




Pine Bluff Wastewater Utility

A Component Unit of the City of Pine Bluff, Arkansas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Contents
December 31, 2023 and 2022

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	8
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	13
Required Supplementary Information	
Schedule of the Utility's Proportionate Share of the Net Pension Liability (Asset)	30
Schedule of the Utility Pension Contributions	31
Supplementary Information	
2018 Sewer Revenue Bond (Unaudited)	32
Schedule of Water Consumption by Class (Unaudited)	36
Schedule of Wastewater Rates (Unaudited)	37

Independent Auditor's Report

Commissioners
Pine Bluff Wastewater Utility
Pine Bluff, Arkansas

Opinion

We have audited the financial statements of the Pine Bluff Wastewater Utility (Utility), a component unit of the City of Pine Bluff, Arkansas, as of and for the years ended December 31, 2023 and 2022 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 respective financial position of the Utility as of December 31, 2023 and 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 opinions. 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 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, 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 as listed in the table of contents 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The bond schedule, schedule of water consumption by class, and schedule of wastewater rates listed in the table of contents 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 bond schedule, schedule of water consumption by class, and schedule of wastewater rates have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Forvis Mazars, LLP

**Little Rock, Arkansas
November 26, 2024**

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2023 and 2022

Introduction

This management's discussion and analysis of the financial performance of Pine Bluff Wastewater Utility (Utility) provides an overview of the Utility's financial activities for the years ended December 31, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Utility.

Financial Highlights

- Cash and cash equivalents increased by \$308,054, or 2.4%, in 2023 and by \$2,162,626, or 19.8%, in 2022.
- The Utility reported \$34,353,147 and \$34,647,235 of net position in 2023 and 2022 respectively. The net position decreased in 2023 by \$294,088, or 0.9%, and increased in 2022 by \$789,474, or 2.3%.
- The Utility reported an operating loss of \$252,980 in 2023 and an operating income of \$910,623 in 2022. The operating income in 2023 is a decrease of \$1,163,603 from 2022. The operating income in 2022 is a decrease of \$83,056 from 2021.

Using This Annual Report

The Utility's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Utility, including resources held by the Utility but restricted for specific purposes by creditors, contributors, or enabling legislation. The Utility renders services on a user-charge basis to the general public for the handling of municipal wastewater from residential, commercial, and industrial customers. Amounts received from federal, state, and local governments for the sewer system are recorded as contributions to net position. Also recorded as contributions are extensions to the sewer system accepted from development of subdivisions.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any utility's finances is "Is the utility as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Utility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Utility's net position and changes in them. The Utility's total net position—the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources and—is one measure of the Utility's financial health or financial position. Over time, increases or decreases in the Utility's net position is an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Utility's customer base, economic factors, and changes in legislation and regulations, should also be considered to assess the overall financial health of the Utility.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where cash came from, what cash was used for and what the change in cash and cash equivalents was during the reporting period.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2023 and 2022

The Utility's Net Position

The Utility's net position is the difference between its assets, deferred outflows of resources, and liabilities and deferred inflows of resources reported in the balance sheets. The Utility's net position in 2023, 2022, and 2021 is shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022	2021
Assets			
Current assets	\$ 9,253,974	\$ 9,466,845	\$ 8,825,722
Noncurrent cash and cash equivalents	4,711,645	4,613,415	3,389,147
Utility plant in service, net	24,646,457	24,921,409	26,232,453
Net pension asset	124,225	111,928	1,165,755
Total Assets	38,736,301	39,113,597	39,613,077
Deferred Outflows of Resources	1,077,911	716,734	61,380
Total Assets and Deferred Outflows of Resources	\$ 39,814,212	\$ 39,830,331	\$ 39,674,457
Liabilities			
Current liabilities	\$ 789,079	\$ 703,682	\$ 694,971
Long-term liabilities	4,048,603	4,187,728	4,417,170
Total Liabilities	4,837,682	4,891,410	5,112,141
Deferred Inflows of Resources	623,383	291,686	704,555
Net Position			
Net investment in capital assets	22,811,880	22,792,050	23,895,699
Restricted – expendable for net pension asset	124,225	111,928	1,165,755
Unrestricted	11,417,042	11,743,257	8,796,307
Total Net Position	34,353,147	34,647,235	33,857,761
Total Liabilities, Deferred Outflows, and Net Position	\$ 39,814,212	\$ 39,830,331	\$ 39,674,457

The Utility's total assets and deferred outflows of resources were consistent from 2022 to 2023 as compared to an increase of 0.4% from 2021 to 2022. The Utility's total liabilities and deferred inflows of resources increased from year to year, with a 5.4% increase from 2022 to 2023 and a decrease from 2021 to 2022 of 10.9%.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2023 and 2022

Operating Results and Changes in the Utility's Net Position

The Utility's net position decreased by \$294,088, or 0.8%, in 2023 and increased \$789,474, or 2.3%, in 2022, as shown in Table 2.

Table 2: Operating Results and Changes in Net Position

	2023	2022	2021
Operating Revenues			
Customer revenues	\$ 7,413,272	\$ 8,034,676	\$ 7,730,346
Permit fees	4,290	2,210	15,221
Other	66,426	33,955	68,608
	<u>7,483,988</u>	<u>8,070,841</u>	<u>7,814,175</u>
Operating Expenses			
Collection, preventive maintenance and pumping expenses	2,942,989	2,823,983	2,903,211
Environmental compliance	1,827,645	1,520,492	1,474,332
Customer accounting	237,137	232,657	246,282
Administrative and general	2,353,455	2,258,649	1,827,587
Engineering	199,394	169,397	184,875
Taxes	176,348	155,040	184,209
	<u>7,736,968</u>	<u>7,160,218</u>	<u>6,820,496</u>
Operating Income (Loss)	<u>(252,980)</u>	<u>910,623</u>	<u>993,679</u>
Nonoperating Revenues (Expenses)			
Interest income	96,937	23,804	4,912
Interest expense	(138,045)	(144,953)	(151,641)
	<u>(41,108)</u>	<u>(121,149)</u>	<u>(146,729)</u>
Net nonoperating revenues (expenses)			
	<u>(41,108)</u>	<u>(121,149)</u>	<u>(146,729)</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>443,766</u>
Change in Net Position	<u><u>\$ (294,088)</u></u>	<u><u>\$ 789,474</u></u>	<u><u>\$ 1,290,716</u></u>

Operating Income

The first component of the overall change in the Utility's net position is its operating income or loss—generally, the difference between customer utility service fees and industry surcharges and other operating revenues and the expenses incurred to perform those services.

