Rogers Water Utilities

A Component Unit of the City of Rogers, Arkansas

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2026 and 2025

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

Rogers Waterworks and Sewer Board of Commissioners
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 years ended June 30, 2026 and 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, 2026 and 2025, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's basic financial statements. The combining schedules of net position information – 2026 and 2025, combining schedules of revenues, expenses, and changes in net position information – 2026 and 2025, combining schedules of cash flows information – 2026 and 2025, schedule of operating expenses – water – 2026 and 2025, schedule of operating expenses – sewer – 2026 and 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 – 2026 and 2025, schedule of capital and subscription assets – sewer – 2026 and 2025, schedule of system rates – water – 2026, schedule of system rates – sewer – 2026, schedule of water customers – 2026 and 2025, schedule of sewer customers – 2026 and 2025, schedule of water billable gallons – 2026 and 2025, and schedule of sewer billable gallons – 2026 and 2025 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 information in the accompanying supplemental schedules as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2026, 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
October 22, 2026

This management's discussion and analysis (MD&A) of the financial performance of Rogers Water Utilities (Utility) and its departments, the Water Department and Sewer Department, provides an overview of the Utility's financial activities for the years ended June 30, 2026 and 2025. The Utility is a component unit of the City of Rogers, Arkansas, and is overseen by the Rogers Waterworks and Sewer Commission (Commission), an autonomous board of directors created by the Rogers City Council. The Water Department and Sewer Department are rate-funded, receiving no general tax revenue. The information presented in this overview should be read in conjunction with the basic financial statements and notes to the financial statements.

Overview of the Financial Statements

This report contains three basic financial statements. The Statement of Net Position presents financial position at fiscal year-end. The Statement of Revenues, Expenses, and Changes in Net Position measures operating results and changes in financial position over the year. The Statement of Cash Flows identifies cash generated and used by operating, investing, and financing activities. 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. This means the statements account for all the Utility's assets and obligations, both short- and long-term. The Utility recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid. An integral part of the basic financial statements is the Notes to Financial Statements, presented separately in this report for additional context and detail. The statements show the Utility's overall financial condition, while combining schedules in the Supplementary Information section disaggregate financial information by the Water and Sewer Departments.

The presentation of the 2024 financial information has been revised to combine the Water and Sewer operations for comparability with the 2025 and 2026 presentations.

Financial Summary

The tables in this section present condensed financial information comparing fiscal years 2026, 2025, and 2024. This financial summary supports the analysis of financial position and results of operations described in subsequent sections of this MD&A.

	2026	2025	2024
Assets, Liabilities, and Net Position			
Assets			
Total current assets	$ 65,543,788	$ 56,751,093	$ 48,777,571
Restricted cash, investments, and interest receivable	4,871,877	7,120,125	8,824,381
Other noncurrent assets	293,370,442	264,318,041	250,243,848
Total Assets	363,786,107	328,189,259	307,845,800
Deferred Outflows of Resources			
Pension costs	1,892,711	2,213,278	2,592,209
Deferred bond refunding loss	232,847	288,539	344,231
Total Deferred Outflows of Resources	2,125,558	2,501,817	2,936,440
Liabilities			
Total current liabilities	15,348,849	10,962,146	8,588,287
Liabilities payable from restricted assets	-	-	1,523,870
Noncurrent liabilities	40,152,308	28,161,034	28,230,207
Total Liabilities	55,501,157	39,123,180	38,342,364
Deferred Inflows of Resources			
Pension costs	515,759	241,864	33,426
Deferred bond refunding gain	109,406	148,021	186,635
Total Deferred Inflows Of Resources	625,165	389,885	220,061
Net Position			
Net investment in capital assets	249,019,697	235,933,527	225,497,066
Restricted	5,525,181	5,650,129	7,300,511
Unrestricted	55,240,465	49,594,355	39,422,238
Total Net Position	$ 309,785,343	$ 291,178,011	$ 272,219,815

	2026	2025	2024
Operating Results and Changes in Net Position			
Operating Revenues	$ 44,201,939	$ 40,859,253	$ 38,574,385
Operating Expenses			
Depreciation and amortization	10,422,614	10,141,548	9,083,251
Other operating expenses	23,071,617	21,419,876	19,752,156
Total Operating Expenses	33,494,231	31,561,424	28,835,407
Operating Income	10,707,708	9,297,829	9,738,978
Nonoperating Revenues (Expenses)			
Interest expense	(671,441)	(654,922)	(728,567)
Other income	8,571,065	10,315,289	13,914,927
Total Nonoperating Revenues (Expenses)	7,899,624	9,660,367	13,186,360
Change in Net Position	18,607,332	18,958,196	22,925,338
Net Position, Beginning of Year	291,178,011	272,219,815	249,294,477
Net Position, End of Year	$ 309,785,343	$ 291,178,011	$ 272,219,815

Detailed Analysis

This section of the MD&A describes significant changes as reported in the financial statements, analyzing the Utility's financial position and results of operations.

Fiscal Year 2026

The Utility's total net position as of June 30, 2026, was $309.8 million, an increase of $18.6 million or 6.4% compared with fiscal year 2025. Operating income of $10.7 million contributed to this increase, along with capital contributions and interest income which were both comparable to nonoperating revenues from the prior year.

Operating revenues totaled $44.2 million with customer charges for water and sewer consumption representing 89.7% of the total. The increase over last year was $2.4 million in the Sewer Department, accounting for nearly three quarters of the $3.3 million (8.2%) overall increase in operating revenues. Customer counts increased by 1.5% and 1.1% for water and sewer respectively. Billed water consumption for residential, commercial, and industrial customers increased modestly by 6 million gallons or 0.2%, tempered by a 14.4% year-over-year reduction in residential irrigation use. Billed sewer consumption increased by 85 million gallons or 3.6%. Changes in sewer consumption can outpace changes in water consumption when customers with irrigation meters, which are charged for water only, use these meters less. Heavy rainfall during the early part of fiscal year 2026 contributed to this usage pattern. Revenue collections were helped by two rounds of rate increases in fiscal year 2026. Rate increases effective July 1, 2025, were the last of the scheduled increases originally approved by the Rogers City Council in November 2019. Rate increases effective October 1, 2025, were the first of a new multi-year schedule of rates adopted by the Council in July 2025.

In addition to customer charges for consumption, Rogers Water Utilities collects development fees consisting of 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 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 2026, these fees totaled $2.4 million, down $1.0 million from the amount collected in fiscal year 2025.

Operating expenses totaled $33.5 million. The single largest operating expense for Rogers Water Utilities is the wholesale purchase of water from Beaver Water District (BWD). On this line item in fiscal year 2026, the Utility spent $7.1 million representing 21.3% of total operating expenses. The expense increased $796,000 or 12.6% from the prior year. In addition to consuming more water, the Utility also paid a higher wholesale rate. In October 2025, BWD implemented a rate increase of $0.15 per thousand gallons, with the rate increasing from $1.67 to $1.82 per thousand gallons.

The Utility treats wastewater collected from its system at the Rogers Pollution Control Facility (RPCF). Wastewater treatment costs were up $372,000 or 10.3% from the prior year. Half of this increase was associated with higher costs for natural gas and electricity. During fiscal year 2026, an industrial customer significantly exceeded its permitted parameters for wastewater discharge. This prompted additional equipment run time, chemical usage, and solid waste hauling from the treatment plant. The Utility did recoup some related charges from the customer and record other operating revenue.

Water and sewer distribution expenses increased by $409,000 or 8.0% from the prior year. The Sewer Department added one new budgeted position and paid for some extensive vehicle repairs.

General and administrative expenses increased by $75,000 or 1.2% from the prior year. A franchise fee paid to the City of Rogers for use of its rights-of-way increased $104,000 or 16.3%. Since the fee is calculated as a percentage of sewer charges billed to customers, it increases when sewer rates increase.

Depreciation and amortization expenses increased by $281,000 or 2.8% from the prior year. The increase was attributable to the Water Department, where the Utility capitalized new water meters and main line infrastructure. Depreciation associated with new Sewer assets was offset by sludge drying equipment which fully depreciated during fiscal year 2026.

No government grants were received in fiscal year 2026, explaining most of the $1.8 million decrease in nonoperating activity compared to fiscal year 2025. Net position was helped by a smaller loss on disposal of capital assets, down $403,000 from the prior year. A $147,000 loss in fiscal year 2026 and a $550,000 loss in fiscal year 2025 were both related to water meters replaced but not fully depreciated.

