

**JACKSONVILLE MUNICIPAL WATER WORKS  
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE, ARKANSAS)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2023 AND 2022**

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## **Independent Auditor's Report**

To the Board of Commissioners  
Jacksonville Municipal Water Works  
Jacksonville, Arkansas

### ***Opinion***

We have audited the financial statements of Jacksonville Municipal Water Works, a component unit of the City of Jacksonville, Arkansas, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Jacksonville Municipal Water Works basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Jacksonville Municipal Water Works, as of December 31, 2023 and 2022, and the respective changes in financial position and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jacksonville Municipal Water Works 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***

Jacksonville Municipal Water Works 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 Jacksonville Municipal Water Works' ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 Jacksonville Municipal Water Works' 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 Jacksonville Municipal Water Works' ability to continue as a going concern for a reasonable period of time.

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

#### ***Other Matters***

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, the budgetary comparison schedule on page 30 and the historical pension information on pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The schedule of operating expenses on pages 28-29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of operating expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses 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 May 1, 2024, on our consideration of Jacksonville Municipal Water Works' 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 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 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 Jacksonville Municipal Water Works' internal control over financial reporting and compliance.

EGP, PLLC

May 1, 2024

Certified Public Accountants & Consultants  
Bryant, Arkansas

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Management's Discussion and Analysis**  
**December 31, 2023 and 2022**

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Each year Jacksonville Municipal Water Works (JMWW) engages an independent auditor to audit the financial statements of JMWW. Included with the audited financial statements is a narrative prepared by JMWW's management which discusses and analyzes the information in the financial statements. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Management encourages readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

### **Using the Annual Audit Report**

This annual audit report consists of a series of financial statements, footnotes and additional information. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide information about the financial activities of JMWW. The footnotes and additional information provide narrative concerning selected financial statement items.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to JMWW's financial statements, which are comprised of the financial statements and notes to the financial statements. Since JMWW is comprised of a single proprietary fund, no fund level financial statements are shown.

*Basic Financial Statements* – The basic financial statements are designed to provide readers with a broad overview of JMWW's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of JMWW's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of JMWW is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how a governmental entity's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash receipts and disbursements in future fiscal periods; for example, accounts receivable outstanding at year end will be collected in the following year and accounts payable outstanding at year end will be paid in the following year.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

*Notes to the Financial Statements* – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Financial Analysis**

The audit report dated May 1, 2024, expresses an unmodified opinion on JMWW's financial statements. This unmodified opinion is included on pages 1-3 of this report.

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**(a component unit of the City of Jacksonville, Arkansas)**  
**Management's Discussion and Analysis**  
**December 31, 2023 and 2022**

A condensed summary of JMWW's net position as of December 31, 2023, 2022 and 2021, is provided below:

**TABLE 1**  
**SUMMARY OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED**  
**INFLOWS OF RESOURCES AND NET POSITION**  
**DECEMBER 31, 2023, 2022, AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Assets and Deferred Outflows of Resources:</b>			
Total current assets	\$ 6,064,244	5,092,266	7,987,185
Total restricted assets	1,072,365	1,964,642	1,961,998
Net capital assets	56,714,962	56,667,496	51,132,021
Other assets	417,937	284,258	345,124
Deferred outflows of resources	<u>637,609</u>	<u>665,931</u>	<u>183,558</u>
Total assets and deferred outflows of resources	<u>\$ 64,907,117</u>	<u>64,674,593</u>	<u>61,609,886</u>
<b>Liabilities:</b>			
Total current liabilities	\$ 5,241,877	5,224,157	4,591,804
Total noncurrent liabilities	12,131,829	15,503,797	17,666,469
Deferred inflows of resources	<u>98,197</u>	<u>77,175</u>	<u>1,086,477</u>
Total liabilities and deferred inflows of resources	<u>17,471,903</u>	<u>20,805,129</u>	<u>23,344,750</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	44,123,376	40,689,485	31,797,961
Restricted – expendable	1,072,365	1,964,642	1,961,998
Unrestricted	<u>2,239,473</u>	<u>1,215,337</u>	<u>4,505,177</u>
Total net position	<u>47,435,214</u>	<u>43,869,464</u>	<u>38,265,136</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 64,907,117</u>	<u>64,674,593</u>	<u>61,609,886</u>

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A condensed summary of JMWW's changes in net position as of December 31, 2023, 2022 and 2021, is provided below:

**TABLE 2**  
**SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>			
Total operating revenues	\$ 8,914,242	8,512,982	8,529,592
Total other revenues	4,749,330	6,567,101	2,293,359
Total revenues	<u>13,663,572</u>	<u>15,080,083</u>	<u>10,822,951</u>
<b>Expenses:</b>			
Depreciation expense	2,773,560	2,600,304	2,520,902
Other operating expenses	7,194,597	6,899,841	6,307,259
Nonoperating expenses	176,948	218,677	251,499
Total expenses	<u>10,145,105</u>	<u>9,718,822</u>	<u>9,079,660</u>
Change in net position before capital contributions	3,518,467	5,361,261	1,743,291
Capital contributions	47,283	243,067	107,271
Change in net position	3,565,750	5,604,328	1,850,562
Net position, beginning of the year	43,869,464	38,265,136	36,414,574
Net position, end of the year	<u>\$ 47,435,214</u>	<u>43,869,464</u>	<u>38,265,136</u>

*Statements of Net Position*

Net position may serve, over time, as a useful indicator of a governmental entity's financial position. In the case of JMWW, assets exceeded liabilities by \$47,435,214 at the close of the most recent fiscal year. This represents an increase of \$3,560,607 or 8.12% over the previous year, of which \$1,059,058 is attributable to a net loss from operations coupled with a net gain of \$4,572,382 attributable to nonoperating activities, along with capital contributions from private developers in the amount of \$47,283.

Financial ratios are used to analyze relationships between different pieces of financial information. Ratio analyses can present information about an entity's operating performance and financial position. Short-term liquidity can be demonstrated using the current ratio and quick ratio. The current ratio is calculated by dividing current assets by current liabilities. The quick ratio is similar to the current ratio but excludes inventory because inventory is normally the least liquid current asset. Any number greater than one indicates current assets in excess of current needs that can be applied to future periods. The current and quick ratios for the year ended December 31, 2023, were 1.16:1 and 1.01:1, respectively. This indicates that for every \$1.16 in current assets, JMWW has \$1.00 in current liabilities. By excluding inventory, the ratio becomes \$1.01 in current assets for every \$1.00 in current liabilities. The current and quick ratios for the year ended December 31, 2022, were 0.97:1 and 0.87:1, respectively.

