



RWU

ROGERS WATER UTILITIES

**Rogers Water Utilities
Sewer Department**

**Financial Statements
and
Supplementary Information
June 30, 2024 and 2023**

(With Independent Auditor's Report Thereon)

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the **Rogers Water Utilities Sewer Department** (the Sewer Department), a component unit of the City of Rogers, Arkansas, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Sewer Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Sewer Department, as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sewer Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sewer Department's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and pension schedules on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 27, 2024 on our consideration of the Sewer Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sewer Department's internal control over financial reporting and compliance.

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

Rogers, Arkansas
December 27, 2024

Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis **June 30, 2024, 2023, and 2022**

This management's discussion and analysis of the financial performance of the Rogers Water Utilities Sewer Department (Sewer Department) provides an overview of the Sewer Department's financial activities for the years ended June 30, 2024, 2023, and 2022. Rogers Water Utilities is a component unit of the City of Rogers, Arkansas, and is overseen by the Rogers Waterworks and Sewer Commission, an autonomous board of directors, created by the Rogers City Council. The Rogers Sewer Department is rate-funded, receiving no general tax revenue. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Financial Highlights Discussion

- The Sewer Department's net position increased by \$12,257,867 or 8.6% over fiscal year 2023. Net position increased by \$8,706,894 or 6.5% in fiscal year 2023 over 2022
- Sewer Department operating revenues increased by \$1,359,578 or 7.5% from fiscal year 2023. Operating revenues increased by \$1,294,783, or 7.7% in 2023 over 2022.
- Operating expenses increased by \$1,365,813 or 10.2% from fiscal year 2023. Operating expenses increased by \$2,057,864, or 18.2% in 2023 over 2022.
- Net position before capital contributions increased by \$8,636,439 during fiscal year 2024. In fiscal year 2023, net position before capital contributions increased by \$5,068,443.

Rogers Sewer Department Fiscal Year 2024 Highlights

- The change in net position before capital contributions exceeded budget by \$4,878,887 and was more than prior year operating results by \$3,567,996. A key contributor to this was government grant revenues of \$2,876,205.
- The number of customers increased by 463 or 1.8% from the prior year. Billed sewer usage increased by 1.3%.
- After implementing the Tyler Technologies software for billing and accounting functions in fiscal year 2023, RWU also transitioned its timekeeping system to Tyler's Time & Attendance module in January 2024. For asset management, RWU went "live" with Cityworks in October 2023. As a joint project with the City of Rogers, Cityworks has streamlined the plan review process for RWU Engineering staff and their city counterparts. This software implementation prompted RWU to convert its AutoCAD asset records into shapefiles and import them into ESRI ArcGIS for improved asset record inquiries and maintenance.
- RWU continued its City-wide meter change out program, investing \$604,000 in replacement meters. At this rate, the 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.
- In April 2024, RWU issued a Sewer Revenue Bond in the principal amount of \$31,246,250 to fund Phase II of the Rogers Pollution Control Facility Solids Handling Project. The project scope includes the acquisition of redundant solids dryers as well as all associated buildings and equipment. Financing was arranged through the Arkansas Clean Water State Revolving Loan Fund,

Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis **June 30, 2024, 2023, and 2022**

administered by the Arkansas Natural Resources Commission. At 1.5%, the borrowing rate was significantly lower than available financing alternatives.

- In December 2022, the Arkansas Natural Resources Commission (ANRC) approved \$270 million dollars in American Rescue Plan Act funding for Arkansas Drinking Water and Wastewater providers. From this pool, the ANRC awarded \$2,472,738 for the Rogers Pollution Control Facility Bardenpho Treatment Basins (Train I and II) Rehab and Repair Project. These grant funds were disbursed to RWU in fiscal year 2024. The ANRC also awarded \$2,527,260 for Phase II of the Rogers Pollution Control Facility Solids Handling Project. At fiscal year 2024 year-end, RWU had incurred capital expenses of \$339,370, which were eligible for reimbursement from these grant funds. The ARPA grants required RWU to contribute a minimum cost share of 50% of the total project costs.

Rogers Sewer Department Fiscal Year 2023 Highlights

- The Sewer Department's net position increased by \$8,706,894 or 6.5% from fiscal year 2022. Net position increased by \$6,827,617, or 5.4%, in 2022 over fiscal year 2021.
- Sewer Department operating revenues increased by \$1,294,783 or 7.7% from fiscal year 2022. Operating revenues increased by \$1,426,116, or 9.2% in 2022 over 2021.
- Operating expenses increased by \$2,057,864 or 18.2% from fiscal year 2022. Operating expenses increased by \$1,074,386, or 10.4% in 2022 over 2021.
- Net position before capital contributions increased by \$5,068,443 or 3.8% during fiscal year 2023. In fiscal year 2022, net position before capital contributions increased by \$5,357,041.
- The change in net position before capital contributions exceeded budget by \$448,443 and was less than prior year operating results by \$288,598.
- The number of customers increased by 433 or 1.72% from the prior year. Billed sewer consumption increased by 6.65%.
- 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. Cityworks is scheduled to go "live" in 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 substantially completed Train II rehabilitation at the Pollution Control Facility. Total project costs capitalized in fiscal year 2022 were \$4.8 million.
- RWU received approval for funding via the ANRC for \$31 million to complete Phase II of the Solids Handling Project, Phase II. This project includes redundant solids dryers as well as all of the associated building and equipment. The rate was significantly lower than other financial alternatives available. The rate is 1.5%.

Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis

June 30, 2024, 2023, and 2022

- The Arkansas Natural Resources Commission (ANRC) approved \$270 million dollars in American Rescue Plan Act funding for Arkansas Drinking Water and Wastewater providers. The ANRC selected two RWU projects to receive this funding. The Bardenpho Treatment Basins Train I and II Rehab and Repair (awarded a grant in the amount of \$2,527,260). The maximum award for any applicant was capped at \$5 million dollars.