Capital contributions increased net position by $6.6 million, up $200,000 or 3.1% from the prior year. Developers constructed water mains and sewer lines totaling $5.4 million for the Utility to own and maintain. The most significant infrastructure was associated with a single-family residential development off Mount Hebron Road and a mixed-use development anchored by Whole Foods. Besides the infrastructure donated by developers, capital contributions in fiscal year 2026 also included sludge drying equipment purchased by the City of Rogers with American Rescue Plan Act (ARPA) funding on the Utility's behalf.

Fiscal Year 2025

The Utility's total net position as of June 30, 2025, was $291.2 million, an increase of $19.0 million or 7.0% compared with fiscal year 2024. Of that increase, $10.4 million was additional investment in capital assets, net of related debt. The increase was further explained by strong operating income and other revenues.

Operating revenues totaled $40.9 million with customer charges for water and sewer consumption representing 87.2% of the total. Operating revenues increased by $2.3 million or 5.9% compared with the prior year. The number of water customers increased by 1,029 or 2.8% while sewer customers increased by 705 or 2.7%. Billed water consumption for residential, commercial, and industrial customers increased by 181 million gallons or 5.5% while billed sewer consumption increased by 88 million gallons or 3.9%. 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.

Operating expenses totaled $31.6 million. The single largest operating expense for Rogers Water Utilities is the wholesale purchase of water from Beaver Water District (BWD). On this line item in fiscal year 2025, the Utility spent $6.3 million representing 20.0% of total operating expenses. The expense increased $482,000 or 8.2% from 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 expenses increased by $518,000 or 11.3% from the prior year. Over 80% of this increase was attributable to the Water Department where two new budgeted positions contributed to higher personnel costs and other significant increases stemmed from infrastructure maintenance, vehicle maintenance, and a write-off of obsolete inventory. The Sewer Department added one new budgeted position and reimbursed several customers for property damaged by sewer backups.

General and administrative expenses increased by $663,000 or 11.6% from the prior year. The Engineering Division added two new budgeted positions, and the Information Technology Division added a third. The Utility expensed nearly $414,000 on outside services related to engineering for joint street projects with the City of Rogers that are not expected to result in physical assets.

Depreciation and amortization expenses increased by $1.1 million or 11.7% from the prior year. The majority of this increase was in the Sewer Department as significant construction projects, including those capitalized at the end of fiscal year 2024, began to be depreciated.

Key nonoperating items included $2.3 million of government grants, down 19.6% from the $2.9 million received in the prior year. Revenues for fiscal year 2025 included FEMA grants of $93,985 as reimbursement for expenses related to 2024 tornado damage in Northwest Arkansas. They also included $2,187,890 in ARPA funds reimbursing capital outlays as described in the following section of this MD&A. The Utility recorded a loss of nearly $550,000 related to the disposal of water meters. These assets were not fully depreciated but had been replaced as of June 30, 2025.

Capital contributions increased net position by $6.4 million in fiscal year 2025. 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.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

As of June 30, 2026, the Utility's investment in capital assets was $293.4 million net of accumulated depreciation and amortization. The carrying value of capital assets increased $29.1 million or 11.0% over the prior fiscal year.

Construction costs of $30.4 million were incurred during fiscal year 2026 on a variety of projects. Over 85% of these outlays were related to sewer projects, the most significant being the Solids Handling Phase II project at the RPCF. This is a $37.5 million project to acquire redundant sludge dryers and construct all associated buildings and equipment. The existing dryer acquired in 2011 is maintenance intensive and does not meet its rated capacity,

making it inadequate to serve a customer base that has grown in the last decade. As of June 30, 2026, project costs have totaled $27.3 million. In fiscal year 2026, the City of Rogers contributed $1,155,821 of its ARPA funding toward the purchase of the new sludge drying equipment. The Arkansas Natural Resources Commission (ANRC) awarded the project a $2,527,260 ARPA grant, disbursed to the Utility in fiscal year 2025. Other funding includes cash reserves and long-term debt facilitated by the ANRC.

The next major investment at the RPCF is already underway. The Utility incurred design costs of $2.2 million in fiscal year 2026 as it lays the groundwork for a capacity improvement project expected to cost approximately $137 million. Following a request for qualifications, the Utility added to its project team by selecting a construction manager/general contractor (CM/GC). As of June 30, 2026, Utility staff were negotiating contract terms with the CM/GC for Phase I preconstruction services. Key deliverables of Phase I will be agreement on the project schedule and a guaranteed maximum price. This information will be useful to the Utility as it prepares to secure long-term financing in the form of new revenue bonds in fiscal year 2027.

Constructed assets completed and placed in service in fiscal year 2026 totaled $7.8 million. The largest was a joint project with the City of Rogers, as the City completed major improvements to Poplar Street and the Utility invested $2.3 million in adjoining water and sewer infrastructure. The Utility also capitalized smaller street projects in partnership with the City as well as various system rehabilitations.

In addition to construction costs, the Utility also spent $4.1 million on other capital additions and improvements. Among these investments were water meters totaling $1.7 million. In fiscal year 2026, the Utility finished a meter change out program it started in fiscal year 2017 to replace all water meters throughout its service area. The anticipated useful life of the new Badger meters is 15 years.

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

Long-Term Financing

The Utility issued a 2024 Series Sewer Revenue Bond in the principal amount of $31,246,250 to fund the solids handling project at the RPCF. Financing was arranged through the Arkansas Clean Water State Revolving Loan Fund, administered by the ANRC. At 1.5%, the lending rate was significantly lower than other available financing alternatives. During fiscal year 2026, advances from this loan totaled $16.0 million as the Utility incurred capitalized interest and reimbursed itself for project costs. At the date of this report, management anticipates closing on a bond swap that will extend the disbursement cut-off date from November 1, 2026, to March 1, 2027. Project delays have pushed the anticipated completion date by approximately four months. The bond swap will preserve the same lending rate and give the Utility more time to draw down available funds. It also will push the first monthly principal and interest payment from December 1, 2026, to April 1, 2027.

The Utility had $37.3 million in revenue bonds outstanding as of June 30, 2026, which is an increase of $13.4 million from 2025. This reflects the additional advances from the 2024 Series bond netted against the scheduled principal payments made during the year.

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

Currently Known Facts, Decisions, or Conditions

Management is aware of several factors expected to have an impact on the Utility's finances next year. These include scheduled rate increases, a budgeted master plan update, wholesale water costs, personnel costs, capital outlays, and long-term debt.

The Utility finalized its most recent water and sewer rate studies in 2025. The recommendations generated by the studies formed the basis of new multi-year rate schedules which the Rogers City Council adopted July 2025. The initial rate increases became effective October 1, 2025, with annual increases effective every July 1 thereafter

through July 1, 2029. The ordinances approved by the Council 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, including the significant debt service associated with future revenue bond issues. The rates scheduled to become effective July 1, 2026, will increase the average water bill by 7.5% and the average sewer bill by 15%.

The Utility's capital improvement schedules are guided by master plans for its water distribution system and its wastewater system. The wastewater system master plan was updated in fiscal year 2025. As a result of the update, management has reprioritized some projects while preserving essentially the same schedule of capital outlays anticipated by the 2025 rate study. The Utility budgeted $500,000 in fiscal year 2027 to update its water distribution system master plan, last updated in 2022. Utility engineers do not anticipate this update will dramatically change the outlook for the timing or magnitude of water infrastructure projects, but the update will be a significant undertaking. The Utility has selected a new consultant to take a fresh look at the existing water infrastructure and test management's underlying assumptions about what will be needed in the future.

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 Beaver Water District (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 multiyear schedule of anticipated annual rate increases, which the Utility incorporated into its most recent water rate study. Effective with the November billing for October usage, the wholesale cost of water will increase from $1.82 per thousand gallons to $1.98 per thousand gallons, an 8.8% increase.

Personnel costs are expected to increase in fiscal year 2027. The adopted budget anticipates salaries and benefits will rise by $658,000 or 7.1% compared with the budget for fiscal year 2026. The Pollution Control Facility is adding one new full-time position to assist with the maintenance of its new solids handling dryers. The budget also plans for merit raises of up to 0.5% and mid-year cost of living adjustments of 2.8%. Most of the increase, however, is due to the rising cost of health insurance. The Utility participates in the health plan offered by the City of Rogers and pays monthly a fixed premium per budgeted position, including both the employer share and the amount deducted from employee paychecks.

