refunding Bonds (Series 2016) with an average interest rate of 3.37% to refund \$13,995,000 of outstanding Water Revenue Improvement Bonds, Series 2006 with an average interest rate of 4.33%. The net proceeds of \$14,065,289 (after premiums, payment of bond issuance costs, and other costs) were used to pay the outstanding principal and the accrued interest on the Series 2006 Water Bonds on December 13, 2016.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$140,722. 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 19 years by \$3,470,757 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,006,537. The Series 2016 bonds also included prepaid bond insurance costs of \$16,134 which are amortized against interest expense over the life of the Series 2016 bonds.

System revenues and all assets are pledged to the bonds outstanding. The debt service coverage ratio, calculated as described in the bond documents, as of June 30, 2022 is 4.10. Total interest paid during the year ended June 30, 2022 totaled \$622,984. No interest was capitalized during the year ended June 30, 2022. The Water Department is in compliance with all debt covenants for the year ended June 30, 2022.

Principal and interest maturities of Rogers Water Utilities' capital improvement bonds payable are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,020,000	\$ 902,322	\$ 2,922,322
2024	2,095,000	826,219	2,921,219
2025	2,480,000	741,744	3,221,744
2026	2,570,000	648,919	3,218,919
2027	2,660,000	550,607	3,210,607
2028-2032	9,125,000	1,538,569	10,663,569
2033-2036	5,325,000	265,608	5,590,608
	<u>\$ 26,275,000</u>	<u>\$ 5,473,988</u>	<u>\$ 31,748,988</u>

For the year ended June 30, 2022, changes in Rogers Water Utilities' capital improvement bonds payable are as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Bonds Payable	\$ 28,225,000	\$ -	\$ 1,950,000	\$ 26,275,000

The following is a summary of Rogers Water Utilities' bonds payable:

<u>Type</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Payment Dates</u>	<u>Range of Annual Maturities</u>	<u>Balance June 30, 2022</u>
Rev. Bonds	12/13/2016	\$ 12,850,000	3.89%	11/1,5/1	370,000-1,420,000	\$ 8,130,000
Rev. Bonds	4/18/2012	8,505,000	3.13%	11/1,5/1	735,000-955,000	6,195,000
Rev. Bonds	12/13/2016	13,725,000	3.37%	11,1,5/1	220,000-1,755,000	11,950,000
						<u>26,275,000</u>
					Premiums/Discounts	1,156,702
					Total Bonds Payable	<u>\$ 27,431,702</u>

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in public entity risk pools. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year. The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Municipal Vehicle Program

Liability - This program may pay all sums the municipality legal must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident, and \$25,000 for property damage per accident. The City shall pay into the program each year and charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the City.

Physical Damage – This program covers vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$5,000 per occurrence. The City agrees to pay a service charge established annually by the program administrator for the covered property.

Municipal Legal Defense Program – The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – no punitive damages) imposed on municipal offices and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials and employees because of judgment in any one lawsuit for more than 25 percent of the program's available funds at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each City also agrees to pay the first \$3,000 of the aggregated cost for all expenses on each lawsuit. The cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$1,000 deductible per occurrence.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Municipal Property Program – This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of the depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Workers' Compensation – This program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for the municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the Workers' Compensation Commission.

Commercial Equipment – The City equipment is covered by a policy by Rogers Insurance Group for various scheduled equipment totaling \$5,573,679. The policy is reviewed and renewed annually.

Terrorism - The City is covered by a policy by Rogers Insurance Group for Special Losses in the event of terrorism. Building coverages of \$85,838,393 and business personal property of \$14,000,741 as well as specifically named equipment for streets and parks and static displays. Rates for this policy are reviewed every 3 years.

Wind and Hail – The City is covered by Rogers Insurance Group for a buy down of deductible limits on Wind and Hail from \$250,000 per occurrence to \$25,000 per occurrence. This policy is reviewed annually.

Network Systems and Machinery and Equipment – The City is covered by a policy by Rogers Insurance Group which covers machinery equipment owned by the City but located in various buildings, storage units, and parks throughout the city. This policy is reviewed annually.