The Utility's operating income (loss) in 2023 decreased \$1,163,603 as compared to 2022, and operating revenue decreased by \$586,853, or 7.3%, primarily due to a decrease in collections. Operating expenses increased by \$576,750, or 8.1%, primarily due to an increase in utility and administrative expenses.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2023 and 2022

Operating income in 2022 decreased \$83,056 as compared to 2021, and operating revenue increased by \$256,666, or 3.3%, primarily due to an increase in collections and improved meters. Operating expenses increased from 2022 to 2021 by \$339,722, or 5.0%, primarily due to an increase in administrative and general expenses, including an increase in pension expense of \$209,194.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest income and interest expense of the Utility. The interest income is primarily interest on the proceeds from the 2018 sewer revenue bond. Interest income increased by \$73,133 in 2023 compared to 2022 and increased \$18,892 in 2022 compared to 2021. The interest expense is primarily the payment of interest on the 2018 sewer revenue bond obligation. Interest expense decreased \$6,908 in 2023 compared to 2022 and decreased \$6,688 in 2022 compared to 2021.

The Utility's Cash Flows

The Utility's cash flows increased during 2023 and 2022 due to cash provided by operating and investing activities.

Capital Assets

At the end of 2023 and 2022, the Utility had \$24,646,457 and \$24,921,409, respectively, invested in capital assets net of accumulated depreciation, as noted in the financial statements. In 2023, the Utility had several projects in place for improvements to the sewer system and acquired new property and equipment in the amount of \$2,076,987 as compared to \$1,108,212 in 2022 and \$1,628,755 in 2021.

Note 4 to the financial statements provides additional information about capital assets.

Long-Term Debt

At December 31, 2023, the Utility had \$3,968,696 in sewer revenue bond obligations outstanding compared to \$4,181,787 in 2022 and \$4,387,975 in 2021. The decrease from 2022 to 2023 and from 2021 to 2022 is due to principal payments.

Note 5 to the financial statements provides additional information about long-term debt.

Contacting the Utility's Financial Management

This financial report is designed to provide our commissioners, creditors, and taxpayers with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Pine Bluff Wastewater Utility administration by telephoning 870.535.6603.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash – unrestricted	\$ 8,675,342	\$ 8,465,518
Accounts receivable, net	47,830	476,813
Inventory of materials and supplies	470,719	464,596
Prepaid expenses	60,083	59,918
Total Current Assets	9,253,974	9,466,845
Noncurrent Cash and Cash Equivalents		
Cash and cash equivalents – restricted revenue bond funds	2,134,119	2,052,428
Cash – commission designated	2,577,526	2,560,987
	4,711,645	4,613,415
Utility Plant in Service		
Land	377,126	340,896
Sewer plant in service	65,026,887	64,893,730
Buildings	1,709,567	1,688,636
Machinery and equipment	14,190,467	13,445,551
Construction in progress	1,045,839	126,528
	82,349,886	80,495,341
Less accumulated depreciation	57,703,429	55,573,932
	24,646,457	24,921,409
Net Pension Asset	124,225	111,928
Total Assets	38,736,301	39,113,597
Deferred Outflows of Resources		
Deferred amounts for pension items	1,077,911	716,734
Total Deferred Outflows of Resources	1,077,911	716,734
Total Assets and Deferred Outflows of Resources	\$ 39,814,212	\$ 39,830,331

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Balance Sheets
December 31, 2023 and 2022

(Continued)

	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	\$ 219,961	\$ 213,091
Accounts payable	47,097	15,569
Accrued compensated absences – current	303,445	276,029
Accrued wages payable and other accrued liabilities	218,576	198,993
Total Current Liabilities	789,079	703,682
Long-Term Liabilities		
Accrued compensated absences	299,868	219,032
Long-term debt, net	3,748,735	3,968,696
Total Long-Term Liabilities	4,048,603	4,187,728
Total Liabilities	4,837,682	4,891,410
Deferred Inflows of Resources		
Deferred amounts for pension items	623,383	291,686
Net Position		
Net investment in capital assets	22,811,880	22,792,050
Restricted – expendable for pensions	124,225	111,928
Unrestricted	11,417,042	11,743,257
Total Net Position	34,353,147	34,647,235
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 39,814,212	\$ 39,830,331

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Residential	\$ 2,352,473	\$ 2,459,393
Commercial	1,119,478	1,214,126
Industrial	2,501,938	2,761,679
Public authority	811,135	959,705
Wholesale and special purpose	628,248	639,773
Permit fees	4,290	2,210
Other	66,426	33,955
Total Operating Revenues	7,483,988	8,070,841
Operating Expenses		
Collections, preventive maintenance, and pumping expenses	2,942,989	2,823,983
Environmental compliance	1,827,645	1,520,492
Customer accounting	237,137	232,657
Administrative and general	2,353,455	2,258,649
Engineering	199,394	169,397
Taxes	176,348	155,040
Total Operating Expenses	7,736,968	7,160,218
Operating Income (Loss)	(252,980)	910,623
Nonoperating Revenues (Expenses)		
Interest income	96,937	23,804
Interest expense	(138,045)	(144,953)
Total Nonoperating Revenues (Expenses)	(41,108)	(121,149)
Change in Net Position	(294,088)	789,474
Net Position, Beginning of Year	34,647,235	33,857,761
Net Position, End of Year	\$ 34,353,147	\$ 34,647,235

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Receipts from customers	\$ 7,842,255	\$ 8,185,594
Payments to suppliers and contractors	(1,655,166)	(1,278,921)
Payments to employees	(2,810,588)	(2,497,011)
Other receipts	70,716	36,165
Other payments	(807,977)	(847,652)
Net Cash Provided by Operating Activities	2,639,240	3,598,175
Capital and Related Financing Activities		
Purchase of capital assets	(2,076,987)	(1,108,212)
Payments of long-term debt	(213,091)	(206,188)
Interest paid	(138,045)	(144,953)
Net Cash Used in Capital and Related Financing Activities	(2,428,123)	(1,459,353)
Investing Activities		
Interest on investments	96,937	23,804
Net Cash Provided by Investing Activities	96,937	23,804
Increase in Cash and Cash Equivalents	308,054	2,162,626
Cash and Cash Equivalents, Beginning of Year	13,078,933	10,916,307
Cash and Cash Equivalents, End of Year	\$ 13,386,987	\$ 13,078,933
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash – unrestricted	\$ 8,675,342	\$ 8,465,518
Cash and cash equivalents – revenue bond funds	2,134,119	2,052,428
Cash – commission designated	2,577,526	2,560,987
Total Cash and Cash Equivalents	\$ 13,386,987	\$ 13,078,933