The capital budget is informed by management's knowledge of infrastructure conditions, project priorities, design timelines, and contractor schedules. Staff aim to ensure the Utility has a viable plan for funding possible outlays over the next year, but project delays are not uncommon. As a result, the Utility tends to spend less than the budgeted capital outlay. This caveat notwithstanding, the capital budget for fiscal year 2027 anticipates cash outlays of $62.9 million. This is an increase of $4.6 million or 7.9% compared with the prior year budget. Should the Utility spend the budgeted outlays, unrestricted cash reserves would decrease but remain well above the Commission-adopted required minimums for the Water and Sewer Departments.

As described in the section on capital asset activity, the Utility has begun working on a significant capacity improvement project at the RPCF. The 2025 rate study anticipated financing this project with new long-term debt. In September 2026, the Rogers City Council authorized the Utility to work with management's recommended underwriter and bond counsel. At the time of this report, management anticipates issuing Sewer revenue bonds in the spring of 2027 in a principal amount not to exceed $70 million. The planned issuance would allow management to reimburse unrestricted cash reserves for design costs presently being incurred. It would also make bond proceeds available in time to pay the first of the construction invoices owed to the CM/GC. A second issuance of Sewer revenue bonds is expected in fiscal year 2028 to complete the project.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statements of Net Position
June 30, 2026 and 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2026	2025
Current Assets		
Cash and cash equivalents	$ 17,836,249	$ 12,905,804
Investments	40,224,875	37,597,708
Accounts receivable, net of allowance for doubtful accounts of $601,000 and $552,162, respectively	6,217,381	4,988,530
Accrued interest receivable	-	14,190
Inventory	1,037,549	1,058,783
Prepaid expenses	227,734	186,078
Total Current Assets	65,543,788	56,751,093
Restricted Cash and Investments		
Restricted cash and cash equivalents	3,414,765	802,740
Investments	1,457,112	6,317,385
Total Restricted Cash and Investments	4,871,877	7,120,125
Capital and Subscription Assets, Net of Accumulated Depreciation and Amortization	293,370,442	264,318,041
Total Assets	363,786,107	328,189,259
Deferred Outflows of Resources		
Deferred pension outflows	1,892,711	2,213,278
Deferred bond refunding loss	232,847	288,539
Total Deferred Outflows of Resources	2,125,558	2,501,817
Total Assets and Deferred Outflows of Resources	$ 365,911,665	$ 330,691,076

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statements of Net Position
June 30, 2026 and 2025 **(Continued)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2026	2025
Current Liabilities		
Accounts payable – trade	$ 1,868,097	$ 1,378,989
Accounts payable to construction contractors	6,343,184	3,537,701
Accounts payable – other	492,250	447,276
Accrued expenses	1,722,738	1,329,032
Current portion of subscription liability	164,712	171,942
Current portion of bonds payable	3,166,137	2,570,000
Customer meter deposits	1,532,236	1,469,996
Accrued interest payable	59,495	57,210
Total Current Liabilities	15,348,849	10,962,146
Long-Term Liabilities		
Subscription liability	115,448	264,902
Bonds payable, net of unamortized premiums and discounts	34,684,705	21,980,487
Net pension liability	5,352,155	5,915,645
Total Long-Term Liabilities	40,152,308	28,161,034
Total Liabilities	55,501,157	39,123,180
Deferred Inflows of Resources		
Deferred pension inflows	515,759	241,864
Deferred bond refunding gain	109,406	148,021
Total Deferred Inflows of Resources	625,165	389,885
Net Position		
Net investment in capital assets	249,019,697	235,933,527
Restricted for capital projects	1,166,162	3,670,882
Restricted for debt service	4,359,019	1,979,247
Unrestricted	55,240,465	49,594,355
Total Net Position	309,785,343	291,178,011
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 365,911,665	$ 330,691,076

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating Revenues		
Residential water and sewer	$ 23,915,943	$ 21,757,742
Commercial water and sewer	10,291,002	9,253,479
Industrial water and sewer	5,421,026	4,607,095
Sprinkler service and hydrant	164,275	153,247
Service charges and penalties	860,211	848,127
Access, impact, and new customer fees	2,352,810	3,354,155
Other operating revenue	1,196,672	885,408
Total Operating Revenues	44,201,939	40,859,253
Operating Expenses		
Water purchased	7,119,146	6,322,841
Pollution control facility	3,985,937	3,614,295
Distribution	5,524,509	5,115,970
General and administrative	6,442,025	6,366,770
Depreciation and amortization	10,422,614	10,141,548
Total Operating Expenses	33,494,231	31,561,424
Operating Income	10,707,708	9,297,829
Nonoperating Revenues (Expenses)		
Interest income	2,152,040	2,197,111
Gain on sale of capital assets	17,415	36,950
Government grants – capital	-	2,281,875
Capital contributions	6,559,336	6,360,125
Loss on disposal of capital assets	(146,926)	(549,972)
Interest expense	(671,441)	(654,922)
Trustee fees	(10,800)	(10,800)
Total Nonoperating Revenues (Expenses)	7,899,624	9,660,367
Change in Net Position	18,607,332	18,958,196
Net Position, Beginning of Year	291,178,011	272,219,815
Net Position, End of Year	$ 309,785,343	$ 291,178,011

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows From Operating Activities		
Cash received from customers	$ 38,577,585	$ 36,086,028
Cash received from access, impact, and new customer fees	2,352,810	3,354,155
Cash received from service charges, penalties, and other operating revenue	2,056,883	1,727,237
Payments for water	(7,119,146)	(6,322,841)
Payments for salaries and benefits	(8,927,133)	(8,653,734)
Payments to suppliers for goods and services	(6,069,923)	(5,128,090)
Net Cash Provided by Operating Activities	20,871,076	21,062,755
Cash Flows From Investing Activities		
Interest income	2,152,040	2,402,599
Purchase of certificates of deposit	(117,818,178)	(38,350,000)
Maturities of certificates of deposit	120,051,283	35,344,558
Increase in meter deposits	62,240	79,470
Other nonoperating	(10,800)	(10,800)
Net Cash Provided by (Used in) Investing Activities	4,436,586	(534,173)
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(30,474,074)	(18,433,421)
Proceeds from disposal of assets	234,367	-
Government grants	-	2,281,875
Principal payments on bonds	(2,570,000)	(2,620,706)
Proceeds from bond issuance	16,011,060	2,982,318
Payments on subscription liability	(156,684)	(278,659)
Interest and paying agent fees	(809,861)	(871,761)
Net Cash Used in Capital and Related Financing Activities	(17,765,192)	(16,940,354)
Increase in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	7,542,470	3,588,228
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	13,708,544	10,120,316
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	$ 21,251,014	$ 13,708,544

	2026	2025
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 10,707,708	$ 9,297,829
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	10,422,614	10,141,548
Allowance for doubtful accounts	(48,838)	87,334
Changes in assets and liabilities		
Accounts receivable	(1,165,823)	227,131
Inventory	21,234	(12,368)
Prepaid expenses	(41,656)	(794)
Accounts payable – trade and other	534,082	1,234,919
Accrued expenses and customer deposits	393,706	(348,458)
Net change in pension liability	48,049	435,614
Net Cash Provided by Operating Activities	$ 20,871,076	$ 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	$ 2,275	$ 1,775
Operating and maintenance	7,435,874	2,232,948
Checking	690,505	716,580
Savings		
Depreciation fund	9,275,805	9,745,128
Meter deposits	431,790	209,373
	17,836,249	12,905,804
Restricted cash and cash equivalents		
Savings – water depreciation fund	271,827	351,391
Checking – meter deposits	200,072	121,093
Checking - 2012 and 2016 bonds	2,046,876	-
Checking - access and impact fees	652,336	-
Construction account	1,655	930
Savings – sewer depreciation fund	241,999	329,326
	3,414,765	802,740
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	$ 21,251,014	$ 13,708,544
Noncash Transactions		
Capital contributions of property and equipment	$ 6,559,336	$ 6,360,125
Property and equipment additions included in accounts payable to construction contractors	$ 6,343,184	$ 3,537,701

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.

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.

The Utility has classified its revenues as either operating or nonoperating revenues according to the following criteria.

All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Nonoperating revenues and expenses are any:

- Investment income and expenses
- Gains and losses from disposals of capital assets
- Government grants – capital
- Trustee fees
- Subsidies received and provided
- Capital contributions
- Revenues and expenses related to financing
- Resources from the disposal of capital assets and inventory

A subsidy represents amounts received from or provided to another party. Amounts received from another party are considered a subsidy if it is unrelated to the services provided by the Utility and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the party charging higher fees in the future.

