



**RWU**

**ROGERS WATER UTILITIES**

**Rogers Water Utilities  
Water Department**

**Financial Statements  
and  
Supplementary Information  
June 30, 2021 and 2020**

**(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 Financial Statements**

We have audited the accompanying financial statements 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, 2021 and 2020, 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.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Department's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Department as of June 30, 2021 and 2020, and its changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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

**Required Supplementary Information**

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

**Other Information**

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

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 October 13, 2021 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.

  
Certified Public Accountants

Rogers, Arkansas  
October 13, 2021

# **Rogers Water Utilities Water Department**

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

### **Management's Discussion and Analysis** **June 30, 2021, 2020, and 2019**

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, 2021, 2020, and 2019. 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 \$8,959,000 or 10.9% over fiscal year 2020. Net position increased by \$3,778,000 or 4.8%, in fiscal year 2020 over 2019.
- Water Department operating revenues increased by \$2,395,000 or 20.1% from 2020. Operating revenues increased by \$392,000, or 3.4% in 2020 from 2019.
- Operating expenses increased by \$704,000 or 9.1% from 2020. Operating expenses increased by \$548,000, or 5.5% in 2020 from 2019.
- Net Position increased by \$2,542,000 before capital contributions during fiscal year 2021. In fiscal year 2020, net position before capital contributions increased by \$1,134,000.

#### **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 7/1/2021 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 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, 2021, 2020, and 2019**

**Rogers Water Department Fiscal Year 2020 Highlights**

- The change in net position before capital contributions exceeded budget by \$294,000 but was less than prior year operating results by \$105,000.
- The number of customers increased by 587 or 1.78% from the prior year. Billed water consumption decreased by 4.11%.
- Continued a City wide meter change out program and extended the completion period to be over the next 4 to 6 years. The change out is being conducted by Utility Staff.
- Our water supplier, Beaver Water District, implemented a rate increase of \$.02 per thousand effective October 1, 2020.
- Completed a water and sewer rated study with HDR Engineering to determine Utility capital needs and cash requirements.
- Presented a 5-year rate increase schedule to Rogers Waterworks and Sewer Commission and Rogers City Council. The 5-year rate increase was approved by both governing bodies with the first increase effective on April 1, 2020. The subsequent rate increases will occur each July 1, 2021-2025.
- As a result of the COVID-19 pandemic, commercial water consumption decreased by 21% in the last quarter of fiscal year 2020 compared to the last quarter of fiscal year 2019. As a result, commercial revenue for FY 2020 was slightly less than the prior year and budget by 3.6% and 7% respectively.
- As a result of the COVID-19 pandemic, RWU suspended service disconnections from March 26 to July 6<sup>th</sup> and waived all associated reconnection fees. As a result, penalty revenue and service charge income were less than the prior year and budget by \$67,000 combined. Service disconnections resumed on July 7<sup>th</sup>, 2020.
- Tyson Foods, RWU's largest industrial customer, increased water usage by 6.18% from fiscal year 2019. For the two year's prior, Tyson Foods water usage decreased as part of a plan to reduce water usage by 25% by the year 2025.

**Rogers Water Department Fiscal Year 2019 Highlights**

- The change in net position before capital contributions exceeded budget by \$54,000 and prior year operating results by \$108,000.
- The number of customers increased by 676 or 2.09% from the prior year. Billed water consumption increased by 1.27%.
- Continued a City wide meter change out program and extended the completion period to be over the next 5 to 7 years. The change out is being conducted by Utility Staff.
- Our water supplier, Beaver Water District, implemented a rate increase of \$.02 per thousand effective October 1, 2019.

# **Rogers Water Utilities Water Department**

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

### **Management's Discussion and Analysis** **June 30, 2021, 2020, and 2019**

- Brent Dobler, appointed by the Commission, filled the position of Superintendent on September 1, 2018. The former Superintendent, Earl Rausch, officially retired on August 31, 2018.
- In February 2019, RWU hired Dana Daniel as Human Resources Manager. The contract with the City of Rogers for HR services expired January 1, 2019.
- The Utility successfully implemented credit and debit card processing updates with Paymentus in September 2018. Customers may now pay Utility bills online using a customer portal and on the phone using IVR. Paymentus is responsible for PCI compliance.
- Evaluation of Utility capital needs and cash requirements by conducting a water and sewer rate study with HDR is still ongoing. The process is expected to be completed in October 2019 with the possibility of rate increases and bond issues in the future fiscal years.

