

**JAMES FORK REGIONAL  
WATER DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**



**JAMES FORK REGIONAL WATER DISTRICT**  
**DECEMBER 31, 2022 AND 2021**

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## **Independent Auditor's Report**

To the Board of Directors  
James Fork Regional Water District  
Greenwood, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the James Fork Regional Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James Fork Regional Water District as of December 31, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the James Fork Regional Water District 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the James Fork Regional Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the James Fork Regional Water District'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the James Fork Regional Water District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and information for cost-sharing pension plans on pages 4-8 and 33-34 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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. The accompanying schedule of bonds outstanding 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 audit 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 standard generally accepted in the United States of America. In our opinion, the schedule of bonds outstanding is fairly stated, in all material respects, in relation to the 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 March 1, 2023 on our consideration of the James Fork Regional Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the James Fork Regional Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the James Fork Regional Water District's internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.**

**Fort Smith, Arkansas**

**March 1, 2023**



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***



**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

This section of the James Fork Regional Water District annual financial report presents the analysis of the District's financial performance during the calendar year ended December 31, 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District ended the year December 31, 2022 with a net position balance of \$5,086,975.
- The change in net position or net income of the District was a loss of \$159,361.
- The District expended \$212,247 toward capital assets during the year compared to \$137,344 in 2021.
- The statement of cash flows identifies sources and uses of cash activity for the calendar year. For calendar year 2022, cash, cash equivalents and restricted cash decreased by \$79,351. Cash provided from the day-to-day operations totaled \$1,358,027. Cash used by capital and related financing activities totaled \$1,475,109. Of this amount, a total of \$212,247 was spent on capital assets and \$1,263,862 was spent for debt service. Cash provided by investing activities totaled \$2,177. Furthermore, cash flows with noncapital & related financing activities consisted of \$35,554 which represents the amounts received from the City of Fort Smith.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of the following parts: Management's Discussion and Analysis and Financial Statements. The financial statements include notes which explain in detail some of the information included in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the District's revenues and expenses for the calendar year ended December 31, 2022. This statement provides information on the District's operations over the past calendar year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**CONDENSED FINANCIAL INFORMATION**

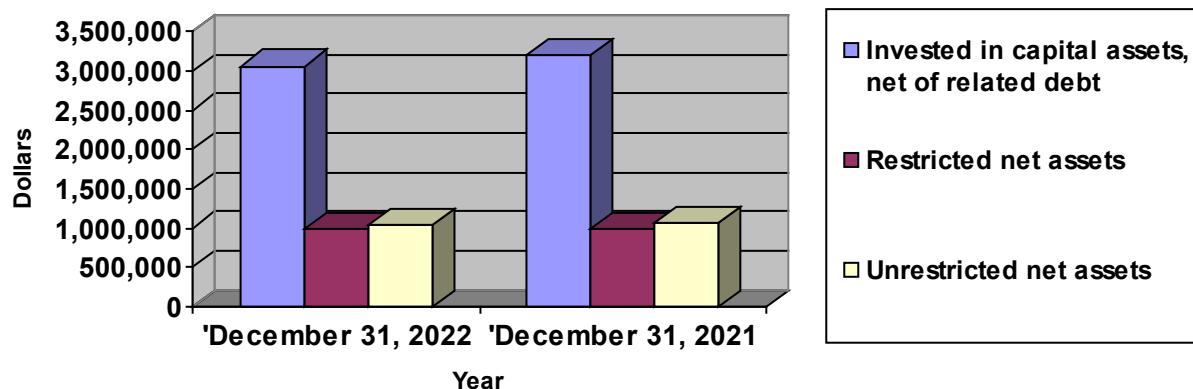
Condensed financial information from the statement of net position as of December 31, 2022 and 2021 and the statement of revenues, expenses and changes in net position for the years then ended are as follows:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 3,078,139	\$ 3,088,750
Capital assets, net	21,578,990	22,497,731
Total assets	<u>24,657,129</u>	<u>25,586,481</u>
Deferred Outflows	1,342,435	1,194,987
Current liabilities	1,218,624	1,191,308
Noncurrent liabilities	19,675,787	19,842,960
Total liabilities	<u>20,894,411</u>	<u>21,034,268</u>
Deferred Inflows	18,178	500,864
Net position:		
Net investment in capital assets	3,058,540	3,204,387
Restricted	982,922	987,336
Unrestricted	1,045,513	1,054,613
Total net position	<u>\$ 5,086,975</u>	<u>\$ 5,246,336</u>
Operating revenues	\$ 3,834,795	\$ 3,514,737
Operating expenses, excluding depreciation	2,421,195	1,982,622
Depreciation	1,130,989	1,129,366
Total operating expenses	<u>3,552,184</u>	<u>3,111,988</u>
Operating income	282,611	402,749
Nonoperating revenues and (expenses)	<u>(441,972)</u>	<u>(619,541)</u>
Change in net position	(159,361)	(216,792)
Beginning of year net position	5,246,336	5,463,128
End of year net position	<u>\$ 5,086,975</u>	<u>\$ 5,246,336</u>