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, 2026 and 2025, the Utility had cash equivalents of $2,699,212 and $3,423,787, respectively, consisting of certificates of deposit and money market accounts with brokers.

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 Asset Impairment

The Utility reviews long-lived assets and certain identifiable intangible assets 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 years ended June 30, 2026 and 2025, this review did not materially affect the Utility's reported financial position or changes in its financial position.

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 water mains and sewer lines and related infrastructure. At June 30, 2026 and 2025, cumulative gross contributed capital assets amounted to approximately $132,734,000 and $127,330,000, respectively, for the Utility.

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
Meters	15 years
Infrastructure	3 to 50 years
Shop equipment and machinery	3 to 10 years
Transportation equipment	3 to 10 years
Two-way radio system	5 to 15 years
Field equipment	3 to 20 years
Office equipment	3 to 10 years
Computer software	3 years
Vehicles	3 to 10 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 capital assets still in use by the Utility at June 30, 2026 and 2025 amounted to approximately $17,298,000, and $13,035,000, respectively. During 2026, the estimated useful lives of certain capital assets were revised based on management's reassessment of the expected service lives of those assets. The revisions were minimal and did not have a material effect on the financial statements.

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 both the years ended June 30, 2026 and 2025 is included as a reduction 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 both the years ended June 30, 2026 and 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 both the years ended June 30, 2026 and 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 estimated compensated absences liability expected to be paid is in accrued expenses on the statement of net position.

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 Net Position. Consists of net position 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 position 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.

Adoption of GASB Statements

In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the governmental financial reporting model to enhance consistency, comparability, and usefulness of financial information. Among other provisions, the Statement establishes requirements for the

presentation and disclosure of unusual or infrequent items, modifies certain management's discussion and analysis (MD&A) requirements, and updates the presentation of operating and nonoperating revenues and expenses for proprietary funds. The Utility adopted this Statement effective July 1, 2025, and applied the provisions retroactively, as applicable, to the earliest period presented. The adoption of GASB Statement No. 103 resulted in certain presentation and disclosure changes but had no effect on beginning net position as of July 1, 2025. Prior year capital contributions were reclassified to nonoperating revenues (expenses) to conform with 2026 presentation for GASB 103.

In September 2024, GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The new accounting guidance establishes additional disclosure requirements for certain capital assets, including lease assets, subscription assets, certain intangible assets, and capital assets held for sale. The Utility adopted this standard effective July 1, 2025. The adoption of GASB Statement No. 104 resulted in certain disclosure changes but had no effect on beginning net position as of July 1, 2025.

Reclassifications

Certain reclassifications have been made to the 2025 financial statement presentation and disclosures to conform to the 2026 presentation. These reclassifications had no effect on previously reported change in net position or total net position.

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, 2026 and 2025 the Utility had approximately $18,737,000 and $18,876,000, respectively, in deposit balances, of which $500,000 of the balances, respectively, 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 $41,682,000 and $38,997,000, respectively, 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:

	2026	2025
Meter deposits	$ 1,657,184	$ 1,520,185
Debt service reserve	2,048,531	1,929,558
Depreciation reserve for additional replacements to the water system	271,827	351,391
Depreciation reserve for additional replacements to the sewer system	241,999	329,326
New customer fees collected for additions to fixed assets	652,336	2,989,665
	$ 4,871,877	$ 7,120,125

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.

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, 2026 and 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, 2026 and 2025, the Utility's investments consisted of approximately $41,682,000 and $43,915,000, respectively, held in certificates of deposit and money market accounts with brokers. All investments at June 30, 2026 and 2025 had maturities of less than five years.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets and liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable

or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

All investments at June 30, 2026 and 2025 were Level 1 investments.

Note 6. Changes in Capital Assets

	July 1, 2025	Additions	Transfers/ Disposals	June 30, 2026
Land	$ 936,874	$ -	$ -	$ 936,874
Easements (Intangible Assets)	1,603,945	603,486	-	2,207,431
Buildings	3,934,622	535,697	(407)	4,469,912
Infrastructure	228,864,921	8,335,035	(216,953)	236,983,003
Equipment	4,341,948	241,370	(8,915)	4,574,404
Water meters	9,523,593	1,678,139	(357,234)	10,844,498
Vehicles	3,541,291	478,432	(50,186)	3,969,538
Subscription asset	2,269,864	-	-	2,269,864
Contributed property	127,330,483	5,403,515	-	132,733,998
Perpetual software	60,320	-	-	60,320
Construction in progress	15,697,555	30,357,060	(7,793,847)	38,260,767
	398,105,416	47,632,735	(8,427,542)	437,310,609
Accumulated depreciation and amortization	(133,787,375)	(10,422,614)	269,815	(143,940,168)
	$ 264,318,041	$ 37,210,121	$ (8,157,726)	$ 293,370,442

	July 1, 2024	Additions	Transfers/ Disposals	June 30, 2025
Land	$ 936,874	$ -	$ -	$ 936,874
Easements (Intangible Assets)	1,603,945	-	-	1,603,945
Buildings	3,908,430	26,192	-	3,934,622
Infrastructure	207,265,948	21,598,973	-	228,864,921
Equipment	4,242,414	297,192	(197,658)	4,341,948
Water meters	9,794,572	1,336,224	(1,607,203)	9,523,593
Vehicles	2,433,894	1,550,354	(442,957)	3,541,291
Subscription asset	2,269,864	-	-	2,269,864
Contributed property	120,970,358	6,360,125	-	127,330,483
Perpetual software	-	60,320	-	60,320
Construction in progress	22,132,134	15,180,033	(21,614,612)	15,697,555
	375,558,433	46,409,413	(23,862,430)	398,105,416
Accumulated depreciation and amortization	(125,314,591)	(10,141,548)	1,668,758	(133,787,375)
	$ 250,243,842	$ 36,267,865	$ (22,193,672)	$ 264,318,041

Note 7. Risk Management

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits.

Pursuant to Arkansas Code Annotated § 21-9-301, the Utility, as a municipal entity, is generally immune from liability for damages arising from torts, except to the extent covered by liability insurance. The Utility does not maintain general liability insurance and relies on statutory immunity with respect to applicable claims.

The Utility purchases commercial insurance coverage for property losses. It participates in Arkansas Municipal League public entity risk pools for motor vehicle liability and physical damage coverage and workers' compensation coverage. The Utility also participates in the City of Rogers' self-insured health benefit plan.

Settled claims have not exceeded applicable insurance or risk pool coverage in any of the three preceding fiscal years.

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 years ended June 30, 2026 and 2025, amortization expense for prepaid bond insurance each year 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 expense over the life of the Series 2016 bonds. During the years ended June 30, 2026 and 2025, amortization expense for prepaid bond insurance each year 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, 2026 is 5.10 for water and 5.38 for sewer. The debt service coverage ratio, calculated as described in the bond documents, as of June 30, 2025 is 5.13 for water and 7.31 for sewer. Total interest expense during the years ended June 30, 2026 and 2025 totaled $653,873 and $642,334, respectively.

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, 2026 and 2025.

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

	Principal	Interest	Total
2027	$ 3,166,137	$ 724,998	$ 3,891,135
2028	3,643,027	735,049	4,378,076
2029	2,661,288	635,600	3,296,888
2030	2,359,749	562,326	2,922,075
2031	2,453,414	491,248	2,944,662
2032 through 2036	11,729,380	1,482,669	13,212,049
2037 through 2041	5,178,322	654,773	5,833,095
2042 through 2046	5,581,370	251,725	5,833,095
2047	484,273	1,818	486,091
Total	$ 37,256,960	$ 5,540,206	$ 42,797,166

Following is a summary of changes in bonds payable:

	July 1, 2025	Increases	Decreases	June 30, 2026	Amounts Due Within One Year
Revenue Refunding Bonds, Series 2012	$ 4,445,000	$ -	$ 830,000	$ 3,615,000	$ 855,000
Revenue Refunding Bonds, Series 2016	15,235,000	-	1,740,000	13,495,000	1,805,000
Revenue Refunding Bonds, Series 2024	4,135,900	16,011,060	-	20,146,960	506,137
Bonds payable, gross	23,815,900	16,011,060	2,570,000	37,256,960	3,166,137
Plus premiums	734,587	-	140,705	593,882	-
	$ 24,550,487	$ 16,011,060	$ 2,710,705	$ 37,850,842	$ 3,166,137

	July 1, 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	16,910,000	-	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	23,313,582	2,982,318	2,480,000	23,815,900	2,570,000
Plus premiums	875,293	-	140,706	734,587	-
	$ 24,188,875	$ 2,982,318	$ 2,620,706	$ 24,550,487	$ 2,570,000

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 $17,568, which are included in the statement of revenues, expenses, and changes in net position in operating expenses and other expenses, respectively, for the years ended June 30, 2026 and 2025, respectively.