NOTE 11: CONCENTRATIONS AND RISK OF ACCOUNTING LOSS

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy is to attempt to match investment maturities with cash flow requirements. The City's investments are certificates of deposit with maturities primarily one year or less.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to minimize credit risk losses due to default of security issuers or backers by limiting investments to the safest types of securities.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. See Note 3.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Financial instruments that potentially subject the City to credit risk consist primarily of accounts receivable. Accounts receivable are presented for the Enterprise Funds only due to the use of the modified cash basis of accounting on other City funds.

NOTE 12: LITIGATION

The City is subject to claims and lawsuits that arise primarily in the ordinary course of business including, but not limited to, cases of eminent domain arising from development projects. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the assets, liabilities, fund balances, revenues, expenditures and changes in fund balances and cash flows, where applicable, of the City.

NOTE 13: RETIREMENT PLANS

GASB 68 was effective for the City on January 1, 2015, and established accounting and financial reporting requirements related to pensions for governmental entities whose employees are provided with pensions through pension plans that are covered by the scope set forth in the statement.

Although the pension plans in which City employees participate meet the criteria for implementation of GASB 68, reporting the liability and certain disclosures related to actuarial calculations for determining the total pension liability are not relevant to modified cash basis financial statements. However, required disclosures related to the description of the plans, types of benefits provided, funding policy, contribution requirements and rates, and actual cash contributions are applicable to the modified cash basis of accounting and are provided in the paragraphs that follow.

Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (“APERS”), a 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. The APERS Board of Trustees has no authority to establish and amend benefit provisions to the APERS. 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 Avenue, Suite 400, Little Rock, Arkansas 72201, or by calling 800-682-7377, or online at www.apers.org/annualreports.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Funding Policy

Plan members who joined the plan prior to July 1, 2005, are not required to contribute to the plan. Members who joined after July 1, 2005 are required to contribute 5% of their gross wages. The City is required to contribute at an actuarially determined rate. The current rate is 15.32% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended only by State law.

For 2022, the City's annual pension cost of \$2,006,190 for APERS was equal to the City's required and actual contributions. The required contribution is determined as part of each year's annual actuarial valuation by using the entry age actuarial cost method. For the year ended June 30, 2022, the actuarial assumptions included (a) a rate of return on present and future assets of 7.15% per year, compounded annually, (b) projected inflation rate of 3.25% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 3.25% to 9.85% per year, attributable to seniority/merit, (d) pre- and post-retirement mortality based on the RP-2006 weighted generational mortality table, which applies credibility adjustments of 135% for males and 125% for females and was adjusted for fully generational mortality improvements using Scale MP - 2017, and (e) annual compounded post-retirement increases of 7.15% 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.

Net Pension Liability

The City's proportionate share of the total collective net pension liability attributable to employees of the City and Rogers Water Utilities – Enterprise Fund was \$16,905,333 and \$5,303,463, respectively, at June 30, 2022 (the actuarial date and measurement date).

Local Police and Fire Retirement System

Plan Description

The City contributes to the Arkansas Local Police and Fire Retirement System ("LOPFI"), an agent multiple-employer defined benefit pension plan administered by the State of Arkansas. LOPFI provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The LOPFI Board of Trustees has no authority to establish and amend benefit provisions to LOPFI.

LOPFI issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 West Third Street, Suite 200, Little Rock, Arkansas 72201, by calling 1-501-682-1745, or online at www.lopfi-prb.com.

Funding Policy

Police force plan members contribute 2.5% of gross compensation and fire department plan members contribute 8.5% of gross compensation. The City is required to contribute at actuarially determined rates. The current rate is 23.5% of gross compensation for police force fire department.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

For 2022, the City's annual pension cost of \$2,245,320 for LOPFI was equal to the City's actual contributions. The required contribution was determined as part of each year's annual actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 7.0% per year, compounded annually, (b) projected salary increases ranging from 3.75% to 18.75%, including a wage inflation rate of 3.25% per year, (c) a cost of living adjustment based on a 2.50% compound escalator for the LOPFI plan only, (d) pre- and post-retirement mortality based on the RP-2014 Combined Projected to 2017 Table, set forward two year for men, and (e) annual compounded post-retirement increases of 7.75% per year. The actuarial value of assets was based on a five-year smoothed market method with a 20% market value corridor. The unfunded actuarial accrued liability (and assets in excess of actuarial accrued liability) is being amortized as an increasing dollar amount on an open basis. The amortization period as of December 31, 2022 for local plans was calculated using a level percent closed method of varying periods.