#### **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, 2021, 2020, and 2019**

**Financial Highlights**

**Assets, Liabilities and Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Total current assets	\$ 17,722,076	\$ 15,538,016	\$ 15,015,936
Restricted cash, investments, and interest receivable	4,907,239	4,794,455	4,866,057
Other noncurrent assets	92,807,782	86,373,110	83,242,528
<b>Total Assets</b>	<u>\$ 115,437,097</u>	<u>\$ 106,705,581</u>	<u>\$ 103,124,521</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	\$ 556,560	\$ 398,255	\$ 492,199
Deferred bond refunding costs	511,306	566,998	622,690
<b>Total Deferred Outflow of Resources</b>	<u>\$ 1,067,866</u>	<u>\$ 965,253</u>	<u>\$ 1,114,889</u>
<b>Liabilities</b>			
Total current liabilities	\$ 3,358,253	\$ 3,061,086	\$ 2,673,299
Liabilities payable from restricted assets	1,388,434	1,339,145	1,289,773
Long-term liabilities	20,568,972	20,987,260	21,742,067
<b>Total Liabilities</b>	<u>\$ 25,315,659</u>	<u>\$ 25,387,491</u>	<u>\$ 25,705,139</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows	<u>\$ 63,475</u>	<u>\$ 116,303</u>	<u>\$ 145,361</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	\$ 73,853,008	\$ 66,713,919	\$ 62,828,920
Restricted	3,518,805	3,455,309	3,576,284
Unrestricted	13,754,016	11,997,812	11,983,706
<b>Total Net Position</b>	<u>\$ 91,125,829</u>	<u>\$ 82,167,040</u>	<u>\$ 78,388,910</u>
<b>Operating Results and Changes in Net Position</b>			
<b>Operating revenues</b>	<u>\$ 14,305,466</u>	<u>\$ 11,910,043</u>	<u>\$ 11,517,758</u>
<b>Operating expenses</b>			
Depreciation and amortization	2,825,190	2,681,615	2,580,920
Other operating expenses	8,383,526	7,679,032	7,231,493
<b>Total Operating Expenses</b>	<u>11,208,716</u>	<u>10,360,647</u>	<u>9,812,413</u>
<b>Operating income</b>	<u>3,096,750</u>	<u>1,549,396</u>	<u>1,705,345</u>
<b>Other revenues (expenses)</b>			
Interest expense	(672,757)	(692,857)	(709,974)
Other income (expenses)	118,504	277,365	243,209
<b>Total Other Revenues (Expenses)</b>	<u>(554,253)</u>	<u>(415,492)</u>	<u>(466,765)</u>
<b>Change in net position before capital contributions</b>	2,542,497	1,133,904	1,238,580
<b>Capital Contributions</b>	<u>6,416,292</u>	<u>2,644,226</u>	<u>1,653,972</u>
<b>Change in Net Position</b>	8,958,789	3,778,130	2,892,552
<b>Net Position, Beginning of Year</b>	<u>82,167,040</u>	<u>78,388,910</u>	<u>75,496,358</u>
<b>Net Position, End of Year</b>	<u>\$ 91,125,829</u>	<u>\$ 82,167,040</u>	<u>\$ 78,388,910</u>

# **Rogers Water Utilities Water Department**

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

### **Management's Discussion and Analysis** **June 30, 2021, 2020, and 2019**

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

##### **Capital Assets**

As of June 30, 2021, the Water Department's investment in capital assets was \$92,808,000 (net of accumulated depreciation and amortization). This investment in capital assets included land, buildings, improvements, machinery and equipment, software hosting and contributed property.

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

- Construction costs of \$2,127,000 were incurred on a variety of construction projects during 2021. \$1,042,000 of constructed assets were completed and placed in service, consisting mostly of water main construction and rehabilitation projects. In addition, \$6,251,000 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 statements of revenues, expenditures, and changes in net position. In 2020 the Water Department had construction of \$2,783,000 and contributed capital of \$2,542,000, and in 2019 construction of \$1,212,000 and contributed capital of \$1,569,000.
- Capital expenditures for additions and improvements to the Water Department, in addition to the constructed assets, were \$883,000 in 2020, as compared to \$488,000 in 2020 and \$494,000 in 2019.

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

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

The Water Department had \$18,965,000 in revenue bonds outstanding as of June 30, 2021, which is a decrease of \$800,000 from 2020 resulting from scheduled principal payments. Revenue bonds outstanding as of June 30, 2020 were \$19,765,000, which was a decrease of \$780,000 from 2019. 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 2021 was 10.71% higher than the previous year, primarily due to less precipitation than the prior 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 2021. Significant projects in process at the end of the year included various City of Rogers street improvements. Major projects expected in fiscal year 2022 include water main projects for City of Rogers street projects, recoating and repair of the 11<sup>th</sup> St. elevated tank, and other waterline replacements and extensions.