As of June 30, 2026 and 2025, the value of the subscription assets was $2,269,864 and had accumulated amortization of $1,752,448 and $1,428,184, respectively.

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

	Principal	Interest	Total
2027	$ 164,712	$ 9,540	$ 174,252
2028	115,448	2,608	118,056
Total	$ 280,160	$ 12,148	$ 292,308

Note 10. Commitments and Concentrations

The Utility is committed to several construction contracts in process at June 30, 2026 and 2025 totaling $60,212,431 and $34,850,938, respectively. As of June 30, 2026 and 2025, $32,849,577 and $13,112,103, respectively, had been incurred in connection with these contracts. As of June 30, 2026 and 2025, $27,362,854 and $21,738,835, respectively, is outstanding still to be paid in connection with these contracts. Construction projects primarily consist of improvements, rehabilitation, replacement, and expansion of the Utility's water and wastewater infrastructure and related facilities. The construction contracts will be financed through operations and issuance of bonds.

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 6.00% and 5.75% of their salary during the years ended June 30, 2026 and 2025, respectively. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal years ended June 30, 2026 and 2025. In some cases, an additional 2.5% of member and employer contributions is required for elected officials.

The Utility contributed $998,830 and $935,242 to the plan for the years ended June 30, 2026 and 2025, respectively.

APERS Fiduciary Net Position

Detailed information about APERS' fiduciary net position is available in the separately issued APERS Financial Report available at https://apers.org/employers/gasb-67-68/.

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

The collective net pension liability of $2,098,788,955 and $2,488,121,912 was measured as of June 30, 2025 and 2024, respectively, 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, 2025 and 2024 was 0.25501157% and 0.23775545%, respectively.

For the years ended June 30, 2026 and 2025, the Utility recognized pension expense of $1,029,803 and $1,353,778, respectively.

The Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,825	$ (160,709)
Changes of assumptions	92,868	-
Changes in proportion and differences between employer contributions and proportionate share	635,187	-
Net difference between projected and actual earnings on pension plan investments	-	(355,050)
Contributions subsequent to measurement date	998,830	-
Balance, June 30, 2026	$ 1,892,710	$ (515,759)

	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	935,242	-
Balance, June 30, 2025	$ 2,213,278	$ (241,864)

Contributions made subsequent to the measurement date will be reversed in fiscal year ending June 30, 2027 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:

2027	$ 108,308
2028	80,753
2029	189,060
	$ 378,121

Actuarial Assumptions

The total pension liability in the June 30, 2025 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	14 years (4.6 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
Investment Rate of Return	7.00%
Salary Increases	3.25% to 11.00% 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	The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 114% and 132% of the PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality tables males and females, respectively. The disabled retiree mortality tables, for post-retirement disabled mortality, used in evaluating allowances to be paid were 114% and 132% of the PubNS-2010 Amount-Weighted Disabled Retiree Mortality tables for males and females, respectively. The pre-retirement mortality tables used were 75% of the PubG-2010 Amount-Weighted Below-Median General Employee Mortality tables for active mortality experience. Mortality rates for a particular calendar year are determined by applying the MP-2021 mortality improvement scale to the above described tables.

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	14 years (4.6 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.

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, 2025:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic	39%	5.14%
International Equity	17%	5.97%
Real Estate	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
Total	100%	

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Discount Rate		
1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
$ 9,987,876	$ 5,352,155	$ 1,529,492

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 years ended June 30, 2026 and 2025 were $350,306 and $312,382, respectively.

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 years ended June 30, 2026 and 2025 was $107,420 and $35,370, respectively. At June 30, 2026 and 2025, there were nine and 10 employees, respectively, 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. No expenses were reimbursed for fiscal year 2026.

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. No expenses were reimbursed for fiscal year 2026.

Required Supplementary Information

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of the net pension liability	0.26 %	0.24 %	0.21 %	0.20 %	0.18 %	0.17 %	0.17 %	0.18 %	0.18 %	0.15 %
Proportionate share of the net pension liability	$ 5,352,155	$ 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
Covered – employee payroll	$ 6,104,716	$ 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
Proportionate share of the net pension liability as percentage of covered – employee payroll	87.67 %	109.55 %	136.77 %	57.13 %	247.09 %	145.92 %	122.68 %	127.17 %	142.00 %	126.13 %
Plan's fiduciary net position as a percentage of the total pension liability	85.04 %	81.61 %	77.94 %	78.31 %	93.57 %	75.38 %	78.55 %	79.59 %	75.65 %	75.50 %

The amounts presented for each fiscal year were determined as of June 30.

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Contributions

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 998,830	$ 827,447	$ 681,374	$ 708,952	$ 629,858	$ 549,183	$ 529,597	$ 493,919	$ 484,129	$ 450,029
Contribution in relation to the contractually required contribution	$ (998,830)	$ (827,447)	$ (681,374)	$ (708,952)	$ (629,858)	$ (549,183)	$ (529,597)	$ (493,919)	$ (484,129)	$ (450,029)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered – employee payroll	$ 6,104,716	$ 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
Contribution as a percentage of covered – employee payroll	16.36 %	15.32 %	15.32 %	17.06 %	17.28 %	15.80 %	15.98 %	14.86 %	15.44 %	15.71 %

The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedules

Benefit changes – For June 30, 2025, 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, 2025 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
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
Active Member Payroll Growth	3.25% to 11.00% including inflation (3.25% to 6.96% including inflation for District Judges)
Investment Rate of Return	7.00%
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.

Changes of Benefit Terms:

There were no changes in benefit terms that affected the measurement of the pension liability during the year ended June 30, 2026.

Changes of Assumptions:

The actuarial assumptions used in the June 30, 2025 valuation were updated for the June 30, 2026 valuation. Changes in assumptions included a decrease in the investment rate of return from 7.15% to 7.00%, an update to the salary increase assumptions from a range of 3.25% to 9.85% to a range of 3.25% to 11.00%, and updates to the mortality assumptions. Mortality assumptions were changed from RP-2006 mortality tables with generational mortality improvements using Scale MP-2017 to PubG-2010 mortality tables with generational mortality improvements using Scale MP-2021. In addition, the inflation assumption was revised to reflect a 3.25% wage inflation assumption.

Supplementary Information

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Net Position Information
June 30, 2026

	Water	Sewer	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	$ 10,577,518	$ 7,258,731	$ -	$ 17,836,249
Investments	17,580,304	22,644,571	-	40,224,875
Accounts receivable, net of allowance for doubtful accounts of $601,000	3,164,141	3,053,240	-	6,217,381
Due from sewer department	14,086	-	(14,086)	-
Inventory	866,241	171,308	-	1,037,549
Prepaid expenses	92,334	135,400	-	227,734
Total Current Assets	32,294,624	33,263,250	(14,086)	65,543,788
Restricted Cash and Investments				
Restricted cash and cash equivalents	1,852,754	1,562,011	-	3,414,765
Investments	1,457,112	-	-	1,457,112
Total Restricted Cash and Investments	3,309,866	1,562,011	-	4,871,877
Capital and Subscription Assets, Net of Accumulated Depreciation and Amortization	120,160,448	173,209,994	-	293,370,442
Total Assets	155,764,938	208,035,255	(14,086)	363,786,107
Deferred Outflows of Resources				
Deferred pension outflows	783,099	1,109,612	-	1,892,711
Deferred bond refunding loss	232,847	-	-	232,847
Total Deferred Outflows of Resources	1,015,946	1,109,612	-	2,125,558
Total Assets and Deferred Outflows of Resources	$ 156,780,884	$ 209,144,867	$ (14,086)	$ 365,911,665

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Net Position Information
June 30, 2026 **(Continued)**

