



Rogers Water Utilities

A Component Unit of the City of Rogers, Arkansas

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

June 30, 2025



Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
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Independent Auditor's Report

Rogers Board of Public Utilities
Rogers Water Utilities
Rogers, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rogers Water Utilities (Utility), a component unit of the City of Rogers, Arkansas, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of June 30, 2025 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 (*Government Auditing Standards*). 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 Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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

Management is responsible for the preparation and fair presentation of the 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 Utility's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Utility'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 Utility'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's basic financial statements. The combining schedule of net position information – 2025, combining schedule of revenues, expenses, and changes in net position information – 2025, combining schedule of cash flows information – 2025, schedule of operating expenses – water – 2025, schedule of operating expenses – sewer – 2025, schedule of principal and interest payments – water revenue refunding bonds – series 2012, schedule of principal and interest payments – water revenue refunding bonds – series 2016, schedule of principal and interest payments – sewer revenue refunding bonds – series 2016, schedule of principal and interest payments – sewer revenue refunding bonds – series 2024, schedule of capital and subscription assets – water – 2025, schedule of capital and subscription assets – sewer – 2025, schedule of system rates – water – 2025, schedule of system rates – sewer – 2025, schedule of water customers – 2025, schedule of sewer customers – 2025, schedule of water billable gallons – 2025, schedule of sewer billable gallons – 2025, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost*

Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly 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 audit 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 GAAS. In our opinion, the 2025 combining information, 2025 schedules of operating expenses, schedules of principal and interest payments on Series 2012, 2016, and 2024 Bonds, 2025 schedules of capital and subscription assets, 2025 schedules of system rates, 2025 schedules of customers, 2025 schedules of billable gallons, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Audited by Other Auditors

The 2024 supplementary information for the year ended June 30, 2024, except for 2024 combining schedules of net position information, revenues, expenses, and changes in net position information and cash flows information, was audited by other auditors, whose report dated December 27, 2024 expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended June 30, 2024 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Utility's 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 Utility's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Rogers, Arkansas
December 17, 2025**

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2025 and 2024

This management's discussion and analysis of the financial performance of Rogers Water Utilities (Utility) and its departments, Rogers Water Utilities Sewer Department (Sewer Department) and Rogers Water Utilities Water Department (Water Department), provides an overview of the Utility's financial activities for the years ended June 30, 2025 and 2024. This overview should be read in conjunction with the Utility's financial statements, which begin on page 11. The Utility 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 Sewer Department and Water Department are 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 Utility's net position increased by \$18,958,196, or 7.0%, over fiscal year 2024. Net position increased by \$10,667,471, or 9.9%, and \$12,257,867, or 8.6%, for the Water Department and Sewer Department, respectively, in fiscal year 2024 over 2023.
- The Utility's operating revenues increased by \$2,067,512, or 5.4%, over fiscal year 2024. Operating revenues increased by \$1,012,997, or 5.6%, and \$1,359,578, or 7.5%, for the Water Department and Sewer Department, respectively, in fiscal year 2024 over 2023.
- The Utility's operating expenses increased by \$2,732,315, or 9.5%, over fiscal year 2024. Operating expenses increased by \$1,376,572, or 10.8%, and \$1,365,813, or 10.2%, for the Water Department and Sewer Department, respectively, in fiscal year 2024 over 2023.
- The Utility's net position before capital contributions increased by \$12,598,071 during fiscal year 2025. Net position before capital contributions increased by \$5,429,929 and \$8,636,439 for the Water Department and Sewer Department, respectively, in fiscal year 2024 over 2023.
- Construction costs of \$15,180,033 during fiscal year 2025 were incurred on a variety of projects, and \$21,614,612 of constructed assets were completed and placed in service. These were \$15,673,346 and \$4,731,584 for the Water Department and Sewer Department, respectively, in fiscal year 2024.
- Capital outlays for additions and improvements to the Utility, in addition to construction costs, were \$3,254,552 in fiscal year 2025. These were \$1,120,442 and \$4,295,150 for the Water Department and Sewer Department, respectively, in fiscal year 2024.

Rogers Water Utilities Fiscal Year 2025 Highlights

- The major sources of revenue for the Water and Sewer Departments are customer charges for consumption. In fiscal year 2025, these represented 87.6% of operating revenues. The number of water customers increased by 1,029, or 2.8%, from the prior year. Billed water consumption for residential, commercial, and industrial customers increased by 181 million gallons, or 5.5%, in fiscal year 2025. The number of sewer customers increased by 705, or 2.7%, from the prior year. Billed sewer consumption increased by 88 million gallons, or 3.9%, over the prior year. Revenue collections also benefited from water and sewer rate increases in fiscal year 2025. These rate increases went into effect July 2024 after being approved by the Rogers City Council in November 2019.
- In the Water Department, operating revenues from customer charges for consumption were \$17,710,224 among residential, commercial, and industrial customers. This is up 8.5% from \$16,320,547 in the prior fiscal year. In the Sewer Department, operating revenues from customer charges for consumption were \$17,908,092 among residential, commercial, and industrial customers. This is up 5.8% from \$16,927,254 in the prior fiscal year. Although the Utility has steadily increased water and sewer rates, a certain baseline of demand can be expected since household consumption is essentially inelastic. As the customer base increases, baseline consumption also increases. Changes in annual consumption are driven more significantly by rainfall patterns and totals, which influence outside watering of lawns and gardens.
- In addition to customer charges for consumption, the Utility collects development fees including impact fees by meter size and access fees by unit. The Utility also collects new customer fees to help cover administrative costs associated with setting up new accounts. Together, these fees are intended to shift the

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Years Ended June 30, 2025 and 2024

burden of funding infrastructure improvements to new customers rather than expecting existing customers to pay for growth. The timing and amount of development fees collected depend on the projects being constructed. In fiscal year 2025, these fees totaled \$3,354,155, up 3.4% from the \$3,245,115 collected in fiscal year 2024.

- Key nonoperating revenues in fiscal year 2025 included \$2,197,111 of interest income, essentially unchanged from interest income earned in the prior year. At June 30, 2025, the Utility was earning an average of 4.35% on its CDARS investments compared with 5.20% at June 30, 2024.
- Nonoperating revenues in fiscal year 2025 also included \$2,281,875 of government grants, down 13.6% from the \$2,900,388 received in the prior year. This included FEMA grants of \$93,985 as reimbursement for expenses related to 2024 tornado damage in Northwest Arkansas. It also included \$2,187,890 in American Rescue Plan Act (ARPA) funding as reimbursement for work completed on the Solids Handling Phase II project at the Rogers Pollution Control Facility (RPCF). The Arkansas Natural Resources Commission (ANRC) awarded the ARPA grant in December 2022.
- Capital contributions increased net position by \$6,360,125 in fiscal year 2025 compared to \$8,858,970 in the prior year. These represent water mains and sewer lines constructed by developers and donated for the Utility to own and maintain. Significant water and sewer assets contributed in fiscal year 2025 were associated with a new mixed-use development in the Pinnacle Hills area and a new apartment complex on Dodson Road.
- The single largest expense for the Utility is the wholesale purchase of water from Beaver Water District (BWD). On this line item in fiscal year 2025, the Utility spent \$6,322,841 representing 20.0% of operating expenses. In fiscal year 2024, the Utility spent \$5,841,341 representing 20.3% of operating expenses. Purchased water consumption increased by 0.7% from the prior year. Purchased water unaccounted for was 6.8% as of June 2025 (12-month rolling average), down slightly from 7.1% the prior year. In addition to consuming more water, the Utility also paid a higher wholesale rate. In October 2024, BWD implemented a rate increase of \$0.13 per thousand gallons, with the rate increasing from \$1.54 to \$1.67 per thousand gallons.
- Water and sewer distribution and wastewater treatment expenses accounted for 27.7% of total operating expenses in fiscal year 2025, down from 28.5% in fiscal year 2024. General and administrative expenses have assumed a slightly larger share of total operating expenses, from 19.8% in fiscal year 2024 to 20.2% in fiscal year 2025. Similarly, depreciation and amortization have increased from 31.5% of total operating expenses in fiscal year 2024 to 32.1% in fiscal year 2025.

Rogers Water Utilities Fiscal Year 2024 Highlights

- The change in net position before capital contributions exceeded budget by \$1,689,929 and \$4,878,887 and was more than prior year operating results by \$314,421 and \$2,876,205 for the Water Department and Sewer Department, respectively. A key contributor to this was government grant revenues of \$2,876,205 in regard to the Sewer Department.
- The number of customers increased by 769, or 2.1%, and 463, or 1.8%, for the Water Department and Sewer Department, respectively, from the prior year. Billed water consumption decreased by 1.9% for the Water Department and increased by 1.3% for the Sewer Department.
- In regard to the Water Department, purchased water consumption increased by 0.2% from the prior year. Our water supplier, BWD, implemented a rate increase of \$0.08 per thousand gallons effective October 1, 2023. The rate increased from \$1.46 to \$1.54 per thousand gallons.
- After implementing the Tyler Technologies software for billing and accounting functions in fiscal year 2023, The Utility also transitioned its timekeeping system to Tyler's Time & Attendance module in January 2024. For asset management, the Utility went "live" with Cityworks in October 2023. As a joint project with the City of Rogers, Cityworks has streamlined the plan review process for Utility Engineering staff and their city counterparts. This software implementation prompted the Utility to convert its AutoCad asset records into shapefiles and import them into ESRI ArcGIS for improved asset record inquiries and maintenance.
- The Utility continued its city-wide meter change out program, investing \$684,000 and \$604,000 for the Water Department and Sewer Department, respectively, in replacement meters. At this rate, the meter

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Years Ended June 30, 2025 and 2024

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, the Utility 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, 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 in 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 Utility 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, the Utility had incurred capital expenses of \$339,370, which was eligible for reimbursement from these grant funds. The ARPA grants required the Utility to contribute a minimum cost share of 50% of the total project costs.
- The Utility continues to work with Garver Engineers on a Western Corridor Transmission Main Study with the goals of meeting future consumption demands and adding resiliency to the water distribution system. The Utility expects the acquisition of necessary easements to begin as soon as fiscal year 2026 and construction of a new transmission main to begin by fiscal year 2029. This project was identified as a supply alternative in the Rogers Water Distribution System Master Plan adopted June 2022.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2025 and 2024

