# West Memphis Utility Department
# An Enterprise Fund of
# The City of West Memphis, Arkansas

## FINANCIAL REPORT

## December 31, 2024

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# INDEPENDENT AUDITORS' REPORT

To the West Memphis Utility Commission
West Memphis Utility Department, an Enterprise Fund of the City of West Memphis, Arkansas
West Memphis, Arkansas

## Opinion

We have audited the financial statements of the West Memphis Utility Department, an enterprise fund of the City of West Memphis, Arkansas (the Department), which comprise the statement of net position as of December 31, 2024, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

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

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

**Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

GAAP requires that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information.**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The capital assets and utility sales and customer data is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

West Memphis, Arkansas
July 14, 2025

Jackson, Howell & Associates, PLLC

## Management's Discussion and Analysis of Audited Financial Statements

The following is Management's Discussion and Analysis of the activities and financial performance of the West Memphis Utility Commission for the year ended December 31, 2024. The purpose of this discussion and analysis is to assist the reader in identifying relevant financial activities and issues and to recognize changes in the financial position of the organization. We recommend the reader consider the information presented here with the additional information included in this report.

### Financial Highlights

- The Utility's net position in 2024 increased by $9,752,096 or 15%. The largest increase of revenues in 2024 was realized from grant revenues received which reimbursed utility construction accounts for the deployment of AMI metering and the initial construction of the broadband network.

- Operating revenues increased by $671,485 or 1.9%. Revenue increases were derived from a rate increase in 2024 on water sales and subsequently wastewater revenues based on increased water revenues.

- The Utility's operating expenses totaled $28,788,548. Operating expenses decreased $1,060,225 from December 31, 2023, to December 31, 2024. The largest operating component is energy production expenses, which represented the bulk of the decrease in expenses.

- The Utility's assets totaled $123,982,934. Total assets increased by $24,921,605 or 20% from December 31, 2023, to December 31, 2024. The 2024 increase was the result of capital improvements completed at the Wastewater Treatment Plant (WWTP).

- The utility's liabilities totaled $47,927,490. Total liabilities increased by $15,169,509 or 45%, from December 31, 2023, to December 31, 2024. The increase in liabilities in 2024 was primarily the result of additional repayments and obligations of long-term debt issued for the Waste Water Treatment Plant expansion. There has been a total of two bond issues for the WWTP expansion and wastewater collection system rehabilitation, a 2021 and 2024 bond issue for 29.3 and $15.3 million, respectively.

- As of December 31, 2024, the cash raised for the Treatment Plant expansion was by a 2024 debt issue. The use of those funds will be restricted for capital expansion of the Waste Water Treatment Plant (WWTP) and capital improvements to the collection system.

### Overview

West Memphis Utility Commission's financial statements are comprised of two components. The first component are the three basic financial statements; The Statement of Net Position, The Statement of Revenues and Expenses and Changes in Net Position, and the Statement of Cash Flows. The second component is the notes to the financial statements.

The Statement of Net Position presents the assets and liabilities of the Utility, as well as the net position as of December 31,2024. Over time, increases or decreases in the net position of the utility can be a valuable indicator of the financial condition of the utility.

The Statement of Revenues and Expenses and Changes in Net Position presents all of the Utility's revenue and expenses in the current year. This statement can be used to determine if the utility has successfully recovered all costs through rates and other charges and determines the success of the Utility's operations over the past year. This statement is a clear measure of profitability and subsequently, credit worthiness of the utility.

The Statement of Cash Flows reports the cash flows from operating activities which include cash receipts and cash payments. Also included in this statement is the net change in cash resulting from investing, non-capital financing, and capital and associated financing activities. This statement provides answers to the sources of cash, where cash was utilized, and what is the change in the cash balance during the reporting period.

The following is a summary of the Statement of Net Position for the year 2024.