	Water	Sewer	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable – trade	$ 1,356,064	$ 512,033	$ -	$ 1,868,097
Accounts payable to construction contractors	1,306,640	5,036,544	-	6,343,184
Accounts payable – other	492,250	-	-	492,250
Accrued expenses	899,406	823,332	-	1,722,738
Due to water department	-	14,086	(14,086)	-
Current portion of subscription liability	82,356	82,356	-	164,712
Current portion of bonds payable	1,295,000	1,871,137	-	3,166,137
Customer meter deposits	1,532,236	-	-	1,532,236
Accrued interest payable	59,170	325	-	59,495
Total Current Liabilities	7,023,122	8,339,813	(14,086)	15,348,849
Long-Term Liabilities				
Subscription liability	57,724	57,724	-	115,448
Bonds payable, net of unamortized premiums and discounts	12,940,531	21,744,174	-	34,684,705
Net pension liability	2,183,065	3,169,090	-	5,352,155
Total Long-Term Liabilities	15,181,320	24,970,988	-	40,152,308
Total Liabilities	22,204,442	33,310,801	(14,086)	55,501,157
Deferred Inflows of Resources				
Deferred pension inflows	210,370	305,389	-	515,759
Deferred bond refunding gain	-	109,406	-	109,406
Total Deferred Inflows of Resources	210,370	414,795	-	625,165
Net Position				
Net investment in capital assets	104,711,044	144,308,653	-	249,019,697
Restricted for capital projects	636,773	529,389	-	1,166,162
Restricted for debt service	1,751,340	2,607,679	-	4,359,019
Unrestricted	27,266,915	27,973,550	-	55,240,465
Total Net Position	134,366,072	175,419,271	-	309,785,343
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 156,780,884	$ 209,144,867	$ (14,086)	$ 365,911,665

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, 2026

	Water	Sewer	Eliminations	Total
Operating Revenues				
Residential water and sewer	$ 10,920,915	$ 12,995,028	$ -	$ 23,915,943
Commercial water and sewer	5,553,174	4,737,828	-	10,291,002
Industrial water and sewer	2,098,933	3,322,093	-	5,421,026
Sprinkler service and hydrant	164,275	-	-	164,275
Service charges and penalties	651,580	208,631	-	860,211
Access, impact, and new customer fees	1,005,250	1,347,560	-	2,352,810
Other operating revenue	691,137	505,535	-	1,196,672
Total Operating Revenues	21,085,264	23,116,675	-	44,201,939
Operating Expenses				
Water purchased	7,119,146	-	-	7,119,146
Pollution control facility	-	3,985,937	-	3,985,937
Distribution	2,927,154	2,597,355	-	5,524,509
General and administrative	3,002,403	3,439,622	-	6,442,025
Depreciation and amortization	4,083,041	6,339,573	-	10,422,614
Total Operating Expenses	17,131,744	16,362,487	-	33,494,231
Operating Income	3,953,520	6,754,188	-	10,707,708
Nonoperating Revenues (Expenses)				
Interest income	1,084,410	1,067,630	-	2,152,040
Gain on sale of capital assets	10,915	6,500	-	17,415
Capital contributions	3,255,957	3,303,379	-	6,559,336
Loss on disposal of capital assets	(73,241)	(73,685)	-	(146,926)
Interest expense	(523,801)	(147,640)	-	(671,441)
Trustee fees	(6,800)	(4,000)	-	(10,800)
Total Nonoperating Revenues (Expenses)	3,747,440	4,152,184	-	7,899,624
Change in Net Position	7,700,960	10,906,372	-	18,607,332
Net Position, Beginning of Year	126,665,112	164,512,899	-	291,178,011
Net Position, End of Year	$ 134,366,072	$ 175,419,271	$ -	$ 309,785,343

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information
Year Ended June 30, 2026

	Water	Sewer	Eliminations	Total
Cash Flows From Operating Activities				
Cash received from customers	$ 18,350,166	$ 20,227,419	$ -	$ 38,577,585
Cash received from access, impact, and new customer fees	1,005,250	1,347,560	-	2,352,810
Cash received from service charges, penalties, and other operating revenue	1,342,717	714,166	-	2,056,883
Payments for water	(7,119,146)	-	-	(7,119,146)
Payments for salaries and benefits	(3,672,105)	(5,255,028)	-	(8,927,133)
Payments to suppliers for goods and services	(1,609,158)	(4,460,765)	-	(6,069,923)
Net Cash Provided by Operating Activities	8,297,724	12,573,352	-	20,871,076
Cash Flows From Investing Activities				
Interest income	1,084,410	1,067,630	-	2,152,040
Purchase of certificates of deposit	(68,449,815)	(49,368,363)	-	(117,818,178)
Maturities of certificates of deposit	68,203,725	51,847,558	-	120,051,283
Increase in meter deposits	62,240	-	-	62,240
Other nonoperating	(6,800)	(4,000)	-	(10,800)
Net Cash Provided by (Used in) Investing Activities	893,760	3,542,826	-	4,436,586
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(6,235,917)	(24,238,157)	-	(30,474,074)
Proceeds from disposal of assets	152,806	81,561	-	234,367
Principal payments on bonds	(1,255,000)	(1,315,000)	-	(2,570,000)
Proceeds from bond issuance	-	16,011,060	-	16,011,060
Payments on subscription liability	(78,342)	(78,342)	-	(156,684)
Interest and paying agent fees, net of capitalized interest	(551,301)	(258,560)	-	(809,861)
Net Cash Used in Capital and Related Financing Activities	(7,967,754)	(9,797,438)	-	(17,765,192)
Increase in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	1,223,730	6,318,740	-	7,542,470
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	11,206,542	2,502,002	-	13,708,544
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	$ 12,430,272	$ 8,820,742	$ -	$ 21,251,014

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Combining Schedule of Cash Flows Information
Year Ended June 30, 2026 **(Continued)**

	Water	Sewer	Eliminations	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$ 3,953,520	$ 6,754,188	$ -	$ 10,707,708
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	4,083,041	6,339,573	-	10,422,614
Allowance for doubtful accounts	(15,819)	(33,019)	-	(48,838)
Changes in assets and liabilities				
Accounts receivable	(371,312)	(794,511)	-	(1,165,823)
Inventory	45,402	(24,168)	-	21,234
Prepaid expenses	(19,549)	(22,107)	-	(41,656)
Accounts payable – trade and other	310,105	223,977	-	534,082
Accrued expenses and customer deposits	267,996	125,710	-	393,706
Net change in pension liability	147,550	(99,501)	-	48,049
Due from/to sewer department	(103,210)	103,210	-	-
Net Cash Provided by Operating Activities	8,297,724	12,573,352	-	20,871,076
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents				
Petty cash	2,125	150	-	2,275
Operating and maintenance	177,293	7,258,581	-	7,435,874
Checking	690,505	-	-	690,505
Savings – depreciation fund	9,275,805	-	-	9,275,805
Savings – meter deposits	431,790	-	-	431,790
	10,577,518	7,258,731	-	17,836,249
Restricted cash and cash equivalents				
Savings – water depreciation fund	271,827	-	-	271,827
Checking – meter deposits	200,072	-	-	200,072
Checking – 2012 and 2016 bonds	1,015,909	1,030,967	-	2,046,876
Checking – access and impact fees	364,946	287,390	-	652,336
Construction account	-	1,655	-	1,655
Savings – sewer depreciation fund	-	241,999	-	241,999
	1,852,754	1,562,011	-	3,414,765
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	$ 12,430,272	$ 8,820,742	$ -	$ 21,251,014
Noncash Transactions				
Capital contributions of property and equipment	$ 3,255,957	$ 3,303,379	$ -	$ 6,559,336
Property and equipment additions included in accounts payable to construction contractors	$ 1,306,640	$ 5,036,544	$ -	$ 6,343,184

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

	Water	Sewer	Eliminations	Total
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	29,776,249	27,063,968	(89,124)	56,751,093
Restricted Cash and Investments				
Restricted cash and cash equivalents	472,484	330,256	-	802,740
Investments	3,510,573	2,806,812	-	6,317,385
Total Restricted Cash and Investments	3,983,057	3,137,068	-	7,120,125
Capital and Subscription Assets, Net of Accumulated Depreciation and Amortization	114,173,201	150,144,840	-	264,318,041
Total Assets	147,932,507	180,345,876	(89,124)	328,189,259
Deferred Outflows of Resources				
Deferred pension outflows	885,776	1,327,502	-	2,213,278
Deferred bond refunding loss	288,539	-	-	288,539
Total Deferred Outflows of Resources	1,174,315	1,327,502	-	2,501,817
Total Assets and Deferred Outflows of Resources	$ 149,106,822	$ 181,673,378	$ (89,124)	$ 330,691,076

