

**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, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 April 30, 2025, 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.



April 30, 2025

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, 2024 and 2023

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 April 30, 2025, 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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December 31, 2024 and 2023

A condensed summary of JMWW's net position as of December 31, 2024, 2023 and 2022, is provided below:

TABLE 1
SUMMARY OF ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED
INFLOWS OF RESOURCES AND NET POSITION
DECEMBER 31, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources:			
Total current assets	\$ 8,223,351	6,064,244	5,092,266
Total restricted assets	1,123,160	1,072,365	1,964,642
Net capital assets	55,322,522	56,714,962	56,667,496
Other assets	328,899	417,937	284,258
Deferred outflows of resources	383,383	637,609	665,931
Total assets and deferred outflows of resources	<u>\$ 65,381,315</u>	<u>64,907,117</u>	<u>64,674,593</u>
Liabilities:			
Total current liabilities	\$ 5,852,667	5,241,877	5,224,157
Total noncurrent liabilities	8,464,527	12,131,829	15,503,797
Deferred inflows of resources	115,026	98,197	77,175
Total liabilities and deferred inflows of resources	<u>14,432,220</u>	<u>17,471,903</u>	<u>20,805,129</u>
Net position:			
Invested in capital assets, net of related debt	46,152,808	44,123,376	40,689,485
Restricted – expendable	1,123,160	1,072,365	1,964,642
Unrestricted	3,673,127	2,239,473	1,215,337
Total net position	<u>50,949,095</u>	<u>47,435,214</u>	<u>43,869,464</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 65,381,315</u>	<u>64,907,117</u>	<u>64,674,593</u>

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December 31, 2024 and 2023

A condensed summary of JMWW's changes in net position as of December 31, 2024, 2023 and 2022, is provided below:

TABLE 2
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues:			
Total operating revenues	\$ 11,090,158	8,914,242	8,512,982
Total other revenues	2,532,933	4,749,330	6,567,101
Total revenues	<u>13,623,091</u>	<u>13,663,572</u>	<u>15,080,083</u>
Expenses:			
Depreciation expense	2,817,690	2,773,555	2,600,304
Other operating expenses	7,632,646	7,194,602	6,899,841
Nonoperating expenses	134,678	176,948	218,677
Total expenses	<u>10,585,014</u>	<u>10,145,105</u>	<u>9,718,822</u>
Change in net position before capital contributions	3,038,077	3,518,467	5,361,261
Capital contributions	475,804	47,283	243,067
Change in net position	3,513,881	3,565,750	5,604,328
Net position, beginning of the year	47,435,214	43,869,464	38,265,136
Net position, end of the year	<u>\$ 50,949,095</u>	<u>47,435,214</u>	<u>43,869,464</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 \$50,949,095 at the close of the most recent fiscal year. This represents an increase of \$3,513,881 or 7.41% over the previous year, of which \$639,822 is attributable to net income from operations coupled with \$2,398,255 attributable to nonoperating activities, along with capital contributions from private developers in the amount of \$475,804.

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, 2024, were 1.41:1 and 1.25:1, respectively. This indicates that for every \$1.46 in current assets, JMWW has \$1.00 in current liabilities. By excluding inventory, the ratio becomes \$1.25 in current assets for every \$1.00 in current liabilities. The current and quick ratios for the year ended December 31, 2023, were 1.16:1 and 1.01:1, 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, 2024, working capital on hand was \$2,370,684. As of December 31, 2023, the working capital on hand was \$822,367.

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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 25.6 days and 14.6 days as of December 31, 2024 and 2023, 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-to-equity ratio. The debt-to-equity is calculated by dividing total debt by total equity and is 18% and 26.54% for 2024 and 2023, respectively. According to American Water Works Association benchmarks, the industry median for regulated utilities is 81% to 91%.

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 2024, 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 income for 2024 was \$639,822 (compared to an operating loss of \$1,053,915 for 2023). This increase is attributable to total operating revenues increasing 24.41%, while total operating expenses decreased by 4.84% in 2024.

