

The logo for Rogers Water Utilities (RWU) features the letters "RWU" in a white, sans-serif font, positioned within a blue graphic element that resembles a stylized wave or a series of curved lines.

ROGERS WATER UTILITIES

**Rogers Water Utilities
Water Department**

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

(With Independent Auditor's Report Thereon)

Rogers Water Utilities Water 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 Water 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 Water Department** (the Water 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 Water 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 Water 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 Water 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 Water Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 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 Water Department's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 Water Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Department's internal control over financial reporting and compliance.

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 Water 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 Water Department (Water Department) provides an overview of the Water 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 Water Department is rate-funded, receiving no general tax revenue. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Financial Highlights Discussion

- The Water Department's net position increased by \$5,594,000 or 6.1% over fiscal year 2021. Net position increased by \$8,959,000 or 10.9%, in fiscal year 2022 over 2021.
- Water Department operating revenues increased by \$1,419,000 or 10% from 2021. Operating revenues increased by \$2,395,000, or 20.1% in 2022 from 2021.
- Operating expenses increased by \$281,000 or 2.5% from 2021. Operating expenses increased by \$704,000, or 9.1% in 2022 from 2021.
- Net Position increased by \$3,646,000 before capital contributions during fiscal year 2022. In fiscal year 2021, net position before capital contributions increased by \$2,542,000.

Rogers Water Department Fiscal Year 2022 Highlights

- The change in net position before capital contributions exceeded budget by \$710,000 and was more than prior year operating results by \$662,000.
- The number of customers increased by 628 or 1.83% from the prior year. Billed water consumption increased by 2.51%.
- Our water supplier, Beaver Water District, implemented a rate increase of \$0.03 per thousand effective October 1, 2021.
- 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 refurbished the Tower Park Water Tower on 11th Street. Total project costs were \$1.4 million.
- RWU initiated a Corridor Study with Garver Engineers that will help determine cost-effective ways the Utility can achieve a higher risk and resiliency status by working with neighboring water systems. This can be achieved by either emergency connections with other water systems, and/or new water transmission mains, or a combination of both.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2022, 2021, and 2020

Rogers Water Department Fiscal Year 2021 Highlights

- The change in net position before capital contributions exceeded budget by \$1,152,000 but was more than prior year operating results by \$859,000.
- The number of customers increased by 716 or 2.13% from the prior year. Billed water consumption increased by 10.71%.
- RWU signed an agreement with Timmons Group to implement Cityworks software, a web GIS-centric enterprise asset management system to manage, track, analyze and score our 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 AS400 operating software. The start of the contract is July 1, 2021 and includes replacement of billing, accounting, payroll, and other operating functions.
- RWU retained Garver to conduct a Water Master Plan that will be used to update our Capital Improvement Plan (CIP). This CIP makes it possible for RWU to plan for our future financial requirements.
- 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 Water Department Fiscal Year 2020 Highlights

- The change in net position before capital contributions exceeded budget by \$294,000 but was less than prior year operating results by \$105,000.
- The number of customers increased by 587 or 1.78% from the prior year. Billed water consumption decreased by 4.11%.
- Continued a City-wide meter change out program and extended the completion period to be over the next 4 to 6 years. The change out is being conducted by Utility Staff.
- Our water supplier, Beaver Water District, implemented a rate increase of \$0.02 per thousand effective October 1, 2020.
- 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 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 21% 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 slightly less than the prior year and budget by 3.6% and 7% respectively.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2022, 2021, and 2020

- As a result of the COVID-19 pandemic, RWU suspended service disconnections from March 26 to July 6th and waived all associated reconnection fees. As a result, penalty revenue and service charge income were less than the prior year and budget by \$67,000 combined. Service disconnections resumed on July 7, 2020.
- Tyson Foods, RWU's largest industrial customer, increased water usage by 6.18% from fiscal year 2019. For the two years prior, Tyson Foods water usage decreased as part of a plan to reduce water usage by 25% by the year 2025.