Working capital, like the current ratio, represents the excess of current assets over current liabilities. Working capital is expressed in dollars rather than a ratio. As of December 31, 2023, working capital on hand was \$822,367. As of December 31, 2022, the working capital on hand was a deficit of \$131,891.



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Efficiency can also be demonstrated by calculating the average collection period. Since other agencies are included in the monthly water bill, i.e., Jacksonville Wastewater Utility and Jacksonville Sanitation Services, we first subtract their accounts receivables so that a comparison can be made between water receivables and water revenues. We also subtract unbilled receivables to arrive at our actual billed receivables balance. Receivables turnover is calculated by dividing total operating revenue by total water accounts receivable. Then we divide 365 days by the receivables turnover to arrive at the average collection period of 14.6 days and 21.6 days as of December 31, 2023 and 2022, respectively. JMWW continues to strive to improve cash flow and customer service by offering a variety of bill payment options, including payments by automatic draft, mail or bank card.

Another important ratio is the debt utilization ratio. The debt utilization ratio is calculated by dividing total debt by total assets and is 19.59% and 24.96% for 2023 and 2022, respectively. According to American Water Works Association benchmarks, the median ratio is 36%.

It is the policy of JMWW not to make any entries into the net position section of the Statement of Net Position unless the change represents a prior period adjustment. During 2023, no entries were made into the net position section.

The accounting records of JMWW are maintained as an enterprise fund, which is considered a proprietary fund type using the accrual basis of accounting. Depreciation is recorded on all capital assets using the straight-line method. During the year, no changes were made in the method of recording capital assets, nor were there any significant differences between estimated annual amounts to maintain the infrastructure compared to actual amounts spent.

*Statements of Revenues, Expenses and Changes in Net Position*

The operating loss for 2023 was \$1,059,058 (compared to an operating loss of \$987,163 for 2022). This increase is attributable to total operating revenues increasing 4.7%, while total operating expenses increased by 5.0% in 2023.

**Operating Revenues**

Operating revenues of JMWW were \$8.91 million for the year ended December 31, 2023. This was an increase of \$401,260 from the prior year. JMWW saw revenues totaling \$1,254,092 stemming from the privatization of the water utilities on LRAFB. This is an increase of \$88,220 from the previous year and was caused by an 8.0% annual economic price adjustment beginning in May of 2023. Sales to bulk water customer LRAFB decreased due to a 10% decrease in overall consumption. Sales to bulk rate customers Furlow Water Users, Mid-Arkansas Utilities, and Bayou Two saw only marginal changes compared to 2022, with each customer fulfilling only their minimum purchase requirements. Service charges and penalties decreased marginally compared to 2022.

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**Management's Discussion and Analysis**  
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A summary of JMWW's operating revenues by source as of December 31, 2023, 2022 and 2021, is provided below:

**TABLE 3**  
**OPERATING REVENUES BY SOURCE**  
**YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Residential and commercial customers	\$ 6,252,985	5,902,715	5,888,638
North Pulaski Water Users	25,564	36,567	34,875
Little Rock Air Force Base	825,738	897,925	962,072
Little Rock Air Force Base - O&M	709,036	659,156	628,936
Little Rock Air Force Base - R&R	545,056	506,716	483,488
Furlow Water Users	55,656	54,548	55,709
Bayou 2 Water Users	3,503	3,298	3,319
Service charges and penalties	496,704	452,057	472,555
Total operating revenues by source	<u>\$ 8,914,242</u>	<u>8,512,982</u>	<u>8,529,592</u>

### Operating Expenses

*Production* – Production related expenses totaled \$3,511,018 in 2023 compared to \$3,535,216 in 2022, a decrease of \$24,198.

JMWW signed a new contract with Central Arkansas Water to purchase a minimum of 1.79 million gallons per day on September 1, 2015. The contract decreased the allowable maximum amount that can be purchased per day to ten million gallons. JMWW's contract with the Lonoke White Public Water Authority requires a minimum purchase of 0.5 million gallons per day. JMWW began taking water in October of 2014. The wells in Lonoke County have been offline since January of 2019 and no longer furnish water to the distribution system.

On September 10, 2023 water production reached a daily high of 5.4 million gallons, which was well below the 2022 peak demand of 6.7 million gallons. Total production for 2023 was 1.337 billion gallons, and only a slight increase from the previous year. The average daily flow for 2023 was 3.66 million gallons.

*Distribution* – Distribution related expenses totaled \$1,952,129 in 2023 compared to \$1,743,025 in 2022, an increase of \$209,104 or 12.00%. The costs of line maintenance increased by \$51,924 compared to 2022. This increase is attributable to price increases in construction materials and salaries due to inflation. The costs of meter repairs and replacements increased \$60,014 compared to 2022. This increase is attributable to an increase in meter replacements due to normal wear and age. The costs of engineering and professional services increased by \$11,851 compared to 2022. This increase is attributable to continuing work and completion of JMWW's Cost of Service Rate Study.

*Administration* – Administrative expenses totaled \$1,384,446 in 2023 compared to \$1,271,292 in 2022. This was an increase of \$113,154 or 8.9%. This was primarily due to an increase in payroll expense and increases in online bill payments leading to higher credit card fees.

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*Little Rock Air Force Base* – Expenses related to the privatization of the Little Rock Air Force Base water distribution system totaled \$352,151. This was an \$1,843 increase compared to the previous year. Notable expenses include \$138,625 in salaries and \$29,430 in professional services. It is also important to note the contract start date of May 1, 2018. Although this was JMWW's 5th full calendar year maintaining the LRAFB Distribution system, the 8-month period beginning May 1, 2023 and ending December 31, 2023 represent year six of the contract.