Operating Revenues

Operating revenues of JMWW were \$11.09 million for the year ended December 31, 2024. This was an increase of \$2,175,916 from the prior year. JMWW saw revenues totaling \$1,319,052 stemming from the privatization of the water utilities on LRAFB. This is an increase of \$64,960 from the previous year and was caused by a 3.87% annual economic price adjustment beginning in May of 2024. Water Users' Fees increased \$1,548,528 compared to 2023 due to a 35.5% increase in rate. Sales to bulk water customers LRAFB, Furlow Water Users, Mid-Arkansas Utilities, and Bayou Two also saw increases due to the same 35.5% increase in rate.

Jacksonville Municipal Water Works
(a component unit of the City of Jacksonville, Arkansas)
Management's Discussion and Analysis
December 31, 2024 and 2023

A summary of JMWW's operating revenues by source as of December 31, 2024, 2023 and 2022, is provided below:

TABLE 3
OPERATING REVENUES BY SOURCE
YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Residential and commercial customers	\$ 7,970,523	6,252,985	5,902,715
Mid-Arkansas Utilities	38,975	25,564	36,567
Little Rock Air Force Base	970,784	825,738	897,925
Little Rock Air Force Base - O&M	745,760	709,036	659,156
Little Rock Air Force Base - R&R	573,292	545,056	506,716
Furlow Water Users	85,599	55,656	54,548
Bayou 2 Water Users	4,538	3,503	3,298
Service charges and penalties	700,687	496,704	452,057
Total operating revenues by source	<u>\$ 11,090,158</u>	<u>8,914,242</u>	<u>8,512,982</u>

Operating Expenses

Production – Production related expenses totaled \$3,759,421 in 2024 compared to \$3,510,664 in 2023, an increase of \$248,757.

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. CAW had a 17.36% rate increase effective January 1, 2024.

On January 17, 2024 water production reached a daily high of 7.7 million gallons, which was well above the 2023 peak demand of 5.4 million gallons. Total production for 2024 was 1.353 billion gallons, a 1.3% increase from the previous year. The average daily flow for 2024 was 3.7 million gallons.

Distribution – Distribution related expenses totaled \$2,056,036 in 2024 compared to \$1,949,647 in 2023, an increase of \$106,389 or 5.46%. The costs of line maintenance increased by \$14,737 compared to 2023. This increase is attributable to price increases in construction materials due to inflation. The costs of meter repairs and replacements decreased \$83,241 compared to 2023. This decrease is attributable to a decrease in planned meter replacements in the distribution system. The costs of engineering and professional services decreased by \$29,261 compared to 2023. This decrease is attributable to the completion of JMWW's Cost of Service Rate Study.

Administration – Administrative expenses totaled \$1,593,086 in 2024 compared to \$1,382,671 in 2023. This was an increase of \$210,415 or 15.22%. This was primarily due to an increase in payroll expense and increases in collection service fees due 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 \$224,108. This was a \$127,507 decrease compared to the previous year. This is primarily due to shared payroll expenses with JMWW's Distribution Department. It is also important to note the contract start date of May 1, 2018. Although this was JMWW's 6th full calendar year maintaining the LRAFB Distribution system, the 8-month period beginning May 1, 2024 and ending December 31, 2024 represent year seven of the contract.

A summary of JMWW's operating expenses by category as of December 31, 2024, 2023 and 2022, is provided below:

TABLE 4
OPERATING EXPENSES BY CATEGORY
YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Personnel costs	\$ 2,908,415	2,818,909	2,583,163
Materials and supplies	1,264,200	1,062,022	1,052,925
Services	128,972	182,215	185,901
Purchased water	3,331,064	3,131,451	3,077,852
Depreciation	2,817,685	2,773,560	2,600,304
Total operating expenses by category	<u>\$ 10,450,336</u>	<u>9,968,157</u>	<u>9,500,145</u>

Nonoperating Revenues

Interest Income – Income from interest earnings on certificates of deposits and money market funds increased by \$38,371 or 49.97% from the previous year. Interest earned of \$115,154 in 2024 was with an interest rate of 4.96%, which remained constant throughout the entire fiscal year. These certificates of deposits and money market funds averaged \$1.08 million in 2024, a marginal increase when compared to the previous fiscal year average of \$1.05 million in 2023.

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 \$475,804 in 2024. 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 \$46.15 million, as of December 31, 2024, an increase of \$2.03 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 2024, 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.