Net Pension Liability

The City's proportionate share of the total collective net pension liability attributable to employees of the City was \$40,573,115 at December 31, 2022 (the actuarial valuation date and measurement date).

Firemen's Pension and Relief Fund

Plan Description

All firemen hired by the City prior to January 1, 1983 participate in the Firemen's Pension and Relief Fund ("the Firemen's Plan"), a single-employer defined benefit pension plan. The Firemen's Plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by State Law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The Firemen's plan was closed to new entrants on January 1, 1983. The Firemen's Plan does not issue a stand-alone financial report but is included in the City's financial report.

Funding Policy

Each of the active members are required by Arkansas Code Annotated 24-11-816 to contribute to the Firemen's Plan. Level cost funding is used as the determination of contribution requirements. Salaried firemen are required to contribute 6% of base salary and volunteer firemen are required to contribute \$12 per year. The City is required to match the Firemen's Plan contributions made by the volunteer firemen and paid employees. The annual required contribution for the Firemen's Plan was determined as part of an actuarial study as of December 31, 2022, using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5% investment rate of return and (b) projected salary increase ranges from 4.2% to 8.0% per year. For the year ended December 31, 2022, the City's annual pension cost of \$43,019 for the Firemen's Plan was equal to the City's required and actual contributions.

Other revenues include turnback received from state insurance taxes and local millage contributed by the City. In 2022, the City no longer funds the plan with local millage. Plan member contributions are recognized in the period in which the contributions are received. Employer contributions are recognized when received. Benefits and refunds are recognized when paid in accordance with the Firemen's Plan.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

In order to be eligible for distribution and considered fully vested, each fireman must meet the required 20 years of service. There are no post-retirement benefit increases provided in the Firemen's Plan. The Firemen's Plan includes provisions for disability benefits, death benefits, and Deferred Retirement Option Program (DROP).

The actuarial value of assets was determined using the asset valuation method prescribed in Arkansas Code Annotated 24-11-207.

The Firemen's Plan is a component unit of the City of Rogers and is included in the fiduciary fund financial statements.

As of December 31, 2022, the Firemen's Plan was 61.04% funded.

Net Pension Liability

The City's proportionate share of the total collective net pension liability attributable to plan participants was \$10,673,044 at December 31, 2022 (the actuarial valuation date and measurement date).

Policemen's Pension and Relief Fund

Plan Description

All policemen hired by the City prior to January 1, 1983 participate in the Policemen's Pension and Relief Fund ("the Policemen's Plan"), a single-employer defined benefit pension plan. The Policemen's Plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by State Law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the Policemen's Plan, the Board may increase retirement benefits. The Policemen's Plan was closed to new entrants on January 1, 1983. The Policemen's Plan does not issue a stand-alone financial report but is included in the City's financial report.

Funding Policy

Each of the active members are required by Arkansas Code Annotated 24-11-413 to contribute to the Policemen's Plan. Level cost funding is used as the determination of contribution requirements. All policemen are required to contribute 4% of their base salary and the City is required to match contributions equal to employee contributions. The annual required contribution for the Policemen's Plan was determined as part of an actuarial study as of December 31, 2022, using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5% investment rate of return and (b) projected salary increase ranges from 4.2% to 8.0% per year.

For the year ended December 31, 2022, the City's annual pension cost of \$87,615 for the Policemen's Plan was equal to the City's required and actual contributions. Other revenues include 10% of all fines and forfeitures collected by the police department, turnbacks received from state insurance taxes, and local millage contributed by the City. In 2022, the City no longer contributes local millage funds to the plan. Plan member contributions are recognized in the period in which the contributions are received. Employer contributions are recognized when received. Benefits and refunds are recognized when paid in accordance with the Policemen's Plan.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

In order to be eligible for distribution and considered fully vested, each policeman must meet the required 20 years of service. There are no post-retirement benefit increases provided in the Policemen's Plan. The Policemen's Plan includes provisions for disability benefits, death benefits, and Deferred Retirement Option Program (DROP).