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**

| | 2024 |
|---|---|
| **Assets** | |
| Current and other assets | $ 51,209,016 |
| Capital assets and other assets | 72,773,918 |
| Total assets | 123,982,934 |
| **Liabilities** | |
| Current liabilities | 2,961,479 |
| Non-current liabilities | 44,966,011 |
| Total liabilities | 47,927,490 |
| **Net position** | |
| Net investment in capital assets | 72,188,983 |
| Restricted for capital projects | 20,936,066 |
| Restricted for customer deposits | 2,099,715 |
| Unrestricted | (19,169,320) |
| Total net position | $76,055,444 |

The following analysis highlights West Memphis Utilities' net position over the previous year.

**Assets**

On December 31, 2024, total assets increased to $124 million from $99 million. Current assets remained constant from 2023 to 2024. Which included an increase in investments of $606,156 that was offset by a decrease in intergovernmental receivables in the amount of $965,300.

Capital assets, net of depreciation totaled $72.2 million on December 31, 2024. The major capital expenditures for Utility assets included roughly 15.1 million for expansion of the WWTP, which will increase capacity from 6 million gallons per day (MGD) to 12 MGD when completed in early 2026. The remaining $7.8 million has been spent rebuilding 3 critical lift stations across the city as well as repairs to the wastewater collection system.

**Liabilities**
On December 31, 2024, current liabilities were $ 2.9 million, this is an increase of $593,284. The increase is attributable to an increase in bonds payable and bond interest payable in the amount of $195,000 and $66,896, respectively. Noncurrent liabilities increased $14.6 million to $44,966,011 in 2024.

**Bond Issues**
On October 21, 2021, Public Utility System Revenue Bonds were issued in the amount of $29,305,000 to finance the expansion of the WWTP and make repairs to the wastewater collection system. These repairs included re-configuration of the collection system to move wastewater through a new force main to Lift Station (LS) 9, the rebuild of 3 of the critical lift stations, rebuilding of deteriorated manholes, and point repairs on the wastewater collection system.

A second special obligation bond issue occurred on October 16, 2024, in the amount of $15,335,000 to finance additional costs of the plant expansion as well as the Cure in Place Pipe Lining (CIPP) pipeline rehabilitation program.

The following is a summary of the Statement of Revenues and Expenses and Changes in Net Position for the year 2024.

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**

| | 2024 |
|---|---|
| **Revenues** | |
| Operating revenues | |
| Charges for services | $36,010,416 |
| Other operating revenues | 7,645,628 |
| Non-operating revenues | |
| Interest income | 1,441,643 |
| Total revenues | 45,097,687 |
| **Expenses** | |
| Operating expenses | 34,505,289 |
| Non-operating expense | 840,302 |
| Total expenses | 35,345,591 |
| **Increase in net position** | 9,752,096 |
| Net position, January 1 | 66,303,348 |
| Net position, December 31 | $76,055,444 |

The following analysis highlights West Memphis Utilities' revenues and expenses and changes in net position over the previous year.

**Revenues**
On December 31, 2024, operating revenue totaled $36 million, and these revenues are comprised of Sales of electric, water and wastewater. The distribution of the 2024 revenues is 82% from electric sales, 9% from water sales, and 9% from wastewater sales.

All revenue sources consist of three customer classes: residential, primarily made up of single-family homes and apartments, Commercial and Industrial, which are the operating businesses in West Memphis, and the Public Authority, which is the energy costs that West Memphis pays for city buildings and services like streetlights, traffic signals, and fire hydrants. These customer classes make up the revenues as follows: Electric is 38% residential, 58% commercial and industrial, and 4% public authority; Water is 44% residential, 54% commercial and industrial, and 2% public authority; wastewater is 54% residential, 45% commercial and industrial, and 1% public authority.