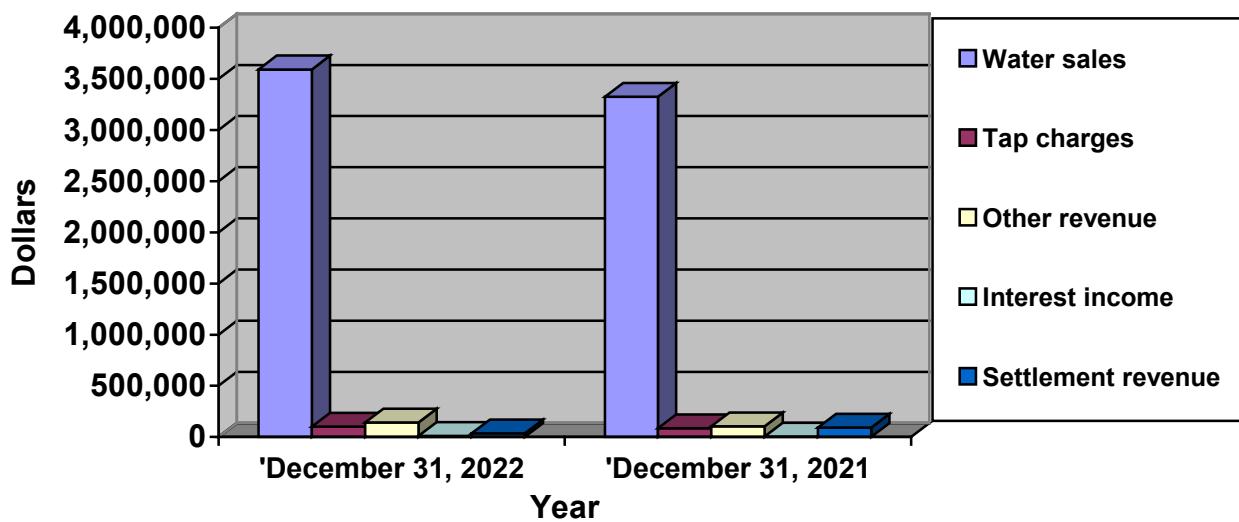
**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**CONDENSED FINANCIAL INFORMATION (CONTINUED)**

**Classifications of net assets presented in a graph format**

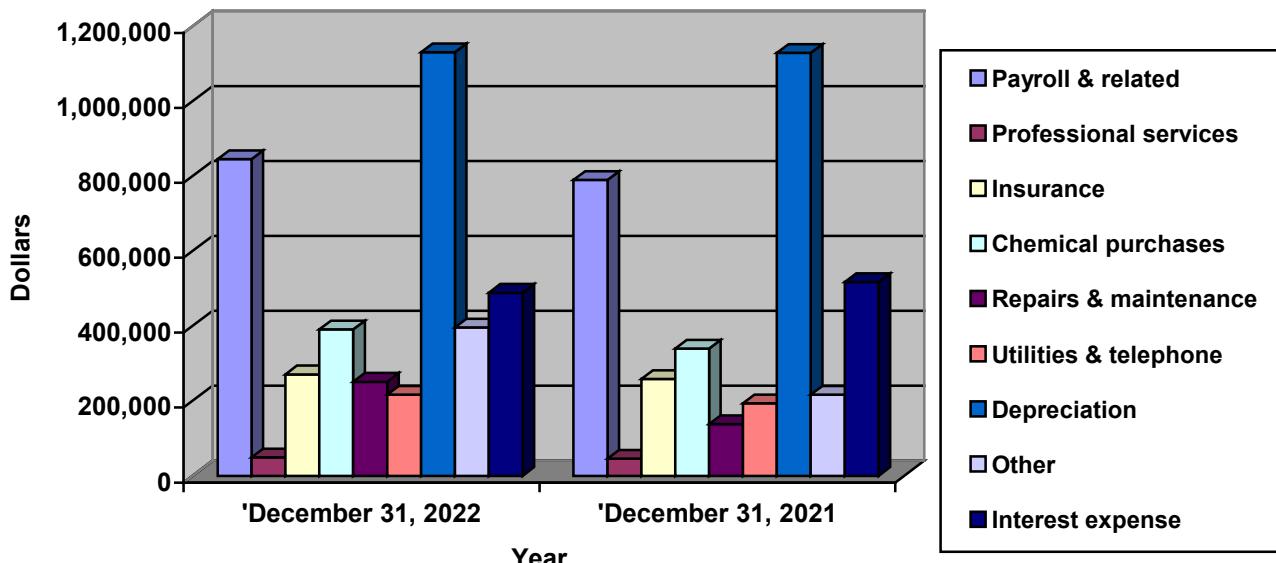


**Sources of operating and nonoperating revenues in a graph format**



**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Expenses of the District presented in a graph format**



**CAPITAL ASSETS**

The District's capital assets as of December 31, 2022 and 2021 amounted to \$45,236,222 and \$45,052,541 respectively. This investment in capital assets includes land, water system, the office building, machinery and equipment, office furniture and fixtures, and transportation equipment.

