

The logo for Rogers Water Utilities (RWU) features the letters "RWU" in a bold, white, sans-serif font. The letters are set against a blue background that includes a stylized, white, curved graphic element resembling a wave or a stylized "R" that extends from the left and curves upwards and to the right.

**ROGERS WATER UTILITIES**

**Rogers Water Utilities  
Sewer Department**

**Financial Statements  
and  
Supplementary Information  
June 30, 2022 and 2021**

**(With Independent Auditor's Report Thereon)**

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of the **Rogers Water Utilities Sewer Department** (the Sewer Department), a component unit of the City of Rogers, Arkansas, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Sewer Department, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 Sewer Department and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

The Sewer Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Sewer Department'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 opinion. 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 Sewer Department'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 Sewer Department'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.

***Other Matters***

As discussed in Note 1, the financial statements present only the Sewer Department and do not purport to, and do not, present fairly the financial position of the Rogers Water Utilities or the City of Rogers, Arkansas, and the changes in their financial position, or, where applicable, their cash flows in conformity with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and pension schedules on pages 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the Sewer Department's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have issued our report dated October 5, 2022 on our consideration of the Sewer Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sewer Department's internal control over financial reporting and compliance.

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

Rogers, Arkansas  
October 5, 2022

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Management's Discussion and Analysis**

**June 30, 2022, 2021, and 2020**

This management's discussion and analysis of the financial performance of the Rogers Water Utilities Sewer Department (Sewer Department) provides an overview of the Sewer Department's financial activities for the years ended June 30, 2022, 2021, and 2020. Rogers Water Utilities is a component unit of the City of Rogers, Arkansas, and is overseen by the Rogers Waterworks and Sewer Commission, an autonomous board of directors, created by the Rogers City Council. The Rogers Sewer Department is rate-funded, receiving no general tax revenue. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

### **Financial Highlights Discussion**

- The Sewer Department's net position increased by \$6,831,000 or 5.4% from fiscal year 2021. Net position increased by \$10,709,000, or 9.2%, in 2021 over fiscal year 2020.
- Sewer Department operating revenues increased by \$1,426,000 or 9.2% from fiscal year 2021. Operating revenues increased by \$2,016,000, or 15.0% in 2021 over 2020.
- Operating expenses increased by \$1,094,000 or 10.6% from fiscal year 2021. Operating expenses increased by \$57,000, or 0.9% in 2021 over 2020.
- Net position increased by \$5,360,000 before capital contributions during fiscal year 2022. In fiscal year 2021, net assets before capital contributions increased by \$5,012,000.

### **Rogers Sewer Department Fiscal Year 2022 Highlights**

- The change in net position before capital contributions exceeded budget by \$973,000 and was less than prior year operating results by \$369,000.
- The number of customers increased by 424 or 1.71% from the prior year. Billed sewer consumption increased by 2.13%.
- Continue with two (2) software integrations, Cityworks, for asset management, and Tyler Technologies, for billing and accounting functions. Both projects are still ongoing.
- RWU will continue the \$500,000/year City-wide meter change out program. At this rate, our meter change out will be perpetual and based on the life cycle of the water meters. The change out is being conducted by Utility Staff.
- RWU substantially completed Train II rehabilitation at the Pollution Control Facility. Total project costs capitalized in fiscal year 2022 were \$4.8 million.
- RWU received approval for funding via the ANRC for \$31 million to complete Phase II of the Solids Handling Project, Phase II. The project includes redundant solids dryers as well as all of the associated building and equipment. The rate was significantly lower than other financial alternatives available. The rate is 1.5%.

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Management's Discussion and Analysis**

**June 30, 2022, 2021, and 2020**

### **Rogers Sewer Department Fiscal Year 2021 Highlights**

- The change in net position before capital contributions exceeded budget by \$1,987,000 and prior year operating results by \$1,029,000.
- The number of customers increased by 548 or 2.27% from the prior year. Billed sewer consumption increased by 3.91%.
- RWU continued the focus of debt-reduction by early call of the Series 2010 Sewer Bonds; the principal amount called was approximately \$1,915,000.
- RWU signed an agreement Timmons Group to implement Cityworks software, a web GIS-centric enterprise asset management system to manage, track, analyze and score your infrastructure assets, in a joint agreement with the City of Rogers.
- RWU signed a 4-year contract with Tyler Technologies to replace RWU's current operating software. The start of the contract is July 1, 2021 and includes replacement of billing, accounting, payroll, and other operating functions.
- RWU completed Phase 1 of the Pollution Control Biosolids Handling project at a total cost of \$8.9 million. The funding of the project was entirely from rates and fund reserves.
- RWU began the initial planning stages of Phase 2 of the Pollution Control Biosolids Handling project. The team of Hawkins-Weir/Black & Veatch was retained to prepare a plan and estimate costs of the project.
- RWU concluded a Wastewater Master Plan update with Freese and Nichols. This Master Plan includes a Capital Improvement Plan (CIP) for both the Collections System and the Rogers Pollution Control Facility. These CIP's will aid RWU's financial planning and any future rate structures.
- RWU will continue the \$500,000/year City-wide meter change out program. At this rate, our meter change out will be perpetual and based on the life cycle of the water meters. The change out is being conducted by Utility Staff.

### **Rogers Sewer Department Fiscal Year 2020 Highlights**

- The change in net position before capital contributions exceeded budget by \$958,000 and prior year operating results by \$196,000.
- The number of customers increased by 459 or 1.93% from the prior year. Billed sewer consumption increased by 1.51%.
- Continued a City-wide meter change out program to be completed over the next 4 to 6 years. The change out is being conducted by Utility Staff.
- Completed a water and sewer rates study with HDR Engineering to determine Utility capital needs and cash requirements.
- Presented a 5-year rate increase schedule to Rogers Waterworks and Sewer Commission and Rogers City Council. The 5-year rate increase was approved by both governing bodies with the

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Management's Discussion and Analysis**

**June 30, 2022, 2021, and 2020**

first increase effective on April 1, 2020. The subsequent rate increases will occur each July 1, 2021-2025.