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

**Management's Discussion and Analysis**  
**June 30, 2021, 2020, and 2019**

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 \$0.03/1,000 gallons will be implemented October 1, 2022. Additionally, BWD expects a total overall increase of \$0.015/1,000 gallons from FY 2022-FY 2026. Beaver Water District is poised to meet the demand of Rogers Water Utility water customers for maximum daily demand twenty years hence.

During fiscal year 2020, a rate study was completed by HDR Engineering. The study indicated a rate increase was appropriate. A 5-year water rate increase schedule was presented to the Rogers Waterworks and Sewer Commission and the Rogers City Council. Both governing bodies approved the rate increase, and it became effective April 1, 2020. The 5-year rate increase schedule, along with possible future bond issues, will facilitate the significant capital needs anticipated over the next 5 years. Remaining rate increases will occur from July 1, 2021-July 1, 2025.

In fiscal year 2021, RWU retained Garver to conduct an updated Water Master Plan. The results will be used to plan for and manage costs and construction to maintain and extend our water system. Previously, our most recent Water Master Plan was conducted in 2016.

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

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

## **Financial Statements**

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

**Statements of Net Position**  
June 30, 2021 and 2020

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,984,500	\$ 3,878,956
Investments	10,971,866	9,120,895
Accounts receivable, net of allowance for doubtful accounts of \$135,000 and \$145,000, respectively	2,338,275	2,170,327
Due from sewer department	-	18,900
Inventory	364,153	298,065
Prepaid expenses	63,282	50,873
<b>Total Current Assets</b>	<b>17,722,076</b>	<b>15,538,016</b>
 <b>RESTRICTED CASH, INVESTMENTS AND INTEREST RECEIVABLE</b>		
Restricted cash and cash equivalents	419,416	487,699
Investments	4,487,624	4,306,756
Interest receivable	199	-
	<b>4,907,239</b>	<b>4,794,455</b>
 <b>FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>		
	<b>92,807,782</b>	<b>86,373,110</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	556,560	398,255
Deferred bond refunding costs	511,306	566,998
	<b>1,067,866</b>	<b>965,253</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 116,504,963</b>	<b>\$ 107,670,834</b>

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, 2021 and 2020

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

	<b>2021</b>	<b>2020</b>
<b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable - trade	\$ 571,828	\$ 545,490
Accounts payable to construction contractors	390,131	489,091
Accounts payable - other	861,031	861,196
Accrued expenses	387,062	365,309
Due to sewer department	298,201	-
Current portion of software hosting	30,000	-
Current portion of bonds payable	820,000	800,000
<b>Total Current Liabilities (Payable from Current Assets)</b>	3,358,253	3,061,086
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Customer meter deposits	1,281,717	1,228,991
Accrued interest payable	106,717	110,154
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	1,388,434	1,339,145
<b>LONG-TERM LIABILITIES</b>		
Software hosting payable	40,000	-
Bonds payable, net of unamortized premiums and discounts	18,576,080	19,426,189
Net pension liability	1,952,892	1,561,071
	20,568,972	20,987,260
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	63,475	116,303
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	73,853,008	66,713,919
Restricted	3,518,805	3,455,309
Unrestricted	13,754,016	11,997,812
	91,125,829	82,167,040
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 116,504,963</b>	<b>\$ 107,670,834</b>

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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>		
Residential water	\$ 7,119,417	\$ 6,051,543
Commercial water	3,304,319	2,754,147
Industrial water	1,255,957	1,088,940
Sprinkler service and hydrant	133,020	127,415
Service charges and penalties	585,466	524,956
Access, impact, and new customer fees	1,196,215	959,550
Other operating revenue	711,072	403,492
	<b>14,305,466</b>	<b>11,910,043</b>
<b>OPERATING EXPENSES</b>		
Water purchased	5,349,570	4,780,837
Plant operations and distribution	1,485,939	1,415,266
General and administrative	1,548,017	1,482,929
Depreciation and amortization	2,825,190	2,681,615
	<b>11,208,716</b>	<b>10,360,647</b>
<b>OPERATING INCOME</b>	<b>3,096,750</b>	<b>1,549,396</b>
<b>OTHER REVENUES (EXPENSES)</b>		
Interest income	105,288	280,373
Gain on sale of fixed assets	20,016	3,792
Interest expense	(672,757)	(692,857)
Trustee fees	(6,800)	(6,800)
	<b>(554,253)</b>	<b>(415,492)</b>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	<b>2,542,497</b>	<b>1,133,904</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>6,416,292</b>	<b>2,644,226</b>
<b>CHANGE IN NET POSITION</b>	<b>8,958,789</b>	<b>3,778,130</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>82,167,040</b>	<b>78,388,910</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 91,125,829</b>	<b>\$ 82,167,040</b>