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(Continued)

	2023	2022
Reconciliation of Net Operating Income (Loss) to		
Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (252,980)	\$ 910,623
Item not requiring cash		
Depreciation	2,351,939	2,419,256
Changes in operating assets, deferred outflows of resources, deferred inflows of resources, and liabilities		
Accounts receivable	428,983	150,918
Prepaid expenses	(165)	202,707
Inventory of materials and supplies	(6,123)	(56,390)
Net pension liability/asset	(12,297)	1,053,827
Deferred outflows for pension items	(361,177)	(655,354)
Deferred inflows for pension items	331,697	(412,869)
Accounts payable and accrued expenses	159,363	(14,543)
Net Cash Provided by Operating Activities	\$ 2,639,240	\$ 3,598,175

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Pine Bluff Wastewater Utility (Utility) renders services on a user-charge basis to the general public for the handling of domestic sewage and commercial/industrial waste. The Utility extends unsecured credit for services provided to its customers for limited periods of time. The Utility is managed by the Pine Bluff Wastewater Utility Commission consisting of five members appointed by the Mayor and the City Council of the City of Pine Bluff (City). The City Council has the authority to approve the rates charged and the debt issued by the Utility. Under accounting principles generally accepted in the United States of America, the Utility is a discretely presented component unit of the City of Pine Bluff, Arkansas, for financial reporting purposes.

Classes of Sewer Users

All customers whose premises are served in any manner by the Pine Bluff sanitary sewer system are classified as either residential, commercial, industrial, or public authority users. Customer classes are determined by water classification definitions set forth by United Water of Arkansas in Pine Bluff.

Basis of Accounting and Presentation

The financial statements of the Utility have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Utility first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Utility prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and 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 expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Utility considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted entirely of money market mutual funds carried at fair value, held by the trust department of a financial institution.

Accounts Receivable

Accounts receivable consist of wastewater fees and surcharges billed to residential and commercial/industrial customers based on consumption. Accounts receivable are recorded net of estimated uncollectible amounts.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Risk Management

The Utility is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption.

Settled claims have not exceeded coverage in any of the three preceding years, and there has been no significant reduction in coverage in fiscal years 2023 and 2022.

Inventories

Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

Capital Assets

Capital assets over \$1,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Utility:

Sewer plant in service	5–50 years
Buildings	20–50 years
Machinery and equipment	5–10 years

Capital Asset Impairment

The Utility evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Pensions

For the purposes of measuring the 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 Utility's defined benefit pension plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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 Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until then. The item is related to certain pension items requiring deferral. Such items will be amortized as described in Note 7.

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until then. The Utility's deferred inflows include certain pension items requiring deferral. Such items will be amortized as described in Note 7.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Compensated Absences

Utility policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Utility is classified in three components on its balance sheet. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Utility, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted expendable for pensions represents the Utility's net pension asset restricted for use by the Utility's defined benefit pension plan. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investments in capital assets or restricted expendable.

Income Taxes

As an essential government function of the City, the Utility is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Note 2. Deposits and Investments

Deposits

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 Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2023 and 2022, the Utility's bank balances were \$13,523,904 and \$11,188,205, respectively, all of which were fully insured or collateralized.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Investments

At December 31, 2023 and 2022, the Utility had the following investments and maturities:

Type	Fair Value	2023			
		Maturities in Years			
		Less Than 1	1–5	6–10	More Than 10
Money market mutual funds	\$ 2,134,119	\$ 2,134,119	\$ -	\$ -	\$ -
		<u>\$ 2,134,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Type	Fair Value	2022			
		Maturities in Years			
		Less Than 1	1–5	6–10	More Than 10
Money market mutual funds	\$ 2,052,428	\$ 2,052,428	\$ -	\$ -	\$ -
		<u>\$ 2,052,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – The Utility’s policy does not limit the maturity of a single investment. The money market mutual funds are presented above as investments with maturities of less than one year because the average-weighted maturities of the underlying investments in the funds are less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023 and 2022, the Utility’s investment in money market mutual funds held AAAM and Aaa-mf ratings from Standard & Poor’s and Moody’s, respectively.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The commission’s investment policy does not specifically address credit risk or custodial credit risk.

Concentration of Credit Risk – The Utility places no limit on the amount that may be invested in any one issuer. At December 31, 2023 and 2022, the Utility’s investment in money market mutual funds of \$2,134,119 and \$2,052,428, respectively, constituted 100% of its total investments.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2023</u>	<u>2022</u>
Carrying value		
Deposits	\$ 11,252,868	\$ 11,026,505
Investments	<u>2,134,119</u>	<u>2,052,428</u>
	<u>\$ 13,386,987</u>	<u>\$ 13,078,933</u>
Included in the following balance sheet captions		
Current assets		
Cash – unrestricted	\$ 8,675,342	\$ 8,465,518
Noncurrent cash and cash equivalents		
Cash and cash equivalents – revenue bond funds	2,134,119	2,052,428
Cash – commission designated	<u>2,577,526</u>	<u>2,560,987</u>
	<u>\$ 13,386,987</u>	<u>\$ 13,078,933</u>

Investment Income

Investment income for the years ended December 31, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 96,937</u>	<u>\$ 23,804</u>

Note 3. Disclosures About Fair Value of Assets and Liabilities

The Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Utility has the following recurring fair value measurements as of December 31, 2023 and 2022:

- Money market mutual funds of \$2,134,119 and \$2,052,428, respectively, are valued using quoted market prices (Level 1 inputs).