Rogers Sewer Department Fiscal Year 2022 Highlights

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

Using This Annual Report

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

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

Management's Discussion and Analysis
June 30, 2024, 2023, and 2022

Financial Highlights

Assets, Liabilities and Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Total current assets	\$ 23,853,264	\$ 26,279,959	\$ 24,585,624
Restricted cash and investments	2,489,033	2,013,088	1,437,218
Other noncurrent assets	141,109,253	126,463,953	120,703,840
Total assets	<u>\$ 167,451,550</u>	<u>\$ 154,757,000</u>	<u>\$ 146,726,682</u>
Deferred Outflows of Resources			
Pension costs	\$ 1,565,815	\$ 1,403,871	\$ 487,937
Liabilities			
Total current liabilities	\$ 4,440,753	\$ 3,801,824	\$ 2,885,301
Liabilities payable from restricted assets	38,234	46,367	54,200
Noncurrent liabilities	10,096,513	10,068,138	9,169,299
Total liabilities	<u>\$ 14,575,500</u>	<u>\$ 13,916,329</u>	<u>\$ 12,108,800</u>
Deferred Inflows of Resources			
Pension costs	\$ 20,436	\$ 42,366	\$ 1,571,922
Deferred bond refunding gain	186,635	225,249	263,864
Total deferred inflows of resources	<u>\$ 207,071</u>	<u>\$ 267,615</u>	<u>\$ 1,835,786</u>
Net Position			
Invested in capital assets, net of related debt	\$ 133,131,119	\$ 118,085,465	\$ 110,825,637
Restricted	2,450,799	1,966,721	1,383,018
Unrestricted	18,652,876	21,924,741	21,061,378
Total net position	<u>\$ 154,234,794</u>	<u>\$ 141,976,927</u>	<u>\$ 133,270,033</u>
Operating Results and Changes in Net Position			
Operating revenues	<u>\$ 19,483,870</u>	<u>\$ 18,124,292</u>	<u>\$ 16,829,509</u>
Operating expenses			
Depreciation and amortization	5,704,252	5,436,121	5,039,730
Other operating expenses	9,048,533	7,950,851	6,289,378
Total operating expenses	<u>14,752,785</u>	<u>13,386,972</u>	<u>11,329,108</u>
Operating income	<u>4,731,085</u>	<u>4,737,320</u>	<u>5,500,401</u>
Other revenues (expenses)			
Interest expense	(119,180)	(164,329)	(214,013)
Other income (expenses)	4,024,534	495,452	70,653
Total other revenues (expenses)	<u>3,905,354</u>	<u>331,123</u>	<u>(143,360)</u>
Changes in net position before capital contributions	8,636,439	5,068,443	5,357,041
Capital Contributions	<u>3,621,428</u>	<u>3,638,451</u>	<u>1,470,576</u>
Change in Net Position	12,257,867	8,706,894	6,827,617
Net Position, Beginning of Year	<u>141,976,927</u>	<u>133,270,033</u>	<u>126,442,416</u>
Net Position, End of Year	<u>\$ 154,234,794</u>	<u>\$ 141,976,927</u>	<u>\$ 133,270,033</u>

Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis **June 30, 2024, 2023, and 2022**

Capital Asset and Debt Administration

Capital Asset

As of June 30, 2024, the Sewer Department's investment in capital assets was approximately \$141,109,000 (net of accumulated depreciation). This investment of 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 \$12,433,146 during fiscal year 2024 were incurred on a variety of sewer system and rehab projects. \$4,201,000 of constructed assets were completed and placed in service, consisting mostly of large diameter sewer rehab and miscellaneous sewer line repair projects. In addition, approximately \$3,621,000 of sewer mains constructed by developers was contributed to the Sewer Department to own and maintain. This is recorded as a capital contribution in the statements of revenues, expenses, and changes in net position. In 2023, the Sewer Department had construction of \$5,357,000 and contributed capital of \$3,628,000, and in 2022, construction of \$4,889,000 and contributed capital of \$1,459,000.
- Capital expenditures for additions and improvements to the Sewer Department, in addition to the constructed assets, were \$4,295,000 in fiscal year 2024, as compared to \$2,211,000 in 2023 and \$941,000 in 2022.

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

Long-Term Debt

Outstanding principal on the 2016 Sewer Revenue Bonds was \$5,735,000 as of June 30, 2024, which is a decrease of \$1,220,000 from 2023 resulting from scheduled principal payments. Outstanding principal on the 2016 Sewer Revenue Bonds was \$6,955,000 as of June 30, 2023, which was a decrease of \$1,175,000 from 2022 resulting from scheduled principal payments.

Outstanding principal on the 2024 Sewer Revenue Bond was \$1,153,502 as of June 30, 2024. Issued April 2024, this bond is held and administered by the Arkansas Natural Resources Commission. RWU has begun drawing down bond proceeds as it incurs expenses related to its Rogers Pollution Control Facility Solids Handling, Phase II Project. The first principal payment is not due until December 2026.

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

Additional Management Comments

RWU has completed Master Plans for the water distribution system, the sewer collection system, and the Rogers Pollution Control Facility. These plans account for the projected build-out of Rogers by 2045. The plans provide conservative cost estimates for future capital improvements that will allow the Utility to provide reliable service to current and future customers. These estimates will be further refined by in depth design contracts and will be vital for future budgeting and rate studies for the Utility.

Rogers Water Utilities Sewer Department

A Component Unit of the City of Rogers, Arkansas

Management's Discussion and Analysis **June 30, 2024, 2023, and 2022**

During fiscal year 2020, the Rogers Waterworks and Sewer Commission and the Rogers City Council approved a 5-year schedule for annual rate increases. The schedule became effective April 2020 with the fifth increase taking effect July 2024. Anticipating the need for a new 5-year schedule, RWU hired a rate study consultant in fiscal year 2024. The data-driven approach to the current study is considering revenue requirements related to ongoing operations and maintenance as well as the timing of planned capital projects. The study is also considering required minimum reserves and additional funding sources including likely future bond issues.