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, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 11,644,765	\$ 9,635,961
Cash received from access, impact and new customer fees	1,196,215	959,550
Cash received from service charges, penalties and other operating revenue	1,349,264	980,995
Payments for water	(5,390,119)	(4,676,930)
Payments for salaries and benefits	(1,887,248)	(1,729,212)
Payments to suppliers for goods and services	(638,941)	(975,344)
<b>Net Cash From Operating Activities</b>	<b>6,273,936</b>	<b>4,195,020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	105,089	280,373
Net change in investments	(1,850,971)	696,886
Net change in restricted investments	(180,868)	(51,799)
<b>Net Cash From (Used For) Investing Activities</b>	<b>(1,926,750)</b>	<b>925,460</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures	(2,852,875)	(2,996,202)
Cash received from sale of fixed assets	20,361	3,792
Principal payments on bonds	(800,000)	(780,000)
Principal payments on software hosting	(20,000)	-
Interest and paying agent fees, net of capitalized interest	(657,411)	(677,249)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<b>(4,309,925)</b>	<b>(4,449,659)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>37,261</b>	<b>670,821</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,366,655</b>	<b>3,695,834</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,403,916</b>	<b>\$ 4,366,655</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 3,984,500</b>	<b>\$ 3,878,956</b>
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>419,416</b>	<b>487,699</b>
	<b>\$ 4,403,916</b>	<b>\$ 4,366,655</b>

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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 3,096,750	\$ 1,549,396
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	2,825,190	2,681,615
Allowance for doubtful accounts	10,000	10,000
Net change in pension liability	180,688	140,188
Changes in assets and liabilities:		
Accounts receivable	(177,948)	(396,084)
Due from sewer department	317,101	(3,611)
Inventory	(66,088)	(29,002)
Prepaid expenses	(12,409)	(6,047)
Accounts payable - trade and other	26,173	99,351
Accrued expenses and customer deposits	74,479	149,214
Net Cash From Operating Activities	<u>\$ 6,273,936</u>	<u>\$ 4,195,020</u>
<b>OTHER NONCASH TRANSACTIONS</b>		
Capital contributions of property and equipment	\$ 6,416,292	\$ 2,644,226
Property and equipment additions included in accounts payable to construction contractors	\$ 390,131	\$ 489,091
Financing for software hosting	\$ 90,000	\$ -

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, 2021 and 2020**

**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, 2021 and 2020**

***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, 2021 and 2020, the Water Department had cash equivalents of \$690,223 and \$250,041, 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, 2021 and 2020, 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, 2021 and 2020, cumulative contributed capital fixed assets amounted to approximately \$53,266,000 and \$47,015,000, respectively.

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

***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, 2021 and 2020 amounted to approximately \$5,299,000 and \$5,319,000, respectively.

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

Bond discounts and premiums are amortized over the lives of the related bond issues. Net amortization of \$30,109 for each of the years ended June 30, 2021 and 2020 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, 2021 and 2020 is included as a component of interest expense.

***Compensated Absences***

The Water Department's policies permit employees to earn time off benefits. The expense and related liability are recognized and accrued regardless of whether the employee is expected to realize the benefit. Compensated absences are computed using the regular pay rates in effect at June 30, 2021 and 2020.

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

***Pensions***

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (“APERS”) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Water Department has two items that qualify for reporting in this category: bond refunding costs and changes regarding pension liabilities. A deferred outflow on bond refunding costs results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. In regards to the deferred outflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 13 for additional information.

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

***Net Position Classifications***

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

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

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

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

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

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

***Current Accounting Developments***

In June 2017, the GASB issued Statement Number 87 (GASB 87), *Leases*, effective for periods beginning after June 15, 2021. GASB 87 is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases for governments.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of the Construction Period* – effective for fiscal years beginning after December 15, 2020. GASB 89 will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period.

Management is currently evaluating the impact of implementation of these statements to the financial statements of the Water Department and does not expect the implementation of these statements to significantly impact the financial statements of the Water Department.