The actuarial value of assets was determined using the asset valuation method prescribed in Arkansas Code Annotated 24-11-207. The Policemen's Plan is a component unit of the City of Rogers and is included in the fiduciary fund financial statements.

As of December 31, 2022, the Policemen's Pension and Relief Fund was 162.51% funded.

Net Pension Liability

The Policemen's Plan fiduciary net position exceeded the City's proportionate share of the total collective net pension liability attributable to plans participants by a net amount of \$13,660,074 at December 31, 2022 (the actuarial valuation date and measurement date).

NOTE 14: EMPLOYEE BENEFIT PLANS

Flexible Benefit Plan

The City 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 Medcom Benefit Solutions. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code 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.

Deferred Compensation Plan

The City offers as a benefit to its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The assets of the plan remain the property of the City until paid and are subject only to claims of the City's general creditors. Participants' rights under the plan are equal to the claims of general creditors of the City in an amount equal to their fair market value of the deferred amounts each pay period to an outside service for investment in a diversified portfolio of mutual funds. As such, the assets and offsetting liabilities of the plan are not reported in the financial statements of the City. Deferred compensation remitted for investment during the year ended December 31, 2022, was \$568,632. At December 31, 2022, there were 198 active participants in the plan. There is no cost to the City of funding this plan.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 15: EMPLOYEES SELF-INSURED BENEFITS

The City participates in an employee self-insured benefit plan. The City is required to maintain a benefit plan account which will be sufficient at all times to fund plan benefits and plan-related expenses. Insurance premiums collected through Rogers Water Utilities, payroll deduction for employee, spouse, and dependent coverage, and COBRA, and retiree received totaled \$1,685,875. Health insurance claims, administered by Blue Advantage Administrators of Arkansas in the amount of \$4,865,604 were paid from the account and the City contributed \$4,647,391 to this account. As of December 31, 2022, this account had a balance of \$5,919,681.

To safeguard against catastrophic claims loss, the city maintains an excess loss insurance policy (non-participating), with Blue Advantage insurance company that has the following features:

1. Aggregating specific deductible of \$112,500.
2. Specific deductible amount of \$125,000 per covered person.

During the year ended December 31, 2022, there was unusually high claims reimbursed through this excess loss insurance in the amount of \$176,372.

NOTE 16: COMMITMENTS

The City's commitments, excluding the enterprise funds, consist of the following:

Series 2018A Sales and Use Tax Bonds, Refunding

In December 2018, the City issued \$41,860,000 in Sales and Use Tax Bonds (Series 2018) at an average interest rate of 3.50% for the purpose of refunding the City's outstanding Sales and Use Refunding and Improvement Bonds, Series 2011 and Sales and Use Tax Bonds, series 2015, financing a portion of the costs of street improvements, funding a portion of a debt service reserve and paying expenses of issuing the Series 2018A Bonds.

Series 2018B Sales and Use Tax Bonds, Improvement

In December 2018, the City issued \$144,135,000 in Sales and Use Tax Bonds (Series 2018) at an average interest rate of 4.37% for the purpose of financing all or a portion of the costs of various capital improvements of the City, funding a portion of the debt service reserve, and paying expenses of issuing the Series 2018B Bonds.

Series 2022 Sales and Use Tax Bonds, Improvement

In August 2022, the City issued \$83,540,000 in Sales and Use Tax Bonds (Series 2018) at an average interest rate of 5.00% for the purpose of financing all or a portion of the costs of various capital improvements of the City, funding a portion of the debt service reserve, and paying expenses of issuing the Series 2022 Bonds.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Changes in general long-term debt for the year ended December 31, 2022 were as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
General Long-Term Debt	\$ 145,295,000	\$ 83,540,000	\$ 19,720,000	\$ 209,115,000

General Long-Term Debt:

The following is a summary of the City's general long-term debt:

Type	Date of Issue	Amount of Original Issue	Interest Rate	Payment Dates	Range of Annual Maturities	Balance December 31, 2022
Refunding	12/4/2018	\$ 41,860,000	3.50%	5/1, 11/1	\$ 1,565,000 7,360,000	\$ 16,340,000
Improvement	12/4/2018	144,135,000	4.37%	5/1, 11/1	3,735,000 11,125,000	109,235,000
Improvement	9/29/2022	83,540,000	5.00%	5/1, 11/1	5,105,000 8,650,000	<u>83,540,000</u>
Total General Long-Term Debt						<u>\$ 209,115,000</u>