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

	Water	Sewer	Eliminations	Total
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	5,639,364	5,411,906	(89,124)	10,962,146
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	16,707,908	11,453,126	-	28,161,034
Total Liabilities	22,347,272	16,865,032	(89,124)	39,123,180
Deferred Inflows of Resources				
Deferred pension inflows	94,438	147,426	-	241,864
Deferred bond refunding gain	-	148,021	-	148,021
Total Deferred Inflows of Resources	94,438	295,447	-	389,885
Net Position				
Net investment in capital assets	98,209,583	137,723,944	-	235,933,527
Restricted for capital projects	1,503,229	2,167,653	-	3,670,882
Restricted for debt service	1,009,832	969,415		1,979,247
Unrestricted	25,942,468	23,651,887	-	49,594,355
Total Net Position	126,665,112	164,512,899	-	291,178,011
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 149,106,822	$ 181,673,378	$ (89,124)	$ 330,691,076

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

	Water	Sewer	Eliminations	Total
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
Total Operating Revenues	20,167,756	20,691,497	-	40,859,253
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
Total Operating Expenses	15,885,902	15,675,522	-	31,561,424
Operating Income	4,281,854	5,015,975	-	9,297,829
Nonoperating 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 - capital	63,965	2,217,910	-	2,281,875
Capital contributions	4,083,288	2,276,837		6,360,125
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)
Total Nonoperating Revenues (Expenses)	4,398,237	5,262,130	-	9,660,367
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	$ 126,665,112	$ 164,512,899	$ -	$ 291,178,011

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

	Water	Sewer	Eliminations	Total
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	8,298,419	12,764,336	-	21,062,755
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	770,566	(1,304,739)	-	(534,173)
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	(6,999,230)	(9,941,124)	-	(16,940,354)
Change 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	9,136,787	983,529	-	10,120,316
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	$ 11,206,542	$ 2,502,002	$ -	$ 13,708,544

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

	Water	Sewer	Eliminations	Total
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	8,298,419	12,764,336	-	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	1,625	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
	10,734,058	2,171,746	-	12,905,804
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
	472,484	330,256	-	802,740
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	$ 11,206,542	$ 2,502,002	$ -	$ 13,708,544
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
Schedule of Operating Expenses – Water
Years Ended June 30, 2026 and 2025

	2026	2025
Water Purchased	$ 7,119,146	$ 6,322,841
Distribution		
Employee benefits	505,603	514,164
Insurance	38,037	39,373
Operating supplies and other	217,048	192,591
Payroll taxes	99,230	88,656
Repairs and maintenance	627,097	652,488
Salaries	1,352,194	1,216,542
Utilities	87,945	98,649
Total Distribution	2,927,154	2,802,463
General and Administrative		
Bad debts	82,032	105,806
Employee benefits	377,253	339,227
Insurance	39,026	30,512
Office supplies and postage	242,196	373,911
Other	493,532	425,472
Payroll taxes	104,408	98,856
Professional fees	61,376	44,918
Salaries	1,418,137	1,369,470
Taxes and fees	153,763	145,090
Utilities	30,680	27,647
Total General and Administrative	3,002,403	2,960,909
Depreciation and Amortization	4,083,041	3,799,689
Total Operating Expenses	$ 17,131,744	$ 15,885,902

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Operating Expenses – Sewer
Years Ended June 30, 2026 and 2025

	2026	2025
Pollution Control Facility		
Employee benefits	$ 369,838	$ 347,972
Insurance	75,285	72,217
Operating supplies and other	190,056	173,404
Payroll taxes	89,339	86,070
Repairs and maintenance	443,546	452,640
Salaries	1,278,537	1,194,576
Sludge disposal costs	583,894	465,388
Supplies and postage	178,622	173,877
Utilities	776,820	648,151
Total Pollution Control Facility	3,985,937	3,614,295
Distribution		
Employee benefits	414,646	378,395
Insurance	54,741	47,721
Operating supplies and other	160,367	215,837
Payroll taxes	92,023	85,311
Repairs and maintenance	517,610	236,533
Salaries	1,223,292	1,189,273
Supplies and postage	38,598	23,886
Utilities	96,078	136,551
Total Distribution	2,597,355	2,313,507
General and Administrative		
Bad debts	80,058	80,136
Employee benefits	288,809	561,947
Franchise taxes/use taxes	741,257	637,174
Insurance	11,251	8,748
Office supplies and postage	177,481	167,953
Other	600,607	537,646
Payroll taxes	97,150	90,156
Professional fees	72,469	64,640
Salaries	1,341,067	1,231,285
Utilities	29,473	26,176
Total General and Administrative	3,439,622	3,405,861
Depreciation and Amortization	6,339,573	6,341,859
Total Operating Expenses	$ 16,362,487	$ 15,675,522

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, 2026

Year	Principal	Interest Rate	Interest	Total
2027	$ 855,000	0.000%	$ 111,563	$ 966,563
2028	885,000	3.500%	81,113	966,113
2029	920,000	3.500%	49,525	969,525
2030	955,000	3.500%	16,713	971,713
Balance, June 30, 2026	$ 3,615,000		$ 258,914	$ 3,873,914

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, 2026

Year	Principal	Interest Rate	Interest	Total
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
Balance, June 30, 2026	$ 10,340,000		$ 1,946,374	$ 12,286,374

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, 2026

Year	Principal	Interest Rate	Interest	Total
2027	$ 1,365,000	4.000%	$ 98,900	$ 1,463,900
2028	1,420,000	4.000%	43,200	1,463,200
2029	370,000	4.000%	7,400	377,400
Balance, June 30, 2026	$ 3,155,000		$ 149,500	$ 3,304,500

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, 2026

Year	Principal	Interest Rate	Interest	Total
2027	$ 506,137	1.500%	$ 174,391	680,528
2028	878,027	1.500%	288,592	1,166,619
2029	891,288	1.500%	275,331	1,166,619
2030	904,749	1.500%	261,869	1,166,618
2031	918,414	1.500%	248,204	1,166,618
2032	932,286	1.500%	234,333	1,166,619
2033	946,367	1.500%	220,252	1,166,619
2034	960,660	1.500%	205,959	1,166,619
2035	975,169	1.500%	191,450	1,166,619
2036	989,898	1.500%	176,721	1,166,619
2037	1,004,849	1.500%	161,770	1,166,619
2038	1,020,026	1.500%	146,593	1,166,619
2039	1,035,432	1.500%	131,187	1,166,619
2040	1,051,070	1.500%	115,549	1,166,619
2041	1,066,945	1.500%	99,674	1,166,619
2042	1,083,060	1.500%	83,559	1,166,619
2043	1,099,418	1.500%	67,201	1,166,619
2044	1,116,023	1.500%	50,596	1,166,619
2045	1,132,879	1.500%	33,740	1,166,619
2046	1,149,990	1.500%	16,629	1,166,619
2047	484,273	1.500%	1,818	486,091
Balance, June 30, 2026	$ 20,146,960		$ 3,185,418	$ 23,332,378

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, 2026

	Balance July 1, 2025	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2026
Capital Assets				
Land	$ 273,620	$ -	$ -	$ 273,620
Office equipment	703,665	52,845	-	756,510
Vehicles	1,130,415	278,908	(20,212)	1,389,111
Shop equipment	48,257	-	-	48,257
Field equipment	988,835	75,469	-	1,064,304
Radio equipment	33,932	-	-	33,932
Pumping equipment	106,339	-	-	106,339
Water meters	5,477,771	1,678,139	(178,078)	6,977,831
Water services	1,378,630	-	-	1,378,630
Water tower	13,355,186	-	-	13,355,186
Main line	66,240,199	4,048,318	(141,892)	70,146,625
Structures and parking lots	1,769,728	74,128	-	1,843,856
Easements	462,046	581,986	-	1,044,032
Contributed water main	69,516,772	3,255,957	-	72,772,729
	161,485,395	10,045,751	(340,182)	171,190,964
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	3,306,578	4,035,303	(3,795,633)	3,546,247
Total Capital Assets	$ 165,926,905	$ 14,081,053	$ (4,135,815)	$ 175,872,142
Accumulated Depreciation and Amortization				
Office equipment	$ 523,147	$ 42,037	$ -	$ 565,184
Vehicles	628,644	192,243	(20,212)	800,675
Shop equipment	47,346	267	-	47,613
Field equipment	711,495	59,149	-	770,644
Radio equipment	31,714	548	-	32,262
Pumping equipment	76,379	6,811	-	83,190
Water meters	1,155,192	475,630	(104,837)	1,525,985
Water services	1,363,314	3,683	-	1,366,997
Water tower	5,959,346	316,607	-	6,275,953
Main line	23,313,532	1,336,014	-	24,649,546
Structures and parking lots	1,427,274	66,901	-	1,494,175
Contributed water main	15,802,229	1,421,019	-	17,223,248
Subscription asset	714,092	162,132	-	876,224
Total Accumulated Depreciation and Amortization	$ 51,753,704	$ 4,083,040	$ (125,049)	$ 55,711,694