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

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miscellaneous projects including future infrastructure replacements, main extensions, and the decommissioning of JMWW's East Treatment Plant.

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
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Statements of Net Position
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets:		
Cash	\$ 5,083,072	3,403,460
Accounts receivable	2,158,080	1,809,518
Inventories	896,582	780,152
Prepaid and deferred expenses	85,617	71,114
Total Current Assets	8,223,351	6,064,244
Restricted Assets:		
Cash	585	585
Certificates of deposit	1,122,575	1,071,780
Total Restricted Assets	1,123,160	1,072,365
Noncurrent Assets:		
Capital assets:		
Land and improvements	1,171,194	1,171,103
Water distribution system	64,423,156	63,334,808
Buildings and improvements	2,808,778	2,780,753
Machinery and equipment	3,777,493	3,474,870
LRAFB distribution system	17,750,941	17,750,941
Construction in progress	5,497,636	5,491,478
	95,429,198	94,003,953
Less accumulated depreciation	(40,106,676)	(37,288,991)
Capital assets, net of depreciation	55,322,522	56,714,962
Other assets	328,899	417,937
Total Noncurrent Assets	55,651,421	57,132,899
Total Assets	64,997,932	64,269,508
Deferred Outflows Of Resources		
Deferred outflows related to pensions	383,383	637,609
Total Assets And Deferred Outflows Of Resources	\$ 65,381,315	64,907,117

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

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Statements of Net Position (Continued)
December 31, 2024 and 2023

	2024	2023
Liabilities		
Current Liabilities:		
Accounts payable	\$ 422,865	201,066
Due to City of Jacksonville Sanitation Fund	370,799	311,530
Due to Jacksonville Wastewater Utility	1,354,673	1,093,839
Accrued interest and fees payable	8,875	8,875
Accrued expenses and other liabilities	228,082	189,542
Current portion of long-term debt	3,467,373	3,437,025
Total Current Liabilities	5,852,667	5,241,877
Noncurrent Liabilities:		
Customer deposits	921,605	895,361
Long-term debt, less current portion	5,702,341	9,154,561
Accrued pension liability	1,838,571	2,079,897
Other noncurrent liabilities	2,010	2,010
Total Noncurrent Liabilities	8,464,527	12,131,829
Total Liabilities	14,317,194	17,373,706
Deferred Inflows Of Resources		
Deferred inflows related to pensions	115,026	98,197
Net Position		
Invested in capital assets, net of related debt	46,152,808	44,123,376
Restricted	1,123,160	1,072,365
Unrestricted	3,673,127	2,239,473
Total Net Position	50,949,095	47,435,214
Total Liabilities, Deferred Inflows Of Resources, And Net Position	\$ 65,381,315	64,907,117