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 4. Capital Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was as follows:

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 340,896	\$ 36,230	\$ -	\$ -	\$ 377,126
Buildings	1,688,636	20,931	-	-	1,709,567
Sewer plant in service	64,893,730	177,897	(44,740)	-	65,026,887
Machinery and equipment	13,445,551	922,618	(177,702)	-	14,190,467
Construction in progress	126,528	919,311	-	-	1,045,839
	<u>80,495,341</u>	<u>2,076,987</u>	<u>(222,442)</u>	<u>-</u>	<u>82,349,886</u>
Less accumulated depreciation					
Buildings	1,296,998	42,635	-	-	1,339,633
Sewer plant in service	42,158,174	1,761,475	(44,740)	-	43,874,909
Machinery and equipment	12,118,760	547,829	(177,702)	-	12,488,887
	<u>55,573,932</u>	<u>2,351,939</u>	<u>(222,442)</u>	<u>-</u>	<u>57,703,429</u>
Capital assets, net	<u>\$ 24,921,409</u>	<u>\$ (274,952)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,646,457</u>

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 340,896	\$ -	\$ -	\$ -	\$ 340,896
Buildings	1,656,432	32,204	-	-	1,688,636
Sewer plant in service	64,491,304	402,426	-	-	64,893,730
Machinery and equipment	12,983,347	547,054	(84,850)	-	13,445,551
Construction in progress	-	126,528	-	-	126,528
	<u>79,471,979</u>	<u>1,108,212</u>	<u>(84,850)</u>	<u>-</u>	<u>80,495,341</u>
Less accumulated depreciation					
Buildings	1,256,037	40,961	-	-	1,296,998
Sewer plant in service	40,320,432	1,837,742	-	-	42,158,174
Machinery and equipment	11,663,057	540,553	(84,850)	-	12,118,760
	<u>53,239,526</u>	<u>2,419,256</u>	<u>(84,850)</u>	<u>-</u>	<u>55,573,932</u>
Capital assets, net	<u>\$ 26,232,453</u>	<u>\$ (1,311,044)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,921,409</u>

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Note 5. Long-Term Obligations

The following is a summary of long-term obligation transactions for the years ended December 31, 2023 and 2022:

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
2018 ^(A)	\$ 4,181,787	\$ -	\$ 213,091	\$ 3,968,696	\$ 219,961
Total long-term debt	4,181,787	-	213,091	3,968,696	219,961
Accrued compensated absences	495,061	384,281	276,029	603,313	303,445
Total long-term obligations	\$ 4,676,848	\$ 384,281	\$ 489,120	\$ 4,572,009	\$ 523,406

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
2018 ^(A)	\$ 4,387,975	\$ -	\$ 206,188	\$ 4,181,787	\$ 213,091
Total long-term debt	4,387,975	-	206,188	4,181,787	213,091
Accrued compensated absences	510,595	259,675	275,209	495,061	276,029
Total long-term obligations	\$ 4,898,570	\$ 259,675	\$ 481,397	\$ 4,676,848	\$ 489,120

(A) Sewer Revenue Bond, Series 2018

In April 2018, the Utility issued a Sewer Revenue Bond, Series 2018 (Bond) for \$5,093,071 to finance the cost of constructing extensions, betterments, and improvements to the wastewater system. Principal and interest on the bond are due on the first day of each month, commencing on March 1, 2018, with a final installment due April 1, 2038. The Bond has an interest rate of 3.30% per annum. The pledge of Utility revenues in favor of this Bond is a first and prior pledge. The Bond is secured by the net revenues and accounts receivable of the Utility and the assets restricted under the bond indenture agreement. The net revenues derived from the operations of the Utility are pledged as security for the bond. The total principal and interest remaining to be paid on the bond is \$5,334,233, with annual payments expected to require approximately 4% of net revenues.

The City has reserved the right in the authorizing ordinance to issue additional bonds having a lien on Utility revenues on a parity with this bond.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

The debt service requirements as of December 31, 2023 are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2024	\$ 347,892	\$ 219,961	\$ 127,931
2025	347,892	227,615	120,277
2026	347,892	235,241	112,651
2027	347,892	243,122	104,770
2028–2032	1,739,460	1,343,394	396,066
2033–2037	1,739,460	1,584,021	155,439
2038	116,134	115,342	792
	<u>\$ 4,986,622</u>	<u>\$ 3,968,696</u>	<u>\$ 1,017,926</u>

Note 6. Restricted and Designated Net Position

At December 31 2023 and 2022, restricted expendable net position was available for the following purpose:

	2023	2022
Pensions	\$ 124,225	\$ 111,928

At December 31, 2023 and 2022, \$2,577,526 and \$2,560,987, respectively, of unrestricted net position had been designated by the Utility's commissioners for capital acquisitions, replacements, operations and maintenance, and emergencies. Designated assets remain under the control of the commissioners, which may, at their discretion, use this net position for other purposes.

Note 7. Pension Plan

Plan Description. All full-time employees of the Utility are participants of the Non-Uniformed Employees Pension Plan of the City of Pine Bluff, Arkansas (Plan). The Plan provides retirement and death benefits to plan members and their beneficiaries. The Plan is a single-employer defined benefit pension plan sponsored and administered by the City.

Management of the Plan is vested in the Retirement Board, which consists of the Mayor, City Clerk, Chairman of the Finance Committee, the Finance Director, Streets Superintendent, Wastewater Utility Manager, Airport Manager and a nonadministrative employee-at-large and a retired member currently receiving benefits from the City of Pine Bluff Retirement Fund. The Plan covers all employees other than uniformed officers and firefighters. Elected officials are also covered under the Plan.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Benefits provided. The Plan provides retirement, disability, and death benefits. Retirement benefits are 3.2% of final average earnings times credited past service plus 2.1% of final average earnings times credited future service. The minimum benefit is \$250. The normal form of benefit is a straight life annuity or a joint & 50% survivor annuity if married. Other actuarially equivalent forms of benefit are available. Average compensation is defined as compensation for the highest five-year consecutive period during a member's employment. Compensation is defined as total compensation for a plan year as reported for income tax purposes. Normal retirement for employees hired before January 1, 2013 is the earliest of 1) the later of age 65 and the 10 credited years of service, 2) age 55 with 20 credited years of service, or 3) 28 credited years of service. Normal retirement for employees hired after December 31, 2012 is the earliest of 1) the later of age 65 and the 10 credited years of service, 2) age 55 with 25 credited years of service, or 3) 30 credited years of service. Early retirement is the later of age 55 and 10 credited years of service with a benefit equal to the vested accrued benefit actuarially reduced.