Using This Annual Report

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

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2022, 2021, and 2020

Financial Highlights

Assets, Liabilities and Net Position

	2022	2021	2020
Assets			
Total current assets	\$ 18,329,100	\$ 17,722,076	\$ 15,538,016
Restricted cash, investments, and interest receivable	5,121,196	4,907,239	4,794,455
Other noncurrent assets	97,595,121	92,807,782	86,373,110
Total Assets	\$ 121,045,417	\$ 115,437,097	\$ 106,705,581
Deferred Outflows of Resources			
Deferred pension outflows	\$ 322,491	\$ 556,560	\$ 398,255
Deferred bond refunding costs	455,614	511,306	566,998
Total Deferred Outflow of Resources	\$ 778,105	\$ 1,067,866	\$ 965,253
Liabilities			
Total current liabilities	\$ 4,200,740	\$ 3,358,253	\$ 3,061,086
Liabilities payable from restricted assets	1,432,481	1,388,434	1,339,145
Long-term liabilities	18,481,345	20,568,972	20,987,260
Total Liabilities	\$ 24,114,566	\$ 25,315,659	\$ 25,387,491
Deferred Inflows of Resources			
Deferred pension inflows	\$ 988,748	\$ 63,475	\$ 116,303
Net Position			
Invested in capital assets, net of related debt	\$ 79,207,480	\$ 73,853,008	\$ 66,713,919
Restricted	3,688,715	3,518,805	3,455,309
Unrestricted	13,824,013	13,754,016	11,997,812
Total Net Position	\$ 96,720,208	\$ 91,125,829	\$ 82,167,040
Operating Results and Changes in Net Position			
Operating revenues	\$ 15,724,077	\$ 14,305,466	\$ 11,910,043
Operating expenses			
Depreciation and amortization	3,039,133	2,825,190	2,681,615
Other operating expenses	8,450,255	8,383,526	7,679,032
Total Operating Expenses	11,489,388	11,208,716	10,360,647
Operating income	4,234,689	3,096,750	1,549,396
Other revenues (expenses)			
Interest expense	(648,566)	(672,757)	(692,857)
Other income (expenses)	59,488	118,504	277,365
Total Other Revenues (Expenses)	(589,078)	(554,253)	(415,492)
Change in net position before capital contributions	3,645,611	2,542,497	1,133,904
Capital Contributions	1,948,768	6,416,292	2,644,226
Change in Net Position	5,594,379	8,958,789	3,778,130
Net Position, Beginning of Year	91,125,829	82,167,040	78,388,910
Net Position, End of Year	\$ 96,720,208	\$ 91,125,829	\$ 82,167,040

Rogers Water Utilities Water 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 Water Department's investment in capital assets was \$97,366,000 (net of accumulated depreciation and amortization). This investment in capital assets included land, buildings, improvements, machinery and equipment, software hosting and contributed property.

Major capital asset events include the following:

- Construction costs of \$4,884,000 were incurred on a variety of construction projects during 2022. \$4,243,000 of constructed assets were completed and placed in service, consisting mostly of water main construction and rehabilitation projects. In addition, \$1,725,000 of water mains constructed by developers were contributed to the Water Department to own and maintain. This is recorded as a capital contribution in the statement of revenues, expenses, and changes in net position. In 2022 the Water Department had construction of \$2,127,000 and contributed capital of \$6,251,000, and in 2021 construction of \$2,783,000 and contributed capital of \$2,542,000.
- Capital expenditures for additions and improvements to the Water Department, in addition to the constructed assets, were \$984,000 in 2022, as compared to \$883,000 in 2021 and \$488,000 in 2020.

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

Long-Term Debt

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. Revenue bonds outstanding as of June 30, 2021 were \$18,965,000, which was a decrease of \$800,000 from 2021. This decrease is a result of scheduled principal payments.

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

Additional Management Comments

Water consumption in fiscal year 2022 was 2.51% more than the previous year. The change in net position for the year was greater than budget and more than the prior year.

The Rogers Water Department funded capital improvements out of reserves in fiscal year 2022. Significant projects in process at the end of fiscal year 2022 consist primarily of various City of Rogers Street improvements. Major projects expected in fiscal year 2023 include water main projects for City of Rogers street projects and other waterline replacements and extensions.

Looking ahead, the source of water for all Northwest Arkansas, Beaver Lake, appears to be in good shape. Rate increases from the water supplier, Beaver Water District, are subject to increase annually and driven by updated water usage forecasts. BWD has indicated a rate increase of \$0.05/1,000 gallons will be implemented October 1, 2023. Additionally, BWD expects a total overall increase of \$0.28/1,000 gallons from FY 2023-FY 2027. Beaver Water District is poised to meet the demand of Rogers Water Utility water customers for maximum daily demand twenty years hence.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2022, 2021, and 2020

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 cost 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.

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 the Cybersecurity and Infrastructure Security Agency (CISA).

Looking toward the future, new software is scheduled to be installed in 2022; Cityworks software will allow for a more GIS-centric 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 Water 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>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,273,922	\$ 3,984,500
Investments	12,101,539	10,971,866
Accounts receivable, net of allowance for doubtful accounts of \$141,500 and \$135,000, respectively	2,345,385	2,338,275
Inventory	526,298	364,153
Prepaid expenses	<u>81,956</u>	<u>63,282</u>
Total Current Assets	<u>18,329,100</u>	<u>17,722,076</u>
 RESTRICTED CASH, INVESTMENTS AND INTEREST RECEIVABLE		
Restricted cash and cash equivalents	721,037	419,416
Investments	4,400,159	4,487,624
Interest receivable	<u>-</u>	<u>199</u>
	<u>5,121,196</u>	<u>4,907,239</u>
 FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION		
	<u>97,595,121</u>	<u>92,807,782</u>
Total Assets	<u>121,045,417</u>	<u>115,437,097</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	322,491	556,560
Deferred bond refunding costs	<u>455,614</u>	<u>511,306</u>
	<u>778,105</u>	<u>1,067,866</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 121,823,522</u></u>	<u><u>\$ 116,504,963</u></u>

See accompanying notes to financial statements.