- As a result of the COVID-19 pandemic, commercial water consumption decreased by 25% in the last quarter of fiscal year 2020 compared to the last quarter of fiscal year 2019. As a result, commercial revenue for FY 2020 was approximately the same as the prior year and minimally under budget.
- Tyson Foods, RWU's largest industrial customer, increased sewer usage by 6.44% from fiscal year 2019. For the two years prior, Tyson Food's sewer usage decreased as part of plan to reduce water usage by 25% by the year 2025.
- The Utility continues construction of Phase 1 of the Pollution Control Biosolids Handling project. Crossland Heavy Contractors was chosen at a cost of \$7.8 million in pre-construction and construction costs. Garver is the engineering firm on the project with total costs of \$1.3 million. Phase 1 is expected to be complete in the fall of FY 2021.
- The Utility contracted with Freese and Nichols to conduct a wastewater master plan, which includes the Pollution Control Facility as well as the general sewer system. The wastewater master plan will be used to determine the future effects of population growth in the City, and any system improvements that may be required. The information provided will be matched with the current GIS system and future Cityworks Asset Management Software, which is expected to be in service in FY 2021.
- Due to frequent operational issues and increasing repair expenses, RWU adjusted the useful life of the sludge dryer in April 2020 from 20 years to 14 years. The sludge dryer should be depreciated in full by the end of FY 2026. Currently, Hawkins Weir and Black & Veatch have been retained to design a new solids handling facility and sludge dryer(s) to ultimately replace the existing equipment.

### **Using This Annual Report**

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



# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Management's Discussion and Analysis

June 30, 2022, 2021, and 2020

### Financial Highlights

#### Assets, Liabilities and Net Position

	2022	2021	2020
<b>Assets</b>			
Total current assets	\$ 24,585,624	\$ 21,597,206	\$ 18,897,845
Restricted cash and investments	1,437,218	1,468,867	1,987,023
Other noncurrent assets	120,088,702	117,512,872	111,677,042
<b>Total assets</b>	<b>\$ 146,111,544</b>	<b>\$ 140,578,945</b>	<b>\$ 132,561,910</b>
<b>Deferred Outflows of Resources</b>			
Pension costs	\$ 487,937	\$ 863,876	\$ 621,791
<b>Liabilities</b>			
Total current liabilities	\$ 2,817,846	\$ 2,564,797	\$ 2,396,878
Liabilities payable from restricted assets	54,200	61,733	73,552
Noncurrent liabilities	8,805,433	12,156,852	14,638,915
<b>Total liabilities</b>	<b>\$ 11,677,479</b>	<b>\$ 14,783,382</b>	<b>\$ 17,109,345</b>
<b>Deferred Inflows of Resources</b>			
Pension costs	\$ 1,571,922	\$ 101,424	\$ 186,510
Deferred bond refunding gain	263,864	302,478	341,092
<b>Total deferred inflows of resources</b>	<b>\$ 1,835,786</b>	<b>\$ 403,902</b>	<b>\$ 527,602</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	\$ 110,641,820	\$ 107,014,067	\$ 97,945,477
Restricted	1,383,018	1,407,134	1,913,471
Unrestricted	21,061,378	17,834,336	15,687,806
<b>Total net position</b>	<b>\$ 133,086,216</b>	<b>\$ 126,255,537</b>	<b>\$ 115,546,754</b>
<b>Operating Results and Changes in Net Position</b>			
<b>Operating revenues</b>	<b>\$ 16,829,509</b>	<b>\$ 15,403,393</b>	<b>\$ 13,387,359</b>
<b>Operating expenses</b>			
Depreciation and amortization	4,972,497	4,440,471	4,151,467
Other operating expenses	6,376,504	5,814,251	5,756,919
<b>Total operating expenses</b>	<b>11,349,001</b>	<b>10,254,722</b>	<b>9,908,386</b>
<b>Operating income</b>	<b>5,480,508</b>	<b>5,148,671</b>	<b>3,478,973</b>
<b>Other revenues (expenses)</b>			
Interest expense	(191,058)	(280,308)	(344,895)
Other income (expenses)	70,653	144,021	294,408
<b>Total other revenues (expenses)</b>	<b>(120,405)</b>	<b>(136,287)</b>	<b>(50,487)</b>
<b>Changes in net position before capital contributions</b>	<b>5,360,103</b>	<b>5,012,384</b>	<b>3,428,486</b>
<b>Capital Contributions</b>	<b>1,470,576</b>	<b>5,696,399</b>	<b>1,264,726</b>
<b>Change in Net Position</b>	<b>6,830,679</b>	<b>10,708,783</b>	<b>4,693,212</b>
<b>Net Position, Beginning of Year</b>	<b>126,255,537</b>	<b>115,546,754</b>	<b>110,853,542</b>
<b>Net Position, End of Year</b>	<b>\$ 133,086,216</b>	<b>\$ 126,255,537</b>	<b>\$ 115,546,754</b>

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Management's Discussion and Analysis**

**June 30, 2022, 2021, and 2020**

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2022, the Sewer Department's investment in capital assets was \$119,859,000 (net of accumulated depreciation). This investment of capital assets included land, buildings, improvements, machinery and equipment, and contributed property.

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

- Construction costs of \$4,889,000 during fiscal year 2022 were incurred on a variety of sewer system and sewer rehab projects. \$5,351,000 of constructed assets were completed and placed in service, consisting mostly of train 2 rehab of the pollution control facility. In addition, \$1,459,000 of sewer mains constructed by developers was contributed to the Sewer Department to own and maintain. This is recorded as a capital contribution in the Statements of Revenues, Expenses, and Changes in Net Position. In 2021, the Sewer Department had construction of \$3,573,000 and contributed capital of \$9,659,000, and in 2020, construction of \$5,910,000 and contributed capital of \$1,254,000.
- Capital expenditures for additions and improvements to the Sewer Department, in addition to the constructed assets, were \$941,000 in 2022, as compared to \$1,033,000 in 2021 and \$1,053,000 in 2020.

Additional information regarding capital assets can be found on Note 6 of this report.

#### **Long-Term Debt**

The Sewer Department had \$8,130,000 in revenue bonds outstanding as of June 30, 2022, which is a decrease of \$1,130,000 from 2021 resulting from regularly scheduled principal payments. Revenue bonds outstanding as of June 30, 2021, were \$9,260,000 which is a decrease of \$3,170,000 from 2020 resulting from regularly scheduled principal payments and early call of Series 2010 Sewer Bonds.

