

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, 2023 and 2022**

(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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As described in Notes 2 and 10 to the financial statements, during the year ended June 30, 2023, the Water Department implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement 96, *Subscription-based Information Technology Arrangements*. The Water Department recorded right-to-use subscription assets and liabilities upon implementation of the standard using the facts and circumstances that existed at that date. Our opinion is not modified with respect to this matter.

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 5 through 10 and pension schedules on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Waterworks and Sewer Commission
Rogers Water Utilities Water Department

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 4, 2023 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 word "Landmark" is written in a cursive script, and "PLC" is written in a simpler, more upright font.

Rogers, Arkansas
December 4, 2023

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2023, 2022, and 2021

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, 2023, 2022, and 2021. 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 \$10,413,525 or 10.7% over fiscal year 2022. Net position increased by \$5,591,317 or 6.1%, in fiscal year 2022 over 2021.
- Water Department operating revenues increased by \$2,353,441 or 15% from 2022. Operating revenues increased by \$1,418,611, or 10% in 2022 from 2021.
- Operating expenses increased by \$1,236,555 or 10.8% from 2022. Operating expenses increased by \$260,779, or 2% in 2022 from 2021.
- Net Position before capital contributions increased by \$5,115,508 during fiscal year 2023. In fiscal year 2022, net position before capital contributions increased by \$3,642,549.

Rogers Water Department Fiscal Year 2023 Highlights

- The change in net position before capital contributions exceeded budget by \$1,700,508 and was more than prior year operating results by \$1,472,960.
- The number of customers increased by 885 or 2.53% from the prior year. Billed water consumption increased by 8.52%.
- Our water supplier, Beaver Water District, implemented a rate increase of \$0.08 per thousand effective October 1, 2023. The rate will go up from \$1.46/1,000 gallons to \$1.54/1,000 gallons.
- Continue with two (2) software integrations, Cityworks, for asset management, and Tyler Technologies, for billing and accounting functions. Both projects are still ongoing. RWU went "live" with Tyler Technologies on September 6, 2022 and Cityworks is scheduled to go "live" during October 2023.
- RWU will continue the \$550,000/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 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, 2023, 2022, and 2021**

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 system, and/or new water transmission mains, or combination of both.

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 Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2023, 2022, and 2021

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, 2023, 2022, and 2021

Financial Highlights

Assets, Liabilities and Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Total current assets	\$ 21,825,722	\$ 18,329,100	\$ 17,722,076
Restricted cash, investments, and interest receivable	5,423,665	5,121,196	4,907,239
Other noncurrent assets	102,915,582	98,210,259	93,814,653
Total Assets	<u>\$ 130,164,969</u>	<u>\$ 121,660,555</u>	<u>\$ 116,443,968</u>
Deferred Outflows of Resources			
Deferred pension outflows	\$ 905,882	\$ 322,491	\$ 556,560
Deferred bond refunding costs	399,778	455,614	511,306
Total Deferred Outflow of Resources	<u>\$ 1,305,660</u>	<u>\$ 778,105</u>	<u>\$ 1,067,866</u>
Liabilities			
Total current liabilities	\$ 3,387,644	\$ 4,268,195	\$ 3,358,253
Liabilities payable from restricted assets	1,444,699	1,432,481	1,388,434
Long-term liabilities	19,294,087	18,845,211	21,381,704
Total Liabilities	<u>\$ 24,126,430</u>	<u>\$ 24,545,887</u>	<u>\$ 26,128,391</u>
Deferred Inflows of Resources			
Deferred pension inflows	<u>\$ 26,649</u>	<u>\$ 988,748</u>	<u>\$ 63,475</u>
Net Position			
Invested in capital assets, net of related debt	\$ 85,092,340	\$ 79,391,296	\$ 74,047,147
Restricted	3,978,966	3,688,715	3,518,805
Unrestricted	18,246,244	13,824,014	13,754,016
Total Net Position	<u>\$ 107,317,550</u>	<u>\$ 96,904,025</u>	<u>\$ 91,319,968</u>
Operating Results and Changes in Net Position			
Operating revenues	<u>\$ 18,077,518</u>	<u>\$ 15,724,077</u>	<u>\$ 14,305,466</u>
Operating expenses			
Depreciation and amortization	3,191,425	3,106,366	2,825,190
Other operating expenses	9,514,625	8,363,129	8,196,647
Total Operating Expenses	<u>12,706,050</u>	<u>11,469,495</u>	<u>11,021,837</u>
Operating income	<u>5,371,468</u>	<u>4,254,582</u>	<u>3,283,629</u>
Other revenues (expenses)			
Interest expense	(641,307)	(671,521)	(672,757)
Other income (expenses)	385,347	59,488	118,504
Total Other Revenues (Expenses)	<u>(255,960)</u>	<u>(612,033)</u>	<u>(554,253)</u>
Change in net position before capital contributions	5,115,508	3,642,549	2,729,376
Capital Contributions	<u>5,298,017</u>	<u>1,948,768</u>	<u>6,416,292</u>
Change in Net Position	10,413,525	5,591,317	9,145,668
Net Position, Beginning of Year	<u>96,904,025</u>	<u>91,312,708</u>	<u>82,167,040</u>
Net Position, End of Year	<u>\$ 107,317,550</u>	<u>\$ 96,904,025</u>	<u>\$ 91,312,708</u>