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Sales:		
Domestic, commercial and industrial customers	\$ 6,089,041	4,540,513
Mid-Arkansas Utilities	38,975	25,564
Little Rock Air Force Base	970,784	825,738
Little Rock Air Force Base - O&M	745,760	709,036
Little Rock Air Force Base - R&R	573,292	545,056
Furlow Water Users	85,599	55,656
Bayou 2 Water Users	4,538	3,503
Customer billing charges	1,881,482	1,712,472
Service charges	491,954	341,425
Late payment penalties	208,733	155,279
Total Operating Revenues	<u>11,090,158</u>	<u>8,914,242</u>
Operating Expenses		
Production	3,759,421	3,510,664
Distribution	2,056,036	1,949,647
Administrative	1,593,086	1,382,671
Little Rock Air Force Base	224,108	351,615
Depreciation	2,817,685	2,773,560
Total Operating Expenses	<u>10,450,336</u>	<u>9,968,157</u>
Operating Income (Loss)	<u>639,822</u>	<u>(1,053,915)</u>
Nonoperating Revenues (Expenses)		
Interest revenue	115,154	76,783
Interest and bond fees expense	(134,678)	(176,948)
Other income	2,417,779	4,672,547
Total Nonoperating Revenues (Expenses)	<u>2,398,255</u>	<u>4,572,382</u>
Change In Net Position Before Capital Contributions	3,038,077	3,518,467
Capital contributions	<u>475,804</u>	<u>47,283</u>
Change In Net Position	3,513,881	3,565,750
Net Position, Beginning of Year	<u>47,435,214</u>	<u>43,869,464</u>
Net Position, End of Year	<u>\$ 50,949,095</u>	<u>47,435,214</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
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 11,087,943	8,758,876
Other receipts	2,417,779	4,672,547
Payments to employees	(2,840,146)	(2,715,685)
Payments to suppliers	(1,084,296)	(1,585,378)
Payments to service providers	(128,972)	(182,215)
Payments for water source	(3,331,064)	(3,131,451)
Net Cash Flows Provided By (Used In) Operating Activities	<u>6,121,244</u>	<u>5,816,694</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(949,441)	(2,773,743)
Interest and fees paid on bond	(134,678)	(176,948)
Repayment of capital improvement bond	(3,421,872)	(3,386,425)
Net Cash Flows Provided By (Used In) Capital and Related Financing Activities	<u>(4,505,991)</u>	<u>(6,337,116)</u>
Cash Flows from Investing Activities:		
Proceeds from maturities of certificates of deposit	1,071,780	2,187,456
Purchases of certificates of deposit	(1,122,575)	(1,071,780)
Interest on cash and cash investments	115,154	77,470
Net Cash Flows Provided By (Used In) Investing Activities	<u>64,359</u>	<u>1,193,146</u>
Net Increase (Decrease) In Cash and Cash Equivalents	1,679,612	672,724
Cash and cash equivalents - beginning of the year	<u>3,404,045</u>	<u>2,731,321</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 5,083,657</u>	<u>3,404,045</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

	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Operating income (loss)	\$ 639,822	(1,053,915)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,817,685	2,773,560
Amortization expense	89,038	89,038
Other income, net	2,417,779	4,672,547
Changes in assets and liabilities:		
Accounts receivable	(348,562)	(292,689)
Inventories	(116,430)	(240,855)
Prepays and other assets	(14,503)	(212,513)
Accounts payable	221,799	(159,026)
Due to other entities	320,103	125,326
Accrued pension liability	(241,326)	44,669
Other accrued expenses	38,540	9,211
Customer deposits	26,244	11,997
Deferrals related to pensions	271,055	49,344
Net Cash Flows Provided (Used) By Operating Activities	\$ 6,121,244	5,816,694
Reconciliation of Cash and Cash Equivalents		
Cash - non-restricted	\$ 5,083,072	3,403,460
Cash - restricted	585	585
Total Cash and Cash Equivalents	\$ 5,083,657	3,404,045

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 \$475,804 and \$47,283 in 2024 and 2023, respectively.

Jacksonville Municipal Water Works
(a component unit of the City of Jacksonville, Arkansas)
Notes to the Financial Statements
December 31, 2024 and 2023

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
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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 \$57,100 and \$31,199 in bad debt expense related to sales for the years ended December 31, 2024 and 2023, 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, 2024 and 2023

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, 2024, 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.

Jacksonville Municipal Water Works
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Notes to the Financial Statements
December 31, 2024 and 2023

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, 2024 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	\$ 5,176,727	5,083,657
Certificates of deposit	1,122,575	1,122,575
	\$ 6,299,302	6,206,232

The greatest credit risk exposure would be uninsured portions not collateralized since the collateral is not held by the financial institution itself. All collateralized amounts are in the name of JMWW. As of December 31, 2024 and 2023, deposits were fully covered by FDIC insurance and appropriate collateralization.

The December 31, 2024 and 2023 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 2024 and 2023 was \$168,388 and \$174,349, respectively.

4. Capital Assets

Depreciation expense for 2024 and 2023 was \$2,817,685 and \$2,773,560, 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, 2024 and 2023

	2023				2024
	Balance	Increases	Transfers	Decreases	Balance
Capital assets, nondepreciable:					
Land and improvements	1,171,103	91	-	-	1,171,194
Construction in progress	5,491,478	6,158	-	-	5,497,636
Total capital assets, nondepreciable	6,662,581	6,249	-	-	6,668,830
Capital assets, depreciable:					
Water distribution system	63,334,808	1,088,348	-	-	64,423,156
LRAFB water distribution system	17,750,941	-	-	-	17,750,941
Buildings and improvements	2,780,753	28,025	-	-	2,808,778
Machinery and equipment	3,474,870	302,623	-	-	3,777,493
Total capital assets, depreciable	87,341,372	1,418,996	-	-	88,760,368
Less accumulated depreciation	(37,288,991)	(2,817,685)	-	-	(40,106,676)
Total capital assets, depreciable, net	50,052,381	(1,398,689)	-	-	48,653,692
Total capital assets, net	\$ 56,714,962	(1,392,440)	-	-	55,322,522
	2022				2023
	Balance	Increases	Transfers	Decreases	Balance
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

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.