Additional information regarding long-term debt can be found at Note 9 of this report.

#### **Additional Management Comments**

Sewer consumption in fiscal year 2022 increased 2.13% from the previous year, primarily due to customer growth. The change in net position for the year was greater than budget and the prior year.

RWU now has recently completed Master Plans for the water distribution system, the sewer collection system, and the Rogers Pollution Control Facility. These plans provide conservative estimates for future capital improvements that will allow the Utility to provide service to our customers. It is estimated that build-out will occur in year 2045. These numbers will be further refined by in-depth design contracts and will be vital for future budgeting and rate studies for the Utility.

During fiscal year 2020, a rate study was completed by HDR Engineering. The study indicated a rate increase was appropriate. A 5-year water rate increase schedule was presented to the Rogers Waterworks and Sewer Commission and the Rogers City Council. Both governing bodies approved the rate increase,

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Management's Discussion and Analysis**

**June 30, 2022, 2021, and 2020**

and it became effective April 1, 2020. The 5-year rate increase schedule, along with possible future bond issues, will facilitate the funding of significant capital needs anticipated over the next 5 years. Remaining rate increases will occur from July 1, 2021-2025.

The Rogers Sewer Department funded capital improvements out of reserves in fiscal year 2022. Completed projects include rehabilitation of train 2 at the RPCF and various sewer replacements. Projects in process at the end of the year included various City of Rogers street improvements, engineering for Phase 2 of the solids handling project, and other various sewer line projects. Major projects expected in fiscal year 2023 include construction of phase 2 of the solids handling project, sewer main projects for City of Rogers street projects, and sewer rehab and expansion.

A Memorandum of Agreement was reached between the State of Arkansas and the State of Oklahoma on November 13, 2018 with regard to TMDL (Total Maximum Daily Load) phosphorus limits. The MOU reads "The States, through the appropriate Parties, will continue to require existing point-source dischargers in the Illinois River Watershed with a design capacity of greater than 1 MGD to operate under existing NPDES permits reflecting an effluent limit for total phosphorus of not more than 1 mg/L based upon a 30-day average..." RPCF is able to meet this prescribed limit of phosphorus. RPCF's 30-day average phosphorus level is under 0.2 mg/L.

The Arkansas Department of Energy & Environment – Division of Environmental Quality filed a Complaint for Declaratory and Injunctive Relief in the United States District Court against the United States Environmental Protection Agency. See Case No. 4-22-CV-359 (BMS). The outcome of this case will indirectly determine the phosphorus limits that will be required of any new process design at the Rogers Pollution Control Facility. This case directly involves two neighboring pollution control facilities and the outcome will most likely affect the pending permit for the Rogers Pollution Control Facility.

The Information Technology department at RWU has initiated several confidential projects to reduce the risk of cyberattacks including ransomware. Continuous training of all RWU employees is a major component of this strategy as well as working with Homeland Security and CISA.

Looking toward the future, new software is scheduled to be installed in 2022; Cityworks software will allow for a GIS-centric system with a more sophisticated asset management program and will be used in conjunction with the City of Rogers while Tyler Technologies software will allow for a more updated accounting, billing, and other operating software to meet long-term needs of the Utility.

## **Financial Statements**

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Statements of Net Position June 30, 2022 and 2021

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,251,793	\$ 3,521,750
Investments	18,155,770	16,018,598
Accounts receivable, net of allowance for doubtful accounts of \$169,500 and \$170,000, respectively	1,817,755	1,581,865
Due from water department	31,595	298,201
Inventory	185,226	70,598
Prepaid expenses	<u>143,485</u>	<u>106,194</u>
<b>Total Current Assets</b>	<u>24,585,624</u>	<u>21,597,206</u>
 <b>RESTRICTED CASH AND INVESTMENTS</b>		
Restricted cash and cash equivalents	306,858	157,367
Investments	<u>1,130,360</u>	<u>1,311,500</u>
	<u>1,437,218</u>	<u>1,468,867</u>
 <b>FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>		
	<u>120,088,702</u>	<u>117,512,872</u>
<b>Total Assets</b>	<u>146,111,544</u>	<u>140,578,945</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	<u>487,937</u>	<u>863,876</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 146,599,481</u>	<u>\$ 141,442,821</u>

See accompanying notes to financial statements.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Statements of Net Position

June 30, 2022 and 2021

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<b>2022</b>	<b>2021</b>
<b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable - trade	\$ 325,420	\$ 285,860
Accounts payable to construction contractors	780,014	699,714
Accrued expenses	487,573	419,223
Current portion of software hosting	49,839	30,000
Current portion of bonds payable	1,175,000	1,130,000
<b>Total Current Liabilities (Payable from Current Assets)</b>	<b>2,817,846</b>	<b>2,564,797</b>
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Accrued interest payable	54,200	61,733
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<b>54,200</b>	<b>61,733</b>
<b>LONG-TERM LIABILITIES</b>		
Software hosting payable	247,447	40,000
Bonds payable, net of unamortized premiums and discounts	7,710,732	8,996,327
Net pension liability	847,254	3,120,525
	<b>8,805,433</b>	<b>12,156,852</b>
<b>Total Liabilities</b>	<b>11,677,479</b>	<b>14,783,382</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	1,571,922	101,424
Deferred bond refunding discounts and premiums	263,864	302,478
	<b>1,835,786</b>	<b>403,902</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	110,641,820	107,014,067
Restricted	1,383,018	1,407,134
Unrestricted	21,061,378	17,834,336
	<b>133,086,216</b>	<b>126,255,537</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 146,599,481</b>	<b>\$ 141,442,821</b>