Principal and interest maturities of the City's general long-term debt are as follows:

Year Ending December 31	Principal	Interest	Total
2023	\$ 9,855,000	\$ 10,630,329	\$ 20,485,329
2024	10,595,000	9,886,798	20,481,798
2025	11,065,000	9,419,630	20,484,630
2026	11,555,000	8,926,211	20,481,211
2027	12,125,000	8,365,019	20,490,019
2028-2032	69,215,000	33,213,194	102,428,194
2033-2037	58,035,000	17,420,306	75,455,306
2038-2042	<u>26,670,000</u>	<u>4,896,325</u>	<u>31,566,325</u>
	<u>\$ 209,115,000</u>	<u>\$ 102,757,812</u>	<u>\$ 311,872,812</u>

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Construction Contracts:

The City was contractually obligated for the following construction contracts at December 31, 2022:

<u>Project Name</u>	<u>Contract Balance December 31, 2022</u>
Street Projects	
Pleasant Grove Road	\$ 588,956
Arkansas Street Oak to Chestnut	2,894,379
West Oak Street Overpass and Uptown Overpass	13,145,018
Northwest - Pinnacle Hills Parkway Roundabout	10,407,524
JB Hunt Drive	5,994,113
South 1st Street Water Sewer Improvements	442,597
Mount Hebron Park	122,686
Garrett Road Extension and Mount Hebron Park	1,470,708
Other Projects	
Energy Savings Solar Project	11,302,417
Upskill NWA	387,945
Dedicated Fire Station Alerting Console	395,297
Telecommunications Building	168,322
Convention Center naming rights contract	700,000
	\$ 48,019,962

Subsequent to year end, the City has signed several large construction contracts for various projects going on throughout the City. These construction projects and the related contract amounts are as follows:

Centennial Pedestrian Plaza	\$ 1,071,374
Poplar Street / 13th Street Improvements	3,252,561
Safe Routes to School Sidewalk Improvements	1,202,541
Northwest Park	26,839,241
	\$ 32,365,717

NOTE 17: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains a combined enterprise fund that provides water and sewer services.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

Segment information is as follows:

	Water Fund	Sewer Fund	Total
Service fees	\$ 15,665,061	\$ 16,752,916	\$ 32,417,977
Operating expenditures	8,450,255	6,376,504	14,826,759
Depreciation	3,039,133	4,972,497	8,011,630
Operating income	4,175,673	5,403,915	9,579,588
Less interest, trustee fees, and bond issuance costs	655,366	195,058	850,424
Interest and other income	125,304	151,246	276,550
Income before capital contributions	3,645,611	5,360,103	9,005,714
Capital contributions	1,948,768	1,470,576	3,419,344
Change in fund balance	5,594,379	6,830,679	12,425,058
Beginning fund balance	91,125,829	126,255,537	217,381,366
Ending fund balance	\$ 96,720,208	\$ 133,086,216	\$ 229,806,424

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current assets	\$ 23,450,296	\$ 25,991,247	\$ 49,441,543
Fixed assets	97,595,121	120,088,702	217,683,823
	<u>121,045,417</u>	<u>146,079,949</u>	<u>267,125,366</u>
Deferred outflows of resources	<u>778,105</u>	<u>487,937</u>	<u>1,266,042</u>
Total assets and deferred outflows of resources	<u>121,823,522</u>	<u>146,567,886</u>	<u>268,391,408</u>
Liabilities			
Current liabilities	5,601,626	2,872,046	8,473,672
Long-term liabilities	18,481,345	8,805,433	27,286,778
Total liabilities	<u>24,082,971</u>	<u>11,677,479</u>	<u>35,760,450</u>
Deferred inflows of resources	<u>988,748</u>	<u>1,835,786</u>	<u>2,824,534</u>
Fund balance			
Invested in fixed assets, net of related debt	79,207,480	110,641,819	189,849,299
Restricted for maintenance of system	3,688,715	1,383,018	5,071,733
Unrestricted	<u>13,824,013</u>	<u>21,061,379</u>	<u>34,885,392</u>
Total fund balance	<u>\$ 96,720,208</u>	<u>\$ 133,086,216</u>	<u>\$ 229,806,424</u>