Financial Highlights

	<u>2025 – Utility</u>	<u>2024 – Water Department</u>	<u>2024 – Sewer Department</u>
Assets, Liabilities, and Net Position			
Assets			
Total current assets	\$ 56,751,093	\$ 24,924,307	\$ 23,853,264
Restricted cash, investments, and interest receivable	7,120,125	6,335,348	2,489,033
Other noncurrent assets	<u>264,318,041</u>	<u>109,134,595</u>	<u>141,109,253</u>
Total Assets	<u>328,189,259</u>	<u>140,394,250</u>	<u>167,451,550</u>
Deferred Outflows of Resources			
Pension costs	2,213,278	1,026,394	1,565,815
Deferred bond refunding loss	<u>288,539</u>	<u>344,231</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,501,817</u>	<u>1,370,625</u>	<u>1,565,815</u>
Liabilities			
Total current liabilities	10,962,146	4,147,534	4,440,753
Liabilities payable from restricted assets	-	1,485,636	38,234
Noncurrent liabilities	<u>28,161,034</u>	<u>18,133,694</u>	<u>10,096,513</u>
Total Liabilities	<u>39,123,180</u>	<u>23,766,864</u>	<u>14,575,500</u>
Deferred Inflows of Resources			
Pension costs	241,864	12,990	20,436
Deferred bond refunding loss	<u>148,021</u>	<u>-</u>	<u>186,635</u>
Total Deferred Inflows Of Resources	<u>389,885</u>	<u>12,990</u>	<u>207,071</u>
Net Position			
Net investment in capital assets	235,933,527	92,365,947	133,131,119
Restricted for debt service	5,650,129	4,849,712	2,450,799
Unrestricted	<u>49,594,355</u>	<u>20,769,362</u>	<u>18,652,876</u>
Total Net Position	<u>\$ 291,178,011</u>	<u>\$ 117,985,021</u>	<u>\$ 154,234,794</u>

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Years Ended June 30, 2025 and 2024

	<u>2025 – Utility</u>	<u>2024 – Water Department</u>	<u>2024 – Sewer Department</u>
Operating Results and Changes in Net Position			
Operating Revenues	<u>\$ 40,859,253</u>	<u>\$ 19,090,515</u>	<u>\$ 19,483,870</u>
Operating Expenses			
Depreciation and amortization	10,141,548	3,378,999	5,704,252
Other operating expenses	<u>21,419,876</u>	<u>10,703,623</u>	<u>9,048,533</u>
Total Operating Expenses	<u>31,561,424</u>	<u>14,082,622</u>	<u>14,752,785</u>
Operating Income	<u>9,297,829</u>	<u>5,007,893</u>	<u>4,731,085</u>
Other Revenues (Expenses)			
Interest expense	(654,922)	(609,387)	(119,180)
Other income	<u>3,955,164</u>	<u>1,031,423</u>	<u>4,024,534</u>
Total Other Revenues (Expenses)	<u>3,300,242</u>	<u>422,036</u>	<u>3,905,354</u>
Changes in Net Position Before Capital Contributions	12,598,071	5,429,929	8,636,439
Capital Contributions	<u>6,360,125</u>	<u>5,237,542</u>	<u>3,621,428</u>
Change in Net Position	18,958,196	10,667,471	12,257,867
Net Position, Beginning of Year	<u>272,219,815</u>	<u>107,317,550</u>	<u>141,976,927</u>
Net Position, End of Year	<u><u>\$ 291,178,011</u></u>	<u><u>\$ 117,985,021</u></u>	<u><u>\$ 154,234,794</u></u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2025, the Utility's investment in capital assets was approximately \$264,318,000 (net of accumulated depreciation and amortization). This investment in capital assets included land, buildings, improvements, machinery and equipment, subscription assets, and contributed property.

Major capital asset events include the following:

- Construction costs of \$15,180,033 during fiscal year 2025 were incurred on a variety of projects. Nearly 79% of this capital outlay was related to sewer projects, with the largest outlay of \$4,997,547 related to the Solids Handling Phase II project at the RPCF. Through fiscal year-end, the Utility had spent almost \$9 million toward that \$31 million project. Other improvements to Utility infrastructure included joint street projects with the City of Rogers. When the City undertakes street improvement projects, the Utility often uses the opportunity to improve the underlying water and sewer infrastructure. The Utility spent \$2,282,982 on water and sewer infrastructure for the Poplar Street improvement project, which was ongoing as of June 30, 2025.

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Years Ended June 30, 2025 and 2024

- Constructed assets completed and placed in service in fiscal year 2025 totaled \$21,614,612. The largest projects completed were a sewer main replacement in the Pinnacle area at \$7,194,828 and a sewer main replacement near Banz Road at \$3,572,185. These improvements were necessary due to capacity constraints caused by new development. Among the joint City street projects completed in fiscal year 2025, the Utility capitalized \$2,034,250 for water line improvements along Arkansas Street.
- In addition to construction costs, the Utility also spent \$3,254,552 related to other capital additions and improvements in fiscal year 2025. Among these investments were water meters totaling \$1,336,224. The Utility started a meter change out program in fiscal year 2017 with the goal of replacing all water meters throughout its service area. At fiscal year-end, there were about 1,100 old meters remaining. Utility staff expect to replace these within the next year. The anticipated useful life of the new Badger meters is 15 years.
- In fiscal year 2025, the Utility continued to work with engineering consultants on a Western Corridor Transmission Main study with the goals of meeting future consumption demands and adding resiliency to the water distribution system. Subsequent to the end of fiscal year 2025 and before the audited financials were reported, the Utility had begun to acquire the necessary easements with construction of a new transmission main to begin by fiscal year 2029. This project was identified as a supply alternative in the Rogers Water Distribution System Master Plan adopted June 2022.

Capital Funding

- Phase II of the RPCF Solids Handling Project is being funded by several sources. It is funded in part by the ARPA grant previously mentioned. The City of Rogers is participating by contributing a portion of its own ARPA funding; that \$1,155,821 contribution is expected in fiscal year 2026. Most of the project is being funded by bond proceeds as the Utility reimburses itself with draws from the Series 2024 Sewer Revenue Bonds.
- Other capital outlays in fiscal year 2025 were funded by current year revenues and cash reserves.

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

Long-Term Debt

The Utility had \$23,815,900 in revenue bonds outstanding as of June 30, 2025, which is an increase of \$502,318 from 2024, resulting from a combination of the additional draw downs on the Series 2024 bond and the scheduled principal payments made during fiscal year 2025.

Additional information regarding long-term debt can be found in Note 8 of this report.

Additional Management Comments

- The Utility has completed master plans for the water distribution system, the sewer collection system, and the RPCF. These plans anticipate a projected build-out of Rogers by 2045. They provide conservative cost estimates for future capital improvements that will allow the Utility to provide reliable service to current and future customers. Cost estimates will be further refined by in-depth design contracts. The master plans are updated every few years to account for new data and re-prioritize projects as necessary.
- *Act 605 of 2021* requires Arkansas public water and sewer utilities to conduct a rate study every five years. During fiscal year 2025, the Utility finalized water and sewer rate studies with the aid of a consultant. The data-driven approach considered revenue requirements related to ongoing operations and maintenance as well as the timing of planned capital projects. The master plans and corresponding cost estimates proved vitally important to this effort. The studies anticipate future capital projects will be funded by a combination of current year revenues, cash reserves, and new bond issues. The financing plans maintain required minimum reserves and preserve healthy debt service coverage ratios.
- The recommendations generated by the water and sewer rate studies formed the basis of multi-year rate schedules which management was preparing to present to the Rogers City Council at the end of fiscal year

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Years Ended June 30, 2025 and 2024

2025. Subsequent to the end of fiscal year 2025 and before the audited financials were reported, the Rogers City Council approved the rate schedules recommended by management. Initial rate increases will be effective October 1, 2025, with annual increases effective every July 1 thereafter through July 1, 2029. The approved City ordinances also authorized changes to development fees with per-unit access fees being eliminated but impact fees by meter size increasing across the board. The adoption of these rate and fee schedules puts the Utility in position to meet its future revenue requirements.

- The source of water for all Northwest Arkansas is Beaver Lake. While that source is expected to be sufficient for anticipated future demands, water supplier BWD is undertaking several significant capital improvements to enhance treatment capacity and distribution resiliency. Wholesale water rates are subject to annual increases driven by updated water usage forecasts and planned capital projects. BWD has provided a multi-year schedule of anticipated annual rate increases, which the Utility incorporated into its water rate study finalized in fiscal year 2025.
- 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..." The 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 and 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 RPCF. This case directly involves two neighboring pollution control facilities and the outcome will most likely affect the pending permit for the RPCF. At this time, no new permit has been received.
- In fiscal year 2025, the Utility's Information Technology staff continued implementing confidential projects to reduce the risk of cyberattacks, including ransomware. A major component of this strategy is the continuous training of all employees and regular vulnerability testing in collaboration with the Department of Homeland Security and CISA. IT staff also completed the development of custom solutions and automation in the Microsoft 365 environment to replicate some of the functionality of the Utility's legacy AS400 system. These efforts help modernize, secure, and scale Utility operations. IT staff also moved the Rogers Water Utilities website from an MSP-hosted service to a host controlled by the Utility. This approach offers robust features for security and website maintenance and development.
- The Utility's financial software is provided by Tyler Technologies, and staff have implemented new modules for improved efficiency in purchasing and accounting. In close coordination with the City of Rogers, the Utility has continued to enhance the tools available in the Cityworks Asset Management System and integrate them into standard operational processes. Scheduled upgrades to the Cityworks software will ensure the Utility remains on the fully supported and developed version. During fiscal year 2025, staff began redeploying the SCADA systems for water and sewer collection and distribution, as well as for the RPCF. This major undertaking is requiring investment in new hardware and software in addition to professional services. The goal of this project is to modernize the systems while enhancing stability, accessibility, scalability, and security.