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis **June 30, 2023, 2022, and 2021**

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the Water Department's investment in capital assets was \$102,916,000 (net of accumulated depreciation and amortization). This investment in capital assets included land, buildings, improvements, machinery and equipment, right of use subscriptions and contributed property.

Major capital asset events include the following:

- Construction costs of \$1,715,000 were incurred on a variety of construction projects during 2023. \$2,300,000 of constructed assets were completed and placed in service, consisting mostly of water main construction and rehabilitation projects. In addition, \$5,205,000 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 \$4,884,000 and contributed capital of \$1,725,000, and in 2021 construction of \$2,127,000 and contributed capital of \$6,251,000.
- Capital expenditures for additions and improvements to the Water Department, in addition to the constructed assets, were \$977,000 in 2023, as compared to \$984,000 in 2022 and \$883,000 in 2021.

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

Long-Term Debt

The Water Department had \$17,300,000 in revenue bonds outstanding as of June 30, 2023, which is a decrease of \$845,000 from 2022 resulting from scheduled principal payments. Revenue bonds outstanding as of June 30, 2022 were \$18,145,000, which was a decrease of \$820,000 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 2023 was 2.53% 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 2023. Significant projects in process at the end of fiscal year 2023 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 \$0.08/1,000 gallons will be implemented October 1, 2023. Additionally, BWD expects a total overall increase of 5.5% per year over the next five years. 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, 2023, 2022, and 2021

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 continues to implement confidential projects that reduce the risk of cyberattacks including ransomware. Continuous training of all RWU employees is a major component of this strategy as well as vulnerability testing on a regular basis with the Department of Homeland Security and CISA.

The final migration from the IBM AS400 environment will be completed in FY24. The installation of Cityworks software in FY 23 allows for a cloud-based GIS-centric system that efficiently connects City departments and provides a more robust asset management program. The Tyler Technologies software allows for a more updated accounting, billing, and customer service environment that will meet the long-term needs of the Utility.

A rate study consultant has been selected and RWU will begin this study in FY24.

Financial Statements

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

Statements of Net Position
June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,749,142	\$ 3,273,922
Investments	12,298,838	12,101,539
Accounts receivable, net of allowance for doubtful accounts of \$141,500 in each year	2,589,525	2,345,385
Due from sewer department	70,813	-
Inventory	1,013,380	526,298
Prepaid expenses	104,024	81,956
Total Current Assets	<u>21,825,722</u>	<u>18,329,100</u>
 RESTRICTED CASH, INVESTMENTS AND INTEREST RECEIVABLE		
Restricted cash and cash equivalents	611,012	721,037
Investments	4,812,653	4,400,159
	<u>5,423,665</u>	<u>5,121,196</u>
 FIXED ASSETS AND RIGHT OF USE ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION		
	<u>102,915,582</u>	<u>98,210,259</u>
Total Assets	<u>130,164,969</u>	<u>121,660,555</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	905,882	322,491
Deferred bond refunding costs	399,778	455,614
	<u>1,305,660</u>	<u>778,105</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 131,470,629</u></u>	<u><u>\$ 122,438,660</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, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable - trade	\$ 1,185,963	\$ 598,674
Accounts payable to construction contractors	163,268	1,311,488
Accounts payable - other	444,828	913,919
Accrued expenses	616,833	450,225
Due to sewer department	-	31,595
Current portion of subscription liability	70,906	67,455
Current portion of software hosting	30,846	49,839
Current portion of bonds payable	875,000	845,000
Total Current Liabilities (Payable from Current Assets)	3,387,644	4,268,195
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Customer meter deposits	1,346,879	1,330,093
Accrued interest payable	97,820	102,388
Total Current Liabilities (Payable from Restricted Assets)	1,444,699	1,432,481
LONG-TERM LIABILITIES		
Software hosting payable	157,447	247,447
Subscription liability	292,961	363,866
Bonds payable, net of unamortized premiums and discounts	16,795,860	17,700,970
Net pension liability	2,047,819	532,928
	19,294,087	18,845,211
Total Liabilities	24,126,430	24,545,887
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	26,649	988,748
NET POSITION		
Invested in capital assets, net of related debt	85,092,340	79,391,296
Restricted	3,978,966	3,688,715
Unrestricted	18,246,244	13,824,014
	107,317,550	96,904,025
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 131,470,629	\$ 122,438,660