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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. Act 365 of the 2021 regular legislative session put in place annual increases of 0.25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. 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, 2024. 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 \$2,488,121,912 and \$2,914,186,564 was measured as of June 30, 2024 and 2023, 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.

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At June 30, 2024 and 2023, JMWW’s proportion was 0.07389394% and 0.07137144%, respectively, and the Utility recorded a liability of \$1,838,571 and \$2,079,897, respectively, for its proportionate share of the net pension liability of APERS.

For the year ended December 31, 2024 and 2023, JMWW recognized pension expense of \$298,739 and \$341,502, respectively. At December 31, 2024 and 2023, JMWW reported deferred outflows and inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 71,351	(75,171)	\$ 117,406	(11,426)
Changes in proportion and differences between employer contributions and proportionate share of contribution	59,116	(39,855)	39,883	(86,771)
Changes of actuarial assumptions	64,073	-	97,781	-
Net difference between projected and actual earnings on pension plan investments	53,336	-	258,873	-
JMWW contributions subsequent to the measurement date	135,507	-	123,666	-
	<u>\$ 383,383</u>	<u>(115,026)</u>	<u>\$ 637,609</u>	<u>(98,197)</u>

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

<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Thereafter</u>
<u>\$ (5,804)</u>	<u>252,819</u>	<u>(70,162)</u>	<u>(44,003)</u>	<u>-</u>	<u>-</u>

Actuarial Assumptions

The total pension liability in the June 30, 2024 and 2023, 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	16 years (5.6 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)

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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	3.6281 for 2024 and 3.7241 for 2023

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, 2024 and 2023, are summarized in the table below:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	21%	3.38%
Total	<u>100%</u>	
Total Real Rate of Return		5.00%
Plus: Price inflation - Actuary Assumption		<u>2.50%</u>
Net Expected Return		<u>7.50%</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:

Jacksonville Municipal Water Works
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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	\$ 3,137,265	1,838,571	767,894

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, 2024 and 2023, 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. As of December 31, 2024 and 2023, 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 2024 and 2023 was \$178,542 and \$174,705, respectively. Lease revenue is reported as other income in the financial statements.

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, 2024 and 2023 are as follows:

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	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
Waterworks revenue bonds	\$ 4,681,253	-	(1,626,689)	3,054,564
LRAFB contingent liability	7,910,333	-	(1,795,183)	6,115,150
Total long-term liabilities	<u>\$ 12,591,586</u>	<u>-</u>	<u>(3,421,872)</u>	<u>9,169,714</u>
	December 31, 2022	Increases	Decreases	December 31, 2023
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>

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.

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

Jacksonville Municipal Water Works
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Notes to the Financial Statements
December 31, 2024 and 2023

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, 2024 are as follows:

	<u>Principal Payments</u>	<u>Interest & 1% Service Fees</u>	<u>Balance at December 31</u>
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	-
2030 - 2033	-	-	-
	<u>\$ 9,146,170</u>	<u>162,537</u>	<u>-</u>

10. Commitments

The Utility had commitments totaling approximately \$442,145 and \$2,120,703 at December 31, 2024 and 2023, 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

In 2023, a comprehensive water rate study was performed to develop a financing plan to support the operating and capital needs of JMWW. This study was prompted by the passage of Act 605 of 2021 by the Arkansas State Legislature. This act tasks retail water providers with additional responsibilities in both managing and operating their water systems. In doing so, it requires that water providers not only perform a rate study every 5 years but also implement the results of said study. The 2023 rate analysis compared the sources of funds (revenues) to the expenses of the Utility to determine the overall rate adjustment required

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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 five-year period was approved by the Jacksonville City Council on December 7, 2023, effective January 1, 2024. 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 (2024) was 35.5%, 6% for the second year (2025), 4% for the third year (2026), 4% for the fourth year (2027), and 4% for the fifth and final year (2028).