Using This Annual Report

The Utility'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 Utility including resources held by the Utility but restricted for specific purposes by creditors. The Utility 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
A Component Unit of the City of Rogers, Arkansas
Statement of Net Position
June 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 12,905,804
Investments	37,597,708
Accounts receivable, net of allowance for doubtful accounts of \$552,162	4,988,530
Accrued interest receivable	14,190
Inventory	1,058,783
Prepaid expenses	<u>186,078</u>

Total Current Assets

56,751,093

Restricted Cash, Investments, and Interest Receivable

Restricted cash and cash equivalents	802,740
Investments	<u>6,317,385</u>

7,120,125

**Capital and Subscription Assets, Net of Accumulated
Depreciation and Amortization**

264,318,041

Total Assets

328,189,259

Deferred Outflows of Resources

Deferred pension outflows	2,213,278
Deferred bond refunding loss	<u>288,539</u>

2,501,817

Total Assets and Deferred Outflows of Resources

\$ 330,691,076

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statement of Net Position
June 30, 2025

(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities

Accounts payable – trade	\$ 1,378,989
Accounts payable to construction contractors	3,537,701
Accounts payable – other	447,276
Accrued expenses	1,329,032
Current portion of subscription liability	171,942
Current portion of bonds payable	2,570,000
Customer meter deposits	1,469,996
Accrued interest payable	57,210

Total Current Liabilities

10,962,146

Long-Term Liabilities

Subscription liability	264,902
Bonds payable, net of unamortized premiums and discounts	21,980,487
Net pension liability	5,915,645

Total Long-Term Liabilities

28,161,034

Total Liabilities

39,123,180

Deferred Inflows of Resources

Deferred pension inflows	241,864
Deferred bond refunding gain	148,021

389,885

Net Position

Net investment in capital assets	235,933,527
Restricted for debt service	5,650,129
Unrestricted	49,594,355

Total Net Position

291,178,011

Total Liabilities, Deferred Inflows of Resources, and Net Position

\$ 330,691,076

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating Revenues	
Residential water and sewer	\$ 21,757,742
Commercial water and sewer	9,253,479
Industrial water and sewer	4,607,095
Sprinkler service and hydrant	153,247
Service charges and penalties	848,127
Access, impact, and new customer fees	3,354,155
Other operating revenue	<u>885,408</u>
Total Operating Revenues	<u>40,859,253</u>
Operating Expenses	
Water purchased	6,322,841
Pollution control facility	3,614,295
Distribution	5,115,970
General and administrative	6,366,770
Depreciation and amortization	<u>10,141,548</u>
Total Operating Expenses	<u>31,561,424</u>
Operating Income	<u>9,297,829</u>
Other Revenues (Expenses)	
Interest income	2,197,111
Gain on sale of capital assets	36,950
Government grants – capital	2,281,875
Loss on disposal of capital assets	(549,972)
Interest expense	(654,922)
Trustee fees	<u>(10,800)</u>
	<u>3,300,242</u>
Change in Net Position Before Capital Contributions	12,598,071
Capital Contributions	<u>6,360,125</u>
Change in Net Position	18,958,196
Net Position, Beginning of Year	<u>272,219,815</u>
Net Position, End of Year	<u><u>\$ 291,178,011</u></u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statement of Cash Flows
Year Ended June 30, 2025

Cash Flows From Operating Activities	
Cash received from customers	\$ 36,086,028
Cash received from access, impact, and new customer fees	3,354,155
Cash received from service charges, penalties, and other operating revenue	1,727,237
Payments for water	(6,322,841)
Payments for salaries and benefits	(8,653,734)
Payments to suppliers for goods and services	(5,128,090)
	<u>21,062,755</u>
Net Cash Provided by Operating Activities	
Cash Flows From Investing Activities	
Interest income	2,402,599
Purchase of certificates of deposit	(38,350,000)
Maturities of certificates of deposit	35,344,558
Increase in meter deposits	79,470
Other nonoperating	(10,800)
	<u>(534,173)</u>
Net Cash Used in Investing Activities	
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(18,433,421)
Government grants	2,281,875
Principal payments on bonds	(2,620,706)
Proceeds from bond issuance	2,982,318
Payments on subscription liability	(278,659)
Interest and paying agent fees	(871,761)
	<u>(16,940,354)</u>
Net Cash Used in Capital and Related Financing Activities	
Increase in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	3,588,228
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	<u>10,120,316</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 13,708,544</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statement of Cash Flows
Year Ended June 30, 2025

(Continued)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 9,297,829
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	10,141,548
Allowance for doubtful accounts	87,334
Changes in assets and liabilities	
Accounts receivable	227,131
Inventory	(12,368)
Prepaid expenses	(794)
Accounts payable – trade and other	1,234,919
Accrued expenses and customer deposits	(348,458)
Net change in pension liability	435,614

Net Cash Provided by Operating Activities \$ 21,062,755

Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to the Statements of Net Position

Cash and cash equivalents	
Petty cash	\$ 1,775
Operating and maintenance	2,232,948
Checking	716,580
Savings	
Depreciation fund	9,745,128
Meter deposits	209,373

12,905,804

Restricted cash and cash equivalents	
Savings – water depreciation fund	351,391
Checking – meter deposits	121,093
Construction account	930
Savings – sewer depreciation fund	329,326

802,740

Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents \$ 13,708,544

Noncash Transactions

Capital contributions of property and equipment	\$ 6,360,125
Property and equipment additions included in accounts payable to construction contractors	\$ 3,537,701

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

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 (Utility) is a discretely presented 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 Utility operates through two separate departments – the Water Department and the Sewer Department. The Utility provides services to residents of the City of Rogers, Arkansas and certain surrounding areas. The City Council approves the rate changes of the Utility. The debt of the Utility is maintained in the name of the City of Rogers, Arkansas.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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 Utility. 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 Utility.

Other revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Fund Type

The Utility 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.

Use of Estimates

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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 that 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, 2025, the Utility had cash equivalents of \$3,423,787 consisting of certificates of deposit and money market accounts with brokers.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

Investments and Investment Income

Investments consist of certificates of deposit with original maturities of greater than 90 days and money market accounts with brokers. Certificates of deposit are recorded at amortized cost, which approximates fair value.

Investment income includes dividend and interest income and realized gains and losses on investments carried at other than fair value. Income related to investments is recorded when earned.

Accounts Receivable

Accounts receivable relate to water, sewer, 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 10 days after the billing date. Past-due accounts are charged a 10% penalty. Customers are required to make a deposit, and deposits can be offset against the receivable.

Inventory

Inventory is valued at the lower of average cost or market. Inventory consists of construction and maintenance supplies related to the water and sewer systems.

Long-Lived Assets

The Utility reviews long-lived assets and certain identifiable intangibles held and used by the Utility for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a long-lived asset has occurred. For the year ended June 30, 2025, this review has not materially affected the Utility's reported earnings, net position, or results of operations.

Contributed Capital

The Utility records all contributed fixed assets at their estimated acquisition 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 contributed assets, which are received from construction contractors, consist of sewer lines and related infrastructure. At June 30, 2025, cumulative gross contributed capital assets amounted to approximately \$127,330,000 for the Utility.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

Capital Assets

Capital assets are recorded at cost. Contributed property is recorded at acquisition 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 to 40 years
Mains and hydrants	50 years
Water towers	5 to 50 years
Water service lines	33 years
Sewer service lines	50 years
Meters	20 to 25 years
Pollution control facility	2 to 50 years
Shop equipment and machinery	2 to 10 years
Transportation equipment	3 to 10 years
Two-way radio system	5 to 15 years
Field equipment	2 to 20 years
Office equipment	3 to 20 years
Software hosting	3 years

The Utility'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 Utility at June 30, 2025 amounted to approximately \$13,035,000.

Subscription Assets

The Utility has recorded subscription assets as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Arrangements*. The subscription 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 asset into service. The subscription assets are amortized on a straight-line basis over the life of the related subscription.

Amortization of Bond Premiums and Discounts

Bond discounts and premiums are amortized over the lives of the related bond issues. Net amortization of \$140,705 for the year ended June 30, 2025 is included as a component of interest expense (see Note 8).

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 8). Amortization expense of \$38,614 is included as a reduction of interest expense for the year ended June 30, 2025.

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 8). Amortization expense of \$55,692 for the year ended June 30, 2025 is included as a component of interest expense.

Compensated Absences

The Utility's policies permit employees to earn time off benefits. The expense and related liability are recognized and accrued for leave earned and unused but more likely than not to be used or paid out in cash. Compensated absences are computed using the first in first out flow assumption and regular pay rates in effect at that date. The

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.

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 Utility has two items that qualify for reporting in this category: loss on bond refunding and changes regarding pension liabilities. A deferred outflow for a loss on bond refunding 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 regard to the deferred outflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB Statement No. 68, *Plan Reporting and Accounting Schedules* (see Note 11).

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Utility has two items that qualify for reporting in this category: gain on bond refunding and changes regarding pension liabilities. A deferred inflow for a gain on bond refunding 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 remaining life of the old debt or the new debt. In regard 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 11).

Net Position Classifications

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

Net Investment in Capital Assets. 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 for Debt Service Net Position. Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, or contributors or by laws and regulations of other governments.

Unrestricted Net Position. All other net assets that do not meet the definition of “net investment in capital assets” or “restricted.”

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

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

Adoption of GASB Statements

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The government adopted this standard on July 1, 2024 and applied it retrospectively to the earliest period presented. There was no effect on beginning net position as of July 1, 2024.

Note 3. Deposits in Financial Institutions

Deposits in financial institutions are financial instruments that could potentially subject the Utility to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At June 30, 2025, the Utility had approximately \$18,876,000 in deposit balances, of which \$500,000 were FDIC insured and the remaining balances were collateralized by securities held by a financial institution in the Utility's name. Additionally, the Utility had approximately \$38,997,000 in certificates of deposit reported as investments in the statement of net position, all of which were FDIC insured.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Note 4. Restricted Cash and Investments

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

	<u>2025</u>
Meter deposits	\$ 1,520,185
Debt service reserve	1,929,558
Depreciation reserve for additional replacements to the water system	351,391
Depreciation reserve for additional replacements to the sewer system	329,326
New customer fees collected for additions to fixed assets	<u>2,989,665</u>
	<u>\$ 7,120,125</u>

Note 5. Investments

The Utility'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.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Utility'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 Utility'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 Utility's investments consist of certificates of deposit with original maturities of greater than 90 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 Utility 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, 2025, investments of the Utility were fully collateralized or insured. The Utility's deposit policy for custodial credit risk requires compliance with the provision of the state law.