In fiscal year 2024, the Rogers Sewer Department funded capital improvements from reserves, bond proceeds, and ARPA grants. Significant projects in progress at the end of fiscal year 2024 include Pinnacle area sanitary sewer improvements, various street improvements in collaboration with the City of Rogers, and equipment acquisition and engineering design for the RPCF Solids Handling Phase II project. Major projects expected in fiscal year 2025 include construction of the RPCF Solids Handling Phase II project, engineering design for capacity improvements at the Pollution Control Facility, sewer main improvements at Blossom Way and Pinnacle, as well as miscellaneous sewer rehab and repair projects.

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

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

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 was completed in fiscal year 2024. Development of custom solutions and automation continues in the Microsoft 365 environment. The installation of Cityworks software in fiscal year 2024 allows for a cloud-based GIS-centric system that efficiently connects City departments and provides a more robust asset management program. RWU continues to work with the City of Rogers to develop these tools and to integrate them into standard operational processes. RWU also continues to expand its Tyler tools to mitigate pain points in the accounting/billing processes and to improve overall efficiency.

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

Management's Discussion and Analysis
June 30, 2024, 2023, and 2022

The Information Technology department at RWU has taken steps to eliminate the use of a Managed Service Provider (MSP). RWU has deployed in-house tools to mirror the monitoring and protection provided by the MSP at a fraction of the cost. This cost savings allowed RWU to add another staff position to the IT team in the fiscal year 2025 budget.

RWU also plans to redeploy its SCADA systems in both Water/Sewer collection/distribution, and at the Rogers Pollution Control Facility in fiscal year 2025. This will be a major undertaking that will require investment in new hardware and software in addition to professional services. The goal of this project is to modernize the systems while improving stability, accessibility, scalability, and security.

Financial Statements

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

Statements of Net Position
June 30, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 742,970	\$ 2,705,525
Investments	20,325,561	21,230,920
Accounts receivable, net of allowance for doubtful accounts of \$250,070 and \$169,500, respectively	2,552,438	2,057,056
Inventory	138,186	136,284
Prepaid expenses	94,109	150,174
Total Current Assets	23,853,264	26,279,959
RESTRICTED CASH AND INVESTMENTS		
Restricted cash and cash equivalents	240,559	275,655
Investments	2,248,474	1,737,433
	2,489,033	2,013,088
FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION		
	141,109,253	126,463,953
Total Assets	167,451,550	154,757,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	1,565,815	1,403,871
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 169,017,365	\$ 156,160,871

See accompanying notes to financial statements.

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

Statements of Net Position
June 30, 2024 and 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2024	2023
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable - trade	\$ 620,264	\$ 216,877
Accounts payable to construction contractors	1,500,797	1,521,000
Accrued expenses	881,643	652,389
Due to water department	23,101	70,813
Current portion of subscription liability	74,534	70,906
Current portion of software hosting	75,414	49,839
Current portion of bonds payable	1,265,000	1,220,000
Total Current Liabilities (Payable from Current Assets)	4,440,753	3,801,824
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accrued interest payable	38,234	46,367
Total Current Liabilities (Payable from Restricted Assets)	38,234	46,367
LONG-TERM LIABILITIES		
Software hosting payable	-	139,396
Subscription liability	218,427	292,961
Bonds payable, net of unamortized premiums and discounts	6,158,124	6,380,137
Net pension liability	3,719,962	3,255,644
	10,096,513	10,068,138
Total Liabilities	14,575,500	13,916,329
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	20,436	42,366
Deferred bond refunding discounts and premiums	186,635	225,249
	207,071	267,615
NET POSITION		
Invested in capital assets, net of related debt	133,131,119	118,085,465
Restricted	2,450,799	1,966,721
Unrestricted	18,652,876	21,924,741
	154,234,794	141,976,927
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 169,017,365	\$ 156,160,871

See accompanying notes to financial statements.

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

**Statements of Revenues, Expenses and
Changes in Net Position
Years ended June 30, 2024 and 2023**

	2024	2023
OPERATING REVENUES		
Residential sewer	\$ 10,754,882	\$ 10,377,288
Commercial sewer	3,700,044	3,498,632
Industrial sewer	2,472,328	2,395,416
Penalties	185,577	111,223
Access, impact and new customer fees	2,029,790	1,435,740
Other operating revenue	341,249	305,993
	<u>19,483,870</u>	<u>18,124,292</u>
OPERATING EXPENSES		
Pollution control facility and field expense	5,841,337	5,700,405
General and administrative	3,207,196	2,250,446
Depreciation and amortization	5,704,252	5,436,121
	<u>14,752,785</u>	<u>13,386,972</u>
OPERATING INCOME	<u>4,731,085</u>	<u>4,737,320</u>
OTHER REVENUES (EXPENSES)		
Interest income	1,183,158	499,452
Gain on sale of fixed assets	12,171	-
Government grants	2,876,205	-
Interest expense	(119,180)	(164,329)
Bond issuance cost	(43,000)	-
Trustee fees	(4,000)	(4,000)
	<u>3,905,354</u>	<u>331,123</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>8,636,439</u>	<u>5,068,443</u>
CAPITAL CONTRIBUTIONS	<u>3,621,428</u>	<u>3,638,451</u>
CHANGE IN NET POSITION	<u>12,257,867</u>	<u>8,706,894</u>
NET POSITION, BEGINNING OF YEAR	<u>141,976,927</u>	<u>133,270,033</u>
NET POSITION, END OF YEAR	<u><u>\$ 154,234,794</u></u>	<u><u>\$ 141,976,927</u></u>