**Expenses**
On December 31,2024, operating expenses totaled $28.8 million. The largest component of utility expenses is power purchased for resale and transmission charges. The utility has ownership interest in two coal fired power plants, White Bluff, located near Pine Bluff, Arkansas and Independence, located near Newport, Arkansas, which fulfill about 45% of the utility's energy needs. The shortfall in energy needed is supplemented with power purchases in the wholesale market and constitutes the remaining 55% of cost. The transmission charges are the costs associated with getting the power generated or purchased to the delivery points at substations in the City of West Memphis. Power purchases and transmission charges make up 53% of all operating expenses.

**Other Income**
On December 31, 2024, other income totaled $7.6 million, which is $1.22 million in grant funds from the State of Arkansas that reimburse automated metering infrastructure (AMI) expenses for water meters that have already been incurred by the utility, and $5.9 million reimbursement received from a State of Arkansas grant for Waste Water Treatment Plant expansion. There is also non-operating revenue totaling $1.4 million in interest and investment income which is a significant increase over 2023 as a result of favorable market conditions.

Total contributions of 1.38 million to the City of West Memphis include payroll expenses for shared services, encompassing Human Resources, Data Processing, Economic Development, Finance, and City Attorney. Additionally, labor costs and materials for special city projects such as holiday lighting installation across the city, or temporary utilities for special events and programs have been donated as well. Finally, the utility contributed $30,000 of unearned income to the summer jobs program to ensure that all the children that had applied for a summer job were able to receive one.

A major commitment of the utility is to give back to the community and support the improvement of West Memphis. Accordingly, in 2024 the Utility Commission voted to fund a scholarship fund from non-rate based income of the utility. In 2024, the utility placed $50,000 in a scholarship fund and awarded ten $3,000 scholarships to the successful applicants.

**Summary**
West Memphis Utilities' net position increased by $9.7 million in 2024, compared to an increase of $704,396 in 2023. The utility continues to provide some of the lowest rates in the State of Arkansas in both Electric and Water. In addition to the low rates, the utility provides some of the best reliability of electric service in the state with our outage numbers consistently in the top 25% of utilities in Arkansas.

Bob Atkins
General Manager

Tori Perry
Finance Director

## REPORT OF MANAGEMENT ON FINANCIAL STATEMENT

The management of West Memphis Utility Department, an Enterprise Fund of the City of West Memphis, Arkansas (the Department) is responsible for the integrity and objectivity of the financial statements and other financial information contained in the Financial Report. The financial statements and related information were prepared in conformity with accounting principles generally accepted in the United States of America, based on recorded transactions and management's best judgments and estimates, in order to set forth a fair presentation of financial position and results of operations.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded to permit the preparation of reliable financial records and reports, that assets are safeguarded and that accountability for assets is maintained. In designing and implementing internal controls and procedures, management recognizes that errors or irregularities may nevertheless occur. Further, estimates and judgments are necessary to evaluate the relative cost/benefit of such controls and procedures. Internal controls and procedures are regularly reviewed and revised, when appropriate, due to changing circumstances and requirements.

The Commissioners oversee these financial statements. The Commissioners meet periodically with management to monitor the discharge of its responsibilities. The independent auditors, who are engaged to express an opinion on the financial statements, have free access to the Commissioners without management present to discuss internal control, audit and financial matters.

Jackson, Howell & Associates, PLLC has been engaged to audit the financial statements of the Department. The report on the Department's financial statements is set forth on pages three through five.

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**
**STATEMENT OF NET POSITION**
**For The Year Ended December 31, 2024**