Current year additions of \$212,247 primarily consisted of \$98,448 for three different projects in process, two trucks costing \$79,267, and some pumps and motors costing \$34,172.

**LONG-TERM DEBT**

As of December 31, 2022, the District had \$19,400,290 in outstanding debt compared to \$20,224,494 as of December 31, 2021. Scheduled debt service on the 2021 bonds, 2020 bonds, Rural Development and Arkansas Natural Resources Commission loans totaled \$1,263,862 which was comprised of \$824,204 of principal and \$439,658 of interest.

**CHANGE IN NET POSITION**

For the year ended December 31, 2022, the District's change of net position was a decrease of \$159,361. Operating revenues of \$3,834,795 increased slightly by \$320,058 (9.1%) from prior year. Operating expenses of \$3,552,184 increased by \$440,196 (14.1%) from prior year. This was mostly driven by non-controllable APERS pension expense which was a benefit in 2021, an increase in repairs and maintenance, and an overall increase due to rising costs nationwide. Net nonoperating expenses of \$441,972 decreased by \$226,607 mainly due to the bond issuance costs incurred in connection with the 2021 bonds.

**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, the District can be contacted at, P.O. Box 1180, Greenwood, Arkansas 72936.



## ***FINANCIAL STATEMENTS***

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 629,164	\$ 709,223
Restricted checking and savings accounts	489,619	488,911
Certificates of deposits	881,747	879,219
Restricted investments	525,701	519,935
Accounts receivable, net of allowance for doubtful accounts	417,637	352,316
Prepaid expenses	134,271	139,146
<b>Total Current Assets</b>	<b>3,078,139</b>	<b>3,088,750</b>
<b>Capital Assets</b>		
Land	657,742	657,742
Buildings	424,283	424,283
Fixtures and equipment	1,691,373	1,606,140
Clarifier	667,826	667,826
Backwash tank	339,754	339,754
Distribution system	41,196,037	41,196,037
Construction in process	259,207	160,759
<b>Total</b>	<b>45,236,222</b>	<b>45,052,541</b>
Less accumulated depreciation	23,657,232	22,554,810
<b>Net Capital Assets</b>	<b>21,578,990</b>	<b>22,497,731</b>
<b>Total Noncurrent Assets</b>	<b>21,578,990</b>	<b>22,497,731</b>
<b>Total Assets</b>	<b>24,657,129</b>	<b>25,586,481</b>
<b>Deferred Outflows</b>		
Deferred amount on refunding of debt, net of amortization	1,045,555	1,102,786
Deferred outflows of resources related to pension	296,880	92,201
<b>Total Deferred Outflows</b>	<b>1,342,435</b>	<b>1,194,987</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 25,999,564</b>	<b>\$ 26,781,468</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2022	2021
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 25,012	\$ 20,793
Accrued payroll and related liabilities	24,636	19,515
Sales tax payable	8,473	5,503
Accrued compensated absences	4,425	3,658
Accrued interest	35,410	37,380
Customer meter deposits	290,528	280,253
Current portion of long-term debt	830,140	824,206
<b>Total Current Liabilities</b>	<b>1,218,624</b>	<b>1,191,308</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, net of unamortized bond discounts	18,735,865	19,571,924
<u>Net pension liability</u>	<u>939,922</u>	<u>271,036</u>
<b>Total Noncurrent Liabilities</b>	<b>19,675,787</b>	<b>19,842,960</b>
<b>Total Liabilities</b>	<b>20,894,411</b>	<b>21,034,268</b>
<b>Deferred Inflows</b>		
Deferred inflows of resources related to pension	18,178	500,864
<b>Total Deferred Inflows</b>	<b>18,178</b>	<b>500,864</b>
<b>Net Position</b>		
Net investment in capital assets	3,058,540	3,204,387
Restricted	982,922	987,336
Unrestricted	1,045,513	1,054,613
<b>Total Net Position</b>	<b>5,086,975</b>	<b>5,246,336</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 25,999,564</b>	<b>\$ 26,781,468</b>

See accompanying notes to financial statements.