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 16,431,872	\$ 16,032,035
Cash received from access, impact and new customer fees	2,029,790	1,435,740
Cash received from penalties and other operating revenue	526,826	417,216
Payments for salaries and benefits	(4,317,232)	(3,664,745)
Payments to suppliers for goods and services	(3,811,765)	(4,122,272)
Net Cash From Operating Activities	10,859,491	10,097,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,183,158	499,452
Net change in investments	905,359	(3,075,150)
Net change in restricted investments	(511,041)	(607,073)
Net Cash Provided (Used For) Investing Activities	1,577,476	(3,182,771)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(16,748,327)	(6,816,797)
Cash received from sale of fixed assets	12,171	-
Government grants	2,876,205	-
Principal payments on bonds	(1,220,000)	(1,175,000)
Proceeds from bond issuance	1,153,582	-
Principal payments on software hosting	(113,821)	(108,051)
Payments on subscription liability	(87,126)	(87,126)
Bond issue cost	(43,000)	-
Interest and paying agent fees, net of capitalized interest	(264,302)	(305,700)
Net Cash (Used For) Capital and Related Financing Activities	(14,434,618)	(8,492,674)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,997,651)	(1,577,471)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,981,180	4,558,651
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 983,529	\$ 2,981,180

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income	\$ 4,731,085	\$ 4,737,320
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	5,704,252	5,436,121
Allowance for doubtful accounts	(80,570)	-
Net change in pension liability	280,444	(37,100)
Changes in assets and liabilities:		
Accounts receivable	(414,812)	(239,301)
Inventory	(1,902)	48,942
Prepaid expenses	56,065	(6,689)
Accounts payable - trade	403,387	(108,543)
Accrued expenses	229,254	164,816
Due from/to water department	(47,712)	102,408
Net Cash From Operating Activities	\$ 10,859,491	\$ 10,097,974
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
CASH AND CASH EQUIVALENTS		
Petty cash	\$ 150	\$ 150
Operating and maintenance	742,820	2,705,375
	742,970	2,705,525
RESTRICTED CASH AND CASH EQUIVALENTS		
Construction account	324	-
Depreciation savings	240,235	275,655
	240,559	275,655
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	\$ 983,529	\$ 2,981,180
NONCASH TRANSACTIONS		
Capital contributions of property and equipment	\$ 3,621,428	\$ 3,638,451
Property and equipment additions included in accounts payable to construction contractors	\$ 1,500,797	\$ 1,521,000
Interest on right of use subscription liability	\$ 16,220	\$ 19,672

See accompanying notes to financial statements.

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 1: NATURE OF ACTIVITIES

The City of Rogers, Arkansas was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. Rogers Water Utilities (the Utilities) is a blended component unit of the City of Rogers, Arkansas and is governed by the Waterworks and Sewer Commission, which is appointed by the City Council. The Utilities operate through two separate departments – the Water Department and the Sewer Department. The Sewer Department provides sewer services to the City of Rogers and certain surrounding areas. The City Council approves the rate changes of the Utilities. The debt of the Utilities is maintained in the name of the City of Rogers, Arkansas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

Fund Type

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

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

Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, the Sewer Department had cash equivalents of \$742,970 and \$1,737,434, respectively.

Investments

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

Accounts Receivable

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

Inventory

Inventory is valued at the lower of average cost or net realizable value. Inventory consists of construction and maintenance supplies related to the sewer system.

Long-Lived Assets

The Sewer Department reviews long-lived assets and certain identifiable intangibles held and used by the Sewer Department for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the years ended June 30, 2024 and 2023, this review has not materially affected the Sewer Department's reported earnings, net position or results of operations.

Contributed Capital

The Sewer Department records all contributed fixed assets at their estimated fair market value at date of contribution as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position and depreciates these assets over their estimated useful lives. These donated assets, which are received from construction contractors, consist of sewer lines and related infrastructure. At June 30, 2024 and 2023, cumulative contributed capital fixed assets amounted to approximately \$55,537,000 and \$51,915,000, respectively.

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

Notes to Financial Statements
June 30, 2024 and 2023

Fixed Assets

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

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

The Sewer Department's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year. The cost basis of fully depreciated property and equipment still in use by the Sewer Department at June 30, 2024 and 2023 amounted to approximately \$6,285,000 and \$5,839,000, respectively.

Right to Use Assets

The Sewer 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 Premiums and Discounts

Bond premiums and discounts are amortized over the lives of the related bond issues. Net amortization of \$110,595 for each of the years ended June 30, 2024 and 2023, is included as a reduction of interest expense.

Amortization of Deferred Bond Refunding Costs

The deferred bond refunding cost associated with the 2016 Sewer Revenue Refunding Bonds is amortized over the life of the related bond issue (See Note 9). Amortization expense of \$38,614 is included as a reduction of interest expense for each of the years ended June 30, 2024 and 2023.

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

Notes to Financial Statements
June 30, 2024 and 2023

Compensated Absences

The Sewer Department's policies permit employees to earn time off benefits. The expense and related liability are recognized and accrued regardless of whether the employee is expected to realize the benefit. Compensated absences are computed using the regular pay rate in effect at June 30, 2024 and 2023.

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

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

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

Notes to Financial Statements
June 30, 2024 and 2023

Net Position Classifications

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

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

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

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

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

NOTE 3: DEPOSITS IN FINANCIAL INSTITUTIONS

Deposits in financial institutions are financial instruments that could potentially subject the Sewer Department to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At June 30, 2024, the Sewer Department had approximately \$4,202,000 in deposit balances, of which \$750,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities’ name. Additionally, the Sewer Department had approximately \$20,325,000 in certificates of deposit reported as investments in the Statements of Net Position, of which all were FDIC insured.

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments are held for specific purposes at June 30, 2024 and 2023 as follows:

	2024	2023
Debt service reserve	\$ 939,099	\$ 883,279
Construction fund	324	-
Depreciation reserve for additional replacements to the sewer system	240,235	275,655
New customer fees collected for additions of fixed assets	1,309,375	854,154
	\$ 2,489,033	\$ 2,013,088

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 5: INVESTMENTS

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a failure of the counterparty, the Sewer Department will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2024, investments of the Sewer Department were fully collateralized or insured.