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Residential water	\$ 9,769,208	\$ 8,059,882
Commercial water	4,798,780	3,911,251
Industrial water	1,612,570	1,482,005
Sprinkler service and hydrant	142,650	137,565
Service charges and penalties	431,585	600,394
Access, impact, and new customer fees	838,200	1,032,140
Other operating revenue	484,525	500,840
	<u>18,077,518</u>	<u>15,724,077</u>
OPERATING EXPENSES		
Water purchased	5,550,708	5,317,084
Plant operations and distribution	1,997,563	1,569,056
General and administrative	1,966,354	1,476,989
Depreciation and amortization	3,191,425	3,106,366
	<u>12,706,050</u>	<u>11,469,495</u>
OPERATING INCOME	<u>5,371,468</u>	<u>4,254,582</u>
OTHER REVENUES (EXPENSES)		
Interest income	392,147	53,554
Gain on sale of fixed assets	-	12,734
Interest expense	(641,307)	(671,521)
Trustee fees	(6,800)	(6,800)
	<u>(255,960)</u>	<u>(612,033)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	5,115,508	3,642,549
CAPITAL CONTRIBUTIONS	<u>5,298,017</u>	<u>1,948,768</u>
CHANGE IN NET POSITION	<u>10,413,525</u>	<u>5,591,317</u>
NET POSITION, BEGINNING OF YEAR	96,904,025	91,125,829
PRIOR PERIOD ADJUSTMENT (GASB 96)	<u>-</u>	<u>186,879</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>96,904,025</u>	<u>91,312,708</u>
NET POSITION, END OF YEAR	<u><u>\$ 107,317,550</u></u>	<u><u>\$ 96,904,025</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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 16,079,068	\$ 13,583,593
Cash received from access, impact and new customer fees	838,200	1,032,140
Cash received from service charges, penalties and other operating revenue	932,896	1,149,610
Payments for water	(5,560,666)	(5,236,012)
Payments for salaries and benefits	(2,370,726)	(2,129,630)
Payments to suppliers for goods and services	(1,940,584)	(1,564,125)
Net Cash From Operating Activities	7,978,188	6,835,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	392,147	53,753
Net change in investments	(197,299)	(1,129,673)
Net change in restricted investments	(412,494)	87,465
Net Cash (Used For) Investing Activities	(217,646)	(988,455)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(3,727,279)	(4,608,892)
Cash received from sale of fixed assets	-	14,222
Principal payments on bonds	(845,000)	(820,000)
Principal payments on software hosting	(108,993)	(97,214)
Payments on subscription liability	(87,126)	(87,126)
Interest and paying agent fees, net of capitalized interest	(626,949)	(657,068)
Net Cash (Used for) Capital and Related Financing Activities	(5,395,347)	(6,256,078)
CHANGE IN CASH AND CASH EQUIVALENTS	2,365,195	(408,957)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,994,959	4,403,916
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,360,154	\$ 3,994,959