## JAMES FORK REGIONAL WATER DISTRICT

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2022	2021
<b>Operating Revenue</b>		
Metered water sales, net of bad debts	\$ 3,591,085	\$ 3,324,293
Tap charges	101,000	85,625
Other revenue	142,710	104,819
<b>Total Operating Revenue</b>	<b>3,834,795</b>	<b>3,514,737</b>
<b>Operating Expenses</b>		
Chemical purchases	391,212	339,826
Tap expense	75,849	67,129
Utilities and telephone	216,634	193,518
Salaries	785,442	732,295
Depreciation	1,130,989	1,129,366
Insurance	270,929	258,517
Operating supplies	89,676	73,320
Professional services	49,275	45,693
Computer services	21,650	13,767
Taxes - payroll	60,197	57,719
Licenses and permits	2,394	2,896
Pension plan expense (benefit)	101,845	(28,613)
Service contracts	-	4,000
Repairs and maintenance	251,260	138,163
Office supplies	8,925	4,677
Postage	2,132	2,718
Dues and subscriptions	2,169	2,269
Miscellaneous administration expense	865	1,602
Truck expense	87,608	68,829
Travel	2,840	3,840
Uniforms	293	457
<b>Total Operating Expenses</b>	<b>3,552,184</b>	<b>3,111,988</b>
<b>Operating Income</b>	<b>282,611</b>	<b>402,749</b>
<b>Nonoperating Revenue (Expenses)</b>		
Interest income	10,471	3,303
Settlement income	35,554	91,105
Gain on disposition of assets	1,000	500
Bond issue costs	-	(196,897)
Interest expense, inclusive of amortization of bond premium and amortization of deferred amount on advance refunding	(488,997)	(517,552)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(441,972)</b>	<b>(619,541)</b>
<b>Change In Net Position</b>	<b>(159,361)</b>	<b>(216,792)</b>
<b>Beginning of Year Net Position</b>	<b>5,246,336</b>	<b>5,463,128</b>
<b>End of Year Net Position</b>	<b>\$ 5,086,975</b>	<b>\$ 5,246,336</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2022	2021
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers and other sources	\$ 3,782,719	\$ 3,516,799
Cash payments to suppliers for goods and services	(1,640,017)	(1,438,198)
Cash payments to employees for services	(784,675)	(735,100)
<b>Net Cash Provided By Operating Activities</b>	<b>1,358,027</b>	<b>1,343,501</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Proceeds from settlement agreement	35,554	91,105
<b>Net Cash Provided By Noncapital and Related Financing Activities</b>	<b>35,554</b>	<b>91,105</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Cash paid for property, plant, and equipment	(212,247)	(137,344)
Proceeds from disposition of assets	1,000	500
Net proceeds from issuance of bonds	-	9,821,929
Bond issuance costs paid	-	(196,897)
Principal paid on long-term debt	(824,204)	(10,413,307)
Interest paid on long-term debt	(439,658)	(471,544)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(1,475,109)</b>	<b>(1,396,663)</b>
<b>Cash Flows From Investing Activities</b>		
Net investment activity	(5,766)	146,976
Reinvestment of certificate of deposit earnings	(2,528)	(2,162)
Interest income	10,471	3,303
<b>Net Cash Provided By Investing Activities</b>	<b>2,177</b>	<b>148,117</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>(79,351)</b>	<b>186,060</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,198,134	1,012,074
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 1,118,783</b>	<b>\$ 1,198,134</b>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 629,164	\$ 709,223
Restricted checking and savings accounts	489,619	488,911
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ 1,118,783</b>	<b>\$ 1,198,134</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2022	2021
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 282,611	\$ 402,749
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,130,989	1,129,366
Changes in:		
Accounts receivable	(65,321)	(1,840)
Prepaid expenses	4,875	(54,271)
Deferred outflows of resources related to pension	(204,679)	118,228
Accounts payable	4,219	(719)
Accrued payroll and related liabilities	5,121	4,093
Sales tax payable	2,970	(278)
Accrued compensated absences	767	(2,805)
Customer meter deposits	10,275	4,180
Net pension liability	668,886	(718,166)
Deferred outflows of resources related to pension	(482,686)	462,964
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 1,358,027</b>	<b>\$ 1,343,501</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### Nature of Operations

The James Fork Regional Water District (the District) was originally created as the South Sebastian County Water Users Association on April 20, 1993 by Ordinance No. 93-5 by the Sebastian County, Arkansas Quorum Court. The District was created in order to purchase the assets of the South Sebastian County Water Users Association, Inc., an Arkansas non-profit corporation established in July 1967. The District changed its name to James Fork Regional Water District on January 6, 2006. The District provides water to residents in South Sebastian County and portions of Scott County, Arkansas. The District is governed by a five-member Board of Directors.