At June 30, 2025, the Utility's investments consisted of approximately \$43,915,000 held in certificates of deposit and money market accounts with brokers. All investments at June 30, 2025 had maturities of less than five years.

Note 6. Changes in Fixed Assets

	<u>Water</u> <u>June 30, 2024</u>	<u>Sewer</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2025</u>
Land	\$ 735,666	\$ 1,805,153	\$ -	\$ -	\$ 2,540,819
Buildings	1,764,482	73,640,692	334,929	-	75,740,103
Equipment	82,047,031	67,759,159	22,923,652	(1,804,861)	170,924,981
Vehicles	648,027	1,785,867	1,550,354	(442,957)	3,541,291
Subscription asset	1,134,932	1,134,932	-	-	2,269,864
Contributed property	65,433,484	55,536,874	6,360,125	-	127,330,483
Perpetual software	-	-	60,320	-	60,320
Construction in progress	6,094,427	16,037,707	15,180,033	(21,614,612)	15,697,555
	<u>157,858,049</u>	<u>217,700,384</u>	<u>46,409,413</u>	<u>(23,862,430)</u>	<u>398,105,416</u>
Accumulated depreciation and amortization	<u>(48,723,454)</u>	<u>(76,591,131)</u>	<u>(10,141,548)</u>	<u>1,668,758</u>	<u>(133,787,375)</u>
	<u>\$ 109,134,595</u>	<u>\$ 141,109,253</u>	<u>\$ 36,267,865</u>	<u>\$ (22,193,672)</u>	<u>\$ 264,318,041</u>

Note 7. Risk Management

The Utility 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

Note 8. 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 interest rate ranging from 1.00-3.50% 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 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. These bonds are expected to mature November 1, 2029.

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 interest rate ranging from 3.00% to 4.00% to refund \$13,995,000 of outstanding Water Revenue Improvement Bonds, Series 2006 with an average interest rate of 4.33%. 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 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 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 of the Series 2016 bonds. During the year ended June 30, 2025, amortization expense for prepaid bond insurance was \$833. The remaining prepaid bond insurance is included in the statement of net position under the caption "Prepaid expenses." Furthermore, the Series 2016 bonds had issuance costs of \$180,437. These bonds are expected to mature on May 1, 2036.

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 interest rate ranging from 3.00% to 4.00% 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 \$477,851. This difference, reported in the 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 next 21 years by \$14,537,274 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 bonds also included prepaid bond insurance costs of \$19,530, which are amortized against interest

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Financial Statements
June 30, 2025

expense over the life of the Series 2016 bonds. During the year ended June 30, 2025, amortization expense for prepaid bond insurance was \$1,578. The remaining prepaid bond insurance is included in the statement of net position under the caption "Prepaid expense." Furthermore, the Series 2016 bonds had issuance costs of \$176,374. These bonds are expected to mature on May 1, 2029.

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. Bond proceeds are being drawn down as construction expenses are incurred. These bonds are expected to mature November 1, 2046.

All Bond Issues

Utility 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, 2025 is 4.60 and 7.74 for the Water and Sewer Revenue Bonds, respectively. Total interest expense during the year ended June 30, 2025 totaled \$642,334.

The Utility is required to establish rates sufficient to pay the expenses and operation and maintenance of the systems, 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 5% of gross system revenues for the preceding month into the depreciation fund. The Utility was in compliance with all debt covenants for the year ended June 30, 2025.

Principal and interest maturities of the Utility's bonds are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,570,000	\$ 648,919	\$ 3,218,919
2027	3,444,975	821,072	4,266,047
2028	4,126,746	894,038	5,020,784
2029	3,152,314	787,284	3,939,598
2030	2,061,865	706,593	2,768,458
2031 through 2035	8,240,000	693,559	8,933,559
2036 through 2040	<u>220,000</u>	<u>3,438</u>	<u>223,438</u>
Total	<u>\$ 23,815,900</u>	<u>\$ 4,554,903</u>	<u>\$ 28,370,803</u>

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Following is a summary of changes in bonds payable:

	Water Department June 30, 2024	Sewer Department June 30, 2024	Increases	Decreases	June 30, 2025	Amounts Due Within One Year
Revenue Refunding Bonds, Series 2012	\$ 5,250,000	\$ -	\$ -	\$ 805,000	\$ 4,445,000	\$ 830,000
Revenue Refunding Bonds, Series 2016	11,175,000	5,735,000	-	1,675,000	15,235,000	1,740,000
Revenue Refunding Bonds, Series 2024	-	1,153,582	2,982,318	-	4,135,900	-
Bonds payable, gross	16,425,000	6,888,582	2,982,318	2,480,000	23,815,900	2,570,000
Plus premiums	340,751	534,542	-	140,706	734,587	-
	<u>\$ 16,765,751</u>	<u>\$ 7,423,124</u>	<u>\$ 2,982,318</u>	<u>\$ 2,620,706</u>	<u>\$ 24,550,487</u>	<u>\$ 2,570,000</u>

Note 9. Subscription-Based Information Technology Arrangements

The Utility has two subscription-based information technology arrangements for enterprise resource planning software. The agreements have terms of 3 to 4 years but automatically renew for a maximum of seven years. The Utility recognized subscription amortization and interest expense of \$324,264 and \$25,176, respectively, which are included in the statement of revenues, expenses, and changes in net position in operating expenses and other expenses, respectively, for the fiscal year ended June 30, 2025.

As of June 30, 2025, the value of the subscription assets was \$2,269,864 and had accumulated amortization of \$1,428,184.

Future payments on the subscription liability are as follows for the years ending June 30:

	Principal	Interest	Total
2026	\$ 171,942	\$ 17,558	\$ 189,500
2027	164,712	9,540	174,252
2028	100,190	2,608	102,798
Total	<u>\$ 436,844</u>	<u>\$ 29,706</u>	<u>\$ 466,550</u>

Note 10. Commitments and Concentrations

The Utility is committed to several construction contracts in process at June 30, 2025 totaling \$34,850,938. As of June 30, 2025, \$13,112,103 had been incurred in connection with these contracts.

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

Note 11. 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 (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 Five and Six 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 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 July 1, 2005	2.07%
Contributory, on or after July 1, 2005, but prior to July 1, 2007	2.03%
Contributory on or after July 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 five 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 five years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with five 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 five 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 5.75% of their salary. Employers are required to contribute at a rate established by the Board

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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, 2025. In some cases, an additional 2.5% of member and employer contributions is required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS' fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/apers/investments/reports-and-resources/>.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The collective net pension liability of \$2,488,121,912 was measured as of June 30, 2024, 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. The Utility's proportionate share of the net pension liability for the measurement year ended June 30, 2024 was 0.23775545%.

The Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 229,574	\$ (241,864)
Changes of assumptions	206,158	-
Changes in proportion and differences between employer contributions and proportionate share	670,693	-
Net difference between projected and actual earnings on pension plan investments	171,611	-
Contributions subsequent to measurement date	<u>935,242</u>	<u>-</u>
Balance, June 30, 2025	<u>\$ 2,213,278</u>	<u>\$ (241,864)</u>

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2026 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 financial statements as follows for the years ending June 30:

2026	\$ 1,013,468
2027	(319,677)
2028	(175,705)
2029	<u>518,086</u>
	<u>\$ 1,036,172</u>

Rogers Water Utilities
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Actuarial Assumptions

The total pension liability in the June 30, 2024 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	16 years (5.6 years for District Judges New Plan/Paid Off Old Plan and 12 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% (7.00% for District Judges Still Paying Old Plan)
Salary Increases	3.25% to 9.85% including inflation (3.25% to 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 Health 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.

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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 are summarized in the table below as of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	21%	3.38%
Total	<u>100%</u>	

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%
\$ 10,094,223	\$ 5,915,645	\$ 2,470,716

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 Utility. 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. Utility employee contributions for the year ended June 30, 2025 were \$312,382.

Deferred Compensation Plan

Utility employees may participate in the City of Rogers' 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 Utility for the deferred compensation plan.

Deferred compensation remitted for investment during the year ended June 30, 2025 was \$35,370. At June 30, 2025, there were 10 employees participating in the plan.

Educational Assistance Program

The Utility offers an education assistance plan (EAP) 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 one full calendar year of full-time employment with the Utility 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 in 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 of expense incurred such as receipts for payment of tuition, fees, books, supplies, etc.

Note 13. 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. The ANRC awarded \$2,527,260 for Phase II of the Rogers Pollution Control Facility Solids Handling Project. These grant funds were disbursed to the Utility in the year ended June 30, 2025 with \$339,370 reimbursing fiscal year 2024 expenses and \$2,187,890 reimbursing fiscal year 2025 expenses.

FEMA event DR-4788-AR was created in response to a May 30, 2024 disaster declaration following severe storms in Northwest Arkansas. The Utility was awarded disaster assistance to be reimbursed for property damage and related expenses. The obligated federal share of Utility expenses totaled \$182,265 with \$88,280 reimbursing fiscal year 2024 expenses and \$93,985 reimbursing fiscal year 2025 expenses.