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 5,371,468	\$ 4,254,582
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	3,191,425	3,106,366
Allowance for doubtful accounts	-	6,500
Net change in pension liability	(30,599)	(260,622)
Changes in assets and liabilities:		
Accounts receivable	(244,140)	(13,610)
Inventory	(487,082)	(162,145)
Prepaid expenses	(22,068)	(18,674)
Accounts payable - trade and other	118,198	79,734
Accrued expenses and customer deposits	183,394	111,539
Due from/to sewer department	(102,408)	(266,606)
Net Cash From Operating Activities	<u>\$ 7,978,188</u>	<u>\$ 6,837,064</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	187,089	141,008
Checking	426,498	295,666
Savings - depreciation fund	3,089,158	1,102,809
Savings - meter deposits	2,044,672	1,732,714
	<u>5,749,142</u>	<u>3,273,922</u>
RESTRICTED CASH AND CASH EQUIVALENTS		
Savings - depreciation fund	209,931	250,894
Checking - meter deposits	401,081	470,143
	<u>611,012</u>	<u>721,037</u>
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 6,360,154</u>	<u>\$ 3,994,959</u>
NONCASH TRANSACTIONS		
Capital contributions of property and equipment	\$ 5,298,017	\$ 1,948,768
Other capital contributions	\$ -	\$ 223,669
Property and equipment additions included in accounts payable to construction contractors	\$ 163,268	\$ 1,311,488
Interest on subscription liability	\$ 19,672	\$ 22,955

See accompanying notes to financial statements.

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

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, the Water Department had cash equivalents of \$1,193,048 and \$842,055, 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, 2023 and 2022, 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, 2023 and 2022, cumulative contributed capital fixed assets amounted to approximately \$60,196,000 and \$54,991,000, respectively.

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

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022 amounted to approximately \$5,906,000 and \$5,391,000, respectively.

Right to Use Assets

The Water Department has recorded right to use assets as a result of implementing GASB 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any subscription payments made prior to the term, less incentives, and plus any ancillary charges necessary to place the subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related subscription.

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 for each of the years ended June 30, 2023 and 2022, 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, 2023 and 2022 is included as a component of interest expense.

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

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022.

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."

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

Notes to Financial Statements
June 30, 2023 and 2022

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.

Adoption of GASB Statements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The statement also requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and it provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The adoption of this statement required a prior period adjustment in the amount of \$186,879 to June 30, 2021 net position and resulted in the recognition of right-to-use subscription assets and subscription liabilities.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year 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, 2023, the Water Department had approximately \$6,752,482 in deposit balances, of which approximately \$750,000 were FDIC insured and the remaining balances were collateralized by securities held by the bank in the Utilities' name. Additionally, the Water Department had approximately \$15,918,000 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, 2023 and 2022

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments are held for specific purposes at June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Meter deposits	\$ 1,506,814	\$ 1,552,463
Debt service reserve	734,499	699,124
Depreciation reserve for additional replacements to the water system	2,723,804	2,726,284
New customer fees collected for additions of fixed assets	<u>458,548</u>	<u>143,325</u>
	<u>\$ 5,423,665</u>	<u>\$ 5,121,196</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, 2023, investments of the Water Department were fully collateralized or insured.

At June 30, 2023 and 2022, the Water Department's investments consisted of \$15,918,443 and \$15,659,249, respectively, held in certificates of deposit and \$1,193,048 and \$842,449, respectively, held in United States government securities. All investments at June 30, 2023 and 2022 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, 2023 and 2022

NOTE 6: CHANGES IN FIXED ASSETS

	Balance June 30, 2022	Transfers/ Additions	Disposals	Balance June 30, 2023
Land	\$ 733,981	\$ 1,650	\$ -	\$ 735,631
Buildings	1,744,205	15,077	-	1,759,282
Equipment	77,195,094	3,249,348	-	80,444,442
Vehicles	613,591	10,400	-	623,991
Right of use subscription asset	1,134,932	-	-	1,134,932
Contributed property	54,991,019	5,204,923	-	60,195,942
Construction in progress	3,969,463	1,715,224	(2,299,874)	3,384,813
	140,382,285	10,196,622	(2,299,874)	148,279,033
Accumulated depreciation and amortization	(42,172,026)	(3,191,425)	-	(45,363,451)
	<u>\$ 98,210,259</u>	<u>\$ 7,005,197</u>	<u>\$ (2,299,874)</u>	<u>\$ 102,915,582</u>
	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
Right of use subscription asset	1,134,932	-	-	1,134,932
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
	133,380,446	11,746,560	(4,744,721)	140,382,285
Accumulated depreciation and amortization	(39,565,793)	(3,106,366)	500,133	(42,172,026)
	<u>\$ 93,814,653</u>	<u>\$ 8,640,194</u>	<u>\$ (4,244,588)</u>	<u>\$ 98,210,259</u>