At June 30, 2024 and 2023, the Sewer Department's investments consisted of \$20,325,561 and \$21,230,920, respectively, held in certificates of deposit and \$2,248,474 and \$1,737,433, respectively, held in cash and United States government securities. All investments at June 30, 2024 and 2023 had maturities of less than five years.

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 6: CHANGES IN FIXED ASSETS

	Balance June 30, 2023	Transfers/ Additions	Disposals	Balance June 30, 2024
Land	\$ 1,805,153	\$ -	\$ -	\$ 1,805,153
Buildings	73,300,304	340,388	-	73,640,692
Equipment	59,779,004	8,046,461	(66,306)	67,759,159
Vehicles	1,690,756	109,299	(14,188)	1,785,867
Right to use subscription asset	1,134,932	-	-	1,134,932
Contributed property	51,915,446	3,621,428	-	55,536,874
Construction in progress	7,805,559	12,433,146	(4,200,998)	16,037,707
	197,431,154	24,550,722	(4,281,492)	217,700,384
Accumulated depreciation and amortization	(70,967,201)	(5,704,252)	80,322	(76,591,131)
	<u>\$ 126,463,953</u>	<u>\$ 18,846,470</u>	<u>\$ (4,201,170)</u>	<u>\$ 141,109,253</u>
	Balance June 30, 2022	Transfers/ Additions	Disposals	Balance June 30, 2023
Land	\$ 1,805,153	\$ -	\$ -	\$ 1,805,153
Buildings	72,723,843	576,461	-	73,300,304
Equipment	57,620,312	2,158,692	-	59,779,004
Vehicles	1,386,206	304,550	-	1,690,756
Right to use subscription asset	1,134,932	-	-	1,134,932
Contributed property	48,287,196	3,628,250	-	51,915,446
Construction in progress	3,277,278	5,357,295	(829,014)	7,805,559
	186,234,920	12,025,248	(829,014)	197,431,154
Accumulated depreciation and amortization	(65,531,080)	(5,436,121)	-	(70,967,201)
	<u>\$ 120,703,840</u>	<u>\$ 6,589,127</u>	<u>\$ (829,014)</u>	<u>\$ 126,463,953</u>

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 7: RISK MANAGEMENT

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

NOTE 8: DUE FROM / DUE TO WATER DEPARTMENT

The Sewer Department and the Water Department of the City of Rogers, Arkansas constitute the Utilities. The Utilities send a monthly billing statement containing both water and sewer fees to each customer. All monies are received by the Water Department, which then transfers sewer collections to the Sewer Department. Additionally, all operating expenses are paid from one bank account and allocated to the appropriate department. These transactions give rise to receivables and payables between the departments. The balances as of June 30, 2024 and 2023 are shown in the Statements of Net Position under the captions "Due from water department" or "Due to water department."

NOTE 9: BONDS PAYABLE

Series 2016 Sewer Revenue Refunding Bonds

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

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$477,851. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to interest expense over the life of the bonds using the straight-line method. The Sewer Department completed the refunding to reduce its total debt service payments over the 21 years by \$14,530,274 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,599,564. The Series 2016 bond also included prepaid bond insurance costs of \$19,530 which are amortized against interest expense over the life of the Series 2016 bonds. During the years ended June 30, 2024 and 2023, amortization expense for prepaid bond insurance was \$1,578. The remaining prepaid bond insurance is included in the Statements of Net Position under the caption "Prepaid expenses." Furthermore, the Series 2016 bonds had issuance costs of \$176,374.

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

Notes to Financial Statements
June 30, 2024 and 2023

Series 2024 Sewer Revenue Bonds

On April 10, 2024, the Sewer Department issued \$31,246,250 in Sewer Revenue Bonds (Series 2024) with interest and servicing fee rates of 0.50% and 1.00%, respectively. The bond matures in fiscal year 2047 with principal, interest and servicing fee payments due the first of each month commencing on December 1, 2026. The Series 2024 bonds had issuance costs of \$43,000 which were expensed in the period incurred and are included in the Statements of Revenues, Expenditures, and Changes in Net Position under the Other expenses section. These costs are being advanced as construction expenses are incurred.

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, 2024 and 2023, is 7.10 and 7.24, respectively. Total interest paid during the years ended June 30, 2024 and 2023 totaled \$245,667 and \$293,867, respectively. No interest was capitalized during the years ended June 30, 2024 and 2023.

The Sewer Department is required to establish rates sufficient to pay the expenses and operation and maintenance of the sewer system, making monthly deposits into bond funds for repayment obligations which will be due and payable in the forthcoming year, and to make deposits in an amount equal to 4% of gross sewer system revenues for the preceding month into the depreciation fund. The Sewer Department was in compliance with all debt covenants for the years ended June 30, 2024 and 2023.

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,265,000	\$ 204,100	\$ 1,469,100
2026	1,315,000	152,500	1,467,500
2027	2,149,975	369,366	2,519,341
2028	1,788,607	490,782	2,279,389
2029	370,000	7,400	377,400
Total	\$ 6,888,582	\$ 1,224,148	\$ 8,112,730

Rogers Water Utilities Sewer Department
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Notes to Financial Statements
June 30, 2024 and 2023

Following is a summary of changes in bonds payable:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Amounts Due Within One Year
Revenue Refunding					
Bonds, Series 2016	\$ 6,955,000	\$ -	\$ 1,220,000	\$ 5,735,000	\$ 1,265,000
Revenue Refunding					
Bonds, Series 2024	-	1,153,582	-	1,153,582	-
Plus premiums	645,137	-	110,595	534,542	-
	<u>\$ 7,600,137</u>	<u>\$ 1,153,582</u>	<u>\$ 1,330,595</u>	<u>\$ 7,423,124</u>	<u>\$ 1,265,000</u>

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Revenue Refunding					
Bonds, Series 2016	\$ 8,130,000	\$ -	\$ 1,175,000	\$ 6,955,000	\$ 1,220,000
Plus premiums	755,732	-	110,595	645,137	-
	<u>\$ 8,885,732</u>	<u>\$ -</u>	<u>\$ 1,285,595</u>	<u>\$ 7,600,137</u>	<u>\$ 1,220,000</u>

NOTE 10: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Sewer Department has two subscription-based information technology arrangements for enterprise resource planning software. During 2023, the Sewer 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 Sewer Department recognized subscription amortization and interest expense of \$162,133 and \$16,220, respectively, which are included in the statements of revenues, expenses and changes in net position in operating expenses and other expenses, respectively for the fiscal year ended June 30, 2024.