See accompanying notes to financial statements.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Statements of Revenues, Expenses and Changes in Net Position Years ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES</b>		
Residential sewer	\$ 9,286,330	\$ 8,268,493
Commercial sewer	2,984,066	2,387,269
Industrial sewer	2,300,061	1,819,287
Penalties	152,541	143,520
Access, impact and new customer fees	1,896,621	2,423,345
Other operating revenue	209,890	361,479
	<u>16,829,509</u>	<u>15,403,393</u>
<b>OPERATING EXPENSES</b>		
Pollution control facility and field expense	4,401,329	3,985,130
General and administrative	1,975,175	1,829,121
Depreciation and amortization	4,972,497	4,440,471
	<u>11,349,001</u>	<u>10,254,722</u>
<b>OPERATING INCOME</b>	<u>5,480,508</u>	<u>5,148,671</u>
<b>OTHER REVENUES (EXPENSES)</b>		
Interest income	65,576	114,245
Gain on sale of fixed assets	9,077	37,001
Interest expense	(191,058)	(280,308)
Trustee fees	(4,000)	(7,225)
	<u>(120,405)</u>	<u>(136,287)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	5,360,103	5,012,384
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,470,576</u>	<u>5,696,399</u>
<b>CHANGE IN NET POSITION</b>	6,830,679	10,708,783
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>126,255,537</u>	<u>115,546,754</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 133,086,216</u>	<u>\$ 126,255,537</u>

See accompanying notes to financial statements.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Statements of Cash Flows Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,334,567	\$ 12,492,100
Cash received from access, impact and new customer fees	1,896,621	2,423,345
Cash received from penalties and other operating revenue	362,431	504,999
Payments for salaries and benefits	(3,170,174)	(2,904,558)
Payments to suppliers for goods and services	<u>(3,410,567)</u>	<u>(2,832,841)</u>
<b>Net Cash From Operating Activities</b>	<u>10,012,878</u>	<u>9,683,045</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	65,576	114,245
Net change in investments	(2,137,172)	(2,302,294)
Net change in restricted investments	<u>181,140</u>	<u>284,611</u>
<b>Net Cash (Used For) Investing Activities</b>	<u>(1,890,456)</u>	<u>(1,903,438)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures	(5,640,591)	(4,348,519)
Cash received from sale of fixed assets	10,545	37,001
Principal payments on bonds	(1,130,000)	(3,170,000)
Principal payments on software hosting	(131,042)	(20,000)
Interest and paying agent fees, net of capitalized interest	<u>(351,800)</u>	<u>(432,112)</u>
<b>Net Cash (Used For) Capital and Related Financing Activities</b>	<u>(7,242,888)</u>	<u>(7,933,630)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	879,534	(154,023)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,679,117</u>	<u>3,833,140</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,558,651</u>	<u>\$ 3,679,117</u>

See accompanying notes to financial statements.



# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Statements of Cash Flows Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 5,480,508	\$ 5,148,671
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	4,972,497	4,440,471
Allowance for doubtful accounts	(500)	(10,000)
Net change in pension liability	(426,834)	289,912
Changes in assets and liabilities:		
Accounts receivable	(235,390)	27,051
Due from water department	266,606	(317,101)
Inventory	(114,628)	(2,154)
Prepaid expenses	(37,291)	(34,241)
Accounts payable - trade	39,560	127,758
Accrued expenses	68,350	12,678
<b>Net Cash From Operating Activities</b>	<u><u>\$ 10,012,878</u></u>	<u><u>\$ 9,683,045</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Petty cash	\$ 150	\$ 150
Operating and maintenance	4,251,643	3,521,600
	4,251,793	3,521,750
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>		
Depreciation savings	306,858	157,367
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 4,558,651</u></u>	<u><u>\$ 3,679,117</u></u>
<b>NONCASH TRANSACTIONS</b>		
Capital contributions of property and equipment	\$ 1,459,388	\$ 5,669,889
Other capital contributions	\$ 11,188	\$ 26,510
Property and equipment additions included in accounts payable to construction contractors	\$ 780,014	\$ 699,714
Financing on software hosting	\$ 358,328	\$ 90,000
See accompanying notes to financial statements.		

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

### ***NOTE 1: NATURE OF ACTIVITIES***

The City of Rogers, Arkansas was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. Rogers Water Utilities (the Utilities) is a blended component unit of the City of Rogers, Arkansas and is governed by the Waterworks and Sewer Commission, which is appointed by the City Council. The Utilities operate through two separate departments – the Water Department and the Sewer Department. The 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.

### ***NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### ***Basis of Accounting***

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

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

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

#### ***Fund Type***

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

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

***Use of Estimates***

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. At June 30, 2022 and 2021, the Sewer Department had cash equivalents of \$1,129,869 and \$1,062,485, respectively.

***Investments***

Investments consist of certificates of deposit with original maturities of greater than three months and governmental securities. Certificates of deposit are recorded at amortized cost, which approximates fair value. Governmental securities are recorded at fair market value based on quoted market prices. Income related to investments is recorded when earned.

***Accounts Receivable***

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

***Inventory***

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

***Long-Lived Assets***

The Sewer Department reviews long-lived assets and certain identifiable intangibles held and used by the Sewer Department for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended June 30, 2022 and 2021, this review has not materially affected the Sewer Department's reported earnings, net position or results of operations.

***Contributed Capital***

The Sewer Department records all contributed fixed assets at their estimated fair market value at date of contribution as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of sewer lines and related infrastructure. At June 30, 2022 and 2021, cumulative contributed capital fixed assets amounted to approximately \$48,287,000 and \$46,828,000, respectively.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

### **Fixed Assets**

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

Structures	5 - 40 years
Mains and hydrants	50 years
Sewer service lines	50 years
Meters	20 - 25 years
Pollution control facility	2 - 50 years
Shop equipment and machinery	2 - 10 years
Transportation equipment	3 - 10 years
Two-way radio system	5 - 15 years
Field equipment	2 - 20 years
Office equipment	3 - 20 years
Software hosting	3 years

The Sewer Department's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year. The cost basis of fully depreciated property and equipment still in use by the Sewer Department at June 30, 2022 and 2021 amounted to approximately \$5,110,000 and \$5,299,000, respectively.

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

Bond premiums and discounts are amortized over the lives of the related bond issues. Net amortization expense of \$110,595 and \$94,147 is included as a component of interest expense for the years ended June 30, 2022 and 2021, respectively.

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

The deferred bond refunding cost associated with the 2016 Sewer Revenue Refunding Bonds is amortized over the life of the related bond issue (See Note 9). Amortization expense of \$38,615 is included as a component of interest expense for each of the years ended June 30, 2022 and 2021.

### **Compensated Absences**

The Sewer Department's policies permit employees to earn time off benefits. The expense and related liability are recognized and accrued regardless of whether the employee is expected to realize the benefit. Compensated absences are computed using the regular pay rate in effect at June 30, 2022 and 2021.