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The District's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The District accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Income Tax Status

The District is exempt from income taxes as a governmental agency.

#### Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 1. Summary of Significant Accounting Policies (continued)

#### Investments

Investments are presented at fair value. Investments, consist primarily certificates of deposit and accounts designated for bond principal and interest payments as they become due.

#### Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial industrial customers based on consumption. The District does not charge interest on overdue accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated collectible amounts. The allowance for credit losses is estimated based on professional judgement and historical information and was \$57,359 and \$57,433 at December 31, 2022 and 2021, respectively.

#### Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year in which services are consumed.

#### Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

Buildings	10-40 years
Fixtures and equipment	5-10 years
Clarifier	20 years
Backwash tank	20 years
Distribution system	10-40 years

It is the District's policy to capitalize all asset purchases equal to or greater than \$2,000. It is the District's policy to expense all asset purchases under \$2,000.

#### Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 1. Summary of Significant Accounting Policies (continued)

#### Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes deferred inflows of resources related to pensions.

#### Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the District. No more than twenty days of unused vacation can be carried into the following calendar year. Employees can carryforward a maximum of 90 unused sick days. Upon termination from the District, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. At December 31, 2022 and 2021, the District had \$4,425 and \$3,658 accrued for compensated absences.

#### Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the District no longer serves the customer. The District uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

#### Net Position

Net position of the District are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 1. Summary of Significant Accounting Policies (continued)

#### Net Position (continued)

*Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

The District does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. District personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The District's restricted net position are those resources necessary to comply with various covenants of bond financing agreements.

#### Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District consist of water, treatment and distribution services . Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### New Accounting Pronouncements

Implementation of the following new Governmental Accounting Standards Board (GASB) accounting pronouncement was delayed by the GASB and was officially implemented by the District during the year ended December 31, 2022:

GASB Statement No. 87, *Leases* . This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations* . The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 1. Summary of Significant Accounting Policies (continued)

#### New Accounting Pronouncements (continued)

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report*. The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

These statements did not have any impact on the District's financial statements.

### 2. Deposits with Financial Institutions

The District does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 2. Deposits with Financial Institutions

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

#### Deposits

Custodial credit risk is the risk that in the event of a bank failure, a District's deposits may not be recovered. At December 31, 2022 and 2021, all of the District's deposits were insured and/or collateralized with pledged securities. The bank balances and carrying amount of the District's deposits held were as follows:

Description	At December 31, 2022		At December 31, 2021	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	764,033	618,283	731,456	697,634
Cash on hand	-	500	-	500
Total	\$ 1,264,033	\$ 1,118,783	\$ 1,231,456	\$ 1,198,134

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2022	2021
Cash and cash equivalents	\$ 629,164	\$ 709,223
Restricted checking and savings accounts	489,619	488,911
Total	\$ 1,118,783	\$ 1,198,134

#### Investments

Investments consist of certificates of deposit and accounts established to administer the scheduled payments of principal and interest on the outstanding bonds as they become due. The investments are stated at fair market value, which approximates cost.

As of December 31, 2022	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Funds</u>			
Government mutual fund	\$ 525,701	13 days	AAAm
Certificates of Deposit	881,747	177 days	N/A
Total	\$ 1,407,448		

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 2. Deposits with Financial Institutions (continued)

#### Investments (continued)

As of December 31, 2021	Market	Weighted Avg. Maturity	Credit Rating
<u>Bond Funds</u>			
Government mutual fund	\$ 519,935	37 days	AAAm
Certificates of Deposit	879,219	177 days	N/A
Total	\$ 1,399,154		

Investments as reported in the following Statement of Net Position captions:

As Of December 31,	2022	2021
Current Assets:		
Certificates of deposit	\$ 881,747	\$ 879,219
Restricted investments	525,701	519,935
Total	\$ 1,407,448	\$ 1,399,154

#### Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The District's investments are not subject to interest rate risk as the investments are short-term in nature.

#### Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

At December 31, 2022 and 2021, the District has \$525,701 and \$519,935, respectively, in government mutual fund accounts that primarily invest in U.S. Treasury and government securities which are investments permitted by Arkansas statutes and generally considered to be risk-free as they have the backing of the government.