Disability benefits are equal to the accrued benefit and available after 10 credited years of service or 20 credited years of service if earlier. The death benefit is equal to 100% of the accrued benefit payable to the surviving spouse for his or her lifetime but ending upon remarriage.

Contributions. The rate of employer contributions is established by the Retirement Board and reviewed periodically. Adjustments are made to reflect prior actuarial experience and projected future experience. The City has established an annual contribution rate of 7% of the member compensation. Together with employee contributions of 3%, 10% of payroll is contributed annually. Contributions by the Utility to the Plan for the years ended December 31, 2023 and 2022 were \$163,755 and \$150,329, respectively.

Pension Assets, Pension Expense/Gain, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan

At December 31, 2023, the Utility reported an asset of \$124,225 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The Utility's proportion of the net pension asset was based on the ratio of the Utility's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2023, the Utility's proportion was 21.6679%, which was a decrease of 4% from the proportion measured as of December 31, 2023.

At December 31, 2022, the Utility reported an asset of \$111,928 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022. The Utility's proportion of the net pension asset was based on the ratio of the Utility's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2022, the Utility's proportion was 25.6076%, which was an increase of 5.6% from the proportion measured as of December 31, 2021.

For the years ended December 31, 2023 and 2022, the Utility recognized a pension expense of \$290,014 and \$135,933, respectively.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

At December 31, 2023 and 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 712,899	\$ 77,832
Changes of assumptions	11,538	545,551
Changes in proportion and differences between employer contribution and proportionate share	6,992	-
Net difference between projected and actual earnings on pension plan investments	346,482	-
Total	<u>\$ 1,077,911</u>	<u>\$ 623,383</u>

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,999	\$ 225,115
Changes of assumptions	26,178	47,094
Changes in proportion and differences between employer contribution and proportionate share	-	19,477
Net difference between projected and actual earnings on pension plan investments	686,557	-
Total	<u>\$ 716,734</u>	<u>\$ 291,686</u>

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2023 will be recognized in pension expense as follows:

	Year Ending December 31,	
2023		\$ 128,450
2024		156,761
2025		214,823
2026		<u>(45,506)</u>
Total		<u><u>\$ 454,528</u></u>

Actuarial Assumptions

The total pension liability (asset) in the December 31, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Actuarial valuation date	December 31, 2023 and December 31, 2022
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	2.5%, including inflation
Inflation	2.1%

Mortality rates in the 2023 and 2022 actuarial valuations were based on the 2024 and 2022 applicable Mortality tables, respectively, as published by the IRS. Withdrawal rates were based on the Saranson Crocker Table T8.

Long-Term Expected Return on Plan Assets

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. The target allocation and best estimates of rates of return for each major asset class for both 2023 and 2022 are summarized in the following table:

Asset Class	Target Allocation	2023	Target Allocation	2022
		Long-Term Expected Real Rate of Return		Long-Term Expected Real Rate of Return
Fixed income	50%	1.50%	50%	1.50%
Domestic equities	35%	6.50%	35%	6.50%
International equities	9%	7.00%	9%	7.00%
Cash	6%	0.00%	6%	0.00%

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2023 and 2022 was 6.25%. The projection of cash flows used to determine the discount rate assumed City contributions will be equal to 7% of covered payroll, employee contributions of 3% of covered payroll, and a 6.25% long-term expected rate of return. 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.

The Plan is sponsored by the City and does not issue stand-alone financial statements nor are the Plan's financial statements in the financial statements of the City.

Plan's Fiduciary Net Position

The Plan is sponsored by the City. As of December 31, 2023 and 2022 the Plan's fiduciary net position was comprised of the following:

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,052,904	\$ 1,744,809
Investments		
Certificates of deposit	4,409,156	2,416,626
U.S. government obligations	2,512,456	3,074,286
Municipal obligations	654,618	768,711
Corporate bonds	6,624,819	7,361,036
Common stock	4,098,703	4,402,236
Foreign stock	45,309	-
Equity mutual funds	9,523,741	7,573,578
International equity mutual funds	2,814,577	2,609,231
Fixed income mutual funds	942,333	1,453,050
	<u>31,625,712</u>	<u>29,658,754</u>
Total investments	<u>31,625,712</u>	<u>29,658,754</u>
Total Assets	<u>34,678,616</u>	<u>31,403,563</u>
LIABILITIES		
Due to brokers	306,633	-
Total Liabilities	<u>306,633</u>	<u>-</u>
Total Plan Fiduciary Net Position	<u><u>\$ 34,371,983</u></u>	<u><u>\$ 31,403,563</u></u>

The Utility's proportionate share of the Plan's fiduciary net position as of the measurement date of December 31, 2023 and 2022 was \$7,447,719 and \$8,041,704, respectively.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plan at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 33,798,673	\$ 30,966,473
Plan's fiduciary net position	<u>34,371,983</u>	<u>31,403,563</u>
Net pension liability (asset)	<u><u>\$ (573,310)</u></u>	<u><u>\$ (437,090)</u></u>
Plan's fiduciary net position as a percentage of total pension liability	101.70%	101.41%

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) are:

	2023		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, beginning of year	\$ 30,966,473	\$ 31,403,563	\$ (437,090)
Changes for the year			
Service cost	901,324	-	901,324
Interest	1,957,642	-	1,957,642
Differences between expected and actual experience	4,561,749	-	4,561,749
Contributions – employer	-	755,746	(755,746)
Contributions – employee	-	341,121	(341,121)
Net investment income	-	3,011,460	(3,011,460)
Benefit payments, including refunds of employee contributions	(1,091,061)	(1,091,061)	-
Administrative expense	(3,497,454)	(48,846)	(3,448,608)
Net changes	2,832,200	2,968,420	(136,220)
Balance, end of year	<u>\$ 33,798,673</u>	<u>\$ 34,371,983</u>	<u>\$ (573,310)</u>
	2022		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, beginning of year	\$ 30,172,714	\$ 34,890,963	\$ (4,718,249)
Changes for the year			
Service cost	1,095,636	-	1,095,636
Interest	1,908,700	-	1,908,700
Differences between expected and actual experience	(749,954)	-	(749,954)
Contributions – employer	-	587,048	(587,048)
Contributions – employee	-	297,274	(297,274)
Net investment income	-	(2,892,460)	2,892,460
Benefit payments, including refunds of employee contributions	(1,460,623)	(1,460,623)	-
Administrative expense	-	(18,639)	18,639
Net changes	793,759	(3,487,400)	4,281,159
Balance, end of year	<u>\$ 30,966,473</u>	<u>\$ 31,403,563</u>	<u>\$ (437,090)</u>