**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, 2021, the Water Department had approximately \$4,839,184 in deposit balances, of which approximately \$750,000 were FDIC insured and the remaining balances collateralized by securities held by the bank in the Utilities’ name. Additionally, the Water Department had approximately \$14,520,000 in certificates of deposit reported as investments in the Statements of Net Position, all of which were FDIC insured.

**NOTE 4: RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments are held for specific purposes at June 30, 2021 and 2020 as follows:

	<b>2021</b>	<b>2020</b>
Meter deposits	\$ 1,345,837	\$ 1,342,312
Debt service reserve	676,549	669,839
Depreciation reserve for additional replacements to the water system	2,621,968	2,671,077
New customer fees collected for additions of fixed assets	262,686	111,227
Interest receivable	199	-
	<b>\$ 4,907,239</b>	<b>\$ 4,794,455</b>

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**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, 2021, investments of the Water Department were fully collateralized or insured.

At June 30, 2021 and 2020, the Water Department's investments consisted of \$14,520,255 and \$12,646,585, respectively, held in certificates of deposit and \$939,235 and \$781,066, respectively, held in United States government securities. All investments at June 30, 2021 and 2020 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, 2021 and 2020**

**NOTE 6: CHANGES IN FIXED ASSETS**

	<b>Balance June 30, 2020</b>	<b>Transfers/ Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2021</b>
Land	\$ 732,981	\$ 1,000	\$ -	\$ 733,981
Buildings	1,744,205	-	-	1,744,205
Equipment	71,227,526	1,786,842	(392,173)	72,622,195
Vehicles	543,220	46,610	(39,268)	550,562
Software hosting	-	90,000	-	90,000
Contributed property	47,015,135	6,250,785	-	53,265,920
Construction in progress	2,243,681	2,126,801	(1,041,831)	3,328,651
	<u>123,506,748</u>	<u>10,302,038</u>	<u>(1,473,272)</u>	<u>132,335,514</u>
Accumulated depreciation and amortization	<u>(37,133,638)</u>	<u>(2,825,190)</u>	<u>431,096</u>	<u>(39,527,732)</u>
	<u>\$ 86,373,110</u>	<u>\$ 7,476,848</u>	<u>\$ (1,042,176)</u>	<u>\$ 92,807,782</u>
	<b>Balance June 30, 2019</b>	<b>Transfers/ Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2020</b>
Land	\$ 732,981	\$ -	\$ -	\$ 732,981
Buildings	1,744,205	-	-	1,744,205
Equipment	69,911,546	1,456,018	(140,038)	71,227,526
Vehicles	512,519	69,597	(38,896)	543,220
Contributed property	44,473,159	2,541,976	-	47,015,135
Construction in progress	499,075	2,782,547	(1,037,941)	2,243,681
	<u>117,873,485</u>	<u>6,850,138</u>	<u>(1,216,875)</u>	<u>123,506,748</u>
Accumulated depreciation	<u>(34,630,957)</u>	<u>(2,681,615)</u>	<u>178,934</u>	<u>(37,133,638)</u>
	<u>\$ 83,242,528</u>	<u>\$ 4,168,523</u>	<u>\$ (1,037,941)</u>	<u>\$ 86,373,110</u>



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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**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/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, 2021 and 2020 are shown in the Statements of Net Position under the caption "Due from sewer department" and "Due to sewer department," as applicable.

**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, 2021 and 2020**

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, 2021 and 2020, 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, 2021 and 2020 is 3.38 and 2.52, respectively. Total interest paid during the years ended June 30, 2021 and 2020 totaled \$657,411 and \$677,249, respectively. No interest was capitalized during the years ended June 30, 2021 and 2020.

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, 2021 and 2020.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 820,000	\$ 627,313	\$ 1,447,313
2023	845,000	600,622	1,445,622
2024	875,000	572,419	1,447,419
2025	1,215,000	537,644	1,752,644
2026	1,255,000	496,419	1,751,419
2027-2031	7,030,000	1,751,331	8,781,331
2032-2036	6,925,000	453,953	7,378,953
Total	<u>\$ 18,965,000</u>	<u>\$ 5,039,701</u>	<u>\$ 24,004,701</u>

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

Following is a summary of changes in bonds payable:

	<b>Balance June 30, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2021</b>	<b>Amounts Due Within One Year</b>
Revenue Refunding					
Bonds, Series 2012	\$ 7,100,000	\$ -	\$ 450,000	\$ 6,650,000	\$ 455,000
Revenue Refunding					
Bonds, Series 2016	<u>12,665,000</u>	<u>-</u>	<u>350,000</u>	<u>12,315,000</u>	<u>365,000</u>
Bonds payable, gross	19,765,000	-	800,000	18,965,000	820,000
Plus premiums	<u>461,189</u>	<u>-</u>	<u>30,109</u>	<u>431,080</u>	<u>-</u>
	<u><u>\$ 20,226,189</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 830,109</u></u>	<u><u>\$ 19,396,080</u></u>	<u><u>\$ 820,000</u></u>
	<b>Balance June 30, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>	<b>Amounts Due Within One Year</b>
Revenue Refunding					
Bonds, Series 2012	\$ 7,535,000	\$ -	\$ 435,000	\$ 7,100,000	\$ 450,000
Revenue Refunding					
Bonds, Series 2016	<u>13,010,000</u>	<u>-</u>	<u>345,000</u>	<u>12,665,000</u>	<u>350,000</u>
Bonds payable, gross	20,545,000	-	780,000	19,765,000	800,000
Plus premiums	<u>491,298</u>	<u>-</u>	<u>30,109</u>	<u>461,189</u>	<u>-</u>
	<u><u>\$ 21,036,298</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 810,109</u></u>	<u><u>\$ 20,226,189</u></u>	<u><u>\$ 800,000</u></u>

**NOTE 10: SOFTWARE HOSTING PAYABLE**

The Sewer Department entered into an agreement with a third party for software hosting. The agreement is interest free and to be paid out over three years, \$20,000 due in 2021, \$30,000 due in 2022 and \$40,000 due in 2023. The software hosting payable at June 30, 2021 was \$70,000.

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**NOTE 11: COMMITMENTS AND CONCENTRATION**

The Water Department is committed to several construction contracts in process at year end totaling \$7,294,434. As of June 30, 2021, \$3,324,735 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, 2021 and 2020 were \$77,058 and \$76,070, respectively.

**Deferred Compensation Plan**

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

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

Deferred compensation remitted for investment during the years ended June 30, 2021 and 2020 was \$17,720 and \$8,835, respectively. At June 30, 2021 and 2020, there were six employees participating in the plan.

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Education Assistance Program (EAP)**

The Utilities offers an education assistance plan as a benefit to its employees. The program was approved by the Waterworks and Sewer Commission on September 18, 2017. Each employee is eligible to participate in the program after (1) full calendar year of full time employment with RWU and must be in good standing. The program will reimburse employees up to, but no more than \$5,250 per calendar year for covered educational expenses, as outlined the EAP plan document. The reimbursement provided is excluded from the employee's gross income for income tax purposes as provide under 26 U.S.C. § 127. In the event the \$5,250 is lowered as provided by law, the amount of permitted reimbursement under the program shall automatically decrease on the effective date of the new ceiling. Reimbursements shall be made when the employee submits (a) proof of receiving a passing grade in the course or program and (b) proof the expense incurred as receipts for payment of tuition, fees, books, supplies, etc. Reimbursement for the years ended June 30, 2021 and 2020 were \$3,878 and \$11,798, respectively.

***NOTE 13: PUBLIC EMPLOYEES RETIREMENT SYSTEM***

**Plan Description**

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

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

**Benefits Provided**

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

Contributory, prior to 7/1/2005	2.00%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2009	2.50%
Non-Contributory	1.72%

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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, 2020. 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 \$2,863,584,487 was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

At June 30, 2021 and 2020, the Water Department reported deferred outflows of resources and deferred inflows of resources as of June 30, 2020 and 2019, respectively, related to pensions from the following sources:

<b>2021</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 25,925	\$ (1,294)
Changes of assumptions	24,468	(33,460)
Changes in proportion and differences between employer contributions and proportionate share	78,334	(28,721)
Net difference between projected and actual earnings on pension plan investments	206,641	-
Contributions subsequent to measurement date	<u>221,192</u>	<u>-</u>
Balance, June 30, 2020	<u>\$ 556,560</u>	<u>\$ (63,475)</u>
<b>2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 42,486	\$ (2,319)
Changes of assumptions	84,730	(60,010)
Changes in proportion and differences between employer contributions and proportionate share	61,152	(42,115)
Net difference between projected and actual earnings on pension plan investments	-	(11,859)
Contributions subsequent to measurement date	<u>209,887</u>	<u>-</u>
Balance, June 30, 2020	<u>\$ 398,255</u>	<u>\$ (116,303)</u>

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2022, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water Department’s financial statements as follows:

<b>Years ending June 30:</b>		
2022	\$	21,099
2023		72,832
2024		103,120
2025		74,844

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 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 of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Investment Rate of Return	7.15%
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for generational mortality improvements using Scale MP-2017.