For the year ended June 30, 2023, the Sewer Department recognized subscription amortization and interest expense of \$162,133 and \$19,671, respectively.

As of June 30, 2024 and 2023, the value of the subscription assets was \$1,134,932 and had accumulated amortization of \$551,960 and \$389,827, respectively.

Rogers Water Utilities Sewer Department
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Notes to Financial Statements
June 30, 2024 and 2023

Future payments on the subscription liability are as follows:

Year ending June 30,	Principal	Interest	Total
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	\$ 292,961	\$ 27,446	\$ 320,406

NOTE 11: COMMITMENTS AND CONCENTRATIONS

The Sewer Department is committed to several construction contracts in process at June 30, 2024 totaling \$19,703,330. As of June 30, 2024, \$16,358,185 had been incurred in connection with these contracts.

For the years ended June 30, 2024 and 2023, the Sewer Department had one customer that accounted for 12.27% and 11.68%, respectively, of total usage.

NOTE 12: PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

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

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

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Notes to Financial Statements
June 30, 2024 and 2023

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 7/1/2007	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.

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, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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

Notes to Financial Statements
June 30, 2024 and 2023

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/apers/investments/reports-and-resources/>.

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

The collective Net Pension Liability of \$2,914,186,564 was measured as of June 30, 2023, 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, 2024 and 2023, respectively, the Sewer Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 209,984	\$ (20,436)
Changes of assumptions	174,884	-
Changes in proportion and differences between employer contributions and proportionate share	230,914	-
Net difference between projected and actual earnings on pension plan investments	463,002	-
Contributions subsequent to measurement date	487,031	-
Balance, June 30, 2023	\$ 1,565,815	\$ (20,436)

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

Notes to Financial Statements
June 30, 2024 and 2023

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,008	\$ (39,312)
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share	217,370	(3,054)
Net difference between projected and actual earnings on pension plan investments	685,565	-
Contributions subsequent to measurement date	422,928	-
Balance, June 30, 2022	\$ 1,403,871	\$ (42,366)

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2025, and will not be amortized in the schedule below. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Sewer Department's financial statements as follows:

Years ending June 30:	
2025	\$ 252,370
2026	124,732
2027	721,216
2028	(39,970)

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

Notes to Financial Statements
June 30, 2024 and 2023

Actuarial Assumptions

The total pension liability in the June 30, 2023 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	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 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	7.00%
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for generational mortality improvements using Scale MP-2017.

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

Notes to Financial Statements
June 30, 2024 and 2023

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2023 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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 7.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
\$ 5,929,285	\$ 3,719,962	\$ 1,899,689

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 13: EMPLOYEE BENEFIT PLANS

Flexible Benefit Plan

The City of Rogers, Arkansas offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by the Rogers Water Utilities. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code (IRC) of 1954, as amended, to provide for group medical, dental and vision for its eligible employees and dependents. The plan is funded solely by salary redirections as elected on a voluntary basis by participants. Sewer Department employee contributions for the years ended June 30, 2024 and 2023 were \$174,005 and \$150,400, respectively.

Deferred Compensation Plan

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

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

Deferred compensation remitted for investment during the years ended June 30, 2024 and 2023 was \$15,330 and \$19,575, respectively. At June 30, 2024 and 2023, there were seven employees participating in the plan.

Educational Assistance Program (EAP)

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

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

Notes to Financial Statements
June 30, 2024 and 2023

NOTE 14: GOVERNMENT GRANTS

In December 2022, the Arkansas Natural Resources Commission (ANRC) approved \$270 million dollars in American Rescue Plan Act (ARPA) funding for Arkansas Drinking Water and Wastewater providers. From this pool, the ANRC awarded \$2,472,738 for the Rogers Pollution Control Facility Bardenpho Treatment Basins (Train I and II) Rehab and Repair Project. These grant funds were disbursed to the Department in the year ending June 30, 2024. The ANRC also awarded \$339,370 for Phase II of the Rogers Pollution Control Facility Solids Handling Project. As of June 30, 2024, the Sewer Department had incurred capital expenses of \$339,370, which were eligible for reimbursement from these grant funds. The ARPA grants requires the Department to contribute a minimum cost share of 50% of the total project costs.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 27, 2024, the date that the financial statements were available to be issued.,

Required Supplementary Information

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

**Schedules of the Sewer Department's Proportionate
Share of the Net Pension Liability
Years ended June 30, 2024 through 2015**

	<u>2024</u>	<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	0.13 %	0.12 %	0.11 %	0.11 %	0.11 %	0.11 %	0.11 %	0.09 %	0.09 %	0.09 %
Proportionate share of the net pension liability	\$ 3,719,962	\$ 3,255,644	\$ 847,254	\$ 3,120,525	\$ 2,503,442	\$ 2,739,699	\$ 2,734,269	\$ 2,223,984	\$ 1,700,410	\$ 1,239,094
Covered - employee payroll	\$ 3,196,797	\$ 2,626,973	\$ 2,474,720	\$ 2,173,970	\$ 2,102,043	\$ 2,046,075	\$ 2,039,342	\$ 1,855,224	\$ 1,666,569	\$ 1,651,227
Proportionate share of the net pension liability as percentage of covered-employee payroll	116.37 %	123.93 %	34.24 %	143.54 %	119.10 %	133.90 %	134.08 %	119.88 %	102.03 %	75.04 %
Plan's fiduciary net position as a percentage of the total pension liability	77.94 %	78.31 %	93.57 %	75.38 %	78.55 %	79.59 %	75.65 %	75.50 %	80.39 %	84.15 %

See Independent Auditor's Report.