A summary of JMWW's operating expenses by category as of December 31, 2023, 2022 and 2021, is provided below:

**TABLE 4**  
**OPERATING EXPENSES BY CATEGORY**  
**YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Personnel costs	\$ 2,824,052	2,583,163	2,317,972
Materials and supplies	1,062,022	1,052,925	928,845
Services	182,215	185,901	156,733
Purchased water	3,131,451	3,077,852	2,903,709
Depreciation	2,773,560	2,600,304	2,520,902
Total operating expenses by category	<u>\$ 9,973,300</u>	<u>9,500,145</u>	<u>8,828,161</u>

### Nonoperating Revenues

*Interest Income* – Income from interest earnings on certificates of deposits and money market funds increased by \$69,356 or 933.84% from the previous year. Interest earned of \$76,783 in 2023 was with an interest rate of 3.922%, which remained constant throughout the entire fiscal year. The investments averaged \$1.05 million in 2023, a significant decrease when compared to the previous fiscal year average of \$2.08 million in 2022. This was due to \$1.10 million in Construction Funds CDs being cashed in for infrastructure projects.

### Capital Contributions

JMWW receives utility property constructed by private developers primarily in the form of fire hydrants and water distribution mains installed in new subdivision developments within the City. These capital equity contributions totaled \$47,283 in 2023. The actual amount varies from year to year as a result of subdivision and other development that is contributed to the utility for future maintenance.

### Capital Assets

JMWW's investment in capital assets, net of accumulated depreciation and related debt, amounted to \$44.12 million, as of December 31, 2023, an increase of \$3.43 million. Capital assets include the water distribution system, land, buildings, vehicles and equipment. In October 2011, the City of Jacksonville issued Water Capital Improvement Revenue Bonds for the purpose of financing the cost of the planning, design, and construction of improvements to the City's water system. There were significant capital asset acquisitions and improvements during 2023, with the most notable being improvements to the LRAFB distribution system and easement acquisitions related to future improvements to the City's water distribution system.

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Garver remained as the consulting engineering firm to assist in the development of plans for major projects such as new water tanks and transmission mains. Bond Consulting Engineers continues to provide support on miscellaneous small projects and has begun work on an update to the JMWW Master Plan.

**Requests for Information**

This financial report is designed to provide a general overview of the finances of Jacksonville Municipal Water Works for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Jacksonville Municipal Water Works  
Attn: General Manager  
1900 Marshall Road  
P.O. Box 126  
Jacksonville, Arkansas 72078

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Statements of Net Position**  
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	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 3,403,460	1,802,203
Certificates of deposits	-	1,151,932
Interest receivable	-	687
Accounts receivable	1,809,518	1,516,829
Inventories	780,152	539,297
Prepaid and deferred expenses	71,114	81,318
<b>Total Current Assets</b>	<b>6,064,244</b>	<b>5,092,266</b>
<b>Restricted Assets:</b>		
Cash	585	929,118
Certificates of deposit	1,071,780	1,035,524
<b>Total Restricted Assets</b>	<b>1,072,365</b>	<b>1,964,642</b>
<b>Noncurrent Assets:</b>		
Capital assets:		
Land and improvements	1,171,103	1,113,986
Water distribution system	63,334,808	61,424,836
Buildings and improvements	2,780,753	2,663,393
Machinery and equipment	3,474,870	3,210,868
LRAFB distribution system	17,750,941	17,750,941
Construction in progress	5,491,478	5,018,903
	94,003,953	91,182,927
Less accumulated depreciation	(37,288,991)	(34,515,431)
Capital assets, net of depreciation	56,714,962	56,667,496
Other assets	417,937	284,258
<b>Total Noncurrent Assets</b>	<b>57,132,899</b>	<b>56,951,754</b>
<b>Total Assets</b>	<b>64,269,508</b>	<b>64,008,662</b>
<b>Deferred Outflows Of Resources</b>		
Deferred outflows related to pensions	637,609	665,931
<b>Total Assets And Deferred Outflows Of Resources</b>	<b>\$ 64,907,117</b>	<b>64,674,593</b>

The accompanying notes are an integral part of these financial statements.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Statements of Net Position (Continued)**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 201,066	360,092
Due to City of Jacksonville Sanitation Fund	311,530	294,312
Due to Jacksonville Wastewater Utility	1,093,839	985,731
Accrued interest and fees payable	8,875	8,875
Accrued expenses and other liabilities	189,542	180,331
Current portion of long-term debt	3,437,025	3,394,816
<b>Total Current Liabilities</b>	<b>5,241,877</b>	<b>5,224,157</b>
<b>Noncurrent Liabilities:</b>		
Customer deposits	895,361	883,364
Long-term debt, less current portion	9,154,561	12,583,195
Accrued pension liability	2,079,897	2,035,228
Other noncurrent liabilities	2,010	2,010
<b>Total Noncurrent Liabilities</b>	<b>12,131,829</b>	<b>15,503,797</b>
<b>Total Liabilities</b>	<b>17,373,706</b>	<b>20,727,954</b>
<b>Deferred Inflows Of Resources</b>		
Deferred inflows related to pensions	98,197	77,175
<b>Net Position</b>		
Invested in capital assets, net of related debt	44,123,376	40,689,485
Restricted	1,072,365	1,964,642
Unrestricted	2,239,473	1,215,337
<b>Total Net Position</b>	<b>47,435,214</b>	<b>43,869,464</b>
 <b>Total Liabilities, Deferred Inflows Of Resources, And Net Position</b>	 <b>\$ 64,907,117</b>	 <b>64,674,593</b>

The accompanying notes are an integral part of these financial statements.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>		
Sales:		
Domestic, commercial and industrial customers	\$ 4,540,513	4,483,369
North Pulaski	25,564	36,567
Little Rock Air Force Base	825,738	897,925
Little Rock Air Force Base - O&M	709,036	659,156
Little Rock Air Force Base - R&R	545,056	506,716
Furlow Water Users	55,656	54,548
Bayou 2 Water Users	3,503	3,298
Customer billing charges	1,712,472	1,419,346
Service charges	341,425	300,906
Late payment penalties	155,279	151,151
<b>Total Operating Revenues</b>	<b>8,914,242</b>	<b>8,512,982</b>
<b>Operating Expenses</b>		
Production	3,510,664	3,535,216
Distribution	1,949,647	1,743,025
Administrative	1,382,671	1,271,292
Little Rock Air Force Base	351,615	350,308
Depreciation	2,773,560	2,600,304
<b>Total Operating Expenses</b>	<b>9,968,157</b>	<b>9,500,145</b>
<b>Operating Income (Loss)</b>	<b>(1,053,915)</b>	<b>(987,163)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest revenue	76,783	7,427
Interest and bond fees expense	(176,948)	(218,677)
Other income	4,672,547	6,559,674
<b>Total Nonoperating Revenues (Expenses)</b>	<b>4,572,382</b>	<b>6,348,424</b>
<b>Change In Net Position Before Capital Contributions</b>	<b>3,518,467</b>	<b>5,361,261</b>
Capital contributions	47,283	243,067
<b>Change In Net Position</b>	<b>3,565,750</b>	<b>5,604,328</b>
<b>Net Position, Beginning of Year</b>	<b>43,869,464</b>	<b>38,265,136</b>
<b>Net Position, End Of Year</b>	<b>\$ 47,435,214</b>	<b>43,869,464</b>