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash and cash equivalents | $ 1,549,231 |
| Investments | 15,117,832 |
| Accounts receivable, net | 5,242,659 |
| Inventories | 3,427,039 |
| Interest receivable | 19,268 |
| Intergovernmental receivables | 2,817,206 |
| Restricted assets | |
| Cash and cash equivalents | 20,936,066 |
| Investments | 2,099,715 |
| Net restricted assets | 23,035,781 |
| **TOTAL CURRENT ASSETS** | 51,209,016 |
| **NON-CURRENT ASSETS** | |
| Capital assets | |
| Land and improvements | 13,412,976 |
| Buildings and equipment | 15,367,561 |
| Electric plant | 62,143,828 |
| Water plant | 49,769,681 |
| Sewer plant | 39,795,923 |
| | 180,489,969 |
| Less accumulated depreciation | 108,300,986 |
| Net capital assets | 72,188,983 |
| Deferred debt, discount on bonds, and bond insurance, net | 584,935 |
| **TOTAL NON-CURRENT ASSETS** | 72,773,918 |
| | $123,982,934 |

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

## LIABILITIES AND NET POSITION

| | |
|---|---|
| **CURRENT LIABILITIES** | |
| Payable from current assets: | |
| Accounts payable and accrued expenses | $ 1,953,736 |
| Intergovernmental payable | 42,024 |
| | 1,995,760 |
| Payable from restricted assets: | |
| Bond interest payable | 135,719 |
| Bond payable, current | 830,000 |
| | 965,719 |
| **TOTAL CURRENT LIABILITIES** | 2,961,479 |
| **NON-CURRENT LIABILITIES** | |
| Customer deposits | 2,099,715 |
| Bond payable, non-current | 42,090,000 |
| Unamortized premium on sale of bond, net | 776,296 |
| **TOTAL NON-CURRENT LIABILITIES** | 44,966,011 |
| **TOTAL LIABILITIES** | 47,927,490 |
| **NET POSITION** | |
| Net investments in capital assets | 72,188,983 |
| Restricted for capital projects | 20,936,066 |
| Restricted for customer deposits | 2,099,715 |
| Unrestricted | (19,169,320) |
| **TOTAL NET POSITION** | 76,055,444 |
| | $123,982,934 |

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**
**STATEMENT OF REVENUES AND EXPENSES**
**AND CHANGES IN NET POSITION**
**For the Year Ended December 31, 2024**

| | |
|---|---|
| **OPERATING REVENUE** | |
| Charges for services | |
| Electric | $29,361,910 |
| Water | 3,256,328 |
| Sewer | 3,392,178 |
| Other | 7,645,628 |
| | 43,656,044 |
| **OPERATING EXPENSES** | |
| Purchase power for resale | 11,379,447 |
| Transmission charges | 3,953,790 |
| General and administrative | 8,389,517 |
| Maintenance, operations, and contracted services | 5,065,794 |
| Payment in lieu of taxes | 1,796,844 |
| Depreciation | 3,919,897 |
| | 34,505,289 |
| **OPERATING INCOME** | 9,150,755 |
| **NON-OPERATING REVENUE (EXPENSES)** | |
| Interest on bonds | (827,889) |
| Investment income | 1,441,643 |
| Amortization | (12,413) |
| | 601,341 |
| **INCREASE IN NET POSITION** | 9,752,096 |
| **NET POSITION AT BEGINNING OF YEAR** | 66,303,348 |
| **NET POSITION AT END OF YEAR** | $76,055,444 |

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

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**
**STATEMENT OF CASH FLOWS**
**For the Year Ended December 31, 2024**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Receipts from customers | $43,802,287 |
| Payments to suppliers for goods and services | (25,725,235) |
| Payments to employees | (4,971,122) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 13,105,930 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | |
| Transfers (to) from other funds | 716,142 |
| **NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES** | 716,142 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | |
| Acquisition of capital assets | (28,575,031) |
| Proceeds from issuance of bond | 15,335,000 |
| Payment of bond fees | (328,946) |
| Premium on bonds | (64,881) |
| Principal paid on bonds | (635,000) |
| Interest paid on bonds | (760,993) |
| **NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES** | (15,029,851) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Interest received on investments | 1,438,082 |
| Purchases of investments | (745,262) |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | 692,820 |
| **NET DECREASE IN CASH** | (514,959) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 23,000,256 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $22,485,297 |