Rogers Water Utilities Water 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

	2022	2021
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable - trade	\$ 598,674	\$ 571,828
Accounts payable to construction contractors	1,311,488	390,131
Accounts payable - other	913,919	861,031
Accrued expenses	450,225	387,062
Due to sewer department	31,595	298,201
Current portion of software hosting	49,839	30,000
Current portion of bonds payable	845,000	820,000
Total Current Liabilities (Payable from Current Assets)	4,200,740	3,358,253
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Customer meter deposits	1,330,093	1,281,717
Accrued interest payable	102,388	106,717
Total Current Liabilities (Payable from Restricted Assets)	1,432,481	1,388,434
LONG-TERM LIABILITIES		
Software hosting payable	247,447	40,000
Bonds payable, net of unamortized premiums and discounts	17,700,970	18,576,080
Net pension liability	532,928	1,952,892
	18,481,345	20,568,972
Total Liabilities	24,114,566	25,315,659
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	988,748	63,475
NET POSITION		
Invested in capital assets, net of related debt	79,207,480	73,853,008
Restricted	3,688,715	3,518,805
Unrestricted	13,824,013	13,754,016
	96,720,208	91,125,829
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 121,823,522	\$ 116,504,963

See accompanying notes to financial statements.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

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

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Residential water	\$ 8,059,882	\$ 7,119,417
Commercial water	3,911,251	3,304,319
Industrial water	1,482,005	1,255,957
Sprinkler service and hydrant	137,565	133,020
Service charges and penalties	600,394	585,466
Access, impact, and new customer fees	1,032,140	1,196,215
Other operating revenue	500,840	711,072
	<u>15,724,077</u>	<u>14,305,466</u>
OPERATING EXPENSES		
Water purchased	5,317,084	5,349,570
Plant operations and distribution	1,569,056	1,485,939
General and administrative	1,564,115	1,548,017
Depreciation and amortization	3,039,133	2,825,190
	<u>11,489,388</u>	<u>11,208,716</u>
OPERATING INCOME	<u>4,234,689</u>	<u>3,096,750</u>
OTHER REVENUES (EXPENSES)		
Interest income	53,554	105,288
Gain on sale of fixed assets	12,734	20,016
Interest expense	(648,566)	(672,757)
Trustee fees	(6,800)	(6,800)
	<u>(589,078)</u>	<u>(554,253)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	3,645,611	2,542,497
CAPITAL CONTRIBUTIONS	<u>1,948,768</u>	<u>6,416,292</u>
CHANGE IN NET POSITION	5,594,379	8,958,789
NET POSITION, BEGINNING OF YEAR	<u>91,125,829</u>	<u>82,167,040</u>
NET POSITION, END OF YEAR	<u>\$ 96,720,208</u>	<u>\$ 91,125,829</u>

See accompanying notes to financial statements.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

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

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 13,583,593	\$ 11,644,765
Cash received from access, impact and new customer fees	1,032,140	1,196,215
Cash received from service charges, penalties and other operating revenue	1,149,610	1,349,264
Payments for water	(5,236,012)	(5,390,119)
Payments for salaries and benefits	(2,129,630)	(1,887,248)
Payments to suppliers for goods and services	<u>(1,649,763)</u>	<u>(638,941)</u>
Net Cash From Operating Activities	<u>6,749,938</u>	<u>6,273,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	53,753	105,089
Net change in investments	(1,129,673)	(1,850,971)
Net change in restricted investments	<u>87,465</u>	<u>(180,868)</u>
Net Cash (Used For) Investing Activities	<u>(988,455)</u>	<u>(1,926,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(4,599,507)	(2,852,875)
Cash received from sale of fixed assets	14,222	20,361
Principal payments on bonds	(820,000)	(800,000)
Principal payments on software hosting	(131,042)	(20,000)
Interest and paying agent fees, net of capitalized interest	<u>(634,113)</u>	<u>(657,411)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(6,170,440)</u>	<u>(4,309,925)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(408,957)	37,261
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,403,916</u>	<u>4,366,655</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,994,959</u></u>	<u><u>\$ 4,403,916</u></u>

See accompanying notes to financial statements.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