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

Notes to Financial Statements
June 30, 2023 and 2022

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 / DUE FROM SEWER DEPARTMENT

The Sewer Department and the Water Department of the City of Rogers, Arkansas constitute the Rogers Water Utilities. Rogers Water Utilities sends a monthly billing statement containing both water and sewer fees to each customer. All monies are received by the Water Department, which then transfers sewer collections to the Sewer Department. Additionally, all operating expenses are paid from one bank account and allocated to the appropriate department. These transactions give rise to receivables and payables between the departments. The balances as of June 30, 2023 and 2022 are shown in the Statements of Net Position under the caption "Due from sewer department" or "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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022 is 5.00 and 4.10, respectively. Total interest paid during the years ended June 30, 2023 and 2022 totaled \$596,054 and \$622,984, respectively. No interest was capitalized during the years ended June 30, 2023 and 2022.

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, 2023 and 2022.

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

Year ending			
June 30,	Principal	Interest	Total
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	451,706	1,746,706
2028	1,345,000	403,256	1,748,256
2029-2033	7,640,000	1,224,308	8,864,308
2034-2036	3,675,000	126,014	3,801,014
Total	<u>\$ 17,300,000</u>	<u>\$ 3,811,766</u>	<u>\$ 21,111,766</u>

Rogers Water Utilities Water Department
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Notes to Financial Statements
June 30, 2023 and 2022

Following is a summary of changes in bonds payable:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Revenue Refunding					
Bonds, Series 2012	\$ 6,195,000	\$ -	\$ 465,000	\$ 5,730,000	\$ 480,000
Revenue Refunding					
Bonds, Series 2016	11,950,000	-	380,000	11,570,000	395,000
Bonds payable, gross	18,145,000	-	845,000	17,300,000	875,000
Plus premiums	400,970	-	30,110	370,860	-
	<u>\$18,545,970</u>	<u>\$ -</u>	<u>\$ 875,110</u>	<u>\$17,670,860</u>	<u>\$ 875,000</u>
	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>

NOTE 10: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Water Department has two subscription-based information technology arrangements for enterprise resource planning software. During 2023, the Water Department adopted GASB 96, *Subscription-based Information Technology Arrangements*, and recognized a subscription asset and a subscription liability, discounted at 5%, in the statements of net position. The agreements have terms of three to four years, but automatically renew for a maximum of seven years. The Water Department recognized subscription amortization and interest expense of \$162,133 and \$19,672, respectively, which are included in the statements of revenues, expenses and changes in net position in operating expenses and other expenses for the fiscal year ended June 30, 2023.

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

Notes to Financial Statements
June 30, 2023 and 2022

For the year ended June 30, 2022, the Water Department recognized subscription amortization and interest expense of \$162,133 and \$22,955, respectively. A restatement of \$186,879 was made to the June 30, 2021 net position to account for this new accounting principle.

As of June 30, 2023 and 2022, the value of the subscription assets was \$1,134,932 and had accumulated amortization of \$389,827 and \$227,694, respectively.

Future payments on the subscription liability are as follows:

Year ending June 30,	Principal	Interest	Total
2024	\$ 70,906	\$ 16,220	\$ 87,126
2025	74,534	12,592	87,126
2026	78,347	8,779	87,126
2027	82,356	4,770	87,126
2028	57,724	1,304	59,028
Total	<u>\$ 363,867</u>	<u>\$ 43,665</u>	<u>\$ 407,532</u>

NOTE 11: COMMITMENTS AND CONCENTRATION

The Water Department is committed to several construction contracts in process at year end totaling \$6,657,060. As of June 30, 2023, \$3,802,590 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, 2023 and 2022 were \$87,888 and \$84,060, respectively.

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

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022 was \$15,390 and \$14,820, respectively. At June 30, 2023 and 2022, there were four employees participating in the plan.

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.

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.

Rogers Water Utilities Water Department

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Notes to Financial Statements

June 30, 2023 and 2022

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.

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.