*The accompanying notes are an integral part of these financial statements.*

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 8,758,876	8,705,779
Other receipts	4,672,547	6,559,674
Payments to employees	(2,715,685)	(2,577,262)
Payments to suppliers	(1,585,378)	(785,452)
Payments to service providers	(182,215)	(185,901)
Payments for water source	(3,131,451)	(3,092,083)
<b>Net Cash Flows Provided By (Used In) Operating Activities</b>	<u>5,816,694</u>	<u>8,624,755</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of capital assets	(2,773,743)	(7,892,712)
Interest and fees paid on bond	(176,948)	(218,677)
Repayment of capital improvement bond	(3,386,425)	(3,356,049)
<b>Net Cash Flows Provided By (Used In) Capital and Related Financing Activities</b>	<u>(6,337,116)</u>	<u>(11,467,438)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from maturities of certificates of deposit	2,187,456	2,181,996
Purchases of certificates of deposit	(1,071,780)	(2,187,456)
Interest on cash and cash investments	77,470	7,426
<b>Net Cash Flows Provided By (Used In) Investing Activities</b>	<u>1,193,146</u>	<u>1,966</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	672,724	(2,840,717)
Cash and cash equivalents - beginning of the year	<u>2,731,321</u>	<u>5,572,038</u>
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 3,404,045</u>	<u>2,731,321</u>

*The accompanying notes are an integral part of these financial statements.*



**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<b>2023</b>	<b>2022</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided By (Used In) Operating Activities:</b>		
Operating income (loss)	\$ (1,053,915)	(987,163)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,773,560	2,600,304
Amortization expense	89,038	72,933
Other income, net	4,672,547	6,559,674
Changes in assets and liabilities:		
Accounts receivable	(292,689)	(5,722)
Inventories	(240,855)	63,259
Prepays and other assets	(212,513)	(12,585)
Accounts payable	(159,026)	129,635
Due to other entities	125,326	183,839
Accrued pension liability	44,669	1,484,956
Other accrued expenses	9,211	12,620
Customer deposits	11,997	14,680
Deferrals related to pensions	49,344	(1,491,675)
<b>Net Cash Flows Provided (Used) By Operating Activities</b>	<b>\$ 5,816,694</b>	<b>8,624,755</b>
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash - non-restricted	\$ 3,403,460	1,802,203
Cash - restricted	585	929,118
<b>Total Cash and Cash Equivalents</b>	<b>\$ 3,404,045</b>	<b>2,731,321</b>

**Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:**

Jacksonville Municipal Water Works accepted utility property constructed by private developers. The fair value of this donated property was \$47,283 and \$243,067 in 2023 and 2022, respectively.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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**1. Summary of Significant Accounting Policies**

Organization

Jacksonville Municipal Water Works (JMWW or the Utility) is organized as an enterprise fund of the City of Jacksonville, Arkansas. The Utility was established to operate the municipally owned water works and distribution system. The governing body is a five-member board appointed by the City's mayor.

Basis of Accounting

The accounts of JMWW are accounted for in an enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to private business enterprises. These funds render services to the general public on a user-charge basis. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flows.

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

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Utility has the option of following subsequent private-sector guidance, subject to this same limitation. The Utility has elected not to follow subsequent private-sector guidance as it relates to its operations.

Use of Estimates

Estimates and assumptions are used in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Revenue Recognition

The Utility recognizes revenue when it is earned, which is based on customer usage and when it occurs.

Cash

Cash includes cash on hand and amounts on deposit with banks in the Utility's name. Any short-term investments and certificates of deposit purchased with an original maturity of three months or less are considered cash equivalents.

Accounts Receivable

Accounts receivable consists of credit extended to users in the normal course of business. The Utility utilizes the direct write-off method to account for bad debt expense. The policy for determining when receivables are past due or delinquent is based on how recently payments have been received. Amounts are written off at the point where collection attempts have been exhausted. If the customer returns, any write-off amount must be paid in full before service can be connected.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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Generally accepted accounting principles require the reserve method to be used to account for bad debts; however, the use of the method described in the preceding paragraph does not result in a material difference as compared to the reserve method. JMWW recorded \$31,199 and \$48,758 in bad debt expense related to sales for the years ended December 31, 2023 and 2022, respectively. Recoveries of items previously charged off are recognized as revenue when received.

Inventories

Inventories, consisting of materials and supplies, are stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Restricted Assets

Restricted assets include cash and cash investments that are legally restricted as to their use by the Board of Commissioners for customer deposits.

Capital Assets

Capital assets are stated at historical cost or, for contributed items, at estimated fair value at the date of the contribution. The capitalization policy states that capital assets are assets with an initial cost greater than or equal to \$1,000 and an estimated useful life greater than one year. Prior to January 1, 1992, no donation value was assigned to water lines acquired by JMWW from private contractors and individuals. The fair market value of such lines was not reasonably determinable and, accordingly, no estimated value was recorded as of January 1, 1992.

Depreciation is provided for using the straight-line method over estimated useful lives ranging from 25 to 40 years for the water production and distribution system, 20 years for building and improvements, and 5 to 10 years for machinery and equipment.

Construction in progress is stated at cost. Construction in progress is not depreciated until such time as the assets are completed and put into operational use.

Deferred Expenses

Deferred expenses consist of costs incurred for the cleaning and repainting of water storage tanks. The costs are being amortized over a ten-year period using the straight-line method.

Compensated Absences

Full-time, permanent employees are granted vacation benefits on the basis of tenure with the Utility. Generally, after one year of service, employees are entitled to accrued vacation leave upon termination. JMWW accrues a current liability for eligible vacation leave expected to be used during the coming year.