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

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 4,234,689	\$ 3,096,750
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	3,039,133	2,825,190
Allowance for doubtful accounts	6,500	10,000
Net change in pension liability	(260,622)	180,688
Changes in assets and liabilities:		
Accounts receivable	(13,610)	(177,948)
Inventory	(162,145)	(66,088)
Prepaid expenses	(18,674)	(12,409)
Accounts payable - trade and other	79,734	26,173
Accrued expenses and customer deposits	111,539	74,479
Due to sewer department	(266,606)	317,101
Net Cash From Operating Activities	<u>\$ 6,749,938</u>	<u>\$ 6,273,936</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
CASH AND CASH EQUIVALENTS		
Petty cash	\$ 1,725	\$ 1,725
Operating and maintenance	141,008	55,028
Checking	295,666	202,868
Savings - depreciation fund	1,102,809	1,631,184
Savings - meter deposits	<u>1,732,714</u>	<u>2,093,695</u>
	<u>3,273,922</u>	<u>3,984,500</u>
RESTRICTED CASH AND CASH EQUIVALENTS		
Savings - depreciation fund	250,894	153,408
Checking - meter deposits	<u>470,143</u>	<u>266,008</u>
	<u>721,037</u>	<u>419,416</u>
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 3,994,959</u></u>	<u><u>\$ 4,403,916</u></u>
NONCASH TRANSACTIONS		
Capital contributions of property and equipment	\$ 1,725,099	\$ 6,250,785
Other capital contributions	\$ 223,669	\$ 165,507
Property and equipment additions included in accounts payable to construction contractors	\$ 1,311,488	\$ 390,131
Financing for software licensing	\$ 358,328	\$ 90,000

Rogers Water Utilities Water 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 Water Department provides water services to the City of Rogers and certain surrounding areas. The City Council approves the rate changes of the Utilities. The debt of the Utilities is maintained in the name of the City of Rogers, Arkansas.

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

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

Fund Type

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

Rogers Water Utilities Water 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 Water Department had cash equivalents of \$842,055 and \$690,223, respectively.

Investments

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

Accounts Receivable

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

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 water system.

Long-Lived Assets

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

Contributed Capital

The Water Department records all contributed fixed assets at their estimated fair market value at date of contribution as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of water lines and related infrastructure. At June 30, 2022 and 2021, cumulative contributed capital fixed assets amounted to approximately \$54,991,000 and \$53,266,000, respectively.

Rogers Water Utilities Water 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
Water towers	5 - 50 years
Water service lines	33 years
Water meters	20 - 25 years
Shop equipment and machinery	3 - 10 years
Transportation equipment	3 - 10 years
Two-way radio system	5 - 15 years
Field equipment	3 - 20 years
Office equipment	3 - 20 years

The Water Department's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year. The cost basis of fully depreciated property and equipment still in use by the Water Department at June 30, 2022 and 2021 amounted to approximately \$5,391,000 and \$5,299,000, respectively.

Amortization of Bond Discounts and Premiums

Bond discounts and premiums are amortized over the lives of the related bond issues. Net amortization of \$30,110 and \$30,109 for the years ended June 30, 2022 and 2021, respectively, is included as a component of interest expense. See Note 9.

Amortization of Deferred Bond Refunding Costs

The deferred bond refunding costs associated with the 2012 Water Revenue Refunding Bonds and 2016 Water Revenue Refunding Bonds are amortized over the life of the related bond issue (See Note 9). Amortization expense of \$55,692 for each of the years ended June 30, 2022 and 2021 is included as a component of interest expense.

Compensated Absences

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

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Notes to Financial Statements

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. 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 Water Department has two items that qualify for reporting in this category: bond refunding costs and changes regarding pension liabilities. A deferred outflow on bond refunding costs results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. In regards to the deferred outflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 13 for additional information.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Water Department has one item that qualifies for reporting in this category. In regards to the deferred inflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 13 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 and unrestricted net position is available, the Water Department's policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

Rogers Water Utilities Water Department

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Notes to Financial Statements

June 30, 2022 and 2021

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.

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

NOTE 3: DEPOSITS IN FINANCIAL INSTITUTIONS

Deposits in financial institutions are financial instruments that could potentially subject the Water Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At June 30, 2022, the Water Department had approximately \$4,691,607 in deposit balances, of which approximately \$750,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities' name. Additionally, the Water Department had approximately \$15,659,000 in certificates of deposit reported as investments in the Statements of Net Position, all of which were FDIC insured.

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

Notes to Financial Statements
June 30, 2022 and 2021

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>
Meter deposits	\$ 1,552,463	\$ 1,345,837
Debt service reserve	699,124	676,549
Depreciation reserve for additional replacements to the water system	2,726,284	2,621,968
New customer fees collected for additions of fixed assets	143,325	262,686
Interest receivable	<u>-</u>	<u>199</u>
	<u>\$ 5,121,196</u>	<u>\$ 4,907,239</u>

NOTE 5: INVESTMENTS

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

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

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

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

At June 30, 2022 and 2021, the Water Department's investments consisted of \$15,659,249 and \$14,520,255, respectively, held in certificates of deposit and \$842,449 and \$939,235, respectively, held in United States government securities. All investments at June 30, 2022 and 2021 had maturities of less than five years.