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The net pension asset of the Utility has been calculated using a discount rate of 6.25%. The following presents the net pension asset using a discount rate 1% higher and 1% lower than the current rate at December 31, 2023 and 2022:

Sensitivity of the Net Position Liability (Asset) to the Single Discount Rate Assumption			
	1% Decrease 5.25%	Current Single Rate Assumption 6.25%	1% Increase 7.25%
December 31, 2023			
Utility's proportionate share of the net pension liability (asset)	\$ 733,259	\$ (124,225)	\$ (842,158)
December 31, 2022			
Utility's proportionate share of the net pension liability (asset)	\$ 792,182	\$ (111,929)	\$ (875,600)

Plan Membership – At December 31, 2023 and 2022, pension plan membership consisted of the following:

	2023	2022
Retirees and beneficiaries receiving benefits	\$ 51	\$ 52
Terminated members entitled to but not yet receiving benefits	193	166
Active members	228	227
Total	\$ 472	\$ 445

Investment Policy – The Plan's policy regarding the allocation of invested assets is established and may be amended by the Retirement Board. It is the policy of the Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from drastically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of December 31, 2023 and 2022:

Domestic Equity	20–50%
International Equity	5–12.5%
Fixed Income	40–78%
Cash	2–10%

Rate of Return – For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

Interest Rate Risk – The Plan’s investment policy does not specifically address interest rate risk.

Credit Risk – The Plan’s investment policy does not specifically address credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Plan’s investments are held in trust accounts.

Concentration of Credit Risk – The Plan’s investment policy does not specifically address concentration of credit risk.

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

The fair value of the pension plan assets at December 31, 2023 and 2022 was as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Investments by Fair Value Level				
Money market mutual funds	\$ 2,901,110	\$ -	\$ 2,901,110	\$ -
U.S. government obligations	2,512,456	2,512,456	-	-
Certificates of deposit	4,409,156	-	4,409,156	-
Municipal obligations	654,618	-	654,618	-
Corporate bonds	6,624,819	6,624,819	-	-
Common stock	4,098,703	4,098,703	-	-
Foreign stock	45,309	45,309	-	-
International equity mutual funds	2,814,577	2,814,577	-	-
Fixed income mutual funds	942,333	942,333	-	-
Equity mutual funds	9,523,741	9,523,741	-	-
Total investments by fair value level	<u>\$ 34,526,822</u>	<u>\$ 26,561,938</u>	<u>\$ 7,964,884</u>	<u>\$ -</u>

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Notes to Financial Statements
December 31, 2023 and 2022

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments by Fair Value Level				
Money market mutual funds	\$ 1,637,035	\$ -	\$ 1,637,035	\$ -
U.S. government obligations	3,074,286	3,074,286	-	-
Certificates of deposit	2,416,626	-	2,416,626	-
Municipal obligations	768,711	-	768,711	-
Corporate bonds	7,361,036	7,361,036	-	-
Common stock	4,402,236	4,402,236	-	-
International equity mutual funds	2,609,231	2,609,231	-	-
Fixed income mutual funds	1,453,050	1,453,050	-	-
Equity mutual funds	7,573,578	7,573,578	-	-
Total investments by fair value level	<u>\$ 31,295,789</u>	<u>\$ 26,473,417</u>	<u>\$ 4,822,372</u>	<u>\$ -</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan did not hold any Level 3 securities at December 2023 and 2022.

Note 8. Related-Party Transactions

The Utility operates as a component unit of the City. Accordingly, there are certain related-party transactions that exist between the two entities. For the years ended December 31, 2023 and 2022, the Utility reimbursed the City for approximately \$400,000 and \$380,000, respectively, in expenses incurred on behalf of the Utility. Payments included reimbursement for employee insurance and pension expenses.

Required Supplementary Information

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Schedule of the Utility's Proportionate Share of the Net Pension Liability (Asset)

Utility Fiscal Year Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability (asset)	21.6680%	25.6076%	24.7074%	26.1347%	27.6877%	23.4519%	28.8291%	25.6861%	25.5475%
Utility's proportionate share of the net pension liability (asset)	\$ (124,225)	\$ (111,928)	\$ (1,165,755)	\$ (895,090)	\$ (790,022)	\$ 285,691	\$ (267,118)	\$ (211,279)	\$ 1,186,692
Utility's covered-employee payroll	\$ 2,055,164	\$ 2,235,031	\$ 1,956,829	\$ 2,066,729	\$ 2,189,543	\$ 2,075,786	\$ 2,040,443	\$ 1,945,214	\$ 1,942,945
Utility's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-6.04%	-5.01%	-59.57%	-43.31%	-36.08%	13.76%	-13.09%	-10.86%	61.08%
Plan fiduciary net position as a percentage of the total pension liability	101.70%	101.41%	115.64%	110.27%	109.80%	95.93%	103.16%	102.97%	85.70%

Note: The measurement date used for the information in this schedule is the same as the Utility's fiscal year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Utility will only present available information.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Schedule of the Utility Pension Contributions

Utility Fiscal Year Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 143,861	\$ 156,452	\$ 136,978	\$ 144,671	\$ 153,268	\$ 145,305	\$ 142,831	\$ 136,165	\$ 136,006
Contributions in relation to the contractually required contribution	(143,861)	(156,452)	(136,978)	(144,671)	(153,268)	(145,305)	(142,831)	(136,165)	(136,006)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,055,164	\$ 2,235,029	\$ 1,956,829	\$ 2,066,729	\$ 2,189,543	\$ 2,075,786	\$ 2,040,443	\$ 1,945,214	\$ 1,942,943
Contributions as a percentage of covered employee payroll	7%	7%	7%	7%	7%	7%	7%	7%	7%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Utility will only present available information.