12. Date of Management's Review

Management of the Utility has evaluated subsequent events through April 30, 2025, 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Production		
Salaries	\$ 200,664	157,268
Payroll taxes	11,575	11,305
Employee insurance	28,691	30,155
Retirement contribution	26,338	30,394
Workers compensation insurance	1,677	1,596
Water purchased	3,331,064	3,131,451
Truck expense	7,361	11,261
Insurance	9,346	7,813
Treatment chemicals	10,877	15,354
Public water system fees and lab expense	50,741	50,479
Plant machinery and repairs	25,183	3,838
Building grounds and maintenance	8,536	8,137
Electricity and natural gas	25,266	36,530
Small tools	1,333	4,078
Telephone	1,362	1,862
Uniforms	4,033	2,599
Safety equipment	4,312	2,626
Education and training	2,152	398
Other expenses	8,910	3,520
Total Production Expenses	<u>3,759,421</u>	<u>3,510,664</u>
Distribution		
Salaries	949,770	823,191
Payroll taxes	63,976	58,772
Employee insurance	126,404	125,265
Retirement contribution	135,467	158,546
Workers compensation insurance	8,339	7,783
Line maintenance	160,250	145,513
Meter repairs and maintenance	110,633	190,309
Fire hydrant maintenance	42,189	30,499
Truck expense	98,250	83,203
Heavy equipment repairs and maintenance	26,627	27,198
General manager's auto allowance	7,500	7,500
Insurance	9,210	8,327
Small tools	18,336	15,566
Water storage tanks maintenance	109,225	68,851
Engineering and professional services	20,306	49,567
Uniforms	25,503	21,947
Education and training	3,003	2,363
Electricity and natural gas	19,933	22,379
Telephone	27,818	26,803
Building and grounds maintenance	85,763	71,748
Office supplies and printing	3,428	2,605
Other expenses	4,106	1,712
Total Distribution Expenses	<u>2,056,036</u>	<u>1,949,647</u>
Administrative		
Salaries	692,041	602,566
Payroll taxes	49,456	44,309
Employee insurance	96,653	83,895
Retirement contribution	111,712	123,700