Required Supplementary Information

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Proportionate Share of the Net Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.24 %	0.21 %	0.20 %	0.18 %	0.17 %	0.17 %	0.18 %	0.18 %	0.15 %	0.15 %
Proportionate share of the net pension liability	\$ 5,915,645	\$ 6,084,478	\$ 2,373,383	\$ 9,005,472	\$ 5,073,417	\$ 4,064,513	\$ 4,225,468	\$ 4,452,464	\$ 3,613,082	\$ 2,754,351
Covered – employee payroll	\$ 5,400,124	\$ 4,448,664	\$ 4,154,679	\$ 3,644,659	\$ 3,476,914	\$ 3,313,109	\$ 3,322,698	\$ 3,135,551	\$ 2,864,509	\$ 2,737,948
Proportionate share of the net pension liability as percentage of covered – employee payroll	109.55 %	136.77 %	57.13 %	247.09 %	145.92 %	122.68 %	127.17 %	142.00 %	126.13 %	100.60 %
Plan's fiduciary net position as a percentage of the total pension liability	81.61 %	77.94 %	78.31 %	93.57 %	75.38 %	78.55 %	79.59 %	75.65 %	75.50 %	80.39 %

Rogers Water Utilities
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Schedule of Contributions

	<u>2025</u>	<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>
Contractually required contribution	\$ 827,447	\$ 681,374	\$ 708,952	\$ 629,858	\$ 549,183	\$ 529,597	\$ 493,919	\$ 484,129	\$ 450,029	\$ 396,935
Contribution in relation to the contractually required contribution	\$ (827,447)	\$ (681,374)	\$ (708,952)	\$ (629,858)	\$ (549,183)	\$ (529,597)	\$ (493,919)	\$ (484,129)	\$ (450,029)	\$ (396,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered – employee payroll	\$ 5,400,124	\$ 4,448,664	\$ 4,154,679	\$ 3,644,659	\$ 3,476,914	\$ 3,313,109	\$ 3,322,698	\$ 3,135,551	\$ 2,864,509	\$ 2,737,948
Contribution as a percentage of covered – employee payroll	15.32 %	15.32 %	17.06 %	17.28 %	15.80 %	15.98 %	14.86 %	15.44 %	15.71 %	14.50 %

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to Required Supplementary Information
Year Ended June 30, 2025

Notes to Schedules

Benefit changes – For June 30, 2024, the inflation rate assumption was 3.25%, the overall payroll growth rate assumption was 3.25%. The long-term expected rate of return was 7.00%.

Changes of assumptions – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	4-Year smoothed market; 25% corridor (market value for still paying old plan)

Assumptions:

Inflation	3.25% wage inflation, 2.50% price inflation
Active Member Payroll Growth	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Investment Rate of Return	7.15% (7.00% for District Judges still paying old plan)
Discount Rate	7.00%
Cost-of-Living Arrangements	Equal to 3% of the current benefit

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabled annuitants based on RP-2025 tables for all plans for males or females, as appropriate, with slight adjustments to fit the PERA's experience.

Supplementary Information

Rogers Water Utilities
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Combining Schedule of Net Position Information
June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	\$ 10,734,058	\$ 2,171,746	\$ -	\$ 12,905,804
Investments	15,280,753	22,316,955	-	37,597,708
Accounts receivable, net of allowance for doubtful accounts of \$552,162	2,777,010	2,211,520	-	4,988,530
Due from water department	-	89,124	(89,124)	-
Accrued interest receivable	-	14,190	-	14,190
Inventory	911,643	147,140	-	1,058,783
Prepaid expenses	72,785	113,293	-	186,078
Total Current Assets	<u>29,776,249</u>	<u>27,063,968</u>	<u>(89,124)</u>	<u>56,751,093</u>
Restricted Cash, Investments, and Interest Receivable				
Restricted cash and cash equivalents	472,484	330,256	-	802,740
Investments	3,510,573	2,806,812	-	6,317,385
	<u>3,983,057</u>	<u>3,137,068</u>	<u>-</u>	<u>7,120,125</u>
Capital and Subscription Assets, Net of Accumulated Depreciation and Amortization				
	<u>114,173,201</u>	<u>150,144,840</u>	<u>-</u>	<u>264,318,041</u>
Total Assets	<u>147,932,507</u>	<u>180,345,876</u>	<u>(89,124)</u>	<u>328,189,259</u>
Deferred Outflows of Resources				
Deferred pension outflows	885,776	1,327,502	-	2,213,278
Deferred bond refunding loss	288,539	-	-	288,539
	<u>1,174,315</u>	<u>1,327,502</u>	<u>-</u>	<u>2,501,817</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 149,106,822</u>	<u>\$ 181,673,378</u>	<u>\$ (89,124)</u>	<u>\$ 330,691,076</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Net Position Information
June 30, 2025

(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable – trade	\$ 1,090,933	\$ 288,056	\$ -	\$ 1,378,989
Accounts payable to construction contractors	513,094	3,024,607	-	3,537,701
Accounts payable – other	447,276	-	-	447,276
Accrued expenses	631,410	697,622	-	1,329,032
Due to sewer department	89,124	-	(89,124)	-
Current portion of subscription liability	85,971	85,971	-	171,942
Current portion of bonds payable	1,255,000	1,315,000	-	2,570,000
Customer meter deposits	1,469,996	-	-	1,469,996
Accrued interest payable	56,560	650	-	57,210
Total Current Liabilities	<u>5,639,364</u>	<u>5,411,906</u>	<u>(89,124)</u>	<u>10,962,146</u>
Long-Term Liabilities				
Subscription liability	132,451	132,451	-	264,902
Bonds payable, net of unamortized premiums and discounts	14,265,641	7,714,846	-	21,980,487
Net pension liability	2,309,816	3,605,829	-	5,915,645
Total Long-Term Liabilities	<u>16,707,908</u>	<u>11,453,126</u>	<u>-</u>	<u>28,161,034</u>
Total Liabilities	<u>22,347,272</u>	<u>16,865,032</u>	<u>(89,124)</u>	<u>39,123,180</u>
Deferred Inflows of Resources				
Deferred pension inflows	94,438	147,426	-	241,864
Deferred bond refunding gain	-	148,021	-	148,021
	<u>94,438</u>	<u>295,447</u>	<u>-</u>	<u>389,885</u>
Net Position				
Net investment in capital assets	98,209,583	137,723,944	-	235,933,527
Restricted for debt service	2,513,061	3,137,068	-	5,650,129
Unrestricted	25,942,468	23,651,887	-	49,594,355
Total Net Position	<u>126,665,112</u>	<u>164,512,899</u>	<u>-</u>	<u>291,178,011</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 149,106,822</u>	<u>\$ 181,673,378</u>	<u>\$ (89,124)</u>	<u>\$ 330,691,076</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Revenues, Expenses, and Changes in Net Position Information
Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues				
Residential water and sewer	\$ 10,507,690	\$ 11,250,052	\$ -	\$ 21,757,742
Commercial water and sewer	5,336,256	3,917,223	-	9,253,479
Industrial water and sewer	1,866,278	2,740,817	-	4,607,095
Sprinkler service and hydrant	153,247	-	-	153,247
Service charges and penalties	665,649	182,478	-	848,127
Access, impact, and new customer fees	1,120,980	2,233,175	-	3,354,155
Other operating revenue	517,656	367,752	-	885,408
	<u>20,167,756</u>	<u>20,691,497</u>	<u>-</u>	<u>40,859,253</u>
Operating Expenses				
Water purchased	6,322,841	-	-	6,322,841
Pollution control facility	-	3,614,295	-	3,614,295
Distribution	2,802,463	2,313,507	-	5,115,970
General and administrative	2,960,909	3,405,861	-	6,366,770
Depreciation and amortization	3,799,689	6,341,859	-	10,141,548
	<u>15,885,902</u>	<u>15,675,522</u>	<u>-</u>	<u>31,561,424</u>
Operating Income	<u>4,281,854</u>	<u>5,015,975</u>	<u>-</u>	<u>9,297,829</u>
Other Revenues (Expenses)				
Interest income	1,101,802	1,095,309	-	2,197,111
Gain on sale of capital assets	163	36,787	-	36,950
Government grants	63,965	2,217,910	-	2,281,875
Loss on disposal of capital assets	(275,126)	(274,846)	-	(549,972)
Interest expense	(569,055)	(85,867)	-	(654,922)
Trustee fees	(6,800)	(4,000)	-	(10,800)
	<u>314,949</u>	<u>2,985,293</u>	<u>-</u>	<u>3,300,242</u>
Change in Net Position Before Capital Contributions	4,596,803	8,001,268	-	12,598,071
Capital Contributions	4,083,288	2,276,837	-	6,360,125
Change in Net Position	8,680,091	10,278,105	-	18,958,196
Net Position, Beginning of Year	117,985,021	154,234,794	-	272,219,815
Net Position, End of Year	<u>\$ 126,665,112</u>	<u>\$ 164,512,899</u>	<u>\$ -</u>	<u>\$ 291,178,011</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information
Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows From Operating Activities				
Cash received from customers	\$ 17,851,208	\$ 18,234,820	\$ -	\$ 36,086,028
Cash received from access, impact, and new customer fees	1,120,980	2,233,175	-	3,354,155
Cash received from service charges, penalties, and other operating revenue	1,183,305	543,932	-	1,727,237
Payments for water	(6,322,841)	-	-	(6,322,841)
Payments for salaries and benefits	(3,568,294)	(5,085,440)	-	(8,653,734)
Payments to suppliers for goods and services	(1,965,939)	(3,162,151)	-	(5,128,090)
Net Cash Provided by Operating Activities	<u>8,298,419</u>	<u>12,764,336</u>	<u>-</u>	<u>21,062,755</u>
Cash Flows From Investing Activities				
Interest income	1,153,606	1,248,993	-	2,402,599
Purchase of certificates of deposit	(16,350,000)	(22,000,000)	-	(38,350,000)
Maturities of certificates of deposit	15,894,290	19,450,268	-	35,344,558
Increase in meter deposits	79,470	-	-	79,470
Other nonoperating	(6,800)	(4,000)	-	(10,800)
Net Cash Provided by (Used in) Investing Activities	<u>770,566</u>	<u>(1,304,739)</u>	<u>-</u>	<u>(534,173)</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(5,051,663)	(13,381,758)	-	(18,433,421)
Government grants	63,965	2,217,910	-	2,281,875
Principal payments on bonds	(1,245,111)	(1,375,595)	-	(2,620,706)
Proceeds from bond issuance	-	2,982,318	-	2,982,318
Payments on subscription liability	(128,706)	(149,953)	-	(278,659)
Interest and paying agent fees, net of capitalized interest	(637,715)	(234,046)	-	(871,761)
Net Cash Used in Capital and Related Financing Activities	<u>(6,999,230)</u>	<u>(9,941,124)</u>	<u>-</u>	<u>(16,940,354)</u>
Increase in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	2,069,755	1,518,473	-	3,588,228
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	<u>9,136,787</u>	<u>983,529</u>	<u>-</u>	<u>10,120,316</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 11,206,542</u>	<u>\$ 2,502,002</u>	<u>\$ -</u>	<u>\$ 13,708,544</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information
Year Ended June 30, 2025