Valuation date: Actuarially determined contribution rates are calculated as of the January 1 prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method: Entry Age

Amortization method: Level percentage of payroll, closed

Remaining amortization period: 7 years

Asset valuation method: Market value including contributions receivable

Inflation: 2.10%

Salary increases: 2.50% including inflation

Investment rate of return: 6.25% net of investment expense, including inflation

Retirement age: For a regular employee hired before January 1, 2013:

Age 65 with 10 Years of Service

Age 55 with 20 Years of Service

28 Years of Service, regardless of age

For a regular employee hired after December 31, 2012:

Age 65 with 10 Years of Service

Age 55 with 25 Years of Service

30 Years of Service, regardless of age

Mortality: 2024 Applicable Mortality Table (change from 2022 in prior year)

Marriage: 80% of Members are assumed to be married, with females 3 years younger

Rehire rates: None assumed

Difference in methods and assumptions used to determine contribution rates for prior valuations:

Mortality: Updated annually to use the Applicable Mortality Table published by the IRS for the year of the valuation.

Supplementary Information

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
2018 Sewer Revenue Bond (Unaudited)
December 31, 2023

Due Date	Principal	Interest	Total
January 1, 2024	\$ 18,077	\$ 10,914	\$ 28,991
February 1, 2024	18,127	10,864	28,991
March 1, 2024	18,177	10,814	28,991
April 1, 2024	18,227	10,764	28,991
May 1, 2024	18,277	10,714	28,991
June 1, 2024	18,327	10,664	28,991
July 1, 2024	18,377	10,614	28,991
August 1, 2024	18,428	10,563	28,991
September 1, 2024	18,479	10,512	28,991
October 1, 2024	18,529	10,462	28,991
November 1, 2024	18,580	10,411	28,991
December 1, 2024	18,631	10,360	28,991
January 1, 2025	18,683	10,308	28,991
February 1, 2025	18,734	10,257	28,991
March 1, 2025	18,786	10,205	28,991
April 1, 2025	18,837	10,154	28,991
May 1, 2025	18,889	10,102	28,991
June 1, 2025	18,941	10,050	28,991
July 1, 2025	18,993	9,998	28,991
August 1, 2025	19,045	9,946	28,991
September 1, 2025	19,098	9,893	28,991
October 1, 2025	19,150	9,841	28,991
November 1, 2025	19,203	9,788	28,991
December 1, 2025	19,256	9,735	28,991
January 1, 2026	19,309	9,682	28,991
February 1, 2026	19,362	9,629	28,991
March 1, 2026	19,415	9,576	28,991
April 1, 2026	19,468	9,523	28,991
May 1, 2026	19,522	9,469	28,991
June 1, 2026	19,576	9,415	28,991
July 1, 2026	19,629	9,362	28,991
August 1, 2026	19,683	9,308	28,991
September 1, 2026	19,738	9,253	28,991
October 1, 2026	19,792	9,199	28,991
November 1, 2026	19,846	9,145	28,991
December 1, 2026	19,901	9,090	28,991
January 1, 2027	19,956	9,035	28,991
February 1, 2027	20,010	8,981	28,991
March 1, 2027	20,065	8,926	28,991
April 1, 2027	20,121	8,870	28,991
May 1, 2027	20,176	8,815	28,991
June 1, 2027	20,231	8,760	28,991
July 1, 2027	20,287	8,704	28,991
August 1, 2027	20,343	8,648	28,991
September 1, 2027	20,399	8,592	28,991
October 1, 2027	20,455	8,536	28,991

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
2018 Sewer Revenue Bond (Unaudited)
December 31, 2023

(Continued)

Due Date	Principal	Interest	Total
November 1, 2027	\$ 20,511	\$ 8,480	\$ 28,991
December 1, 2027	20,568	8,423	28,991
January 1, 2028	20,624	8,367	28,991
February 1, 2028	20,681	8,310	28,991
March 1, 2028	20,738	8,253	28,991
April 1, 2028	20,795	8,196	28,991
May 1, 2028	20,852	8,139	28,991
June 1, 2028	20,909	8,082	28,991
July 1, 2028	20,967	8,024	28,991
August 1, 2028	21,024	7,967	28,991
September 1, 2028	21,082	7,909	28,991
October 1, 2028	21,140	7,851	28,991
November 1, 2028	21,198	7,793	28,991
December 1, 2028	21,257	7,734	28,991
January 1, 2029	21,315	7,676	28,991
February 1, 2029	21,374	7,617	28,991
March 1, 2029	21,433	7,558	28,991
April 1, 2029	21,491	7,500	28,991
May 1, 2029	21,551	7,440	28,991
June 1, 2029	21,610	7,381	28,991
July 1, 2029	21,669	7,322	28,991
August 1, 2029	21,729	7,262	28,991
September 1, 2029	21,789	7,202	28,991
October 1, 2029	21,849	7,142	28,991
November 1, 2029	21,909	7,082	28,991
December 1, 2029	21,969	7,022	28,991
January 1, 2030	22,029	6,962	28,991
February 1, 2030	22,090	6,901	28,991
March 1, 2030	22,151	6,840	28,991
April 1, 2030	22,211	6,780	28,991
May 1, 2030	22,273	6,718	28,991
June 1, 2030	22,334	6,657	28,991
July 1, 2030	22,395	6,596	28,991
August 1, 2030	22,457	6,534	28,991
September 1, 2030	22,519	6,472	28,991
October 1, 2030	22,581	6,410	28,991
November 1, 2030	22,643	6,348	28,991
December 1, 2030	22,705	6,286	28,991
January 1, 2031	22,767	6,224	28,991
February 1, 2031	22,830	6,161	28,991
March 1, 2031	22,893	6,098	28,991
April 1, 2031	22,956	6,035	28,991
May 1, 2031	23,019	5,972	28,991
June 1, 2031	23,082	5,909	28,991
July 1, 2031	23,146	5,845	28,991
August 1, 2031	23,209	5,782	28,991

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
2018 Sewer Revenue Bond (Unaudited)
December 31, 2023

(Continued)