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

	Balance July 1, 2024	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2025
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
	150,628,690	11,924,055	(1,067,350)	161,485,395
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	6,094,427	3,205,856	(5,993,705)	3,306,578
Total Capital Assets	$ 157,858,049	$ 15,129,911	$ (7,061,055)	$ 165,926,905
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
Total Accumulated Depreciation and Amortization	$ 48,723,454	$ 3,799,689	$ (769,439)	$ 51,753,704

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Capital and Subscription Assets – Sewer
Year Ended June 30, 2026

	Balance July 1, 2025	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2026
Capital Assets				
Land	$ 663,254	$ -	$ -	$ 663,254
Office equipment	694,233	52,674	-	746,907
Vehicles	2,410,876	199,524	(29,974)	2,580,426
Shop equipment	54,711	-	-	54,711
Field equipment	1,794,041	447,824	(8,914)	2,232,951
Radio equipment	73,504	-	-	73,504
Water meters	4,045,822	-	(179,156)	3,866,666
Sewer system	75,929,859	3,899,275	(75,061)	79,754,072
Pollution control facility	71,805,572	387,442	-	72,193,014
Structures and parking lots	2,164,800	74,128	(407)	2,238,521
Easements	1,141,899	21,500	-	1,163,399
Contributed sewer system	57,813,711	2,147,558	-	59,961,269
	218,592,282	7,229,924	(293,512)	225,528,694
Perpetual Software	60,320	-	-	60,320
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	12,390,977	26,321,757	(3,998,214)	34,714,520
Total Capital Assets	$ 232,178,511	$ 33,551,682	$ (4,291,726)	$ 261,438,469
Accumulated Depreciation and Amortization				
Office equipment	$ 510,085	$ 43,297	$ -	$ 553,382
Vehicles	1,302,627	328,246	(29,974)	1,600,900
Shop equipment	54,059	267	-	54,326
Field equipment	1,275,380	150,620	(8,914)	1,417,086
Radio equipment	59,714	1,749	-	61,463
Water meters	1,108,422	312,590	(105,471)	1,315,541
Sewer system	23,755,781	1,507,906	-	25,263,687
Pollution control facility	37,293,932	2,543,914	-	39,837,846
Structures and parking lots	1,595,109	88,800	(407)	1,683,502
Contributed sewer system	14,324,316	1,179,976	-	15,504,292
Perpetual software	40,154	20,076	-	60,230
Subscription asset	714,092	162,132	-	876,224
Total Accumulated Depreciation and Amortization	$ 82,033,671	$ 6,339,573	$ (144,766)	$ 88,228,475

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

	Balance July 1, 2024	Transfers/ Additions	Transfers/ Disposals	Balance June 30, 2025
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
	200,527,745	19,245,005	(1,180,468)	218,592,282
Perpetual Software	-	60,320	-	60,320
Subscription Asset	1,134,932	-	-	1,134,932
Construction in Progress	16,037,707	11,974,177	(15,620,907)	12,390,977
Total Capital Assets	$ 217,700,384	$ 31,279,502	$ (16,801,375)	$ 232,178,511
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
Total Accumulated Depreciation and Amortization	$ 76,591,131	$ 6,341,859	$ (899,319)	$ 82,033,671

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of System Rates – Water
Year Ended June 30, 2026

In July 2025, the City Council approved a five-year rate increase schedule with the first increase effective October 1, 2025. The subsequent rate increase will occur each July 1, 2026 through 2029. The rates in place prior to July 1, 2025, new rates effective October 1, 2025, and the rates effective July 1, 2026 are shown below.

Monthly Water Rates for Customers	Inside the City			
	Prior to July 1, 2025	Effective July 1, 2025	Effective October 1, 2025	Effective July 1, 2026
Inside the City				
First 1,500 gallons or portion thereof	$10.61 minimum	$11.03 minimum	$11.42 minimum	$12.28 minimum
Next 98,500 gallons	$4.60/thousand	$4.78/thousand	$4.85/thousand	$5.21/thousand
Next 400,000 gallons	$4.08/thousand	$4.24/thousand	$4.30/thousand	$4.62/thousand
Next 500,000 gallons	$3.71/thousand	$3.86/thousand	$3.91/thousand	$4.21/thousand
All in excess of 1,000,000 gallons	$3.47/thousand	$3.61/thousand	$3.66/thousand	$3.93/thousand
Outside the City				
First 1,500 gallons or portion thereof	$13.58 minimum	$14.12 minimum	$14.85 minimum	$15.96 minimum
Next 98,500 gallons	$5.87/thousand	$6.10/thousand	$6.31/thousand	$6.78/thousand
Nest 400,000 gallons	$4.08/thousand	$5.42/thousand	$5.59/thousand	$6.01/thousand
Next 500,000 gallons	$3.71/thousand	$4.92/thousand	$5.09/thousand	$5.47/thousand
All in excess of 1,000,000 gallons	$3.47/thousand	$4.62/thousand	$4.76/thousand	$5.11/thousand

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of System Rates – Sewer
Years Ended June 30, 2026

In July 2025, the City Council approved a five-year rate increase schedule with the first increase effective October 1, 2025. The subsequent rate increase will occur each July 1, 2026 through 2029. The rates in place prior to July 1, 2025, new rates effective October 1, 2025, and the rates effective July 1, 2026 are shown below.

Monthly Sewer Rates for Customers	Inside the City			
	Prior to July 1, 2025	Effective July 1, 2025	Effective October 1, 2025	Effective July 1, 2026
Inside the City				
Flat rate of	$16.10	$16.58	$18.52	$21.30
In addition to (up to 100,000)	$5.60/thousand	$5.77/thousand	$6.44/thousand	$7.41/thousand
All over 100,000	$5.53/thousand	$5.70/thousand	$6.36/thousand	$7.31/thousand
Outside the City				
Flat rate of	$21.03	$21.66	$24.18	$27.81
All water consumption	$7.30/thousand	$7.52/thousand	$8.39/thousand	$9.65/thousand
City of Lowell, Arkansas				
Flat rate of	$19.32	$19.89	$22.22	$25.55
In addition to (up to 100,000)	$6.72/thousand	$6.92/thousand	$7.73/thousand	$8.89/thousand
All over 100,000	$6.63/thousand	$6.83/thousand	$7.62/thousand	$8.76/thousand

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Water Customers
Years Ended June 30, 2026 and 2025

Water Customer Classifications	Number of Customers 2026	2025
Residential customers	34,744	34,292
Commercial customers	3,392	3,298
Industrial customers	49	48
Total	38,185	37,638

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Sewer Customers
Years Ended June 30, 2026 and 2025

Sewer Customer Classifications	Number of Customers 2026	2025
Residential customers	24,817	24,574
Commercial customers	2,214	2,155
Industrial customers	34	33
Total	27,065	26,762

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Water Billable Gallons
Years Ended June 30, 2026 and 2025

Billable Gallons Classifications	Number of Billable Gallons 2026	2025
Residential customers	1,784,196,202	1,854,439,358
Commercial customers	1,149,614,600	1,112,704,200
Industrial customers	556,520,400	517,583,900
Total	3,490,331,202	3,484,727,458

Rogers Water Utilities
A Component Unit of the City of Rogers, Arkansas
Schedule of Sewer Billable Gallons
Year Ended June 30, 2026

Billable Gallons Classifications	Number of Billable Gallons 2026	2025
Residential customers	1,216,085,602	1,208,724,356
Commercial customers	695,653,700	651,446,100
Industrial customers	524,317,400	490,400,100
Total	2,436,056,702	2,350,570,556

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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 Waterworks and Sewer Board of Commissioners
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, 2026, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2026.

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
October 22, 2026