Employees are allowed to accrue twelve (12) days of sick leave each year up to a maximum of 90 days for full time employees. Sick leave is not normally paid without an illness related absence. Employees are not paid for unused sick leave upon termination of employment; however, accumulated sick leave is paid up to a maximum of 60 days at the time of retirement or death. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “termination leave” prior to retirement.

Income Taxes

As a government utility, JMWW is exempt from federal and state income taxes.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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Capital Contributions

Capital contributions reflect equity contributed by customers, developers or other entities for improvements and extensions of the Utility's assets.

Net Position Classifications

Net position is classified in three components as follows:

*Invested in Capital Assets, Net of Related Debt:* This consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

*Restricted – Expendable:* This consists of net position that are noncapital assets with constraints placed on the use either by Board resolution or by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted:* This consists of the remaining assets less remaining liabilities that do not meet the definition of “invested in capital assets, net of related debt” or “restricted – expendable”.

When both restricted and unrestricted resources are available for use, generally it is the Utility's policy to use unrestricted resources first.

Impairment of Capital Assets

Under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Utility is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment of approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the matter or duration of use of a capital asset and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. During the year ended December 31, 2023, the Utility determined that there were no triggering events to indicate the need for testing of impairment.

Risk Management

The Utility has commercial insurance to cover various potential risk areas including automobile liability, theft or destruction of business assets, work-related employee injuries or illnesses (worker's compensation), errors and omissions and employee dishonesty. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Utility provides for employee medical and dental coverage with optional dependent coverage paid by the employee.

New Accounting Standards

During the year ended, December 31, 2023, the Authority adopted GASB No. 96, *Subscription-Based Information Technology Arrangements*. This standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements, resulting in a right-to-use subscription asset (an intangible asset) and corresponding subscription liability. There was no effect of adopting this standard as of December 31, 2023 and 2022.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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**2. Deposits and Investments**

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the Utility will not be able to recover the value of the deposits or collateral securities that are in the possession of an outside party.

The Utility's investment policy and City statute require that deposits in financial institutions be collateralized with federal depository insurance or other interest-bearing securities of the United States, the state of Arkansas, Arkansas political subdivision or agencies or instruments of these entities at 102 percent.

A comparison of bank balances and carrying value of the Utility's deposits at December 31, 2023 is shown below. The difference between the bank balance and the carrying amount is due to outstanding checks, deposits in transit and/or compounded accrued interest on certificates of deposit.

	<u>Bank Balance</u>	<u>Carrying Value</u>
Demand deposits	\$ 3,450,821	3,404,045
Certificates of deposit	1,071,780	1,071,780
	\$ 4,522,601	4,475,825

Collateral pledged by the financial institution at December 31, 2023 and 2022, was held by First Tennessee Bank in the name of the Jacksonville Water Commission. At December 31, 2023 and 2022, the Utility's deposits were fully insured or collateralized.

The December 31, 2023 and 2022 cash balance, as stated on the Statement of Net Position, included \$1,250 in petty cash which was held in the custody of JMWW.

**3. Related Party Transactions**

Jacksonville Municipal Water Works, as a component unit of the City of Jacksonville, provides water service without charge to various departments and agencies of the City. The value of these services for 2023 and 2022 was \$174,349 and \$179,412, respectively.

**4. Capital Assets**

Depreciation expense for 2023 and 2022 was \$2,773,560 and \$2,600,304, respectively. Changes in capital assets are as follows:

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

	<b>2022</b>				<b>2023</b>
	<b>Balance</b>	<b>Increases</b>	<b>Transfers</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets, nondepreciable:					
Land and improvements	1,113,986	57,117	-	-	1,171,103
Construction in progress	5,018,903	472,575	-	-	5,491,478
Total capital assets, nondepreciable	6,132,889	529,692	-	-	6,662,581
Capital assets, depreciable:					
Water distribution system	61,424,836	1,909,972	-	-	63,334,808
LRAFB water distribution system	17,750,941	-	-	-	17,750,941
Buildings and improvements	2,663,393	117,360	-	-	2,780,753
Machinery and equipment	3,210,868	264,002	-	-	3,474,870
Total capital assets, depreciable	85,050,038	2,291,334	-	-	87,341,372
Less accumulated depreciation	(34,515,431)	(2,773,560)	-	-	(37,288,991)
Total capital assets, depreciable, net	50,534,607	(482,226)	-	-	50,052,381
Total capital assets, net	\$ 56,667,496	47,466	-	-	56,714,962
	<b>2021</b>				<b>2022</b>
	<b>Balance</b>	<b>Increases</b>	<b>Transfers</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets, nondepreciable:					
Land and improvements	889,750	224,236	-	-	1,113,986
Construction in progress	2,000,717	3,018,186	-	-	5,018,903
Total capital assets, nondepreciable	2,890,467	3,242,422	-	-	6,132,889
Capital assets, depreciable:					
Water distribution system	56,551,579	4,873,257	-	-	61,424,836
LRAFB water distribution system	17,750,941	-	-	-	17,750,941
Buildings and improvements	2,663,393	-	-	-	2,663,393
Machinery and equipment	3,190,768	20,100	-	-	3,210,868
Total capital assets, depreciable	80,156,681	4,893,357	-	-	85,050,038
Less accumulated depreciation	(31,915,127)	(2,600,304)	-	-	(34,515,431)
Total capital assets, depreciable, net	48,241,554	2,293,053	-	-	50,534,607
Total capital assets, net	\$ 51,132,021	5,535,475	-	-	56,667,496

**5. Public Employees Retirement System (PERS)**

**Plan Description**

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

**Jacksonville Municipal Water Works**  
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Benefits Provided

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

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- At age 65 with 5 years of service
- At any age with 28 years of actual service
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)
- At age 55 with 35 years of credited service for elected public safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS.

Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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

The collective Net Pension Liability of \$2,914,186,564 and \$2,696,383,467 was measured as of June 30, 2023 and 2022, 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.

At June 30, 2023 and 2022, JMWW's proportion was 0.07137144% and 0.0754799%, respectively, and the Utility recorded a liability of \$2,079,897 and \$2,035,228, respectively, for its proportionate share of the net pension liability of APERS.