### **Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (APERS) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS.

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Sewer Department only has one item that qualifies for reporting in this category, which is the deferred outflow of resources on pension costs reported in the Statement of Net Position. These amounts were created as a result of the implementation of GASB 68. See Note 12 for additional information.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Sewer Department has two items that qualify for reporting in this category. In regards to the deferred inflows of resources related to pension liabilities and deferred bond refunding costs, these amounts were created as a result of the implementation of GASB 68. See Note 12 for additional information.

### ***Net Position Classifications***

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

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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

### ***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.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

Management is currently evaluating the impact of implementation of this statement to the financial statements of the Sewer Department and does not expect the implementation of this statement to significantly impact the financial statements of the Sewer Department.

### **Adoption of GASB Statements**

*GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period*, is effective for the City in the fiscal year 2022. The objective of this statement is to enhance 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. The adoption of this statement had no impact on the Sewer Department's current financial statements.

*GASB Statement No. 87, Leases*, is effective for the City in the fiscal year 2022. The objective of this statement is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases for governments. The adoption of this statement had no impact on the Sewer Department's current financial statements.

### **NOTE 3: DEPOSITS IN FINANCIAL INSTITUTIONS**

Deposits in financial institutions are financial instruments that could potentially subject the Sewer Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At June 30, 2022, the Sewer Department had approximately \$4,848,110 in deposit balances, of which \$750,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities' name. Additionally, the Sewer Department had approximately \$18,156,000 in certificates of deposit reported as investments in the Statements of Net Position, of which all were FDIC insured.

### **NOTE 4: RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments are held for specific purposes at June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Debt service reserve	\$ 847,029	\$ 827,983
Depreciation reserve for additional replacements to the sewer system	306,858	157,367
New customer fees collected for additions of fixed assets	<u>283,331</u>	<u>483,517</u>
	<u>\$ 1,437,218</u>	<u>\$ 1,468,867</u>

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 5: INVESTMENTS**

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

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Sewer Department's policy to minimize credit risk losses due to default of security issuers or backers by limiting investments to the safest types of securities. The Sewer Department's investments consist of certificates of deposit with original maturities of greater than ninety days and less than five years and securities issued by the United States government.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a failure of the counterparty, the Sewer Department will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2022, investments of the Sewer Department were fully collateralized or insured.

At June 30, 2022 and 2021, the Sewer Department's investments consisted of \$18,155,770 and \$16,018,598, respectively, held in certificates of deposit and \$1,130,360 and \$1,311,500, respectively, held in cash and United States government securities. All investments at June 30, 2022 and 2021 had maturities of less than five years.

**Rogers Water Utilities Sewer Department**  
A Component Unit of the City of Rogers, Arkansas

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 6: CHANGES IN FIXED ASSETS**

	Balance June 30, 2021	Transfers/ Additions	Disposals	Balance June 30, 2022
Land	\$ 1,805,153	\$ -	\$ -	\$ 1,805,153
Buildings	67,641,023	5,086,877	(4,057)	72,723,843
Equipment	56,969,907	1,117,932	(467,527)	57,620,312
Vehicles	1,372,225	28,016	(14,035)	1,386,206
Software hosting	90,000	358,328	(33,828)	414,500
Contributed property	46,827,808	1,459,388	-	48,287,196
Construction in progress	3,740,139	4,888,553	(5,351,414)	3,277,278
	178,446,255	12,939,094	(5,870,861)	185,514,488
Accumulated depreciation and amortization	(60,933,383)	(4,972,497)	480,094	(65,425,786)
	<u>\$ 117,512,872</u>	<u>\$ 7,966,597</u>	<u>\$ (5,390,767)</u>	<u>\$ 120,088,702</u>
	Balance June 30, 2020	Transfers/ Additions	Disposals	Balance June 30, 2021
Land	\$ 1,805,153	\$ -	\$ -	\$ 1,805,153
Buildings	58,959,867	9,192,915	(511,759)	67,641,023
Equipment	55,883,948	1,352,672	(266,713)	56,969,907
Vehicles	1,370,542	56,606	(54,923)	1,372,225
Software hosting	-	90,000	-	90,000
Contributed property	41,157,919	5,669,889	-	46,827,808
Construction in progress	9,825,920	3,573,070	(9,658,851)	3,740,139
	169,003,349	19,935,152	(10,492,246)	178,446,255
Accumulated depreciation and amortization	(57,326,307)	(4,440,471)	833,395	(60,933,383)
	<u>\$ 111,677,042</u>	<u>\$ 15,494,681</u>	<u>\$ (9,658,851)</u>	<u>\$ 117,512,872</u>



# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

### ***NOTE 7: RISK MANAGEMENT***

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

### ***NOTE 8: DUE FROM WATER DEPARTMENT***

The Sewer Department and the Water Department of the City of Rogers, Arkansas constitute the Utilities. The Utilities send a monthly billing statement containing both water and sewer fees to each customer. All monies are received by the Water Department, which then transfers sewer collections to the Sewer Department. Additionally, all operating expenses are paid from one bank account and allocated to the appropriate department. These transactions give rise to receivables and payables between the departments. The balances as of June 30, 2022 and 2021 are shown in the Statements of Net Position under the caption "Due from water department."

### ***NOTE 9: BONDS PAYABLE***

#### **Series 2016 Sewer Revenue Refunding Bonds**

On December 13, 2016, the Sewer Department issued \$12,850,000 in Sewer Revenue Refunding Bonds (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 full 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.

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 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. During the years ended June 30, 2022 and 2021, amortization expense for prepaid bond insurance was \$1,578. The remaining prepaid bond insurance is included in the Statements of Net Position under the caption "Prepaid expenses." Furthermore, the Series 2016 bonds had issuance costs of \$176,374.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

### All Bond Issues

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 and 2021, is 7.13 and 6.59, respectively. Total interest paid during the years ended June 30, 2022 and 2021 totaled \$351,800 and \$432,112, respectively. No interest was capitalized during the years ended June 30, 2022 and 2021.