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

| | |
|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | |
| Operating income | 9,150,755 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 3,919,897 |
| Changes in assets and liabilities | |
| (Increase) decrease in accounts receivable | 10,137 |
| (Increase) decrease in inventories | (691,511) |
| Increase (decrease) in accounts payable | 580,546 |
| Increase (decrease) in customer deposits | 136,106 |
| Total adjustments | 3,955,175 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $13,105,930 |

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

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of the Operations

The West Memphis Utility Department (the "Department"), an enterprise fund of the City of West Memphis, Arkansas provides electric, water and sewer services for the City. The current West Memphis Utility Commission has the authority to recommend electric, water and sewer rates to the City Council which has final authority for approving utility rates. The Department procures energy through Next Era Marketing. The Department is a member of the Mid-Continent Independent System Operator (MISO) system. MISO is an Independent System Operator (ISO) and a Regional Transmission Organization (RTO) that offers open access transmission, monitors the high-voltage transmission grid and operates an energy market for electric utilities in the region.

### Governmental Accounting Standards

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the Department.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Department's financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred, regardless of the measurement focus applied. Interfund items and transactions between the electric, water and sewer funds have been eliminated.

### Fair Value of Financial Instruments

The Department's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable. The Department's estimate of fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net asset. The carrying amount of these financial instruments approximates fair value because of the short maturity of these investments.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Department considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### Short-term Investments

Short-term investments are stated at cost unless there is an indication of permanent impairment of value, in which case the adjustment to market value is included in results of operations. Interest income is accrued as earned.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Accounts Receivable

Accounts receivable is recorded at the amount the Department expects to collect on balances outstanding at year-end. An allowance for uncollectible accounts is estimated and recorded based on the Department's historical bad debt experience and on management's judgment. The allowance for uncollectible accounts was $500,000 on December 31, 2024.

### Inventories

Inventories consist of materials and supplies for the following:

| | |
|---|---|
| Electric Department | $1,402,728 |
| Water Department | 244,432 |
| Sewer Department | 6,582 |
| Gas and Oil | 32,883 |
| Independence - Coal Stockpile | 483,089 |
| Independence - Materials and supplies | 285,634 |
| White Bluff - Coal Stockpile | 650,274 |
| White Bluff - Materials and supplies | 321,417 |
| Total | $3,427,039 |

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

### Capital Assets

Capital assets, which include property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are expensed when incurred. Additions, major improvements and replacements of units are capitalized and depreciated on a straight-line basis over the estimated useful lives of the various classes as follows:

| | Years |
|---|---|
| Buildings | 40 |
| Furniture, fixtures and equipment | 6 - 10 |
| Plant in service | 20 - 50 |
| Investment in electric generating plant | 27 - 30 |

Costs and related allowances for depreciation of assets sold or otherwise retired are eliminated from the asset and accumulated depreciation accounts where detail property records are available.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Amortization of Bond Discounts, Insurance and Premiums**

Cost associated with issuing the Series 2021 revenue bond has been deferred and is being amortized using the straight-line method over the 30-year life of the bond. Amortization expense at December 31, 2024 was $9,672.

Cost associated with issuing the Series 2024 revenue bond has been deferred and is being amortized using the straight-line method over the 30-year life of the bond. Amortization expense at December 31, 2024 was $2,741.

**Net position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the Department's financial statements. Net position is classified in the following categories:

1. Net investment in capital assets - This amount consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of those assets.

2. Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of the government.

3. Unrestricted net position - This amount is the net position that does not meet the definition of "net investment of capital assets" or "restricted net position."

The Department's activities and net position are tracked in the accounting system by numerous sources of funds. Certain assets are restricted for specific purposes. Legal and contractual agreements restrict amounts for debt service, refund of customer deposits and capital improvements. The general manager, in conjunction with the finance director, utility commission and city council are authorized to assign amounts to a specific purpose. The Department does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenses are incurred for purposes for which both restricted and unrestricted amounts are available. Restricted funds are first used for expenses when available at the discretion of management depending on the availability of funds.