(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,281,854	\$ 5,015,975	\$ -	\$ 9,297,829
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	3,799,689	6,341,859	-	10,141,548
Allowance for doubtful accounts	(38,423)	125,757	-	87,334
Changes in assets and liabilities				
Accounts receivable	26,160	200,971	-	227,131
Inventory	(3,414)	(8,954)	-	(12,368)
Prepaid expenses	18,390	(19,184)	-	(794)
Accounts payable – trade and other	43,317	1,191,602	-	1,234,919
Accrued expenses and customer deposits	(164,437)	(184,021)	-	(348,458)
Net change in pension liability	223,058	212,556	-	435,614
Due from/to sewer department	112,225	(112,225)	-	-
Net Cash Provided by Operating Activities	<u>8,298,419</u>	<u>12,764,336</u>	<u>-</u>	<u>21,062,755</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents				
Petty cash	1,625	150	-	1,775
Operating and maintenance	61,352	2,171,596	-	2,232,948
Checking	716,580	-	-	716,580
Savings – depreciation fund	9,745,128	-	-	9,745,128
Savings – meter deposits	209,373	-	-	209,373
	<u>10,734,058</u>	<u>2,171,746</u>	<u>-</u>	<u>12,905,804</u>
Restricted cash and cash equivalents				
Savings – water depreciation fund	351,391	-	-	351,391
Checking – meter deposits	121,093	-	-	121,093
Construction account	-	930	-	930
Savings – sewer depreciation fund	-	329,326	-	329,326
	<u>472,484</u>	<u>330,256</u>	<u>-</u>	<u>802,740</u>
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	<u>\$ 11,206,542</u>	<u>\$ 2,502,002</u>	<u>\$ -</u>	<u>\$ 13,708,544</u>
Noncash Transactions				
Capital contributions of property and equipment	\$ 4,083,288	\$ 2,276,837	\$ -	\$ 6,360,125
Property and equipment additions included in accounts payable to construction contractors	\$ 513,094	\$ 3,024,607	\$ -	\$ 3,537,701

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Net Position Information (Unaudited)
June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	\$ 8,432,159	\$ 742,970	\$ -	\$ 9,175,129
Investments	12,704,896	20,325,561	-	33,030,457
Accounts receivable, net of allowance for doubtful accounts of \$464,828	2,764,747	2,552,438	-	5,317,185
Due from sewer department	23,101	-	(23,101)	-
Due from water department	-	-	-	-
Accrued interest receivable	-	-	-	-
Inventory	908,229	138,186	-	1,046,415
Prepaid expenses	91,175	94,109	-	185,284
Total Current Assets	<u>24,924,307</u>	<u>23,853,264</u>	<u>(23,101)</u>	<u>48,754,470</u>
Restricted Cash, Investments, and Interest Receivable				
Restricted cash and cash equivalents	704,628	240,559	-	945,187
Investments	5,630,720	2,248,474	-	7,879,194
	<u>6,335,348</u>	<u>2,489,033</u>	<u>-</u>	<u>8,824,381</u>
Capital and Subscription Assets, Net of Accumulated Depreciation and Amortization				
	<u>109,134,595</u>	<u>141,109,253</u>	<u>-</u>	<u>250,243,848</u>
Total Assets	<u>140,394,250</u>	<u>167,451,550</u>	<u>(23,101)</u>	<u>307,822,699</u>
Deferred Outflows of Resources				
Deferred pension outflows	1,026,394	1,565,815	-	2,592,209
Deferred bond refunding loss	344,231	-	-	344,231
	<u>1,370,625</u>	<u>1,565,815</u>	<u>-</u>	<u>2,936,440</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 141,764,875</u>	<u>\$ 169,017,365</u>	<u>\$ (23,101)</u>	<u>\$ 310,759,139</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Net Position Information (Unaudited)
June 30, 2024

(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable – trade	\$ 1,158,151	\$ 620,264	\$ -	\$ 1,778,415
Accounts payable to construction contractors	428,641	1,500,797	-	1,929,438
Accounts payable – other	421,194	-	-	421,194
Accrued expenses	795,847	881,643	-	1,677,490
Due to water department	-	23,101	(23,101)	-
Current portion of subscription liability	74,534	74,534	-	149,068
Current portion of software hosting	54,167	75,414	-	129,581
Current portion of bonds payable	1,215,000	1,265,000	-	2,480,000
Customer meter deposits	1,390,526	-	-	1,390,526
Accrued interest payable	95,110	38,234	-	133,344
Total Current Liabilities	<u>5,633,170</u>	<u>4,478,987</u>	<u>(23,101)</u>	<u>10,089,056</u>
Long-Term Liabilities				
Subscription liability	218,427	218,427	-	436,854
Bonds payable, net of unamortized premiums and discounts	15,550,751	6,158,124	-	21,708,875
Net pension liability	2,364,516	3,719,962	-	6,084,478
Total Long-Term Liabilities	<u>18,133,694</u>	<u>10,096,513</u>	<u>-</u>	<u>28,230,207</u>
Total Liabilities	<u>23,766,864</u>	<u>14,575,500</u>	<u>(23,101)</u>	<u>38,319,263</u>
Deferred Inflows of Resources				
Deferred pension inflows	12,990	20,436	-	33,426
Deferred bond refunding gain	-	186,635	-	186,635
	<u>12,990</u>	<u>207,071</u>	<u>-</u>	<u>220,061</u>
Net Position				
Invested in capital assets, net of related debt	92,365,947	133,131,119	-	225,497,066
Restricted	4,849,712	2,450,799	-	7,300,511
Unrestricted	20,769,362	18,652,876	-	39,422,238
Total Net Position	<u>117,985,021</u>	<u>154,234,794</u>	<u>-</u>	<u>272,219,815</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 141,764,875</u>	<u>\$ 169,017,365</u>	<u>\$ (23,101)</u>	<u>\$ 310,759,139</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Revenues, Expenses, and Changes in Net Position Information
(Unaudited)
Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues				
Residential water and sewer	\$ 9,687,583	\$ 10,754,882	\$ -	\$ 20,442,465
Commercial water and sewer	4,971,708	3,700,044	-	8,671,752
Industrial water and sewer	1,661,256	2,472,328	-	4,133,584
Sprinkler service and hydrant	148,779	-	-	148,779
Service charges and penalties	643,787	185,577	-	829,364
Access, impact, and new customer fees	1,215,325	2,029,790	-	3,245,115
Other operating revenue	762,077	341,249	-	1,103,326
	<u>19,090,515</u>	<u>19,483,870</u>	<u>-</u>	<u>38,574,385</u>
Operating Expenses				
Water purchased	5,841,341	-	-	5,841,341
Pollution control facility	-	3,609,492	-	3,609,492
Distribution	2,366,012	2,231,845	-	4,597,857
General and administrative	2,496,270	3,207,196	-	5,703,466
Depreciation and amortization	3,378,999	5,704,252	-	9,083,251
	<u>14,082,622</u>	<u>14,752,785</u>	<u>-</u>	<u>28,835,407</u>
Operating Income	<u>5,007,893</u>	<u>4,731,085</u>	<u>-</u>	<u>9,738,978</u>
Other Revenues (Expenses)				
Interest income	1,014,040	1,183,158	-	2,197,198
Gain on sale of capital assets	-	12,171	-	12,171
Government grants	24,183	2,876,205	-	2,900,388
Interest expense	(609,387)	(119,180)	-	(728,567)
Bond issuance costs	-	(43,000)	-	(43,000)
Trustee fees	(6,800)	(4,000)	-	(10,800)
	<u>422,036</u>	<u>3,905,354</u>	<u>-</u>	<u>4,327,390</u>
Change in Net Position Before Capital Contributions	5,429,929	8,636,439	-	14,066,368
Capital Contributions	<u>5,237,542</u>	<u>3,621,428</u>	<u>-</u>	<u>8,858,970</u>
Change in Net Position	10,667,471	12,257,867	-	22,925,338
Net Position, Beginning of Year	<u>107,317,550</u>	<u>141,976,927</u>	<u>-</u>	<u>249,294,477</u>
Net Position, End of Year	<u>\$ 117,985,021</u>	<u>\$ 154,234,794</u>	<u>\$ -</u>	<u>\$ 272,219,815</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information (Unaudited)
Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows From Operating Activities				
Cash received from customers	\$ 16,294,104	\$ 16,431,872	\$ -	\$ 32,725,976
Cash received from access, impact, and new customer fees	1,215,325	2,029,790	-	3,245,115
Cash received from service charges, penalties, and other operating revenue	1,449,511	526,826	-	1,976,337
Payments for water	(5,810,375)	-	-	(5,810,375)
Payments for salaries and benefits	(2,965,806)	(4,317,232)	-	(7,283,038)
Payments to suppliers for goods and services	(1,451,636)	(3,811,765)	-	(5,263,401)
Net Cash Provided by Operating Activities	<u>8,731,123</u>	<u>10,859,491</u>	<u>-</u>	<u>19,590,614</u>
Cash Flows From Investing Activities				
Interest income	1,014,040	1,183,158	-	2,197,198
Net change in investments	(406,058)	905,359	-	499,301
Net change in restricted investments	(818,067)	(511,041)	-	(1,329,108)
Net Cash Provided by (Used in) Investing Activities	<u>(210,085)</u>	<u>1,577,476</u>	<u>-</u>	<u>1,367,391</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(4,078,877)	(16,748,327)	-	(20,827,204)
Cash received from sale of capital assets	-	12,171	-	12,171
Government grants	24,183	2,876,205	-	2,900,388
Principal payments on bonds	(875,000)	(1,220,000)	-	(2,095,000)
Principal payments on software hosting	(134,126)	(113,821)	-	(247,947)
Proceeds from bond issuance	-	1,153,582	-	1,153,582
Payments on subscription liability	(87,126)	(87,126)	-	(174,252)
Bond issuance cost	-	(43,000)	-	(43,000)
Interest and paying agent fees, net of capitalized interest	(593,459)	(264,302)	-	(857,761)
Net Cash Used in Capital and Related Financing Activities	<u>(5,744,405)</u>	<u>(14,434,618)</u>	<u>-</u>	<u>(20,179,023)</u>
Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	2,776,633	(1,997,651)	-	778,982
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	<u>6,360,154</u>	<u>2,981,180</u>	<u>-</u>	<u>9,341,334</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 9,136,787</u>	<u>\$ 983,529</u>	<u>\$ -</u>	<u>\$ 10,120,316</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information (Unaudited)
Year Ended June 30, 2024