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

Notes to Financial Statements
June 30, 2022 and 2021

NOTE 6: CHANGES IN FIXED ASSETS

	Balance June 30, 2021	Transfers/ Additions	Disposals	Balance June 30, 2022
Land	\$ 733,981	\$ -	\$ -	\$ 733,981
Buildings	1,744,205	-	-	1,744,205
Equipment	72,622,195	5,035,442	(462,543)	77,195,094
Vehicles	550,562	102,032	(39,003)	613,591
Software hosting	90,000	358,328	(33,828)	414,500
Contributed property	53,265,920	1,725,099	-	54,991,019
Construction in progress	3,328,651	4,883,987	(4,243,175)	3,969,463
	132,335,514	12,104,888	(4,778,549)	139,661,853
Accumulated depreciation and amortization	(39,527,732)	(3,039,133)	500,133	(42,066,732)
	<u>\$ 92,807,782</u>	<u>\$ 9,065,755</u>	<u>\$ (4,278,416)</u>	<u>\$ 97,595,121</u>
	Balance June 30, 2020	Transfers/ Additions	Disposals	Balance June 30, 2021
Land	\$ 732,981	\$ 1,000	\$ -	\$ 733,981
Buildings	1,744,205	-	-	1,744,205
Equipment	71,227,526	1,786,842	(392,173)	72,622,195
Vehicles	543,220	46,610	(39,268)	550,562
Software hosting	-	90,000	-	90,000
Contributed property	47,015,135	6,250,785	-	53,265,920
Construction in progress	2,243,681	2,126,801	(1,041,831)	3,328,651
	123,506,748	10,302,038	(1,473,272)	132,335,514
Accumulated depreciation and amortization	(37,133,638)	(2,825,190)	431,096	(39,527,732)
	<u>\$ 86,373,110</u>	<u>\$ 7,476,848</u>	<u>\$ (1,042,176)</u>	<u>\$ 92,807,782</u>

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7: RISK MANAGEMENT

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

NOTE 8: DUE TO SEWER DEPARTMENT

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

NOTE 9: BONDS PAYABLE

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%.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Notes to Financial Statements

June 30, 2022 and 2021

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.

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 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 the Series 2016 bonds. During the years ended June 30, 2022 and 2021, amortization expense for prepaid bond insurance was \$833. The remaining prepaid bond insurance is included in Statements of Net Position under the caption "Prepaid expenses." Furthermore, the Series 2016 bonds had issuance costs of \$180,437.

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 4.10 and 3.38, respectively. Total interest paid during the years ended June 30, 2022 and 2021 totaled \$622,984 and \$657,411, respectively. No interest was capitalized during the years ended June 30, 2022 and 2021.

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

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

Year ending			
June 30,	Principal	Interest	Total
2023	\$ 845,000	\$ 600,622	\$ 1,445,622
2024	875,000	572,419	1,447,419
2025	1,215,000	537,644	1,752,644
2026	1,255,000	496,419	1,751,419
2027	1,295,000	451,707	1,746,707
2028-2032	7,335,000	1,487,969	8,822,969
2033-2036	5,325,000	265,608	5,590,608
Total	<u>\$ 18,145,000</u>	<u>\$ 4,412,388</u>	<u>\$ 22,557,388</u>

Rogers Water Utilities Water Department
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Notes to Financial Statements
June 30, 2022 and 2021

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 2012	\$ 6,650,000	\$ -	\$ 455,000	\$ 6,195,000	\$ 465,000
Revenue Refunding					
Bonds, Series 2016	12,315,000	-	365,000	11,950,000	380,000
Bonds payable, gross	18,965,000	-	820,000	18,145,000	845,000
Plus premiums	431,080	-	30,110	400,970	-
	<u>\$19,396,080</u>	<u>\$ -</u>	<u>\$ 850,110</u>	<u>\$18,545,970</u>	<u>\$ 845,000</u>
	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Revenue Refunding					
Bonds, Series 2012	\$ 7,100,000	\$ -	\$ 450,000	\$ 6,650,000	\$ 455,000
Revenue Refunding					
Bonds, Series 2016	12,665,000	-	350,000	12,315,000	365,000
Bonds payable, gross	19,765,000	-	800,000	18,965,000	820,000
Plus premiums	461,189	-	30,109	431,080	-
	<u>\$20,226,189</u>	<u>\$ -</u>	<u>\$ 830,109</u>	<u>\$19,396,080</u>	<u>\$ 820,000</u>

NOTE 10: SOFTWARE HOSTING PAYABLE

During September 2020, the Water 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 Water 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.