**Classification of Revenues and Expense**

As an enterprise (proprietary) fund, the Department classifies its revenues and expenses into the following classifications: operating revenue, operating expenses, non-operating revenue and non-operating expenses.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Classification of Revenues and Expense - continued**

Operating revenue and expenses are deemed as revenues realized by the Department in exchange for providing its primary services for electric, water, sewer and other charges. Non-operating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources. Non-operating expenses include those related to bond costs and amortization expenses.

**Revenue Recognition**

Revenues are included in income as services are delivered. Billings are rendered and recorded monthly based on metered usage. Included in the accounts receivable at December 31, 2024, was an estimate for these unbilled services totaling $1,558,177.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

**Compensated Absences**

Employees of the Department are entitled to pay for compensated absences depending on job classification, length of service, and other factors. It is the Department's policy to recognize the cost of compensated absences when actually paid to the employees.

**Subsequent Events**

The Company has evaluated events and transactions that occurred between December 31, 2024 and July 14, 2025, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## NOTE B - CASH AND SHORT-TERM INVESTMENTS

The Treasurer of West Memphis Utility Commission is authorized by the State of Arkansas Statutes to invest excess cash balances in short-term investments. At December 31, 2024, cash and short-term investments are listed below:

| | Restricted | Unrestricted |
|---|---|---|
| CASH | $20,936,066 | $ 1,549,231 |
| INVESTMENTS: | | |
| Certificates of Deposit | 2,099,715 | 15,117,832 |
| | $23,035,781 | $16,667,063 |

## NOTE B - CASH AND SHORT-TERM INVESTMENTS - CONTINUED

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

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations.

At December 31, 2024, none of the Department's bank balances of $19,409,632 were exposed to custodial credit risk.

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

## NOTE C - INVESTMENT IN GENERATING PLANTS

In 1980, the Department entered into an Ownership Agreement with Entergy whereby it purchased a 1% interest in two fossil fuel electric generating plants in Arkansas, one at White Bluff and one in Independence County. Both generating plants include two fully operational generating power units. The Department financed these purchases through the issuance of revenue bonds.

As a party to the Ownership Agreement, the Department was required to pay its 1% share of the construction costs of the plants, as incurred by Entergy and as defined in the Agreement. After commercial operation of the plants began, the Department was also responsible for its 1% share of additions or replacements at each plant. The amounts recorded (including capitalized interest), of $13,163,781 and $12,717,318 for White Bluff and Independence, respectively, represent the Department's 1% share of plant construction cost.

The Department is also a party to an Operating Agreement with Entergy whereby it has agreed to pay 1% of the operating costs (mainly operations and maintenance expenses, not including fuel) of the plants. Furthermore, the Department also pays for 1% of the coal purchased by the plants and this amount is included in inventory on the accompanying balance sheets.

## NOTE C - INVESTMENT IN GENERATING PLANTS - CONTINUED

These agreements entitle the Department to 1% of the net generating capacity and energy of the plants, which is delivered to West Memphis in accordance with a transmission agreement.

## NOTE D - RESTRICTED ASSETS

Restricted cash and investments represent amounts required to be maintained by agreements related to deposits received from customers and the bond issue.

## NOTE E - REVENUE BONDS PAYABLE

On October 12, 2021, the Department issued $29,305,000 of the Public Utility System Revenue Bonds, Series 2021.

Principal payments are due annually in increasing amounts over 30 years beginning in 2022. Interest is payable semi-annually. The bond has various interest rates from 2.5 - 4.0% dependent upon the maturity date.

On October 16, 2024, the Department issued $15,335,000 of the Public Utility System Revenue Bonds, Series 2024.

Principal payments are due annually in increasing amounts over 30 years beginning in 2025. Interest is payable semi-annually. The bond has various interest rates from 4.0 - 5.0% dependent upon the maturity date.