The District also has \$881,747 and \$879,219 invested in certificates of deposit at December 31, 2022 and 2021, respectively, all of which are covered by FDIC insurance or through the pledging of securities.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the District or by an agent of the District are in the District's name.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 2. Deposits with Financial Institutions (continued)

#### Investments (continued)

##### Fair Value Measurements

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at December 31, 2022:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government mutual fund	\$ 525,701	\$ -	\$ -	\$ 525,701
Certificates of deposit	881,747	-	-	881,747
<b>Total</b>	<b>\$ 1,407,448</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,407,448</b>

### 3. Restricted Accounts

Restricted accounts consists of the following:

<b>As Of December 31,</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents:		
Depreciation Funds	\$ 337,039	\$ 336,552
ANRC Bond Fund	152,580	152,359
<b>Total Restricted Checking and Savings</b>	<b>\$ 489,619</b>	<b>488,911</b>
Investments:		
2020 Bond Fund	\$ 250,681	\$ 249,373
2021 Bond Fund	275,020	270,562
<b>Total Restricted Investments</b>	<b>\$ 525,701</b>	<b>\$ 519,935</b>

**Depreciation Fund** - for repairs, maintenance, betterments and improvements of the District

**Bond Funds** - established to fund the semi-annual interests and annual principal payments of the Arkansas Natural Resources Commission loan, and 2020 and 2021 Series bonds.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 3. Restricted Accounts (continued)

The Rural Development Loan resolution specifies for its loan to have a minimum debt service reserve account totaling \$17,256 and \$12,221 at December 31, 2022 and 2021, respectively. This is based upon the maximum annual principal and interest due in any future period following the latest loan issue. In addition, both the Rural Development Loan resolution and 2020 Bond Trust Indenture require short-lived/depreciation accounts requiring monthly deposits of \$2,539 and \$2,000, respectively. These accounts can be used anytime for repairs and maintenance, therefore there is no specific required balance. The District is not making the required monthly deposits into the existing depreciation fund account, nor have they established a debt service reserve for the Rural Development Loan. However, the District has enough unrestricted cash balances to cover these reserves.

### 4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2022	Additions	Retirements	December 31, 2022
Land	\$ 657,742	\$ -	\$ -	\$ 657,742
Buildings	424,283	-	-	424,283
Fixtures and equipment	1,606,140	113,799	28,566	1,691,373
Clarifier	667,826	-	-	667,826
Backwash tank	339,754	-	-	339,754
Distribution system	41,196,037	-	-	41,196,037
Construction in process	160,759	98,448	-	259,207
Total	\$ 45,052,541	\$ 212,247	\$ 28,566	\$ 45,236,222
Less accumulated depreciation	22,554,810	1,130,988	28,566	23,657,232
Capital assets, net	\$ 22,497,731	\$ (918,741)	\$ -	\$ 21,578,990

As Of	January 1, 2021	Additions	Retirements	December 31, 2021
Land	\$ 657,742	\$ -	\$ -	\$ 657,742
Buildings	424,283	-	-	424,283
Fixtures and equipment	1,580,180	57,021	31,061	1,606,140
Clarifier	667,826	-	-	667,826
Backwash tank	339,754	-	-	339,754
Distribution system	41,163,051	32,986	-	41,196,037
Construction in process	113,422	47,337	-	160,759
Total	\$ 44,946,258	\$ 137,344	\$ 31,061	\$ 45,052,541
Less accumulated depreciation	21,425,444	1,160,427	31,061	22,554,810
Capital assets, net	\$ 23,520,814	\$ (1,023,083)	\$ -	\$ 22,497,731

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 4. Capital Assets (continued)

Construction in progress is for the following:

As Of	Balance 12/31/2022	Balance 12/31/2021	Estimated Total Cost	Estimated Completion
Reservoir expansion project	\$ 207,679	\$ 160,759	\$ unknown - in planning stages	unknown - in planning stages
Backbone and Midland tank upgrades	43,288	-	717,800	end of 2023
Wildwood pump station upgrade	8,240	-	15,000	end of 2023
Total	\$ 259,207	\$ 160,759	\$ 732,800	

### 5. Long-Term Debt

On January 21, 2021, the District issued Water Revenue Refunding Bonds, Series 2021 in the amount of \$9,670,000. Proceeds from the bonds were used to refund the Series 2015 Water Revenue Refunding Bonds that had an outstanding principal balance of \$10,145,000, plus interest and cost of issuance fees totaling \$295,947. A full call was issued for the bonds on December 10, 2020, with full redemption on January 21, 2021. The bond refunding is expected to generate cost savings of approximately \$1.3 million to the District.

Long-term debt of the District consists of:

As of December 31,	2022	2021
Arkansas Natural Resources Commission (ANRC) - loan dated August 7, 2007 in the amount of \$206,000. Payments deferred until 2017 when first payment of \$8,919 was due. After that, payments of \$16,530 due annually including interest at 5.00%. The loan is secured by properties and equipment in the project and will mature in December 1, 2036.	\$ 163,624	\$ 171,575
Rural Development - loan dated July 6, 2017, in the amount of \$1,100,000. Interest only payments for the first two years. Principal payments of \$4,213 began in August 2019 and include interest at 3.250%. The loan is secured by revenues, properties and equipment of the District and will mature on July 6, 2057.	1,046,666	1,062,919
Water Revenue Refunding Bonds, Series 2020A, issued December 2, 2020, in the amount of \$9,565,000. Principal payments are due annually and interest is due semi-annually at rates varying between 2.00% to 2.75%. The bonds are secured by the District's revenues and mature on December 1, 2049.	9,050,000	9,430,000

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 5. Long-Term Debt (continued)

Water Revenue Refunding Bonds, Series 2021, issued January 21, 2021, in the amount of \$9,670,000. Principal payments are due annually and interest is due semi-annually at rates varying between 2.00% to 2.125%.