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

Notes to Financial Statements
June 30, 2023 and 2022

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, 2022. 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 \$2,696,383,467 was measured as of June 30, 2022, 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.

At June 30, 2023 and 2022, the Water Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2022 and 2021, respectively, related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,293	\$ (24,719)
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share	137,356	(1,930)
Net difference between projected and actual earnings on pension plan investments	433,209	-
Contributions subsequent to measurement date	286,024	-
Balance, June 30, 2023	<u>\$ 905,882</u>	<u>\$ (26,649)</u>

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

Notes to Financial Statements
June 30, 2023 and 2022

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	<u>252,768</u>	<u>-</u>
Balance, June 30, 2022	<u>\$ 322,491</u>	<u>\$ (988,748)</u>

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. 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:

2024	\$ 114,878
2025	81,953
2026	4,798
2027	391,580

Rogers Water Utilities Water Department

A Component Unit of the City of Rogers, Arkansas

Notes to Financial Statements

June 30, 2023 and 2022

Actuarial Assumptions

The total pension liability in the June 30, 2022 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	25 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, 2023 and 2022

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, 2022 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%
\$ 3,255,658	\$ 2,047,819	\$ 1,050,640

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

Notes to Financial Statements
June 30, 2023 and 2022

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 4 2023, 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, 2023 through 2015**

	<u>2023</u>	<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	0.08%	0.07%	0.06%	0.06%	0.07%	0.07%	0.06%	0.06%	0.05%
Proportionate share of the net pension liability	\$ 2,047,819	\$ 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	\$ 1,821,691	\$ 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	112.41%	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	78.31%	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 nine 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, 2023 through 2015

	<u>2023</u>	<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	\$ 286,024	\$ 252,768	\$ 221,192	\$ 209,887	\$ 187,751	\$ 185,515	\$ 183,273	\$ 161,515	\$ 149,290
Contributions in relation to the contractually required contribution	\$ (286,024)	\$ (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	\$ 1,821,691	\$ 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	15.70%	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 nine 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
WATER PURCHASED	\$ 5,550,708	\$ 5,317,084
PLANT OPERATIONS AND DISTRIBUTION		
Employee benefits	255,392	155,688
Insurance	46,577	42,922
Operating supplies and other	149,727	97,377
Payroll taxes	63,892	55,642
Repairs and maintenance	486,588	377,265
Salaries	896,337	780,268
Utilities	99,050	59,894
	<u>1,997,563</u>	<u>1,569,056</u>
GENERAL AND ADMINISTRATIVE		
Bad debts	30,959	29,369
Employee benefits	284,091	128,045
Insurance	28,067	25,238
Office supplies and postage	143,725	147,508
Other	335,048	149,523
Payroll taxes	75,469	65,841
Professional fees	41,050	43,380
Salaries	855,441	722,853
Taxes and fees	140,765	138,547
Utilities	31,739	26,685
	<u>1,966,354</u>	<u>1,476,989</u>
DEPRECIATION AND AMORTIZATION	<u>3,191,425</u>	<u>3,106,366</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 12,706,050</u></u>	<u><u>\$ 11,469,495</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, 2023

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
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, 2023	<u>\$ 5,730,000</u>		<u>\$ 743,564</u>	<u>\$ 6,473,564</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, 2023

YEAR	PRINCIPAL	INTEREST RATE	INTEREST	TOTAL
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	220,000	3.13%	3,437	223,437
Balance, June 30, 2023	<u>\$ 11,570,000</u>		<u>\$ 3,068,202</u>	<u>\$ 14,638,202</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, 2023

Fixed Assets

	Balance June 30, 2022	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2023
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	479,815	160,641	-	640,456
Vehicles	613,591	10,400	-	623,991
Shop equipment	46,900	-	-	46,900
Field equipment	813,628	88,340	-	901,968
Radio equipment	32,402	543	-	32,945
Pumping equipment	90,979	-	-	90,979
Water meters	3,730,108	542,781	-	4,272,889
Water services	1,378,630	-	-	1,378,630
Water tower	13,498,650	8,100	-	13,506,750
Main line	57,123,982	2,448,943	-	59,572,925
Structures and parking lots	1,744,205	15,077	-	1,759,282
Easements	460,361	1,650	-	462,011
Contributed water main	54,991,019	5,204,923	-	60,195,942
	135,277,890	8,481,398	-	143,759,288
Right to use subscription asset	1,134,932	-	-	1,134,932
Construction in progress	3,969,463	1,715,225	(2,299,875)	3,384,813
	<u>\$ 140,382,285</u>	<u>\$ 10,196,623</u>	<u>\$ (2,299,875)</u>	<u>\$ 148,279,033</u>