Current principal maturities of long-term debt as of December 31, 2024, are as follows:

| | |
|---|---|
| 2025 | $ 830,000 |
| 2026 | 950,000 |
| 2027 | 990,000 |
| 2028 | 1,035,000 |
| 2029 | 1,075,000 |
| Thereafter | 38,040,000 |
| | $42,920,000 |

## NOTE F - RELATIONSHIPS WITH THE CITY

The Department is one of a number of departments and/or funds of the City of West Memphis established for a specific purpose. General services, such as personnel, data processing, financial administration and legal services are provided to the Department by the City. The costs associated with providing these services are charged to the Department by the City. The City also charges the Department an amount in lieu of franchise taxes.

## NOTE F - RELATIONSHIPS WITH THE CITY - CONTINUED

The Department, as a convenience to customers, includes the fees for city-provided garbage collection in its monthly customer billings. These fees are remitted to the Sanitation Department monthly and are not reflected in the accompanying financial statements.

## NOTE G - INTERGOVERNMENTAL BALANCES

During the course of its operations, the Department has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of December 31, 2024, balances of interfund amounts receivable or payable have been recorded as "intergovernmental receivables/payables". All interfund balances are expected to be paid within one year.

## NOTE H - RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to independent contractors and natural disasters, all of which is satisfactorily insured by general liability service. Commercial insurance policies are also obtained for other risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## NOTE I - CONTINGENCY

The City of West Memphis is involved in a number of lawsuits arising in the ordinary course of business. One of the lawsuits is directly related to the West Memphis Utility Department, but an evaluation of an unfavorable outcome cannot be made at this time.

On March 5, 2020, the Arkansas Department of Energy and Environment Division of Environmental Quality ("ADEQ") and the City entered into a Consent Administrative Order ("CAO") concerning, among other things, sanitary sewer overflows and unpermitted discharges. The City has submitted to ADEQ a corrective action plan and milestone schedule with a final compliance date of December 31, 2023. The City must submit to ADEQ quarterly progress reports. In compromise and full settlement of the violations specified in the CAO, the City paid to ADEQ a civil penalty of $4,000. Failure to meet any requirement or deadline penalties in the CAO subjects the City to additional monetary penalties ranging from $100 per day to $1,000 per day, depending on the length of time such violations remain unresolved. Proceeds from Series 2021 Bonds will finance improvements to the System needed to fully comply with the CAO.

As of June 6, 2024, there is an amended Consent Administrative Order ("CAO") that addresses two additional unpermitted discharge findings that were not included in the original CAO. In compromise and full settlement of the additional violations, the City paid to the Arkansas Department of Energy and Environment Division of Environmental Quality ("ADEQ") a civil penalty of $2,700.

## NOTE J - PENSION PLAN

In January 1977, the City established a defined contribution pension plan for all non-uniformed employees. The City contributes 6% of each participant's annual salary, and employees can also contribute a voluntary amount of not less than 2% of his/her regular pay to the plan. Participants vest in the employer's contribution at a rate of 20% per year. Eligibility commences one year from date of employment.

Employees have the option to invest the funds in their account. Employees are entitled only to the funds deposited by them and on their behalf; therefore, there is no unfunded liability.

The amount contributed to the pension plan and expensed by the Department was $254,516 for the year ended December 31, 2024.