The bonds are secured by the District's revenues and mature on

June 1, 2040.

	9,140,000	9,560,000
Total long-term debt	19,400,290	20,224,494
Less current maturities	830,140	824,206
Long-term debt	18,570,150	19,400,288
Plus unamortized bond premium	165,715	171,636
Long-term debt, net	\$ 18,735,865	\$ 19,571,924

Each of the District's outstanding bonds and notes from direct borrowings contain provisions for loan default including: outstanding principal and interest become immediately due and payable; use District funds pledged to secure the bonds to incur and pay reasonable expenses for repair, operation and maintenance of the District; or take possession of the District, repair, maintain, and operate or rent it.

Debt is scheduled to be repaid as follows:

December 31,	Direct Placements			Direct Borrowings	
	Principal	Interest		Principal	Interest
2023	\$ 805,000	\$ 380,726		25,140	\$ 41,946
2024	825,000	364,425		26,111	40,975
2025	840,000	347,775		27,122	39,964
2026	860,000	330,775		28,173	38,913
2027	875,000	313,425		29,267	37,819
2028-2032	4,105,000	1,315,147		164,359	171,071
2033-2037	4,405,000	886,447		182,678	136,222
2038-2042	3,635,000	415,600		145,924	106,856
2043-2047	1,360,000	142,838		171,635	81,145
2048-2052	480,000	17,187		201,875	50,905
2053-2057	-	-		208,006	15,482
Total	\$ 18,190,000	\$ 4,514,345		\$ 1,210,290	\$ 761,298

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 6. Changes in Long-Term Liabilities

Activity of the long-term obligations consists of the following:

<b>As Of</b>	<b>January 1, 2022</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31, 2022</b>	<b>Due Within One Year</b>
ANRC	\$ 171,575	\$ -	\$ 7,951	\$ 163,624	\$ 8,349
Rural Development	1,062,919	-	16,253	1,046,666	16,791
2020A Series Bonds	9,430,000	-	380,000	9,050,000	380,000
2021 Series Bonds	9,560,000	-	420,000	9,140,000	425,000
Net pension liability	271,036	668,886	-	939,922	-
Total	\$ 20,495,530	\$ 668,886	\$ 824,204	\$ 20,340,212	\$ 830,140

<b>As Of</b>	<b>January 1, 2021</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31, 2021</b>	<b>Due Within One Year</b>
ANRC	\$ 179,148	\$ -	\$ 7,573	\$ 171,575	\$ 7,951
Rural Development	1,078,653	-	15,734	1,062,919	16,255
2015 Series Bonds	10,145,000	-	10,145,000	-	-
2020A Series Bonds	9,565,000	-	135,000	9,430,000	380,000
2021 Series Bonds	-	9,670,000	110,000	9,560,000	420,000
Net pension liability	989,202	-	718,166	271,036	-
Total	\$ 21,957,003	\$ 9,670,000	\$ 11,131,473	\$ 20,495,530	\$ 824,206

### 7. Bond Discount / Deferred Refunding

The bond premiums incurred in connection with the 2021 and 2020A Series Water Revenue Refunding Bonds are being amortized using the straight-line method over the life of the bonds. Amortization of the bond premiums was \$5,921 for both years ended December 31, 2022 and 2021 and are net with interest expense on the Statement of Revenues, Expenses and Changes in Net Position. The unamortized bond premium balance is included with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$1,045,555 and \$1,102,786 as of December 31, 2022 and 2021, respectively, is shown as deferred outflows on the Statement of Net Position and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization of the deferred loss totaled \$57,231 and \$61,094 for the years ended December 31, 2022 and 2021, respectively, and is included with interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 8. Rate Covenant

The Trust Indenture of the 2021 and 2020A Series Bonds contains a provision (the Rate Covenant) which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, (3) leave a balance equal to 115% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity obligations, and (4) service all second lien debt. For the years ended December 31, 2022 and 2021, the District had sufficient revenues to meet the covenant.

### 9. Pension Plan

#### Plan Description

The District participates 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 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 thirteen 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; 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, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

#### Summary of Significant Accounting Policies

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (the Plan) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 9. Pension Plan (continued)

#### **Benefits Provided**

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 actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 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.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

#### **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

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 9. Pension Plan (continued)

#### Contributions (continued)

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 .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 Plan fiscal years ended June 30, 2022 and 2021, respectively. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the District were \$116,539 and \$108,361 for the years ended December 31, 2022 and 2021, respectively.