NOTE 18: INDUSTRIAL REVENUE BONDS

Industrial revenue bonds were issued for securing and developing industry within the City of Rogers on December 21, 2021, in a principal amount not to exceed \$55,000,000. The project financed by the bonds was an approximately 150,000 square foot facility (including land) located at 4909 West Magnolia Street. No personal property was financed by the bonds. The bonds are being retired by a lease-rental plan with Transplace, a third-party transportation management and logistics technology firm based in Frisco, Texas. The bonds are special obligations of the City and do not constitute an indebtedness of the City within any Constitutional or statutory limitation but are payable solely from lease-rentals of the developed property, and are secured by a statutory mortgage lien on the same. Accordingly, these bonds are not reflected on the accompanying regulatory basis financial statements.

City of Rogers, Arkansas

Notes to Financial Statements December 31, 2022

NOTE 19: PRIOR PERIOD ADJUSTMENT

In past years, management has incorporated the balances associated with the Rogers Advertising and Promotion Commission (A&P) into the City's basic financial statements. During the year ended December 31, 2022, management determined it not necessary to do so for the current year and moving forward. This resulted in a prior period adjustment as follows to the other funds in the aggregate fund balance to remove all previously included A&P amounts:

- Fund balance as of December 31, 2022, will decrease \$1,046,623.
- Cash as of December 31, 2022, will decrease \$987,288.
- Accounts receivable as of December 31, 2022, will decrease \$65,615.
- Accounts payable as of December 31, 2022, will decrease \$6,280.

NOTE 20: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2023, the date that the financial statements were available to be issued.

See Note 16 for additional details on subsequent construction contracts signed.

Rogers Water Utilities (RWU) applied for and received an offer for funding via the Arkansas Natural Resource Commission (ANRC) for funding of the RCF Biosolids Handling Building Phase II for \$31,246,250 (Sewer Department). RWU accepted the offer and the ANRC Commission approved the funding at their meeting on August 11, 2022. The project includes \$25,000,000 of construction costs, plus engineering fees, contingencies, and legal. Friday, Eldredge & Clark law firm has been engaged as bond counsel for the bond issuance. This funding will be reflected in the City's financial statement during the year ended December 31, 2023.

The City entered into an agreement on September 3, 2023 (approved by the City Council on September 26, 2023), to purchase property for \$4,200,000. The property is located at 116 E. Walnut Street and 120 S. Arkansas Street, near the Railyard Park in Rogers, Arkansas. The sale is set to close on October 30, 2023, and the City will take possession in 2024.

**Required
Supplementary Information**

City of Rogers, Arkansas

Required Supplementary Information Schedule of Capital Assets – Unaudited December 31, 2022

	Balance December 31, 2022
<u>City</u>	
Land and improvements	\$ 6,579,624
Buildings	112,427,140
Equipment	39,001,242
	<hr/>
	\$ 158,008,006
	<hr/>
	Balance June 30, 2022
	<hr/>
<u>Rogers Water Utilities</u>	
Land	\$ 2,539,134
Buildings	74,468,048
Equipment	134,815,406
Vehicles	1,999,797
Software hosting	829,000
Contributed property	103,278,215
Construction in progress	7,246,741
	<hr/>
	325,176,341
	<hr/>
Accumulated depreciation	(107,492,518)
	<hr/>
	\$ 217,683,823
	<hr/>

See Independent Auditor's Report.



INDEPENDENT AUDITOR'S OPINION ON CITY'S COMPLIANCE WITH STATE LAWS

Honorable Mayor and City Council
City of Rogers, Arkansas

We have examined management's assertions that the **City of Rogers, Arkansas** (the City) complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2022.

- Municipal Accounting Law, §14-59-101 et seq.
- District Courts and City Courts, §§16-10-201 et seq.
- Improvement Contracts, §§22-9-202 – 22-9-204;
- Budgets, Purchases, Payments of Claims, Etc., §§14-58-201 – 14-58-203, 14-58-301 – 14-58-309;
- Investment of Public Funds, §§19-1-501 – 19-1-504
- Deposit of Public Funds, §§19-8-101 – 19-8-107
- Review of Audit Report by Governing Body, §§10-4-418
- Procurement law, §§19-11-201 – 19-11-259

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Rogers, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2022.