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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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, 2020 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%
\$ 2,974,399	\$ 1,952,892	\$ 1,109,917

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

**Notes to Financial Statements**  
**June 30, 2021 and 2020**

***NOTE 13: RISKS AND UNCERTAINTIES***

The COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations since it was declared a global pandemic by the World Health Organization on March 11, 2020. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Utilities operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

***NOTE 14: SUBSEQUENT EVENTS***

Management has evaluated subsequent events through October 13, 2021, 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, 2021 through 2015**

	<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	0.06%	0.06%	0.07%	0.07%	0.06%	0.06%	0.05%
Proportionate share of the net pension liability	\$ 1,952,892	\$ 1,561,071	\$ 1,485,769	\$ 1,718,195	\$ 1,389,098	\$ 1,053,941	\$ 761,957
Covered - employee payroll	\$ 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	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	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 seven 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, 2021 through 2015**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Contractually required contribution	\$ 221,192	\$ 209,887	\$ 187,751	\$ 185,515	\$ 183,273	\$ 161,515	\$ 149,290
Contributions in relation to the contractually required contribution	\$ (221,192)	\$ (209,887)	\$ (187,751)	\$ (185,515)	\$ (183,273)	\$ (161,515)	\$ (149,290)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Department's covered-employee payroll	\$ 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	15.04%	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 seven 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, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>WATER PURCHASED</b>	\$ 5,349,570	\$ 4,780,837
<b>PLANT OPERATIONS AND DISTRIBUTION</b>		
Employee benefits	339,981	260,812
Insurance	34,774	25,925
Operating supplies and other	96,758	90,687
Payroll taxes	49,201	44,626
Repairs and maintenance	269,828	335,842
Salaries	648,337	603,811
Utilities	47,060	53,563
	1,485,939	1,415,266
<b>GENERAL AND ADMINISTRATIVE</b>		
Bad debts	13,026	24,646
Employee benefits	358,082	393,078
Insurance	19,115	12,853
Office supplies and postage	130,367	115,732
Other	116,166	104,793
Payroll taxes	58,231	55,507
Professional fees	48,876	48,307
Salaries	643,854	574,931
Taxes and fees	135,710	130,768
Utilities	24,590	22,314
	1,548,017	1,482,929
<b>DEPRECIATION AND AMORTIZATION</b>	2,825,190	2,681,615
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 11,208,716</b>	<b>\$ 10,360,647</b>

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, 2021**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 455,000	2.500%	\$ 206,669	\$ 661,669
2023	465,000	2.625%	194,878	659,878
2024	480,000	2.750%	182,175	662,175
2025	805,000	3.000%	163,500	968,500
2026	830,000	3.000%	138,975	968,975
2027	855,000	3.500%	111,563	966,563
2028	885,000	3.500%	81,113	966,113
2029	920,000	3.500%	49,525	969,525
2030	<u>955,000</u>	3.500%	<u>16,713</u>	<u>971,713</u>
Balance, June 30, 2021	<u>\$ 6,650,000</u>		<u>\$ 1,145,111</u>	<u>\$ 7,795,111</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, 2021**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 365,000	4.00%	\$ 420,644	\$ 785,644
2023	380,000	4.00%	405,744	785,744
2024	395,000	4.00%	390,244	785,244
2025	410,000	4.00%	374,144	784,144
2026	425,000	4.00%	357,444	782,444
2027	440,000	4.00%	340,144	780,144
2028	460,000	4.00%	322,144	782,144
2029	480,000	4.00%	303,344	783,344
2030	500,000	4.00%	283,744	783,744
2031	1,535,000	4.00%	243,043	1,778,043
2032	1,600,000	3.00%	188,343	1,788,343
2033	1,650,000	3.00%	139,593	1,789,593
2034	1,700,000	3.00%	88,281	1,788,281
2035	1,755,000	3.00%	34,297	1,789,297
2036	220,000	3.13%	3,437	223,437
Balance, June 30, 2021	<u>\$ 12,315,000</u>		<u>\$ 3,894,590</u>	<u>\$ 16,209,590</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, 2021**

**Fixed Assets**

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

**Accumulated Depreciation  
and Amortization**

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

See accompanying notes to financial statements.