The Sewer Department is required to establish rates sufficient to pay the expenses and operation and maintenance of the sewer system, making monthly deposits into bond funds for repayment obligations which will be due and payable in the forthcoming year, and to make deposits in an amount equal to 4% of gross sewer system revenues for the preceding month into the depreciation fund. The Sewer Department was in compliance with all debt covenants for the years ended June 30, 2022 and 2021.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,175,000	\$ 301,700	\$ 1,476,700
2024	1,220,000	253,800	1,473,800
2025	1,265,000	204,100	1,469,100
2026	1,315,000	152,500	1,467,500
2027	1,365,000	98,900	1,463,900
2028-2029	1,790,000	50,600	1,840,600
Total	<u>\$ 8,130,000</u>	<u>\$ 1,061,600</u>	<u>\$ 9,191,600</u>

Following is a summary of changes in bonds payable:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Revenue Refunding					
Bonds, Series 2016	\$ 9,260,000	\$ -	\$ 1,130,000	\$ 8,130,000	\$ 1,175,000
Plus premiums	866,327	-	110,595	755,732	-
	<u>\$10,126,327</u>	<u>\$ -</u>	<u>\$ 1,240,595</u>	<u>\$ 8,885,732</u>	<u>\$ 1,175,000</u>

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Revenue Bonds					
Series 2010	\$ 2,075,000	\$ -	\$ 2,075,000	\$ -	\$ -
Revenue Refunding					
Bonds, Series 2016	10,355,000	-	1,095,000	9,260,000	1,130,000
Bonds payable, gross	12,430,000	-	3,170,000	9,260,000	1,130,000
Plus premiums	976,921	-	110,594	866,327	-
Less discounts	(16,448)	-	(16,448)	-	-
	<u>\$13,390,473</u>	<u>\$ -</u>	<u>\$ 3,264,146</u>	<u>\$10,126,327</u>	<u>\$ 1,130,000</u>

**NOTE 10: SOFTWARE HOSTING PAYABLE**

During September 2020, the Sewer Department entered into an agreement with a third party for software hosting. The agreement is interest free and to be paid out over three years. The total cost incurred for the software was \$348,200. The payable on this agreement at June 30, 2022 and 2021, was \$247,447 and \$70,000, respectively.

During July 2021, the Sewer Department entered into an agreement with a third party for accounting software and related software hosting. The agreement is interest free and to be paid out over three years. The total cost incurred for the software was \$66,300. The payable on this agreement at June 30, 2022 and 2021, was \$49,839 and \$-0-, respectively.

**NOTE 11: COMMITMENTS AND CONCENTRATIONS**

The Sewer Department is committed to several construction contracts in process at June 30, 2022 totaling \$15,343,092. As of June 30, 2022, \$7,605,819 had been incurred in connection with these contracts.

For the years ended June 30, 2022 and 2021, the Sewer Department had one customer that accounted for 12.39% and 11.98%, respectively, of total usage.

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 12: PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Plan Description**

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

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

**Benefits Provided**

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

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2009	2.00%
Non-Contributory	1.72%

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

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

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

# **Rogers Water Utilities Sewer Department**

## **A Component Unit of the City of Rogers, Arkansas**

### **Notes to Financial Statements**

**June 30, 2022 and 2021**

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

#### **Contributions**

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2021. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

#### **APERS Fiduciary Net Position**

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

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

The collective Net Pension Liability of \$768,832,293 was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

At June 30, 2022 and 2021, respectively, the Sewer Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,391	\$ (54,337)
Changes of assumptions	-	(5,935)
Changes in proportion and differences between employer contributions and proportionate share	91,456	(24,431)
Net difference between projected and actual earnings on pension plan investments	-	(1,487,219)
Contributions subsequent to measurement date	377,090	-
Balance, June 30, 2022	<u>\$ 487,937</u>	<u>\$ (1,571,922)</u>
<b>2021</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 41,426	\$ (2,066)
Changes of assumptions	39,098	(53,466)
Changes in proportion and differences between employer contributions and proportionate share	125,170	(45,892)
Net difference between projected and actual earnings on pension plan investments	330,191	-
Contributions subsequent to measurement date	327,991	-
Balance, June 30, 2021	<u>\$ 863,876</u>	<u>\$ (101,424)</u>

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2023 and will not be amortized in the schedule below. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Sewer Department's financial statements as follows:

### Years ending June 30:

2023	\$ (356,970)
2024	(318,713)
2025	(353,863)
2026	(431,529)

### Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Investment Rate of Return	7.15%
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for generational mortality improvements using Scale MP-2017.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Notes to Financial Statements

June 30, 2022 and 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

### Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

#### Sensitivity of Discount Rate

1% Lower 6.15%	Discount Rate 7.15%	1% Higher 8.15%
\$ 2,534,472	\$ 847,254	\$ (546,144)



**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 13: EMPLOYEE BENEFIT PLANS**

**Flexible Benefit Plan**

The City of Rogers, Arkansas offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by the Rogers Water Utilities. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code (IRC) of 1954, as amended, to provide for group medical, dental and vision for its eligible employees and dependents. The plan is funded solely by salary redirections as elected on a voluntary basis by participants. Sewer Department employee contributions for the years ended June 30, 2022 and 2021 were \$137,625 and \$108,540, respectively.

**Deferred Compensation Plan**

The Utilities offers a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code as a benefit to its employees. Each employee may contribute amounts up to the maximum allowed under the IRC. The plan permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Other than incidental expenses of collecting and disbursing the employees' deferrals and other minor administrative matters, there are no costs to the Sewer Department for the deferred compensation plan.

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

Deferred compensation remitted for investment during the years ended June 30, 2022 and 2021 was \$19,010 and \$25,195, respectively. At June 30, 2022 and 2021, there were seven employees participating in the plan.

**Educational Assistance Program (EAP)**

The Utilities offers an education assistance plan as a benefit to its employees. The program was approved by the Waterworks and Sewer Commission on September 18, 2017. Each employee is eligible to participate in the program after (1) full calendar year of full-time employment with RWU and must be in good standing. The program will reimburse employees up to, but no more than \$5,250 per calendar year for covered educational expenses, as outlined the EAP plan document. The reimbursement provided is excluded from the employee's gross income for income tax purposes as provide under 26 U.S.C. § 127. In the event the \$5,250 is lowered as provided by law, the amount of permitted reimbursement under the program shall automatically decrease on the effective date of the new ceiling. Reimbursements shall be made when the employee submits (a) proof of receiving a passing grade in the course or program and (b) proof the expense incurred as receipts for payment of tuition, fees, books, supplies, etc. Reimbursement for the years ended June 30, 2022 and 2021 were approximately \$488 and \$3,878, respectively.