**Jacksonville Municipal Water Works**  
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For the year ended December 31, 2023 and 2022, JMWW recognized pension expense of \$341,502 and \$232,516, respectively. At December 31, 2023 and 2022, JMWW reported deferred outflows and inflows of resources related to pensions from the following sources:

	2023		2022	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 117,406	(11,426)	\$ 48,852	(24,572)
Changes in proportion and differences between employer contributions and proportionate share of contribution	39,883	(86,761)	69,222	(52,603)
Changes of actuarial assumptions	97,781	-	-	-
Net difference between projected and actual earnings on pension plan investments	258,873	-	429,334	-
JMWW contributions subsequent to the measurement date	123,666	-	118,523	-
	<u>\$ 637,609</u>	<u>(98,187)</u>	<u>\$ 665,931</u>	<u>(77,175)</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>
<u>\$ 85,583</u>	<u>49,119</u>	<u>298,525</u>	<u>(17,471)</u>	<u>-</u>	<u>-</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2023 and 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.00%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)



**Jacksonville Municipal Water Works**  
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Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017
Average Service Life of All Members	3.7241 for 2023 and 3.7989 for 2022

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 and 2022, are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	<u>100%</u>	
Total Real Rate of Return		4.94%
Plus: Price inflation - Actuary Assumption		<u>2.50%</u>
Net Expected Return		<u>7.44%</u>

#### Discount Rate

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

#### Sensitivity of the Utility's Proportionate Share of the Net Position 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:

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	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
JMWW's proportionate share of the net pension liability	\$ 3,315,169	2,079,897	1,062,150

**APERS Fiduciary Net Position**

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/publications>. Historical trend information showing the "PERS" progress in accumulating sufficient assets to pay benefits when due is presented in the Arkansas Public Employees Retirement System annual financial report. This report may be obtained by writing the Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201.

**6. Deferred Compensation Plan**

The Utility offers its employees the option to participate in a deferred compensation plan. The primary purpose of the plan is to provide retirement income and other deferred benefits to Utility's employees in accordance with the provisions of Section 457 of the Internal Revenue Code, as amended. The plan, available to all employees, permits them to defer a portion of their salary until future years. The employee provides all amounts of compensation under the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

At December 31, 2023 and 2022, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust by external administrators for the exclusive benefit of participants and their beneficiaries.

**7. Post-Retirement Health Care Benefits**

Retiring employees are permitted to continue their coverage in the Utility's group health care benefits plan provided they pay the full cost of the coverage. The Utility collects the premiums from the retired employees and remits them to the plan administrator. As of December 31, 2023 and 2022, there were no retired employees participating in the group health care plan.

**8. Leases**

The Utility has entered into agreements to lease space at its water towers for the placement of cellular and mobile communications antennas and related equipment. The initial terms of the leases were five year rolling month to month periods, subject to termination at any point during the term by either the lessee or the Utility without penalty or further liability. Currently, the leases are renewed primarily on a month-to-month basis. Lease revenue from these agreements in 2023 and 2022 was \$174,705 and \$189,296, respectively. Lease revenue is reported as other income in the financial statements.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**9. Long-Term Debt**

Long-term debt consists of the Water Capital Improvement Revenue Bonds and the Little Rock Air Force Base Contingent Liability, for which the changes for the years ended December 31, 2023 and 2022 are as follows:

	<b>Balance at December 31, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2023</b>
Waterworks revenue bonds	\$ 6,290,351	-	(1,609,098)	4,681,253
LRAFB contingent liability	9,687,660	-	(1,777,327)	7,910,333
Total long-term liabilities	<u>\$ 15,978,011</u>	<u>-</u>	<u>(3,386,425)</u>	<u>12,591,586</u>
	<b>Balance at December 31, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2022</b>
Waterworks revenue bonds	\$ 7,886,749	-	(1,596,398)	6,290,351
LRAFB contingent liability	11,447,311	-	(1,759,651)	9,687,660
Total long-term liabilities	<u>\$ 19,334,060</u>	<u>-</u>	<u>(3,356,049)</u>	<u>15,978,011</u>

**2.25% Water Capital Improvement Revenue Bonds, Series 2011**

In October 2011, the City of Jacksonville, Arkansas issued \$25,000,000 in Water Capital Improvement Revenue Bonds, with an interest rate of 2.25% and servicing fee rate of 1%, for the purpose of financing the cost of the planning, design, and construction of improvements to the City's water system, fund a debt service reserve, and pay expenses of issuing the bonds. The Series 2011 Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of JMWW. As work is completed, bond funds are advanced to the Utility to reimburse eligible project costs incurred. Beginning April 15, 2015, principal payments are due semi-annually on April 15 and October 15, with the final payment scheduled on October 15, 2034. Interest and servicing fee payments are due semiannually on April 15 and October 15, beginning April 15, 2012.

The projects were all completed in 2016. In 2018, the Arkansas Natural Resource Commission (ANRC) requested that JMWW swap the \$25,000,000 bonds for the amount actually owed. Excluding final bond closing costs, the total cost of these projects was \$17,090,722. As a result of the bond swap, the interest rate was reduced to 0.50% with a revised maturity date of October 15, 2026. In addition, JMWW agreed to a provision to not repay the loan early, either partially or in full.

**1% Little Rock Air Force Base Distribution System Contingent Liability**

On July 31, 2017 the Utility signed a contract to purchase the existing Little Rock Air Force Base (LRAFB) water system and provide water utility services for a 50-year term. The total cost of the LRAFB system is \$17,750,941. This price was determined by using the replacement cost new less depreciation valuation method based on the service lives provided in the initial Request for Proposals. The actual purchase of the LRAFB system is taking place through a billing credit and purchase price recovery of \$155,506 per month (\$1,866,072 per year) during the initial 120 months (10 years) of the contract period. The payment will be amortized using an annual interest rate of 1.0% or 0.083% per month as found in the OMB Circular A-94, Appendix C real 10-year interest rate of treasury notes.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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The recoverable portion of the purchase price includes any part of the water distribution system that is of the sole beneficial use of the Government. There are no utilities included in the contract that will be used by any other entity than the Government; therefore, JMWW will claim full reimbursement for the credit as payment for the purchase price of \$17,750,941. The recoverable portion of the purchase price will be received as a monthly charge over the period of 10 years or 120 months. The payment will be amortized using an annual interest rate of 1.0% or 0.083% per month as found in the OMB Circular A-94 real 10-year interest rate on treasury notes.