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

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

**Fixed Assets**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	704,790	31,272	(14,336)	721,726
Vehicles	512,519	69,597	(38,896)	543,220
Shop equipment	58,275	-	(6,685)	51,590
Field equipment	730,094	51,125	(10,724)	770,495
Radio equipment	21,554	7,573	-	29,127
Pumping equipment	91,169	-	(9,980)	81,189
Water meters	3,018,552	363,760	(98,313)	3,283,999
Water services	1,378,630	-	-	1,378,630
Water tower	11,832,036	-	-	11,832,036
Main line	52,076,446	1,002,288	-	53,078,734
Structures and parking lots	1,744,205	-	-	1,744,205
Easements	459,361	-	-	459,361
Contributed water main	44,473,159	2,541,976	-	47,015,135
	117,374,410	4,067,591	(178,934)	121,263,067
Construction in progress	499,075	2,782,547	(1,037,941)	2,243,681
	<u>\$ 117,873,485</u>	<u>\$ 6,850,138</u>	<u>\$ (1,216,875)</u>	<u>\$ 123,506,748</u>

**Accumulated Depreciation  
and Amortization**

Office equipment	\$ 528,430	\$ 65,818	\$ (14,336)	\$ 579,912
Vehicles	375,691	57,905	(38,896)	394,700
Shop equipment	56,025	557	(6,685)	49,897
Field equipment	652,878	23,298	(10,724)	665,452
Radio equipment	17,087	1,745	-	18,832
Pumping equipment	60,871	6,119	(9,980)	57,010
Water meters	707,809	231,563	(98,313)	841,059
Water services	1,264,893	24,642	-	1,289,535
Water tower	4,387,422	236,072	-	4,623,494
Main line	16,473,455	1,058,855	-	17,532,310
Structures and parking lots	1,049,070	62,555	-	1,111,625
Contributed water main	9,057,326	912,486	-	9,969,812
	<u>\$ 34,630,957</u>	<u>\$ 2,681,615</u>	<u>\$ (178,934)</u>	<u>\$ 37,133,638</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, 2021 and 2020**

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 4/1/2020, new rates effective 4/1/2020 and the rates effective 7/1/2021 are shown below.

<b>Monthly Water Rates For Customers</b>	<b>Inside the City</b>		
	<b>Prior to 4/1/2020</b>	<b>Effective 4/1/2020</b>	<b>Effective 7/1/2021</b>
First 1,500 gallons or portion thereof	\$6.89 minimum	\$7.75 minimum	\$8.72 minimum
Next 98,500 gallons	\$2.99 / thousand	\$3.36 / thousand	\$3.78 / thousand
Next 400,000 gallons	\$2.65 / thousand	\$2.98 / thousand	\$3.35 / thousand
Next 500,000 gallons	\$2.41 / thousand	\$2.71 / thousand	\$3.05 / thousand
All in excess of 1,000,000 gallons	\$2.25 / thousand	\$2.53 / thousand	\$2.85 / thousand
<b>Monthly Water Rates For Customers</b>	<b>Outside the City</b>		
	<b>Prior to 4/1/2020</b>	<b>Effective 4/1/2020</b>	<b>Effective 7/1/2021</b>
First 1,500 gallons or portion thereof	\$8.82 minimum	\$9.92 minimum	\$11.16 minimum
Next 98,500 gallons	\$3.81 / thousand	\$4.29 / thousand	\$4.82 / thousand
Next 400,000 gallons	\$3.38 / thousand	\$3.80 / thousand	\$4.28 / thousand
Next 500,000 gallons	\$3.07 / thousand	\$3.45 / thousand	\$3.89 / thousand
All in excess of 1,000,000 gallons	\$2.88 / thousand	\$3.24 / thousand	\$3.65 / 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, 2021 and 2020

<u>WATER CUSTOMER CLASSIFICATIONS</u>	<b>NUMBER OF CUSTOMERS</b>	
	<u>2021</u>	<u>2020</u>
Residential customers	31,245	30,621
Commercial customers	3,036	2,945
Industrial customers	<u>46</u>	<u>45</u>
	<u>34,327</u>	<u>33,611</u>

See Independent Auditor's Report.

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

Schedules of Billable Gallons  
June 30, 2021 and 2020

<b>BILLABLE GALLONS CLASSIFICATIONS</b>	<b>NUMBER OF BILLABLE GALLONS</b>	
	<b>2021</b>	<b>2020</b>
Residential customers	1,711,956,500	1,527,737,800
Commercial customers	863,668,500	775,577,200
Industrial customers	452,305,000	431,781,900
	<u>3,027,930,000</u>	<u>2,735,096,900</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, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 13, 2021.

**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.



*Landmark PLC*  
Certified Public Accountants

Rogers, Arkansas  
October 13, 2021