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Workers compensation insurance	2,552	2,298
Office supplies and printing	97,090	29,981
Postage and box rent	122,645	122,771
Credit card and collection service fees	227,843	159,262
Office equipment repairs and maintenance	8,074	47,550
Janitor service and supplies	-	-
Electricity and natural gas	12,810	13,119
Insurance	1,883	1,372
Telephone	7,109	7,958
Professional services	23,425	37,060
Computer support and license	26,181	29,470
Building maintenance and repair	11,890	11,134
Education and training	3,149	4,481
Truck expense	34,782	26,094
Small tools	214	13
Uniforms	6,024	3,055
Bad debts	57,100	31,199
Other expenses	453	1,384
Total Administrative Expenses	<u>1,593,086</u>	<u>1,382,671</u>
Little Rock Air Force Base		
Salaries	16,391	138,625
Payroll taxes	3,873	5,436
Employee insurance	23,058	10,692
Retirement contribution	25,222	28,862
Workers compensation insurance	1,516	1,280
Professional services	13,749	29,430
Insurance	36,969	35,689
Public water system fees and lab expense	7,061	7,061
Truck expense	20,201	27,507
Plant machinery and repairs	5,369	933
Building maintenance and repair	4,027	12,774
Meter repairs and maintenance	-	200
Heavy equipment repairs and maintenance	1,208	10,208
Line maintenance	16,793	11,295
Fire hydrant maintenance	9,759	612
Water storage tanks materials	7,231	6,257
Small tools	3,995	4,575
Telephone	4,464	4,776
Uniforms	1,942	2,865
Safety equipment	-	416
Education and training	-	-
Electricity and natural gas	1,100	2,883
Computer support and license	1,490	1,311
Office supplies and printing	2,297	7,928
Other expenses	16,393	-
Total Little Rock Air Force Base Expenses	<u>224,108</u>	<u>351,615</u>
Depreciation		
Not funded	2,817,685	2,773,560
Total Depreciation Expense	<u>2,817,685</u>	<u>2,773,560</u>
Total Operating Expenses	<u>\$ 10,450,336</u>	<u>9,968,157</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, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Operating Revenues			
Sales:			
Domestic, commercial and industrial customers	\$ 6,097,500	6,089,041	\$ (8,459)
Mid-Arkansas Utilities	32,520	38,975	6,455
Little Rock Air Force Base	1,113,844	970,784	(143,060)
Little Rock Air Force Base - O&M	743,560	745,760	2,200
Little Rock Air Force Base - R&R	571,596	573,292	1,696
Furlow Water Users	70,172	85,599	15,427
Bayou 2 Water Users	4,587	4,538	(49)
Customer billing charges	1,930,080	1,881,482	(48,598)
Service charges	419,855	491,954	72,099
Late payment penalties	153,015	208,733	55,718
Total Operating Revenues	<u>11,136,729</u>	<u>11,090,158</u>	<u>(46,571)</u>
Operating Expenses			
Production	3,887,161	3,759,421	127,740
Distribution	3,886,721	2,056,036	1,830,685
Administrative	1,569,569	1,593,086	(23,517)
Little Rock Air Force Base	1,564,512	224,108	1,340,404
Depreciation	-	2,817,685	(2,817,685)
Total Operating Expenses	<u>10,907,963</u>	<u>10,450,336</u>	<u>457,627</u>
Operating Income (Loss)	<u>228,766</u>	<u>639,822</u>	<u>411,056</u>
Nonoperating Revenues (Expenses)			
Interest revenue	86,400	115,154	28,754
Interest and bond fees expense	-	(134,678)	(134,678)
Other income	3,484,817	2,417,779	(1,067,038)
Total Nonoperating Revenues (Expenses)	<u>3,571,217</u>	<u>2,398,255</u>	<u>(1,172,962)</u>
Change In Net Position Before Capital Contributions	3,799,983	3,038,077	(761,906)
Capital contributions	-	475,804	475,804
Change In Net Position	<u>\$ 3,799,983</u>	<u>3,513,881</u>	<u>(286,102)</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
JMWW's proportion of the net pension liability	0.0738939%	0.0713714%	0.0754799%	0.0715724%	0.0753819%
JMWW's proportionate share of the net pension liability	\$ 1,838,571	2,079,897	2,035,228	550,272	2,158,624
JMWW's covered-employee payroll	1,755,938	1,615,459	1,561,591	1,484,920	1,480,294
JMWW's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.71%	128.75%	130.33%	37.06%	145.82%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%	93.57%	75.38%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
JMWW's proportion of the net pension liability	0.0761547%	0.0664415%	0.0633653%	0.0631323%	0.0650156%
JMWW's proportionate share of the net pension liability	1,837,253	1,465,656	1,637,449	1,509,714	1,212,148
JMWW's covered-employee payroll	1,400,225	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	131.21%	112.41%	143.17%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%

See independent auditor's report.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 269,010	247,488	239,236	227,490	226,781
Contributions in relation to the statutorily required contribution	<u>(269,010)</u>	<u>(247,488)</u>	<u>(239,236)</u>	<u>(227,490)</u>	<u>(226,781)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered-employee payroll	1,755,938	1,615,459	1,561,591	1,484,920	1,480,294
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	214,514	192,315	165,596	165,858	172,357
Contributions in relation to the statutorily required contribution	<u>(214,514)</u>	<u>(192,315)</u>	<u>(165,596)</u>	<u>(165,858)</u>	<u>(172,357)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered-employee payroll	1,400,225	1,303,824	1,143,701	1,143,849	1,167,729
Contributions as a percentage of covered-employee payroll	15.32%	14.75%	14.48%	14.50%	14.76%

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, 2024, and have issued our report thereon dated April 30, 2025.

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.



April 30, 2025

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, 2024 and 2023

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Status
	None.	

Jacksonville Municipal Water Works
(a component unit of the City of Jacksonville, Arkansas)
Summary Schedule of Prior Audit Findings
December 31, 2024 and 2023

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Status
	None.	