Maturities of the revenue bond as of December 31, 2023 are as follows:

	<u>Principal Payments</u>	<u>Interest &amp; 1% Service Fees</u>	<u>Balance at December 31</u>
2024	\$ 3,437,025	138,783	9,146,170
2025	3,479,779	96,029	5,666,391
2026	3,195,888	48,915	2,470,503
2027	1,849,830	16,242	620,673
2028	620,673	1,351	-
2029 - 2033	-	-	-
	<u>\$ 12,583,195</u>	<u>301,320</u>	<u>-</u>

#### 10. Commitments

The Utility had commitments totaling approximately \$442,145 and \$2,120,703 at December 31, 2023 and 2022, respectively, for professional services, purchases of equipment and water system improvements.

On September 1, 2015, JMWW signed a ten-year, renewable agreement with Central Arkansas Water to purchase a minimum of 1.79 million gallons of water per day year-round. The contract decreased the allowable maximum amount that can be purchased per day to ten million gallons.

On July 31, 2017 the Defense Logistics Agency (DLA) and JMWW finalized an agreement for the privatization of the water utilities located on Little Rock Air Force Base (LRAFB). This 50-year contract requires JMWW to operate, maintain, repair, upgrade and improve the LRAFB water system. This system is comprised of 236,416 linear feet of pipe, 412 hydrants, 3 pump stations, and 1,350,000 gallons of storage. The system provides an average of 450,000 gallons of potable water per day and serves approximately 12,000 people. The full transfer of the LRAFB system to JMWW took place on May 1, 2018. In acquiring these facilities JMWW will continue employing the operations and maintenance methods that have proven successful with Jacksonville's water distribution system and blend these with procedures familiar to the operation of the LRAFB system.

JMWW is a member of the Mid-Arkansas Water Alliance and the Lonoke White Public Water Authority. MAWA was organized to secure a water allocation from Lake Ouachita and Greers Ferry Lake. LWPWA was formed to bring water from Greers Ferry Lake to its members. JMWW began taking water from the LWPWA in October of 2014 and is contracted to purchase a minimum of half a million gallons per day.

#### 11. Rate Increase

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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In 2009, a comprehensive water rate study was performed to develop a financing plan to support the operating and capital needs of JMWW. The rate analysis compared the sources of funds (revenues) to the expenses of the Utility to determine the overall rate adjustment required and allocated the revenue requirements to the various customer classes of service. The analysis also considered both the level and structure of the rate design to collect the appropriate and targeted level of revenues. An annual rate increase over a four-year period was approved by the Jacksonville City Council on April 16, 2009, effective May 1, 2009. The increase for inside-city rates, outside-city rates, outside city bulk rate customers and Little Rock Air Force Base rates for the first year (2009) was 13%, 13% for the second year (2010), 13% for the third year (2011) and 8% for the fourth and final year (2012).

There were no rate changes implemented in 2013. JMWW implemented two separate Pass-Through Charges in 2014. Central Arkansas Water and the Lonoke White Public Water Authority both imposed increases for water purchased in 2014. Central Arkansas Water also imposed increases for water purchased in 2016, 2017, and 2018. Each yearly increase equated to a 10% addition to the annual water purchase rate. These increases were passed on to JMWW rate payers on both 2016 and 2017 via the authority granted by JMC 13.16.016. The Jacksonville Water Commission elected not to pass on the 2018 increase to JMWW rate payers. In 2019 a scheduled 5% increase from Central Arkansas Water was avoided due to the signing of an updated wholesale agreement. JWW is currently in the process of having a rate study performed and expects a rate adjustment by 2024.

**12. Date of Management's Review**

Management of the Utility has evaluated subsequent events through May 1, 2024, the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Schedule of Operating Expenses**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Production</b>		
Salaries	\$ 157,268	184,039
Payroll taxes	11,305	13,046
Employee insurance	30,155	35,026
Retirement contribution	30,394	27,305
Workers compensation insurance	1,596	2,162
Water purchased	3,131,451	3,092,083
Truck expense	11,261	16,487
Insurance	7,813	8,543
Treatment chemicals	15,354	10,283
Public water system fees and lab expense	50,479	50,547
Plant machinery and repairs	3,838	36,499
Building grounds and maintenance	8,137	2,105
Electricity and natural gas	36,530	28,208
Small tools	4,078	9,146
Telephone	1,862	3,017
Uniforms	2,599	2,350
Safety equipment	2,626	10,883
Education and training	398	1,147
Other expenses	3,520	2,340
<b>Total Production Expenses</b>	<u>3,510,664</u>	<u>3,535,216</u>
<b>Distribution</b>		
Salaries	823,191	760,298
Payroll taxes	58,772	51,681
Employee insurance	125,265	110,505
Retirement contribution	158,546	107,378
Workers compensation insurance	7,783	8,582
Line maintenance	145,513	136,254
Meter repairs and maintenance	190,309	185,787
Fire hydrant maintenance	30,499	6,657
Truck expense	83,203	105,302
Heavy equipment repairs and maintenance	27,198	21,455
General manager's auto allowance	7,500	7,500
Insurance	8,327	6,020
Small tools	15,566	26,965
Water storage tanks maintenance	68,851	67,601
Engineering and professional services	49,567	37,716
Uniforms	21,947	16,153
Education and training	2,363	3,004
Electricity and natural gas	22,379	21,475
Telephone	26,803	22,914
Building and grounds maintenance	71,748	36,231
Office supplies and printing	2,605	2,647
Other expenses	1,712	900
<b>Total Distribution Expenses</b>	<u>1,949,647</u>	<u>1,743,025</u>
<b>Administrative</b>		
Salaries	602,566	592,399
Payroll taxes	44,309	42,288
Employee insurance	83,895	79,344
Retirement contribution	123,700	84,176