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

### ***NOTE 14: RISKS AND UNCERTAINTIES***

As of the date of the Independent Auditors Report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Sewer Department's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

### ***NOTE 15: SUBSEQUENT EVENTS***

Management has evaluated subsequent events through October 5, 2022, the date that the financial statements were available to be issued.

The Utilities applied for and received an offer for funding via the Arkansas Natural Resource Commission (ANRC) for funding of the RPCF Biosolids Handling Building Phase II for \$31,246,250 (Sewer Department). The Utilities accepted the offer and the ANRC Commission approved the funding at their meeting on August 11th, 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.

## **Required Supplementary Information**

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Schedules of the Sewer Department's Proportionate  
Share of the Net Pension Liability  
Years ended June 30, 2022 through 2015**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Proportion of the net pension liability	0.11 %	0.11 %	0.11 %	0.11 %	0.11 %	0.09 %	0.09 %	0.09 %
Proportionate share of the net pension liability	\$ 847,254	\$ 3,120,525	\$ 2,503,442	\$ 2,739,699	\$ 2,734,269	\$ 2,223,984	\$ 1,700,410	\$ 1,239,094
Covered - employee payroll	\$ 2,474,720	\$ 2,173,970	\$ 2,102,043	\$ 2,046,075	\$ 2,039,342	\$ 1,855,224	\$ 1,666,569	\$ 1,651,227
Proportionate share of the net pension liability as percentage of covered-employee payroll	34.24 %	143.54 %	119.10 %	133.90 %	134.08 %	119.88 %	102.03 %	75.04 %
Plan's fiduciary net position as a percentage of the total pension liability	93.57 %	75.38 %	78.55 %	79.59 %	75.65 %	75.50 %	80.39 %	84.15 %

\* Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2014, therefore only eight years are

See Independent Auditor's Report.

**Rogers Water Utilities Sewer Department**  
**A Component Unit of the City of Rogers, Arkansas**

**Schedules of Contributions**  
**Years ended June 30, 2022 through 2015**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Contractually required contribution	\$ 377,090	\$ 327,991	\$ 319,710	\$ 306,168	\$ 298,614	\$ 266,756	\$ 235,420	\$ 242,355
Contributions in relation to the contractually required contribution	\$ (377,090)	\$ (327,991)	\$ (319,710)	\$ (306,168)	\$ (298,614)	\$ (266,756)	\$ (235,420)	\$ (242,355)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Department's covered-employee payroll	\$ 2,474,720	\$ 2,173,970	\$ 2,102,043	\$ 2,046,075	\$ 2,039,342	\$ 1,855,224	\$ 1,666,569	\$ 1,651,227
Contributions as a percentage of covered-employee payroll	15.24 %	15.09 %	15.21 %	14.96 %	14.64 %	14.38 %	14.13 %	14.68 %

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

See Independent Auditor's Report.

## **Supplementary Information**

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedules of Operating Expenses Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>POLLUTION CONTROL FACILITY AND FIELD EXPENSE</b>		
Employee benefits	\$ 256,017	\$ 729,545
Insurance	95,414	73,363
Operating supplies and other	371,824	222,190
Payroll taxes	109,926	102,770
Repairs and maintenance	704,323	401,629
Salaries	1,526,473	1,406,507
Sludge disposal costs	478,725	483,758
Supplies and postage	152,885	102,098
Utilities	705,742	463,270
	<u>4,401,329</u>	<u>3,985,130</u>
<b>GENERAL AND ADMINISTRATIVE</b>		
Bad debts	37,144	29,793
Consulting services - stream assessment	10,157	20,593
Employee benefits	90,003	321,552
Franchise taxes / use taxes	507,728	441,785
Insurance	14,817	10,502
Office supplies and postage	144,799	127,507
Other	258,539	157,150
Payroll taxes	63,940	54,763
Professional fees	55,273	52,060
Salaries	766,244	589,008
Utilities	26,531	24,408
	<u>1,975,175</u>	<u>1,829,121</u>
<b>DEPRECIATION AND AMORTIZATION</b>	<u>4,972,497</u>	<u>4,440,471</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 11,349,001</u>	<u>\$ 10,254,722</u>

See Independent Auditor's Report.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedule of Principal and Interest Payments Sewer Revenue Refunding Bonds – Series 2016 June 30, 2022

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 1,175,000	4.000%	\$ 301,700	\$ 1,476,700
2024	1,220,000	4.000%	253,800	1,473,800
2025	1,265,000	4.000%	204,100	1,469,100
2026	1,315,000	4.000%	152,500	1,467,500
2027	1,365,000	4.000%	98,900	1,463,900
2028	1,420,000	4.000%	43,200	1,463,200
2029	<u>370,000</u>	4.000%	<u>7,400</u>	<u>377,400</u>
Balance, June 30, 2022	<u>\$ 8,130,000</u>		<u>\$ 1,061,600</u>	<u>\$ 9,191,600</u>

Dated: December 13, 2016

Payment Dates: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditor's Report.



# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedule of Fixed Assets Year ended June 30, 2021

### Fixed Assets

	Balance June 30, 2021	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2022
Land	\$ 663,254	\$ -	\$ -	\$ 663,254
Office equipment	749,371	45,712	(324,911)	470,172
Vehicles	1,372,225	28,016	(14,035)	1,386,206
Shop equipment	57,905	-	(4,551)	53,354
Field equipment	1,254,268	132,177	(8,815)	1,377,630
Radio equipment	56,493	3,015	-	59,508
Water meters	3,463,834	353,108	(129,250)	3,687,692
Sewer system	51,388,036	583,920	-	51,971,956
Pollution control facility	65,517,352	5,086,877	(4,057)	70,600,172
Structures and parking lots	2,123,671	-	-	2,123,671
Easements	1,141,899	-	-	1,141,899
Software hosting	90,000	358,328	(33,828)	414,500
Contributed sewer system	46,827,808	1,459,388	-	48,287,196
	174,706,116	8,050,541	(519,447)	182,237,210
Construction in progress	3,740,139	4,888,553	(5,351,414)	3,277,278
	<u>\$ 178,446,255</u>	<u>\$ 12,939,094</u>	<u>\$ (5,870,861)</u>	<u>\$ 185,514,488</u>