Rogers Water Utilities Water Department

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Notes to Financial Statements

June 30, 2022 and 2021

NOTE 11: COMMITMENTS AND CONCENTRATION

The Water Department is committed to several construction contracts in process at year end totaling \$8,130,722. As of June 30, 2022, \$3,741,325 had been incurred in connection with these contracts.

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

NOTE 12: EMPLOYEE BENEFIT PLANS

Flexible Benefit Plan

The City of Rogers, Arkansas offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by the Utilities. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code (IRC) of 1954, as amended, to provide for group medical, dental and vision for its eligible employees and dependents. The plan is funded solely by salary redirections as elected on a voluntary basis by participants. Water Department employee contributions for the years ended June 30, 2022 and 2021 were \$84,060 and \$77,058, respectively.

Deferred Compensation Plan

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

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

Deferred compensation remitted for investment during the years ended June 30, 2022 and 2021 was \$14,820 and \$17,720, respectively. At June 30, 2022 and 2021, there were six employees participating in the plan.

Rogers Water Utilities Water Department

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Notes to Financial Statements

June 30, 2022 and 2021

Education 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 \$488 and \$3,878, respectively.

NOTE 13: 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%

Rogers Water Utilities Water Department
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June 30, 2022 and 2021

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.

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 Water 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, the Water Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2021 and 2020, respectively, related to pensions from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,197	\$ (34,178)
Changes of assumptions	-	(3,733)
Changes in proportion and differences between employer contributions and proportionate share	57,526	(15,367)
Net difference between projected and actual earnings on pension plan investments	-	(935,470)
Contributions subsequent to measurement date	252,768	-
Balance, June 30, 2022	<u>\$ 322,491</u>	<u>\$ (988,748)</u>
2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,925	\$ (1,294)
Changes of assumptions	24,468	(33,460)
Changes in proportion and differences between employer contributions and proportionate share	78,334	(28,721)
Net difference between projected and actual earnings on pension plan investments	206,641	-
Contributions subsequent to measurement date	221,192	-
Balance, June 30, 2021	<u>\$ 556,560</u>	<u>\$ (63,475)</u>

Rogers Water Utilities Water 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, 2022, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water Department's financial statements as follows:

Years ending June 30:

2023	\$	(224,536)
2024		(200,472)
2025		(222,582)
2026		(271,435)

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 Water 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 APERS' 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 Estate	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%
\$ 1,594,198	\$ 532,928	\$ (343,528)

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 13: RISKS AND UNCERTAINTIES

As of the date of the Independent Auditor's 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 Water Department's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak

NOTE 14: SUBSEQUENT EVENTS

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

Required Supplementary Information

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

**Schedules of the Water 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	0.07%	0.06%	0.06%	0.07%	0.07%	0.06%	0.06%	0.05%
Proportionate share of the net pension liability	\$ 532,928	\$ 1,952,892	\$ 1,561,071	\$ 1,485,769	\$ 1,718,195	\$ 1,389,098	\$ 1,053,941	\$ 761,957
Covered - employee payroll	\$ 1,679,959	\$ 1,470,689	\$ 1,374,871	\$ 1,264,034	\$ 1,283,356	\$ 1,280,327	\$ 1,197,940	\$1,086,721
Proportionate share of the net pension liability as percentage of covered-employee payroll	31.72%	132.79%	113.54%	117.54%	133.88%	108.50%	87.98%	70.12%
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 shown.

See Independent Auditor's Report.

Rogers Water Utilities Water 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	\$ 252,768	\$ 221,192	\$ 209,887	\$ 187,751	\$ 185,515	\$ 183,273	\$ 161,515	\$ 149,290
Contributions in relation to the contractually required contribution	\$ (252,768)	\$ (221,192)	\$ (209,887)	\$ (187,751)	\$ (185,515)	\$ (183,273)	\$ (161,515)	\$ (149,290)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Department's covered-employee payroll	\$ 1,679,959	\$ 1,470,689	\$ 1,374,871	\$ 1,264,034	\$ 1,283,356	\$ 1,280,327	\$ 1,197,940	\$ 1,086,721
Contributions as a percentage of covered-employee payroll	15.05%	15.04%	15.27%	14.85%	14.46%	14.31%	13.48%	13.74%

* 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 Water 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>
WATER PURCHASED	<u>\$ 5,317,084</u>	<u>\$ 5,349,570</u>
PLANT OPERATIONS AND DISTRIBUTION		
Employee benefits	155,688	339,981
Insurance	42,922	34,774
Operating supplies and other	97,377	96,758
Payroll taxes	55,642	49,201
Repairs and maintenance	377,265	269,828
Salaries	780,268	648,337
Utilities	<u>59,894</u>	<u>47,060</u>
	<u>1,569,056</u>	<u>1,485,939</u>
GENERAL AND ADMINISTRATIVE		
Bad debts	29,369	13,026
Employee benefits	128,045	358,082
Insurance	25,238	19,115
Office supplies and postage	147,508	130,367
Other	236,649	116,166
Payroll taxes	65,841	58,231
Professional fees	43,380	48,876
Salaries	722,853	643,854
Taxes and fees	138,547	135,710
Utilities	<u>26,685</u>	<u>24,590</u>
	<u>1,564,115</u>	<u>1,548,017</u>
DEPRECIATION AND AMORTIZATION	<u>3,039,133</u>	<u>2,825,190</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 11,489,388</u></u>	<u><u>\$ 11,208,716</u></u>