See independent auditor's report.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Schedule of Operating Expenses (continued)**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Workers compensation insurance	2,298	2,561
Office supplies and printing	29,981	27,174
Postage and box rent	122,771	109,423
Credit card and collection service fees	159,262	103,790
Office equipment repairs and maintenance	47,550	54,964
Janitor service and supplies	-	264
Electricity and natural gas	13,119	12,396
Insurance	1,372	1,403
Telephone	7,958	6,740
Professional services	37,060	35,500
Computer support and license	29,470	32,157
Building maintenance and repair	11,134	9,230
Education and training	4,481	4,802
Truck expense	26,094	19,529
Small tools	13	86
Uniforms	3,055	2,441
Bad debts	31,199	48,758
Other expenses	1,384	1,867
<b>Total Administrative Expenses</b>	<u>1,382,671</u>	<u>1,271,292</u>
<b>Little Rock Air Force Base</b>		
Salaries	138,625	93,493
Payroll taxes	5,436	6,644
Employee insurance	10,692	17,595
Retirement contribution	28,862	13,657
Workers compensation insurance	1,280	1,105
Professional services	29,430	47,961
Insurance	35,689	34,348
Public water system fees and lab expense	7,061	29,861
Truck expense	27,507	24,175
Plant machinery and repairs	933	3,038
Building maintenance and repair	12,774	9,855
Meter repairs and maintenance	200	357
Heavy equipment repairs and maintenance	10,208	4,987
Line maintenance	11,295	22,519
Fire hydrant maintenance	612	5,215
Water storage tanks materials	6,257	6,258
Small tools	4,575	4,578
Telephone	4,776	4,548
Uniforms	2,865	1,761
Safety equipment	416	10,883
Education and training	-	267
Electricity and natural gas	2,883	2,609
Computer support and license	1,311	1,138
Office supplies and printing	7,928	3,455
Other expenses	-	1
<b>Total Little Rock Air Force Base Expenses</b>	<u>351,615</u>	<u>350,308</u>
<b>Depreciation</b>		
Not funded	2,773,560	2,600,304
<b>Total Depreciation Expense</b>	<u>2,773,560</u>	<u>2,600,304</u>
<b>Total Operating Expenses</b>	<u>\$ 9,968,157</u>	<u>9,500,145</u>

See independent auditor's report.



**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Operating Revenues</b>			
Sales:			
Domestic, commercial and industrial customers	\$ 4,500,000	4,540,513	\$ 40,513
North Pulaski	24,000	25,564	1,564
Little Rock Air Force Base	910,000	825,738	(84,262)
Little Rock Air Force Base - O&M	706,388	709,036	2,648
Little Rock Air Force Base - R&R	543,024	545,056	2,032
Furlow Water Users	54,000	55,656	1,656
Bayou 2 Water Users	3,200	3,503	303
Customer billing charges	1,450,000	1,712,472	262,472
Service charges	305,800	341,425	35,625
Late payment penalties	150,000	155,279	5,279
<b>Total Operating Revenues</b>	<u>8,646,412</u>	<u>8,914,242</u>	<u>267,830</u>
<b>Operating Expenses</b>			
Production	3,511,413	3,510,664	749
Distribution	3,468,767	1,949,647	1,519,120
Administrative	1,356,054	1,382,671	(26,617)
Little Rock Air Force Base	1,530,667	351,615	1,179,052
Depreciation	-	2,773,560	(2,773,560)
<b>Total Operating Expenses</b>	<u>9,866,901</u>	<u>9,968,157</u>	<u>(101,256)</u>
<b>Operating Income (Loss)</b>	<u>(1,220,489)</u>	<u>(1,053,915)</u>	<u>166,574</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	9,000	76,783	67,783
Interest and bond fees expense	-	(176,948)	(176,948)
Other income	4,656,776	4,672,547	15,771
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,665,776</u>	<u>4,572,382</u>	<u>(93,394)</u>
<b>Change In Net Position Before Capital Contributions</b>	3,445,287	3,518,467	73,180
Capital contributions	-	47,283	47,283
<b>Change In Net Position</b>	<u>\$ 3,445,287</u>	<u>3,565,750</u>	<u>120,463</u>

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Schedule of JMWW's Proportionate Share Of The Net Pension Liability**  
**Arkansas Public Employees Retirement System**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
JMWW's proportion of the net pension liability	0.0713714%	0.0754799%	0.0715724%	0.0753819%	0.0761547%
JMWW's proportionate share of the net pension liability	\$ 2,079,897	2,035,228	550,272	2,158,624	1,837,253
JMWW's covered-employee payroll	\$ 1,615,459	1,561,591	1,484,920	1,480,294	1,400,225
JMWW's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.75%	130.33%	37.06%	145.82%	131.21%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
JMWW's proportion of the net pension liability		0.0664415%	0.0633653%	0.0631323%	0.0650156%
JMWW's proportionate share of the net pension liability		1,465,656	1,637,449	1,509,714	1,212,148
JMWW's covered-employee payroll		1,303,824	1,143,701	1,143,849	1,167,729
JMWW's proportionate share of the net pension liability as a percentage of its covered-employee payroll		112.41%	143.17%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability		79.59%	75.65%	75.50%	80.39%

\*Information for years prior to 2015 is not available.

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Schedule of Contributions**  
**Arkansas Public Employees Retirement System**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 247,488	239,236	227,490	226,781	214,514
Contributions in relation to the statutorily required contribution	<u>(247,488)</u>	<u>(239,236)</u>	<u>(227,490)</u>	<u>(226,781)</u>	<u>(214,514)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered-employee payroll	\$ 1,615,459	1,561,591	1,484,920	1,480,294	1,400,225
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	192,315	\$ 165,596	165,858	172,357	169,885
Contributions in relation to the statutorily required contribution	<u>(192,315)</u>	<u>(165,596)</u>	<u>(165,858)</u>	<u>(172,357)</u>	<u>(169,885)</u>
Contribution deficiency (excess)	-	\$ -	-	-	-
Covered-employee payroll	1,303,824	\$ 1,143,701	1,143,849	1,167,729	1,142,277
Contributions as a percentage of covered-employee payroll	14.75%	14.48%	14.50%	14.76%	14.87%

*See independent auditor's report.*



**Independent Auditor’s Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Jacksonville Municipal Water Works  
Jacksonville, 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, the financial statements of Jacksonville Municipal Water Works (the “Utility”), as of and for the year ended December 31, 2023, and have issued our report thereon dated May 1, 2024.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 may exist that were not identified.

**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 determination of financial statement amounts. 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 Utility'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.



May 1, 2024

Certified Public Accountants & Consultants  
Bryant, Arkansas

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Schedule of Audit Findings**  
**December 31, 2023 and 2022**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
	None.	

**Jacksonville Municipal Water Works**  
**(a component unit of the City of Jacksonville, Arkansas)**  
**Summary Schedule of Prior Audit Findings**  
**December 31, 2023 and 2022**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
	None.	