**Accumulated Depreciation
and Amortization**

Office equipment	\$ 394,010	\$ 37,983	\$ -	\$ 431,993
Vehicles	449,808	53,370	-	503,178
Shop equipment	46,271	412	-	46,683
Field equipment	560,226	52,316	-	612,542
Radio equipment	23,953	2,481	-	26,434
Pumping equipment	56,941	7,494	-	64,435
Water meters	935,085	176,815	-	1,111,900
Water services	1,329,453	13,975	-	1,343,428
Water tower	5,126,412	322,423	-	5,448,835
Main line	19,726,475	1,148,617	-	20,875,092
Structures and parking lots	1,236,685	62,854	-	1,299,539
Contributed water main	12,059,013	1,150,552	-	13,209,565
Right of use subscription asset	227,694	162,133	-	389,827
	<u>\$ 42,172,026</u>	<u>\$ 3,191,425</u>	<u>\$ -</u>	<u>\$ 45,363,451</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, 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
Contributed water main	53,265,920	1,725,099	-	54,991,019
	128,916,863	6,862,573	(501,546)	135,277,890
Right of use subscription asset	1,134,932	-	-	1,134,932
Construction in progress	3,328,651	4,883,987	(4,243,175)	3,969,463
	<u>\$ 133,380,446</u>	<u>\$ 11,746,560</u>	<u>\$ (4,744,721)</u>	<u>\$ 140,382,285</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
Contributed water main	10,975,422	1,083,591	-	12,059,013
Right of use subscription asset	65,561	162,133	-	227,694
	<u>\$ 39,565,793</u>	<u>\$ 3,106,366</u>	<u>\$ (500,133)</u>	<u>\$ 42,172,026</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, 2023 and 2022

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 7/1/2022, new rates effective 7/1/2022 and the rates effective 7/1/2023 are shown below.

Monthly Water Rates For Customers		Inside the City		
		Prior to 7/1/2022	Effective 7/1/2022	Effective 7/1/2023
First 1,500 gallons or portion thereof		\$8.72 minimum	\$9.81 minimum	\$10.20 minimum
Next 98,500 gallons		\$3.78 / thousand	\$4.26 / thousand	\$4.43 / thousand
Next 400,000 gallons		\$3.35 / thousand	\$3.77 / thousand	\$3.92 / thousand
Next 500,000 gallons		\$3.05 / thousand	\$3.43 / thousand	\$3.57 / thousand
All in excess of 1,000,000 gallons		\$2.85 / thousand	\$3.20 / thousand	\$3.33 / thousand

Monthly Water Rates For Customers		Outside the City		
		Prior to 7/1/2022	Effective 7/1/2022	Effective 7/1/2023
First 1,500 gallons or portion thereof		\$11.16 minimum	\$12.56 minimum	\$13.06 minimum
Next 98,500 gallons		\$4.82 / thousand	\$5.42 / thousand	\$5.64 / thousand
Next 400,000 gallons		\$4.28 / thousand	\$4.81 / thousand	\$5.01 / thousand
Next 500,000 gallons		\$3.89 / thousand	\$4.37 / thousand	\$4.55 / thousand
All in excess of 1,000,000 gallons		\$3.65 / thousand	\$4.10 / thousand	\$4.26 / 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, 2023 and 2022

WATER CUSTOMER CLASSIFICATIONS	NUMBER OF CUSTOMERS	
	2023	2022
Residential customers	32,620	31,819
Commercial customers	3,174	3,090
Industrial customers	46	46
	<u>35,840</u>	<u>34,955</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, 2023 and 2022

BILLABLE GALLONS CLASSIFICATIONS	NUMBER OF BILLABLE GALLONS	
	2023	2022
Residential customers	1,866,803,656	1,699,288,000
Commercial customers	1,023,016,200	920,071,800
Industrial customers	478,519,700	484,593,500
	<u>3,368,339,556</u>	<u>3,103,953,300</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 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, 2023, 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 December 4, 2023.

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
December 4, 2023