These conditions were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated September 28, 2023 on those financial statements.

Honorable Mayor and City Council
City of Rogers, Arkansas

This report is intended solely for the information and use of management, the City Council, the Mayor, Arkansas Division of Legislative Audit, and applicable bonding agencies and funding sources and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive style, and "PLC" is written in a more upright, blocky cursive style.

Rogers, Arkansas
September 28, 2023



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

Honorable Mayor and City Council
City of 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 accompanying regulatory basis financial statements of the general fund; street fund, and the other funds in the aggregate of the **City of Rogers, Arkansas** (the City) as of and for the year ended December 31, 2022, and the Rogers Water Utilities, a component unit of the City, as of and for the year ended June 30, 2022, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 28, 2023. We issued an adverse opinion because the City prepared the financial statements using accounting practices prescribed or permitted by the State of Arkansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the assets, liabilities, and fund balances of the funds as presented of the City as of December 31, 2022 (June 30, 2022 for Rogers Water Utilities), and their respective revenues, expenditures, and changes in fund balances and budgetary comparisons for the year then ended, in accordance with the financial reporting provisions prescribed by the State described in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Honorable Mayor and City Council
City of Rogers, Arkansas

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas
September 28, 2023



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Rogers, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Roger, Arkansas’ (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year December 31, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Honorable Mayor and City Council
City of Rogers, Arkansas

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive script, and "PLC" is written in a simpler, blocky font.

Rogers, Arkansas
September 28, 2023

City of Rogers, Arkansas

Schedule of Expenditures of Federal and State Awards Year ended December 31, 2022

Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Revenues	Expenditures
Federal Awards			
U.S. Department of Treasury			
Direct Programs			
ICE Forfeiture	21.016	\$ 1,480	\$ -
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>5,855,365</u>	<u>9,163,666</u>
Total Department of Treasury		<u>5,856,845</u>	<u>9,163,666</u>
U.S. Department of Transportation			
Direct Programs			
Federal Aviation Administration Airport Improvement Program	20.106	796,547	589,209
Pass through Arkansas State Highway and Transportation Department			
Highway Planning and Construction Highway Planning and Construction Cluster	20.205	896,332	1,868,595
State and Community Highway Safety Program Highway Safety Cluster	20.600	1,946	1,946
National Priority and Safety Program Highway Safety Cluster	20.616	<u>12,521</u>	<u>12,521</u>
Total U.S. Department of Transportation		<u>1,707,346</u>	<u>2,472,271</u>
U.S. Department of Housing and Urban Development			
Direct Programs			
Community Development Block Grants/Entitlement Grants Cluster	14.218	324,671	324,671
COVID-19 Community Development Block Grant, Grants/Entitlement Grants Cluster	14.218.119	<u>15,810</u>	<u>15,810</u>
Total Department of Housing and Urban Development		<u>340,481</u>	<u>340,481</u>
U.S. Department of Homeland Security			
Direct Program			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	<u>202,359</u>	<u>202,359</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of
Federal and State Awards.

City of Rogers, Arkansas

Schedule of Expenditures of Federal and State Awards Year ended December 31, 2022

Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Revenues	Expenditures
U.S. Department of Justice			
Direct Programs			
Corona Virus Emergency Supplemental Funding Program	16.034	18,041	8,370
Equitable Sharing Agreement	16.922	30,311	30,311
Edward Byrne Memorial Justice Assistance Grant Program	16.738	43,363	51,375
Bureau of Justice Assitance Bulletproof Vest Partnership Program	16.607	2,517	2,517
Pass through Arkansas Department of Finance Project Safe Neighborhoods	16.609	5,000	5,000
Total U.S. Department of Justice		<u>99,232</u>	<u>97,573</u>
U.S. Department of Health and Human Services			
Pass through Arkansas Department of Human Services			
Mental Health Awareness Grant	93.243	3,847	3,847
Executive Office of the President			
Direct Program			
High Intensity Drug Trafficking Areas Program	95.001	25,200	25,200
National Foundation on the Arts and the Humanities			
Direct Program			
Library Services Grant	45.310	-	34,940
Federal Communications Commission			
Direct Program			
Universal Service E Rate	32.004	614	614
Total Federal Awards		<u>8,235,924</u>	<u>12,340,951</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of
Federal and State Awards.