### Accumulated Depreciation and Amortization

Office equipment	\$ 626,421	\$ 77,385	\$ (323,443)	\$ 380,363
Vehicles	1,079,716	100,881	(14,035)	1,166,562
Shop equipment	52,522	1,950	(4,551)	49,921
Field equipment	990,282	70,198	(8,815)	1,051,665
Radio equipment	48,894	2,377	-	51,271
Water meters	845,193	187,812	(129,250)	903,755
Sewer system	19,329,748	1,008,464	-	20,338,212
Pollution control facility	26,535,386	2,390,392	-	28,925,778
Structures and parking lots	1,261,179	82,245	-	1,343,424
Software hosting	27,500	94,900	-	122,400
Contributed sewer system	10,136,542	955,893	-	11,092,435
	<u>\$ 60,933,383</u>	<u>\$ 4,972,497</u>	<u>\$ (480,094)</u>	<u>\$ 65,425,786</u>

See Independent Auditor's Report.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedule of Fixed Assets Year ended June 30, 2020

### Fixed Assets

	Balance June 30, 2020	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2021
Land	\$ 663,254	\$ -	\$ -	\$ 663,254
Office equipment	714,686	45,560	(10,875)	749,371
Vehicles	1,370,542	56,606	(54,923)	1,372,225
Shop equipment	61,750	2,844	(6,689)	57,905
Field equipment	1,220,046	91,844	(57,622)	1,254,268
Radio equipment	57,013	-	(520)	56,493
Water meters	3,243,944	410,897	(191,007)	3,463,834
Sewer system	50,586,509	801,527	-	51,388,036
Pollution control facility	56,836,196	9,192,915	(511,759)	65,517,352
Structures and parking lots	2,123,671	-	-	2,123,671
Easements	1,141,899	-	-	1,141,899
Software hosting	-	90,000	-	90,000
Contributed sewer system	41,157,919	5,669,889	-	46,827,808
	159,177,429	16,362,082	(833,395)	174,706,116
Construction in progress	9,825,920	3,573,070	(9,658,851)	3,740,139
	<u>\$ 169,003,349</u>	<u>\$ 19,935,152</u>	<u>\$ (10,492,246)</u>	<u>\$ 178,446,255</u>

### Accumulated Depreciation and Amortization

Office equipment	\$ 579,754	\$ 57,541	\$ (10,874)	\$ 626,421
Vehicles	1,039,116	95,523	(54,923)	1,079,716
Shop equipment	57,259	1,952	(6,689)	52,522
Field equipment	997,196	50,709	(57,623)	990,282
Radio equipment	46,693	2,721	(520)	48,894
Water meters	821,142	215,059	(191,008)	845,193
Sewer system	18,334,566	995,182	-	19,329,748
Pollution control facility	25,030,088	2,017,056	(511,758)	26,535,386
Structures and parking lots	1,178,865	82,314	-	1,261,179
Software hosting	-	27,500	-	27,500
Contributed sewer system	9,241,628	894,914	-	10,136,542
	<u>\$ 57,326,307</u>	<u>\$ 4,440,471</u>	<u>\$ (833,395)</u>	<u>\$ 60,933,383</u>

See Independent Auditor's Report.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedule of Sewer System Rates June 30, 2022 and 2021

In November 2019, the City Council approved a 5-year rate increase schedule with the first increase effective April 1, 2020. The subsequent rate increases will occur each July 1, 2021-2025. The rates in place prior to 4/1/2020, new rates effective 4/1/2020 and the rates effective 7/1/2021 are shown below.

Monthly Sewer Rates For Customers	Inside the City		
	Prior to 7/1/2021	Effective 7/1/2021	Effective 7/1/2022
Flat rate of	\$12.43	\$13.92	\$15.18
In addition to (up to 100,000)	\$4.32 / thousand	\$4.84 / thousand	\$5.28 / thousand
All over 100,000	\$4.27 / thousand	\$4.78 / thousand	\$5.21 / thousand

  

Monthly Sewer Rates For Customers	Outside the City		
	Prior to 7/1/2021	Effective 7/1/2021	Effective 7/1/2022
Flat rate of	\$16.24	\$18.19	\$19.83
In addition to (up to 100,000)	\$5.63 / thousand	\$6.31 / thousand	\$6.88 / thousand
All over 100,000	\$5.63 / thousand	\$6.31 / thousand	\$6.88 / thousand

  

Monthly Sewer Rates For Customers	City of Lowell, Arkansas		
	Prior to 7/1/2021	Effective 7/1/2021	Effective 7/1/2022
Flat rate of	\$14.91	\$16.71	\$18.21
In addition to (up to 100,000)	\$5.18 / thousand	\$5.81 / thousand	\$6.33 / thousand
All over 100,000	\$5.12 / thousand	\$5.73 / thousand	\$6.25 / thousand

See Independent Auditor's Report.

# Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

## Schedules of Sewer Customers June 30, 2022 and 2021

SEWER CUSTOMER CLASSIFICATIONS	NUMBER OF CUSTOMERS	
	2022	2021
Residential customers	23,123	22,732
Commercial customers	2,006	1,973
Industrial customers	32	32
<b>Total</b>	<b>25,161</b>	<b>24,737</b>

See Independent Auditor's Report.

# **Rogers Water Utilities Sewer Department**

**A Component Unit of the City of Rogers, Arkansas**

## **Schedules of Billable Gallons Years ended June 30, 2022 and 2021**

<b>BILLABLE GALLONS CLASSIFICATIONS</b>	<b>NUMBER OF BILLABLE GALLONS</b>	
	<b>2022</b>	<b>2021</b>
Residential customers	1,074,880,400	1,122,943,600
Commercial customers	548,923,600	490,790,800
Industrial customers	470,576,600	436,990,900
Total	<u>2,094,380,600</u>	<u>2,050,725,300</u>

See Independent Auditor's Report.



**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***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Rogers Water Utilities Sewer Department** (the Sewer Department), a component unit of the City of Rogers, Arkansas, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 5, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Sewer Department'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 Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sewer Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sewer Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Sewer Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sewer Department'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  
October 5, 2022