## NOTE K - MAJOR VENDORS

Purchases for the years ended December 31, 2024, include purchases from one major vendor.

| | Amount | Percent |
|---|---|---|
| Purchases from: | | |
| Vendor A | $11,379,447 | 100.00% |
| Accounts Payable: | | |
| Vendor A | 1,030,372 | 64.12% |
| Vendor B | 255,877 | 15.92% |
| Vendor C | 320,710 | 19.96% |

# SUPPLEMENTARY INFORMATION

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**
**CAPITAL ASSETS**
**December 31, 2024**

| | COST | | | |
|---|---|---|---|---|
| | **Balance January 1, 2024** | **Additions and Transfers** | **Disposals and Transfers** | **Balance December 31, 2024** |
| **UTILITY, PLANT IN SERVICE** | | | | |
| Electric | $ 35,105,587 | $ 1,157,142 | $ - | $ 36,262,729 |
| Generating plants | | | | |
| White Bluff | 13,069,849 | 93,932 | - | 13,163,781 |
| Independence | 12,627,924 | 89,394 | - | 12,717,318 |
| | 60,803,360 | 1,340,468 | - | 62,143,828 |
| Water | 26,862,436 | 22,907,245 | - | 49,769,681 |
| Sewer | 39,593,480 | 202,443 | - | 39,795,923 |
| | 127,259,276 | 24,450,156 | - | 151,709,432 |
| **CAPITAL ASSETS** | | | | |
| Land | 418,341 | - | - | 418,341 |
| Buildings | 1,903,506 | 295,183 | - | 2,198,689 |
| Building improvements | 9,705,617 | 3,289,018 | - | 12,994,635 |
| Furniture and fixtures | 749,493 | - | - | 749,493 |
| Transportation equipment | 7,224,356 | 321,577 | - | 7,545,933 |
| Miscellaneous equipment | 4,654,349 | 219,097 | - | 4,873,446 |
| | 24,655,662 | 4,124,875 | - | 28,780,537 |
| **CONTRIBUTION IN AID OF CONSTRUCTION** | - | - | - | - |
| | $151,914,938 | $28,575,031 | $ - | $180,489,969 |

| ACCUMULATED DEPRECIATION | | | |
|---|---|---|---|
| Balance January 1, 2024 | Current Provision | Other Additions | Balance December 31, 2024 |
| $ 22,209,057 | $ 893,215 | $ - | $ 23,102,272 |
| 11,066,307 | 138,316 | - | 11,204,623 |
| 10,481,819 | 139,245 | - | 10,621,064 |
| 43,757,183 | 1,170,776 | - | 44,927,959 |
| 14,610,468 | 1,233,108 | - | 15,843,576 |
| 27,046,326 | 977,850 | - | 28,024,176 |
| 85,413,977 | 3,381,734 | - | 88,795,711 |
| - | - | - | - |
| 774,885 | 45,643 | - | 820,528 |
| 1,422,645 | 274,687 | - | 1,697,332 |
| 689,847 | 14,178 | - | 704,025 |
| 6,871,815 | 121,480 | - | 6,993,295 |
| 4,240,834 | 82,175 | - | 4,323,009 |
| 14,000,026 | 538,163 | - | 14,538,189 |
| 4,967,086 | - | - | 4,967,086 |
| $104,381,089 | $3,919,897 | $ - | $108,300,986 |

**West Memphis Utility Department**
**An Enterprise Fund of the City of West Memphis, Arkansas**
**UTILITY SALES AND CUSTOMER DATA**
**For the Year Ended December 31, 2024**

| | Electric Sales (KWH) In Thousands | Number of Metered Customers |
|---|---|---|
| Residential | 139,667 | 10,175 |
| Commercial & industrial | 209,777 | 1,549 |
| Public authority | 15,069 | 141 |
| | 364,513 | 11,865 |

| | Water Sale (Thousand of Gallons) | Number of Metered Customers |
|---|---|---|
| Residential | 711,147 | 8,192 |
| Commercial & industrial | 861,953 | 1,097 |
| Public authority | 25,486 | 42 |
| | 1,598,586 | 9,331 |

| | Sewer Sale (Thousand of Gallons) | Number of Metered Customers |
|---|---|---|
| Residential | 1,836 | 8,069 |
| Commercial & industrial | 1,537 | 950 |
| Public authority | 27 | 33 |
| | 3,400 | 9,052 |