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

Schedules of Contributions
Years ended June 30, 2024 through 2015

	<u>2024</u>	<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	\$ 340,687	\$ 422,928	\$ 377,090	\$ 327,991	\$ 319,710	\$ 306,168	\$ 298,614	\$ 266,756	\$ 235,420	\$ 242,355
Contributions in relation to the contractually required contribution	\$ (340,687)	\$ (422,928)	\$ (377,090)	\$ (327,991)	\$ (319,710)	\$ (306,168)	\$ (298,614)	\$ (266,756)	\$ (235,420)	\$ (242,355)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Department's covered-employee payroll	\$ 3,196,797	\$ 2,626,973	\$ 2,474,720	\$ 2,173,970	\$ 2,102,043	\$ 2,046,075	\$ 2,039,342	\$ 1,855,224	\$ 1,666,569	\$ 1,651,227
Contributions as a percentage of covered-employee payroll	10.66 %	16.10 %	15.24 %	15.09 %	15.21 %	14.96 %	14.64 %	14.38 %	14.13 %	14.68 %

See Independent Auditor's Report.

Supplementary Information

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

Schedules of Operating Expenses
Years ended June 30, 2024 and 2023

	2024	2023
POLLUTION CONTROL FACILITY AND		
FIELD EXPENSE		
Employee benefits	\$ 874,363	\$ 576,375
Insurance	106,884	108,767
Operating supplies and other	382,664	337,353
Payroll taxes	155,198	133,115
Repairs and maintenance	785,177	1,179,805
Salaries	2,161,313	1,902,945
Sludge disposal costs	479,148	499,126
Supplies and postage	189,192	191,150
Utilities	707,398	771,769
	5,841,337	5,700,405
 GENERAL AND ADMINISTRATIVE		
Bad debts	146,960	36,318
Employee benefits	378,009	250,933
Franchise taxes / use taxes	652,729	531,013
Insurance	5,837	14,723
Office supplies and postage	163,646	141,311
Other	692,893	338,890
Payroll taxes	77,166	67,848
Professional fees	52,594	43,530
Salaries	1,013,328	794,393
Utilities	24,034	31,487
	3,207,196	2,250,446
 DEPRECIATION AND AMORTIZATION	5,704,252	5,436,121
 TOTAL OPERATING EXPENSES	\$ 14,752,785	\$ 13,386,972

See Independent Auditor's Report.

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

Schedule of Principal and Interest Payments
Sewer Revenue Bonds – Series 2016
June 30, 2024

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$ 1,265,000	4.000%	\$ 204,100	\$ 1,469,100
2026	1,315,000	4.000%	152,500	1,467,500
2027	1,365,000	4.000%	98,900	1,463,900
2028	1,420,000	4.000%	43,200	1,463,200
2029	370,000	4.000%	7,400	377,400
Balance, June 30, 2024	<u>\$ 5,735,000</u>		<u>\$ 506,100</u>	<u>\$ 6,241,100</u>

Dated: December 13, 2016

Payment Dates: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

See Independent Auditor's Report.

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

Schedule of Principal and Interest Payments
Sewer Revenue Bonds – Series 2024
June 30, 2024

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>LENDING RATE</u>	<u>INTEREST AND FEES</u>	<u>TOTAL</u>
2025	\$ -	1.500%	\$ -	\$ -
2026	-	1.500%	-	-
2027	784,975	1.500%	270,466	1,055,441
2028	<u>368,607</u>	1.500%	<u>447,582</u>	<u>816,189</u>
Balance, June 30, 2024	<u>\$ 1,153,582</u>		<u>\$ 718,048</u>	<u>\$ 1,871,630</u>

Dated: April 10, 2024

Payment Dates: 1st of each month beginning on December 1, 2026

Interest Rate: 0.50%

Servicing Fee Rate: 1.00%

Payable to: Arkansas Development Finance Authority; Little Rock, Arkansas

See Independent Auditor's Report.

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

Schedule of Fixed Assets
Year ended June 30, 2024

Fixed Assets

	<u>Balance</u> <u>June 30, 2023</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Land	\$ 663,254	\$ -	\$ -	\$ 663,254
Office equipment	629,891	17,926	(172)	647,645
Vehicles	1,690,756	109,299	(14,188)	1,785,867
Shop equipment	53,354	1,357	-	54,711
Field equipment	1,656,645	86,929	(66,134)	1,677,440
Radio equipment	60,051	987	-	61,038
Water meters	4,233,139	604,255	-	4,837,394
Sewer system	53,145,924	7,335,007	-	60,480,931
Pollution control facility	71,161,556	335,188	-	71,496,744
Structures and parking lots	2,138,748	5,200	-	2,143,948
Easements	1,141,899	-	-	1,141,899
Contributed sewer system	51,915,446	3,621,428	-	55,536,874
	<u>188,490,663</u>	<u>12,117,576</u>	<u>(80,494)</u>	<u>200,527,745</u>
Right to use subscription asset	1,134,932	-	-	1,134,932
Construction in progress	<u>7,805,559</u>	<u>12,433,146</u>	<u>(4,200,998)</u>	<u>16,037,707</u>
	<u>\$ 197,431,154</u>	<u>\$ 24,550,722</u>	<u>\$ (4,281,492)</u>	<u>\$ 217,700,384</u>
Accumulated Depreciation and Amortization				
Office equipment	\$ 417,722	\$ 43,908	\$ -	\$ 461,630
Vehicles	1,299,425	124,480	(14,188)	1,409,717
Shop equipment	51,804	1,092	-	52,896
Field equipment	1,125,251	109,411	(66,134)	1,168,528
Radio equipment	53,701	2,565	-	56,266
Water meters	1,090,873	221,342	-	1,312,215
Sewer system	21,354,129	1,141,061	-	22,495,190
Pollution control facility	31,654,571	2,742,892	-	34,397,463
Structures and parking lots	1,425,829	83,184	-	1,509,013
Contributed sewer system	12,104,069	1,072,184	-	13,176,253
Right to use subscription asset	<u>389,827</u>	<u>162,133</u>	<u>-</u>	<u>551,960</u>
	<u>\$ 70,967,201</u>	<u>\$ 5,704,252</u>	<u>\$ (80,322)</u>	<u>\$ 76,591,131</u>

See Independent Auditor's Report.