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Schedules of Principal and Interest Payments Water Revenue Refunding Bonds – Series 2012 June 30, 2022

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 465,000	2.625%	\$ 194,878	\$ 659,878
2024	480,000	2.750%	182,175	662,175
2025	805,000	3.000%	163,500	968,500
2026	830,000	3.000%	138,975	968,975
2027	855,000	3.500%	111,563	966,563
2028	885,000	3.500%	81,113	966,113
2029	920,000	3.500%	49,525	969,525
2030	<u>955,000</u>	3.500%	<u>16,713</u>	<u>971,713</u>
Balance, June 30, 2022	<u>\$ 6,195,000</u>		<u>\$ 938,442</u>	<u>\$ 7,133,442</u>

Dated: April 18, 2012

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Schedules of Principal and Interest Payments Water Revenue Refunding Bonds – Series 2016 June 30, 2022

YEAR	PRINCIPAL	INTEREST RATE	INTEREST	TOTAL
2023	\$ 380,000	4.00%	\$ 405,744	\$ 785,744
2024	395,000	4.00%	390,244	785,244
2025	410,000	4.00%	374,144	784,144
2026	425,000	4.00%	357,444	782,444
2027	440,000	4.00%	340,144	780,144
2028	460,000	4.00%	322,144	782,144
2029	480,000	4.00%	303,344	783,344
2030	500,000	4.00%	283,744	783,744
2031	1,535,000	4.00%	243,043	1,778,043
2032	1,600,000	3.00%	188,343	1,788,343
2033	1,650,000	3.00%	139,593	1,789,593
2034	1,700,000	3.00%	88,281	1,788,281
2035	1,755,000	3.00%	34,297	1,789,297
2036	<u>220,000</u>	3.13%	<u>3,437</u>	<u>223,437</u>
Balance, June 30, 2022	<u>\$ 11,950,000</u>		<u>\$ 3,473,946</u>	<u>\$ 15,423,946</u>

Principal Payment Date: 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 Water Department

A Component Unit of the City of Rogers, Arkansas

Schedule of Fixed Assets

Year ended June 30, 2022

Fixed Assets

	Balance June 30, 2021	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2022
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	756,388	39,258	(315,831)	479,815
Vehicles	550,562	102,032	(39,003)	613,591
Shop equipment	49,801	-	(2,901)	46,900
Field equipment	736,685	96,244	(19,301)	813,628
Radio equipment	29,127	3,275	-	32,402
Pumping equipment	67,015	23,964	-	90,979
Water meters	3,501,284	353,334	(124,510)	3,730,108
Water services	1,378,630	-	-	1,378,630
Water tower	12,093,909	1,404,741	-	13,498,650
Main line	54,009,356	3,114,626	-	57,123,982
Structures and parking lots	1,744,205	-	-	1,744,205
Easements	460,361	-	-	460,361
Software hosting	90,000	358,328	(33,828)	414,500
Contributed water main	53,265,920	1,725,099	-	54,991,019
	129,006,863	7,220,901	(535,374)	135,692,390
Construction in progress	3,328,651	4,883,987	(4,243,175)	3,969,463
	<u>\$ 132,335,514</u>	<u>\$ 12,104,888</u>	<u>\$ (4,778,549)</u>	<u>\$ 139,661,853</u>

Accumulated Depreciation and Amortization

Office equipment	\$ 630,057	\$ 78,316	\$ (314,363)	\$ 394,010
Vehicles	420,229	68,582	(39,003)	449,808
Shop equipment	48,655	497	(2,881)	46,271
Field equipment	532,141	47,461	(19,376)	560,226
Radio equipment	21,527	2,426	-	23,953
Pumping equipment	48,955	7,986	-	56,941
Water meters	862,032	197,563	(124,510)	935,085
Water services	1,310,708	18,745	-	1,329,453
Water tower	4,867,951	258,461	-	5,126,412
Main line	18,608,375	1,118,100	-	19,726,475
Structures and parking lots	1,174,180	62,505	-	1,236,685
Software hosting	27,500	94,900	-	122,400
Contributed water main	10,975,422	1,083,591	-	12,059,013
	<u>\$ 39,527,732</u>	<u>\$ 3,039,133</u>	<u>\$ (500,133)</u>	<u>\$ 42,066,732</u>