(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 5,007,893	\$ 4,731,085	\$ -	\$ 9,738,978
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	3,378,999	5,704,252	-	9,083,251
Allowance for doubtful accounts	(73,258)	(80,570)	-	(153,828)
Net change in pension liability	182,526	280,444	-	462,970
Changes in assets and liabilities				
Accounts receivable	(101,964)	(414,812)	-	(516,776)
Inventory	105,151	(1,902)	-	103,249
Prepaid expenses	12,849	56,065	-	68,914
Accounts payable – trade and other	(51,446)	403,387	-	351,941
Accrued expenses and customer deposits	222,661	229,254	-	451,915
Due from/to sewer department	47,712	(47,712)	-	-
Net Cash Provided by Operating Activities	<u>8,731,123</u>	<u>10,859,491</u>	<u>-</u>	<u>19,590,614</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents				
Petty cash	1,625	150	-	1,775
Operating and maintenance	101,854	742,820	-	844,674
Checking	976,720	-	-	976,720
Savings – depreciation fund	4,457,295	-	-	4,457,295
Savings – meter deposits	2,894,665	-	-	2,894,665
	<u>8,432,159</u>	<u>742,970</u>	<u>-</u>	<u>9,175,129</u>
Restricted cash and cash equivalents				
Savings – water depreciation fund	174,858	-	-	174,858
Checking – meter deposits	529,770	-	-	529,770
Construction account	-	324	-	324
Savings – sewer depreciation fund	-	240,235	-	240,235
	<u>704,628</u>	<u>240,559</u>	<u>-</u>	<u>945,187</u>
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	<u>\$ 9,136,787</u>	<u>\$ 983,529</u>	<u>\$ -</u>	<u>\$ 10,120,316</u>
Noncash Transactions				
Capital contributions of property and equipment	\$ 5,237,542	\$ 3,621,428	\$ -	\$ 8,858,970
Property and equipment additions included in accounts payable to construction contractors	\$ 428,641	\$ 1,500,797	\$ -	\$ 1,929,438
Interest on right-of-use subscription liability	\$ 16,220	16,220	\$ -	\$ 32,440

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Operating Expenses – Water
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Water Purchased	<u>\$ 6,322,841</u>	<u>\$ 5,841,341</u>
Distribution		
Employee benefits	514,164	405,117
Insurance	39,373	44,178
Operating supplies and other	192,591	155,168
Payroll taxes	88,656	81,026
Repairs and maintenance	652,488	464,874
Salaries	1,216,542	1,120,269
Utilities	98,649	95,380
Total Distribution	<u>2,802,463</u>	<u>2,366,012</u>
General and Administrative		
Bad debts	105,806	157,653
Employee benefits	339,227	410,375
Insurance	30,512	20,343
Office supplies and postage	373,911	170,640
Other	425,472	356,904
Payroll taxes	98,856	85,695
Professional fees	44,918	47,135
Salaries	1,369,470	1,082,259
Taxes and fees	145,090	140,765
Utilities	27,647	24,501
Total General and Administrative	<u>2,960,909</u>	<u>2,496,270</u>
Depreciation and Amortization	<u>3,799,689</u>	<u>3,378,999</u>
Total Operating Expenses	<u><u>\$ 15,885,902</u></u>	<u><u>\$ 14,082,622</u></u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Operating Expenses – Sewer
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Pollution Control Facility		
Employee benefits	\$ 347,972	\$ 438,773
Insurance	72,217	65,430
Operating supplies and other	173,404	187,007
Payroll taxes	86,070	79,597
Repairs and maintenance	452,640	458,653
Salaries	1,194,576	1,105,427
Sludge disposal costs	465,388	479,148
Supplies and postage	173,877	171,276
Utilities	648,151	624,181
Total Pollution Control Facility	<u>3,614,295</u>	<u>3,609,492</u>
Distribution		
Employee benefits	378,395	435,590
Insurance	47,721	41,454
Operating supplies and other	215,837	195,657
Payroll taxes	85,311	75,601
Repairs and maintenance	236,533	326,524
Salaries	1,189,273	1,055,886
Supplies and postage	23,886	17,916
Utilities	136,551	83,217
Total Distribution	<u>2,313,507</u>	<u>2,231,845</u>
General and Administrative		
Bad debts	80,136	146,960
Employee benefits	561,947	378,009
Franchise taxes/use taxes	637,174	652,729
Insurance	8,748	5,837
Office supplies and postage	167,953	163,646
Other	537,646	692,893
Payroll taxes	90,156	77,166
Professional fees	64,640	52,594
Salaries	1,231,285	1,013,328
Utilities	26,176	24,034
Total General and Administrative	<u>3,405,861</u>	<u>3,207,196</u>
Depreciation and Amortization	<u>6,341,859</u>	<u>5,704,252</u>
Total Operating Expenses	<u>\$ 15,675,522</u>	<u>\$ 14,752,785</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Principal and Interest Payments
Water Revenue Refunding Bonds – Series 2012
June 30, 2025

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
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, 2025	<u>\$ 4,445,000</u>		<u>\$ 397,889</u>	<u>\$ 4,842,889</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

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Principal and Interest Payments
Water Revenue Refunding Bonds – Series 2016
June 30, 2025

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 425,000	4.000%	\$ 357,444	\$ 782,444
2027	440,000	4.000%	340,144	780,144
2028	460,000	4.000%	322,144	782,144
2029	480,000	4.000%	303,344	783,344
2030	500,000	4.000%	283,744	783,744
2031	1,535,000	4.000%	243,044	1,778,044
2032	1,600,000	3.000%	188,344	1,788,344
2033	1,650,000	3.000%	139,594	1,789,594
2034	1,700,000	3.125%	88,281	1,788,281
2035	1,755,000	3.125%	34,297	1,789,297
2036	220,000	3.125%	3,438	223,438
	<u>\$ 10,765,000</u>		<u>\$ 2,303,818</u>	<u>\$ 13,068,818</u>
Balance, June 30, 2025				

Dated: December 13, 2016

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Principal and Interest Payments
Sewer Revenue Refunding Bonds – Series 2016
June 30, 2025

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,315,000	4.000%	\$ 152,500	\$ 1,467,500
2027	1,365,000	4.000%	98,900	1,463,900
2028	1,420,000	4.000%	43,200	1,463,200
2029	<u>370,000</u>	4.000%	7,400	377,400
Balance, June 30, 2025	<u>\$ 4,470,000</u>		<u>\$ 302,000</u>	<u>\$ 4,772,000</u>

Dated: December 13, 2016

Principal Payment Date: November 1

Interest Payment Dates: November 1 and May 1

Payable to: Regions Bank; Little Rock, Arkansas

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Principal and Interest Payments
Sewer Revenue Refunding Bonds – Series 2024
June 30, 2025

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	1.500%	\$ -	\$ -
2027	784,975	1.500%	270,466	1,055,441
2028	1,361,746	1.500%	447,582	1,809,328
2029	1,382,313	1.500%	427,015	1,809,328
2030	<u>606,866</u>	1.500%	<u>406,137</u>	<u>1,013,003</u>
Balance, June 30, 2025	<u>\$ 4,135,900</u>		<u>\$ 1,551,200</u>	<u>\$ 5,687,100</u>

Dated: April 10, 2024

Payment Dates: First 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

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Capital and Subscription Assets – Water
Year Ended June 30, 2025

	<u>Balance</u> <u>June 30, 2024</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2025</u>
Capital Assets				
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	660,109	43,556	-	703,665
Vehicles	648,027	552,033	(69,645)	1,130,415
Shop equipment	48,257	-	-	48,257
Field equipment	961,956	53,389	(26,510)	988,835
Radio equipment	33,932	-	-	33,932
Pumping equipment	97,328	9,011	-	106,339
Water meters	4,957,178	1,336,224	(815,631)	5,477,771
Water services	1,378,630	-	-	1,378,630
Water tower	13,510,750	-	(155,564)	13,355,186
Main line	60,398,891	5,841,308	-	66,240,199
Structures and parking lots	1,764,482	5,246	-	1,769,728
Easements	462,046	-	-	462,046
Contributed water main	65,433,484	4,083,288	-	69,516,772
	<u>150,628,690</u>	<u>11,924,055</u>	<u>(1,067,350)</u>	<u>161,485,395</u>
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	6,094,427	3,205,856	(5,993,705)	3,306,578
	<u>\$ 157,858,049</u>	<u>\$ 15,129,911</u>	<u>\$ (7,061,055)</u>	<u>\$ 165,926,905</u>
Accumulated Depreciation and Amortization				
Office equipment	\$ 475,104	\$ 48,043	\$ -	\$ 523,147
Vehicles	539,649	158,640	(69,645)	628,644
Shop equipment	47,059	287	-	47,346
Field equipment	670,020	67,985	(26,510)	711,495
Radio equipment	29,052	2,662	-	31,714
Pumping equipment	69,435	6,944	-	76,379
Water meters	1,336,319	359,378	(540,505)	1,155,192
Water services	1,354,338	8,976	-	1,363,314
Water tower	5,770,037	322,088	(132,779)	5,959,346
Main line	22,074,451	1,239,081	-	23,313,532
Structures and parking lots	1,362,288	64,986	-	1,427,274
Contributed water main	14,443,742	1,358,487	-	15,802,229
Subscription asset	551,960	162,132	-	714,092
	<u>\$ 48,723,454</u>	<u>\$ 3,799,689</u>	<u>\$ (769,439)</u>	<u>\$ 51,753,704</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Capital and Subscription Assets – Water
Year Ended June 30, 2024