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

Schedule of Fixed Assets
Year ended June 30, 2023

Fixed Assets

	<u>Balance</u> <u>June 30, 2022</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	\$ 663,254	\$ -	\$ -	\$ 663,254
Office equipment	470,172	159,719	-	629,891
Vehicles	1,386,206	304,550	-	1,690,756
Shop equipment	53,354	-	-	53,354
Field equipment	1,377,630	279,015	-	1,656,645
Radio equipment	59,508	543	-	60,051
Water meters	3,687,692	545,447	-	4,233,139
Sewer system	51,971,956	1,173,968	-	53,145,924
Pollution control facility	70,600,172	561,384	-	71,161,556
Structures and parking lots	2,123,671	15,077	-	2,138,748
Easements	1,141,899	-	-	1,141,899
Contributed sewer system	48,287,196	3,628,250	-	51,915,446
	181,822,710	6,667,953	-	188,490,663
Right of use subscription asset	1,134,932	-	-	1,134,932
Construction in progress	3,277,278	5,357,295	(829,014)	7,805,559
	<u>\$ 186,234,920</u>	<u>\$ 12,025,248</u>	<u>\$ (829,014)</u>	<u>\$ 197,431,154</u>
Accumulated Depreciation and Amortization				
Office equipment	\$ 380,363	\$ 37,359	\$ -	\$ 417,722
Vehicles	1,166,562	132,863	-	1,299,425
Shop equipment	49,921	1,883	-	51,804
Field equipment	1,051,665	73,586	-	1,125,251
Radio equipment	51,271	2,430	-	53,701
Water meters	903,755	187,118	-	1,090,873
Sewer system	20,338,212	1,015,917	-	21,354,129
Pollution control facility	28,925,778	2,728,793	-	31,654,571
Structures and parking lots	1,343,424	82,405	-	1,425,829
Contributed sewer system	11,092,435	1,011,634	-	12,104,069
Right of use subscription asset	227,694	162,133	-	389,827
	<u>\$ 65,531,080</u>	<u>\$ 5,436,121</u>	<u>\$ -</u>	<u>\$ 70,967,201</u>

See Independent Auditor's Report.

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

Schedule of Sewer System Rates
June 30, 2024 and 2023

In November 2019, the City Council approved a 5-year rate increase schedule with the first increase effective April 1, 2020. The subsequent rate increases will occur each July 1, 2021-2025. The rates in place prior to 7/1/2023, new rates effective 7/1/2023 and the rates effective 7/1/2024 are shown below.

Monthly Sewer Rates For Customers	Inside the City		
	Prior to 7/1/2023	Effective 7/1/2023	Effective 7/1/2024
Flat rate of	\$15.18	\$15.63	\$16.10
In addition to (up to 100,000)	\$5.28 / thousand	\$5.44 / thousand	\$5.60 / thousand
All over 100,000	\$5.21 / thousand	\$5.37 / thousand	\$5.53 / thousand

Monthly Sewer Rates For Customers	Outside the City		
	Prior to 7/1/2023	Effective 7/1/2023	Effective 7/1/2024
Flat rate of	\$19.83	\$20.42	\$21.03
In addition to (up to 100,000)	\$6.88 / thousand	\$7.08 / thousand	\$7.30 / thousand
All over 100,000	\$6.88 / thousand	\$7.08 / thousand	\$7.30 / thousand

Monthly Sewer Rates For Customers	City of Lowell, Arkansas		
	Prior to 7/1/2023	Effective 7/1/2023	Effective 7/1/2024
Flat rate of	\$18.21	\$18.75	\$19.32
In addition to (up to 100,000)	\$6.33 / thousand	\$6.52 / thousand	\$6.72 / thousand
All over 100,000	\$6.25 / thousand	\$6.44 / thousand	\$6.63 / thousand

See Independent Auditor's Report.

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

Schedules of Sewer Customers
June 30, 2024 and 2023

<u>SEWER CUSTOMER CLASSIFICATIONS</u>	<u>NUMBER OF CUSTOMERS</u>	
	<u>2024</u>	<u>2023</u>
Residential customers	23,886	23,477
Commercial customers	2,138	2,084
Industrial customers	<u>33</u>	<u>33</u>
Total	<u><u>26,057</u></u>	<u><u>25,594</u></u>

See Independent Auditor's Report.

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

Schedules of Billable Gallons
Years ended June 30, 2024 and 2023

BILLABLE GALLONS CLASSIFICATIONS	NUMBER OF BILLABLE GALLONS	
	2024	2023
Residential customers	1,183,225,254	1,182,784,530
Commercial customers	623,491,800	593,684,400
Industrial customers	455,844,900	457,084,200
Total	<u>2,262,561,954</u>	<u>2,233,553,130</u>

See Independent Auditor's Report.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Rogers Water Utilities Sewer Department** (the Sewer Department), a component unit of the City of Rogers, Arkansas, which comprise the statement of net position as of June 30, 2024, 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 27, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sewer Department’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sewer Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Sewer Department’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewer Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sewer Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sewer Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rogers, Arkansas
December 27, 2024