Due Date	Principal	Interest	Total
September 1, 2031	\$ 23,273	\$ 5,718	\$ 28,991
October 1, 2031	23,337	5,654	28,991
November 1, 2031	23,401	5,590	28,991
December 1, 2031	23,466	5,525	28,991
January 1, 2032	23,530	5,461	28,991
February 1, 2032	23,595	5,396	28,991
March 1, 2032	23,660	5,331	28,991
April 1, 2032	23,725	5,266	28,991
May 1, 2032	23,790	5,201	28,991
June 1, 2032	23,855	5,136	28,991
July 1, 2032	23,921	5,070	28,991
August 1, 2032	23,987	5,004	28,991
September 1, 2032	24,053	4,938	28,991
October 1, 2032	24,119	4,872	28,991
November 1, 2032	24,185	4,806	28,991
December 1, 2032	24,252	4,739	28,991
January 1, 2033	24,318	4,673	28,991
February 1, 2033	24,385	4,606	28,991
March 1, 2033	24,452	4,539	28,991
April 1, 2033	24,520	4,471	28,991
May 1, 2033	24,587	4,404	28,991
June 1, 2033	24,655	4,336	28,991
July 1, 2033	24,722	4,269	28,991
August 1, 2033	24,790	4,201	28,991
September 1, 2033	24,859	4,132	28,991
October 1, 2033	24,927	4,064	28,991
November 1, 2033	24,996	3,995	28,991
December 1, 2033	25,064	3,927	28,991
January 1, 2034	25,133	3,858	28,991
February 1, 2034	25,202	3,789	28,991
March 1, 2034	25,272	3,719	28,991
April 1, 2034	25,341	3,650	28,991
May 1, 2034	25,411	3,580	28,991
June 1, 2034	25,481	3,510	28,991
July 1, 2034	25,551	3,440	28,991
August 1, 2034	25,621	3,370	28,991
September 1, 2034	25,691	3,300	28,991
October 1, 2034	25,762	3,229	28,991
November 1, 2034	25,833	3,158	28,991
December 1, 2034	25,904	3,087	28,991
January 1, 2035	25,975	3,016	28,991
February 1, 2035	26,047	2,944	28,991
March 1, 2035	26,118	2,873	28,991
April 1, 2035	26,190	2,801	28,991
May 1, 2035	26,262	2,729	28,991
June 1, 2035	26,334	2,657	28,991

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
2018 Sewer Revenue Bond (Unaudited)
December 31, 2023

(Continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 1, 2035	\$ 26,407	\$ 2,584	\$ 28,991
August 1, 2035	26,479	2,512	28,991
September 1, 2035	26,552	2,439	28,991
October 1, 2035	26,625	2,366	28,991
November 1, 2035	26,698	2,293	28,991
December 1, 2035	26,772	2,219	28,991
January 1, 2036	26,846	2,145	28,991
February 1, 2036	26,919	2,072	28,991
March 1, 2036	26,993	1,998	28,991
April 1, 2036	27,068	1,923	28,991
May 1, 2036	27,142	1,849	28,991
June 1, 2036	27,217	1,774	28,991
July 1, 2036	27,292	1,699	28,991
August 1, 2036	27,367	1,624	28,991
September 1, 2036	27,442	1,549	28,991
October 1, 2036	27,517	1,474	28,991
November 1, 2036	27,593	1,398	28,991
December 1, 2036	27,669	1,322	28,991
January 1, 2037	27,745	1,246	28,991
February 1, 2037	27,821	1,170	28,991
March 1, 2037	27,898	1,093	28,991
April 1, 2037	27,974	1,017	28,991
May 1, 2037	28,051	940	28,991
June 1, 2037	28,129	862	28,991
July 1, 2037	28,206	785	28,991
August 1, 2037	28,283	708	28,991
September 1, 2037	28,361	630	28,991
October 1, 2037	28,439	552	28,991
November 1, 2037	28,517	474	28,991
December 1, 2037	28,596	395	28,991
January 1, 2038	28,675	316	28,991
February 1, 2038	28,753	238	28,991
March 1, 2038	28,832	159	28,991
April 1, 2038	28,801	79	28,880
	<u>\$ 3,968,690</u>	<u>\$ 1,017,651</u>	<u>\$ 4,986,341</u>

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Schedule of Water Consumption by Class (Unaudited)
Year Ended December 31, 2023

	Monthly Average Customers	Monthly Average Consumption (Ccf)	Estimated Annual Consumption (Ccf)
Residential customers	12,671	78,247	938,964
Commercial customers	1,839	52,972	635,664
Industrial customers	43	109,849	1,318,188
Public authority customers	201	42,402	508,824
Totals	14,754	283,470	3,401,640
Wholesale customer – City of White Hall	1	18,694	224,328

Consumption figures are stated in hundred cubic foot units.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Schedule of Wastewater Rates (Unaudited)
Year Ended December 31, 2023

Wastewater Rate Structure

Schedule A

Water Meter Size in Inches	Monthly Charge
5/8	\$ 4.65
3/4	6.53
1	9.31
1 1/2	16.94
2	24.57
3	58.60
4	97.20
6	193.72

Schedule B

Classification	Monthly Volume Charge Per CCF
Residential	\$ 1.95
Commercial	1.66
Public authority	1.22
Industrial	1.51
Wholesale users	0.87
Special purpose users (per 100 Ccf):	
Less than 1 year	150.00
1 to 5 years	90.00
5 years or more	60.00

The charges to each customer for sewer services are determined each month based on the rate schedule established March 1, 2015 and are the sum of a service charge based on the water meter size of the customer in accordance with the rates of *Schedule A* above and a volume charge based on the customer's metered water usage. The volume charge is computed using the rates of *Schedule B* above. The average monthly water usage during November through April is used in computing the volume charge for residential customers. Nonresidential users are subject to additional charges outlined in *Schedule C* below.

Pine Bluff Wastewater Utility
A Component Unit of the City of Pine Bluff, Arkansas
Schedule of Wastewater Rates (Unaudited)
Year Ended December 31, 2023

(Continued)

Schedule C

All nonresidential users are subject to the following charges:

Water Meter Size in Inches	Monthly Charge
5/8	\$ 3.54
3/4	5.34
1	7.84
1 1/2	15.00
2	22.07
3	53.32
4	88.87
6	177.74

Industry Permit Fee

All commercial/industrial users subject to federal pretreatment regulations are required to obtain a five-year permit for a fee of \$1,250 as of September 2005.

Industrial Monitoring Charges

The monitoring charges will be applicable to all monitored users and will become effective at such time as a user is subject to compliance with one or more pretreatment regulations or is identified as a high-strength user. The monitoring charges are assessed as follows:

	Monthly Charge
Less than 5,000 gallons per day, monitored once per month	\$ 102.18
Between 5,001 to 25,000 gallons per day, monitored twice per month	292.13
Between 25,001 to 100,000 gallons per day, monitored three times per month	567.23
Greater than 100,000 gallons per day, monitored four times per month	695.61
White Hall I (Wholesale)	347.80