	<u>Balance</u> <u>June 30, 2023</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital Assets				
Land	\$ 273,620	\$ -	\$ -	\$ 273,620
Office equipment	640,456	19,826	(173)	660,109
Vehicles	623,991	43,031	(18,995)	648,027
Shop equipment	46,900	1,357	-	48,257
Field equipment	901,968	59,988	-	961,956
Radio equipment	32,945	987	-	33,932
Pumping equipment	90,979	6,349	-	97,328
Water meters	4,272,889	684,289	-	4,957,178
Water services	1,378,630	-	-	1,378,630
Water tower	13,506,750	4,000	-	13,510,750
Main line	59,572,925	825,966	-	60,398,891
Structures and parking lots	1,759,282	5,200	-	1,764,482
Easements	462,011	35	-	462,046
Contributed water main	60,195,942	5,237,542	-	65,433,484
	<u>143,759,288</u>	<u>6,888,570</u>	<u>(19,168)</u>	<u>150,628,690</u>
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	<u>3,384,813</u>	<u>3,240,200</u>	<u>(530,586)</u>	<u>6,094,427</u>
	<u>\$ 148,279,033</u>	<u>\$ 10,128,770</u>	<u>\$ (549,754)</u>	<u>\$ 157,858,049</u>
Accumulated Depreciation and Amortization				
Office equipment	\$ 431,993	\$ 43,111	\$ -	\$ 475,104
Vehicles	503,178	55,467	(18,996)	539,649
Shop equipment	46,683	376	-	47,059
Field equipment	612,542	57,478	-	670,020
Radio equipment	26,434	2,618	-	29,052
Pumping equipment	64,435	5,000	-	69,435
Water meters	1,111,900	224,419	-	1,336,319
Water services	1,343,428	10,910	-	1,354,338
Water tower	5,448,835	321,202	-	5,770,037
Main line	20,875,092	1,199,359	-	22,074,451
Structures and parking lots	1,299,539	62,749	-	1,362,288
Contributed water main	13,209,565	1,234,177	-	14,443,742
Subscription asset	389,827	162,133	-	551,960
	<u>\$ 45,363,451</u>	<u>\$ 3,378,999</u>	<u>\$ (18,996)</u>	<u>\$ 48,723,454</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Capital and Subscription Assets – Sewer
Year Ended June 30, 2025

	<u>Balance June 30, 2024</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance June 30, 2025</u>
Capital Assets				
Land	\$ 663,254	\$ -	\$ -	\$ 663,254
Office equipment	647,645	46,588	-	694,233
Vehicles	1,785,867	998,321	(373,312)	2,410,876
Shop equipment	54,711	-	-	54,711
Field equipment	1,677,440	132,185	(15,584)	1,794,041
Radio equipment	61,038	12,466	-	73,504
Water meters	4,837,394	-	(791,572)	4,045,822
Sewer system	60,480,931	15,448,928	-	75,929,859
Pollution control facility	71,496,744	308,828	-	71,805,572
Structures and parking lots	2,143,948	20,852	-	2,164,800
Easements	1,141,899	-	-	1,141,899
Contributed sewer system	55,536,874	2,276,837	-	57,813,711
	<u>200,527,745</u>	<u>19,245,005</u>	<u>(1,180,468)</u>	<u>218,592,282</u>
Perpetual Software	-	60,320	-	60,320
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	<u>16,037,707</u>	<u>11,974,177</u>	<u>(15,620,907)</u>	<u>12,390,977</u>
	<u>\$ 217,700,384</u>	<u>\$ 31,279,502</u>	<u>\$ (16,801,375)</u>	<u>\$ 232,178,511</u>
Accumulated Depreciation and Amortization				
Office equipment	\$ 461,630	\$ 48,455	\$ -	\$ 510,085
Vehicles	1,409,717	262,415	(369,505)	1,302,627
Shop equipment	52,896	1,163	-	54,059
Field equipment	1,168,528	119,940	(13,088)	1,275,380
Radio equipment	56,266	3,448	-	59,714
Water meters	1,312,215	312,933	(516,726)	1,108,422
Sewer system	22,495,190	1,260,591	-	23,755,781
Pollution control facility	34,397,463	2,896,469	-	37,293,932
Structures and parking lots	1,509,013	86,096	-	1,595,109
Contributed sewer system	13,176,253	1,148,063	-	14,324,316
Perpetual software	-	40,154	-	40,154
Subscription asset	551,960	162,132	-	714,092
	<u>\$ 76,591,131</u>	<u>\$ 6,341,859</u>	<u>\$ (899,319)</u>	<u>\$ 82,033,671</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Capital and Subscription Assets – Sewer
Year Ended June 30, 2024

	<u>Balance</u> <u>June 30, 2023</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital Assets				
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>
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
Subscription asset	389,827	162,133	-	551,960
	<u>\$ 70,967,201</u>	<u>\$ 5,704,252</u>	<u>\$ (80,322)</u>	<u>\$ 76,591,131</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of System Rates – Water
Years Ended June 30, 2025 and 2024

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

Monthly Water Rates for Customers	Inside the City		
	Prior to July 1, 2024	Effective July 1, 2024	Effective July 1, 2025
Inside the City			
First 1,500 gallons or portion thereof	\$10.20 minimum	\$10.61 minimum	\$11.03 minimum
Next 98,500 gallons	\$4.43/thousand	\$4.60/thousand	\$4.78/thousand
Next 400,000 gallons	\$3.92/thousand	\$4.08/thousand	\$4.24/thousand
Next 500,000 gallons	\$3.57/thousand	\$3.71/thousand	\$3.86/thousand
All in excess of 1,000,000 gallons	\$3.33/thousand	\$3.47/thousand	\$3.61/thousand
Outside the City			
First 1,500 gallons or portion thereof	\$13.06 minimum	\$13.58 minimum	\$14.12 minimum
Next 98,500 gallons	\$5.64/thousand	\$5.87/thousand	\$6.10/thousand
Nest 400,000 gallons	\$3.92/thousand	\$4.08/thousand	\$5.42/thousand
Next 500,000 gallons	\$3.57/thousand	\$3.71/thousand	\$4.92/thousand
All in excess of 1,000,000 gallons	\$3.33/thousand	\$3.47/thousand	\$4.62/thousand

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of System Rates – Sewer
Years Ended June 30, 2025 and 2024

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

Monthly Sewer Rates for Customers	Inside the City		
	Prior to July 1, 2024	Effective July 1, 2024	Effective July 1, 2025
Inside the City			
Flat rate of	\$15.63	\$16.10	\$16.58
In addition to (up to 100,000)	\$5.44/thousand	\$5.60/thousand	\$5.77/thousand
All over 100,000	\$5.21/thousand	\$5.53/thousand	\$5.70/thousand
Outside the City			
Flat rate of	\$20.42	\$21.03	\$21.66
In addition to (up to 100,000)	\$7.08/thousand	\$7.30/thousand	\$7.52/thousand
All over 100,000	\$7.08/thousand	\$7.30/thousand	\$7.52/thousand
City of Lowell, Arkansas			
Flat rate of	\$18.75	\$19.32	\$19.89
In addition to (up to 100,000)	\$6.52/thousand	\$6.72/thousand	\$6.92/thousand
All over 100,000	\$6.44/thousand	\$6.63/thousand	\$6.83/thousand

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Water Customers
Years Ended June 30, 2025 and 2024

Water Customer Classifications	Number of Customers	
	2025	2024
Residential customers	34,292	33,318
Commercial customers	3,298	3,244
Industrial customers	48	47
Total	<u>37,638</u>	<u>36,609</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Sewer Customers
Years Ended June 30, 2025 and 2024

Sewer Customer Classifications	Number of Customers	
	2025	2024
Residential customers	24,574	23,886
Commercial customers	2,155	2,138
Industrial customers	33	33
Total	<u>26,762</u>	<u>26,057</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Water Billable Gallons
Years Ended June 30, 2025 and 2024

Billable Gallons Classifications	Number of Billable Gallons	
	2025	2024
Residential customers	1,854,439,358	1,767,092,254
Commercial customers	1,112,704,200	1,063,226,200
Industrial customers	517,583,900	473,788,600
Total	3,484,727,458	3,304,107,054

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Sewer Billable Gallons
Years Ended June 30, 2025 and 2024

Billable Gallons Classifications	Number of Billable Gallons	
	2025	2024
Residential customers	1,208,724,356	1,183,225,254
Commercial customers	651,446,100	623,491,800
Industrial customers	490,400,100	455,844,900
Total	<u>2,350,570,556</u>	<u>2,262,561,954</u>

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

Independent Auditor's Report

Rogers Board of Public Utilities
Rogers Water Utilities
Rogers, Arkansas

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Rogers Water Utilities (Utility), which comprise the Utility's statement of net position as of June 30, 2025, 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 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility'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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 entity'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Rogers, Arkansas
December 17, 2025**

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Rogers Board of Public Utilities
Rogers Water Utilities
Rogers, Arkansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Rogers Water Utilities' (Utility) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Utility's major federal program for the year ended June 30, 2025. The Utility's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Utility complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Utility's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Utility's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Utility's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Utility's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Utility's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Utility's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Rogers, Arkansas
December 17, 2025**

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Department of Treasury</u>				
Arkansas Natural Resources Commission COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	02190-ARPA-G	\$ -	\$ 2,187,890
<u>Department of Homeland Security</u>				
Arkansas Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4788-DR-AR	-	182,265
<i>Total Expenditures of Federal Awards</i>			<u>\$ -</u>	<u>\$ 2,370,155</u>

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Rogers Water Utilities (Utility) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Utility, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Utility.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Utility has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Emergency Management Agency (FEMA) Expenditures

The Utility has reported \$88,280 of expenditures on the 2025 Schedule for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program that were incurred in a prior year but not approved until fiscal year 2025.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over the major federal program:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None

5. Type of auditor’s report issued on compliance for the major federal program:

- Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7. Identification of the major federal program:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Reference Number	Summary of Finding	Status
	No matters are reportable.	