City of Rogers, Arkansas

Schedule of Expenditures of Federal and State Awards Year ended December 31, 2022

Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Revenues	Expenditures
<u>State Awards</u>			
Arkansas State Library			
State Aid to Public Libraries	N/A	127,985	127,985
Scholarship Assistance	N/A	14,400	14,400
Arkansas Department of Finance and Administration			
Law Enforcement Stipend Grant	N/A	570,545	549,015
Arkansas Department of Health			
Trauma EMS Sustaining Grant	N/A	7,950	7,950
BT Hospital Preparedness	N/A	23,588	23,588
State Aid to Firefighters	N/A	27,511	27,511
Arkansas State Highway Department			
Child Passenger Protection Fund	N/A	1,059	1,062
Total State Awards		<u>773,038</u>	<u>751,511</u>
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 9,008,962</u>	<u>\$ 13,092,462</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of
Federal and State Awards.

City of Rogers, Arkansas

Notes to Schedule of Expenditures of Federal and State Awards Year ended December 31, 2022

Scope of Audit Pursuant to the Uniform Guidance

All federal and state financial award programs of the City of Rogers, Arkansas (the City) are included in the scope of the Uniform Guidance audit. For purposes of the Schedule of Federal and State Awards (the SEFA), federal awards include those received from other agencies, the original source of which was a federal agency.

Summary of Significant Accounting Policies

The City's grant funds are accounted for on the modified cash basis of accounting. Under the modified cash basis, grant revenues are recognized when received and expenditures are recorded when paid. These grant funds are included in the "Contributions, donations, and grants" line of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Regulatory Basis. The City is the recipient of federal and state grant awards. The grant programs are administered by various departments within the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of grants.

Relationship to Federal Financial Reports

Grant expenditures reports as of December 31, 2022, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

10% De Minimis Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

City of Rogers, Arkansas

Notes to Schedule of Expenditures of Federal and State Awards Year ended December 31, 2022

Sub-recipients

Of the federal expenditures presented in the SEFA, the City provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
Community Development Block Grant COVID 19	14.218.119	Havenwood, Inc.	\$ 10,710
		Our Healthy Communities, Inc.	<u>5,100</u>
			<u>\$ 15,810</u>
Community Development Block Grant	14.218	NWA Taxi	\$ 2,698
		Fayetteville Taxi	2,592
		Boys and Girls Club of Benton County, Inc	13,000
		Open Avenues	13,000
		United Way of Northwest Arkansas	206
		Nicole's House	3,000
		Sunshine School & Development Center	11,000
		CASA of NWA	5,000
		Community Clinic	6,000
		P.E.A.R.L.	<u>4,729</u>
			<u>\$ 61,225</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027	Excellerate Foundation	\$ 97,055
		NWA Council	<u>69,908</u>
			<u>\$ 166,963</u>

City of Rogers, Arkansas

Schedule of Findings and Questioned Costs Year ended December 31, 2022

I. Summary of Independent Auditor's Findings

1. The opinion expressed in the independent auditor's report on accounting principles generally accepted in the United States of America:

Unmodified Qualified Adverse Disclaimer

The opinion expressed in the independent auditor's report on the basis of accounting prescribed or permitted by the State of Arkansas:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major federal awards program disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinions expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major federal awards program were:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by the Uniform Guidance?

Yes No

7. The City's major program was:

<u>Cluster/Program</u>	<u>Assistance Listing Number</u>
Highway Planning and Construction Cluster	20.205
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

City of Rogers, Arkansas

Schedule of Findings and Questioned Costs Year ended December 31, 2022

9. The City qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

Yes No

II. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

No matters are reportable.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters are reportable.

City of Rogers, Arkansas

Summary Schedule of Prior Year Audit Findings Year ended December 31, 2021

There were no prior year audit findings for the year ended December 31, 2021.