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Schedule of Fixed Assets

Year ended June 30, 2021

Fixed Assets

	Balance June 30, 2020	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2021
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	721,726	44,757	(10,095)	756,388
Vehicles	543,220	46,610	(39,268)	550,562
Shop equipment	51,590	-	(1,789)	49,801
Field equipment	770,495	138,690	(172,500)	736,685
Radio equipment	29,127	-	-	29,127
Pumping equipment	81,189	-	(14,174)	67,015
Water meters	3,283,999	410,901	(193,616)	3,501,284
Water services	1,378,630	-	-	1,378,630
Water tower	11,832,036	261,873	-	12,093,909
Main line	53,078,734	930,622	-	54,009,356
Structures and parking lots	1,744,205	-	-	1,744,205
Easements	459,361	1,000	-	460,361
Software hosting	-	90,000	-	90,000
Contributed water main	47,015,135	6,250,785	-	53,265,920
	121,263,067	8,175,238	(431,442)	129,006,863
Construction in progress	2,243,681	2,126,801	(1,041,831)	3,328,651
	<u>\$ 123,506,748</u>	<u>\$ 10,302,039</u>	<u>\$ (1,473,273)</u>	<u>\$ 132,335,514</u>

Accumulated Depreciation and Amortization

Office equipment	\$ 579,912	\$ 60,240	\$ (10,095)	\$ 630,057
Vehicles	394,700	64,797	(39,268)	420,229
Shop equipment	49,897	547	(1,789)	48,655
Field equipment	665,452	38,844	(172,155)	532,141
Radio equipment	18,832	2,695	-	21,527
Pumping equipment	57,010	6,119	(14,174)	48,955
Water meters	841,059	214,588	(193,615)	862,032
Water services	1,289,535	21,173	-	1,310,708
Water tower	4,623,494	244,457	-	4,867,951
Main line	17,532,310	1,076,065	-	18,608,375
Structures and parking lots	1,111,625	62,555	-	1,174,180
Software hosting	-	27,500	-	27,500
Contributed water main	9,969,812	1,005,610	-	10,975,422
	<u>\$ 37,133,638</u>	<u>\$ 2,825,190</u>	<u>\$ (431,096)</u>	<u>\$ 39,527,732</u>

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Schedule of Water 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 in place prior to 7/1/2021, new rates effective 7/1/2021 and the rates effective 7/1/2022 are shown below.

Monthly Water Rates For Customers	Inside the City		
	Prior to 7/1/2021	Effective 7/1/2021	Effective 7/1/2022
First 1,500 gallons or portion thereof	\$7.75 minimum	\$8.72 minimum	\$9.81 minimum
Next 98,500 gallons	\$3.36 / thousand	\$3.78 / thousand	\$4.26 / thousand
Next 400,000 gallons	\$2.98 / thousand	\$3.35 / thousand	\$3.77 / thousand
Next 500,000 gallons	\$2.71 / thousand	\$3.05 / thousand	\$3.43 / thousand
All in excess of 1,000,000 gallons	\$2.53 / thousand	\$2.85 / thousand	\$3.20 / thousand

Monthly Water Rates For Customers	Outside the City		
	Prior to 7/1/2021	Effective 7/1/2021	Effective 7/1/2022
First 1,500 gallons or portion thereof	\$9.92 minimum	\$11.16 minimum	\$12.56 minimum
Next 98,500 gallons	\$4.29 / thousand	\$4.82 / thousand	\$5.42 / thousand
Next 400,000 gallons	\$3.80 / thousand	\$4.28 / thousand	\$4.81 / thousand
Next 500,000 gallons	\$3.45 / thousand	\$3.89 / thousand	\$4.37 / thousand
All in excess of 1,000,000 gallons	\$3.24 / thousand	\$3.65 / thousand	\$4.10 / thousand

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Schedules of Water Customers June 30, 2022 and 2021

WATER CUSTOMER CLASSIFICATIONS	NUMBER OF CUSTOMERS	
	2022	2021
Residential customers	31,819	31,245
Commercial customers	3,090	3,036
Industrial customers	46	46
	<u>34,955</u>	<u>34,327</u>

See Independent Auditor's Report.

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

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

BILLABLE GALLONS CLASSIFICATIONS	NUMBER OF BILLABLE GALLONS	
	2022	2021
Residential customers	1,699,288,000	1,711,956,500
Commercial customers	920,071,800	863,668,500
Industrial customers	484,593,500	452,305,000
	<u>3,103,953,300</u>	<u>3,027,930,000</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 Water Department
Rogers, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Rogers Water Utilities Water Department** (the Water Department), a component unit of the City of Rogers, Arkansas, which comprise the statement of net position as of June 30, 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 Water 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 Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Department's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Water Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rogers, Arkansas
October 5, 2022