#### 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/annualreports>.

#### Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2022, 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. Based on this information, the District's proportionate share as of June 30, 2022 was 0.03485862%

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2022 and the District's report ending date of December 31, 2022, that would have had a significant impact on the net pension liability.

#### Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2022. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Wage Inflation Rate	3.25%

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 9. Pension Plan (continued)

#### Actuarial Assumptions (continued)

Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

#### Long-Term Rate of Return

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 APERS target asset allocation as of June 30, 2022 are summarized in the table below:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
	<u>100%</u>	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary's Assumption		2.50%
Net Expected Return		7.43%

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 9. Pension Plan (continued)

#### Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2022 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

The single discount rate of 7.15% 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 7.15%. 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 net pension liability to changes in the discount rate

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.15%) or 1% higher (8.15%) than the current rate:

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability (Asset)	\$ 1,494,304	\$ 939,922	\$ 482,230

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 9. Pension Plan (continued)

#### Pension Expense, and Deferred Inflows / Outflows of Resources

The District had an accrued pension liability on December 31, 2022 of \$3,696 for the District's legally required contribution. The District's proportionate share of pension expense was \$95,839 for the Plan year ended June 30, 2022. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 22,561	\$ 11,348
Net difference between projected and actual earnings on pension plan investments	198,278	-
Changes in proportion	17,412	6,830
District contributions subsequent to the measurement date	58,629	-
Total	\$ 296,880	\$ 18,178

\$58,629 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 30, 2023, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31,</b>	<b>Net Decrease in Pension Expense</b>
2023	\$ 50,403
2024	31,487
2025	(94)
2026	138,277
	\$ 220,073

### 10. Settlement Income

On March 14, 2005, the District and the City of Fort Smith, Arkansas (the City) entered into a Settlement and Release Agreement (the Agreement). Pursuant to the agreement, the District released 12,000 acres of its northernmost service area to the City of Fort Smith, Arkansas. The City of Fort Smith agreed to compensate the District for the District's loss of revenues. The District received \$35,554 and \$91,905 from the City during the years ended December 31, 2022 and 2021. The District's final payment under the agreement was in 2022.

# **JAMES FORK REGIONAL WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

### **11. Risk Management**

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance and workers compensation insurance through two major insurance companies. There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

### **12. Concentrations Of Credit Risk**

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District sells only to businesses and individuals in the south Sebastian County, and northern Scott County, Arkansas area.

### **13. Subsequent Events**

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through March 1, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.



***REQUIRED SUPPLEMENTARY INFORMATION***

## JAMES FORK REGIONAL WATER DISTRICT

### REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2022

#### Schedule of Proportionate Share of the Net Pension Liability and Related Ratios Last Fiscal Year

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.03485862%	0.03525294%	0.03454420%	0.03313783%	0.03390585%	0.03600991%	0.03595543%	0.03522433%	0.03749347%
District's proportionate share of the net pension liability	\$ 939,922	\$ 271,036	\$ 989,202	\$ 799,460	\$ 747,941	\$ 930,547	\$ 859,819	\$ 648,738	\$ 531,999
District's covered-employee payroll	\$ 743,146	\$ 703,962	\$ 674,019	\$ 634,140	\$ 635,089	\$ 649,010	\$ 651,450	\$ 624,933	\$ 662,890
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.48%	38.50%	146.76%	126.07%	117.77%	143.38%	131.99%	103.81%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

#### Schedule of Required Contributions Last Fiscal Year

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 113,850	\$ 107,847	\$ 103,260	\$ 97,150	\$ 93,676	\$ 94,106	\$ 94,460	\$ 92,245	\$ 98,638
Contributions in relation to the contractually required contribution	\$ (113,850)	\$ (107,847)	\$ (103,260)	\$ (97,150)	\$ (93,676)	\$ (94,106)	\$ (94,460)	\$ (92,245)	\$ (98,638)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 743,146	\$ 703,962	\$ 674,019	\$ 634,140	\$ 635,089	\$ 649,010	\$ 651,450	\$ 624,933	\$ 662,890
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%	14.88%

See independent auditor's report.

# JAMES FORK REGIONAL WATER DISTRICT

## REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2022

### Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.
2. Changes in benefits:
  - None: June 30, 2014 through June 30, 2020
  - June 30, 2021 valuation
    - Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
    - Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
    - For members hired on or after July 1, 2022:
      - Change the final average compensation period from 3 to 5 years
      - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index
3. Changes in actuarial assumptions:

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	1.92%	1.92%	2.45%	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index									
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price				
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on RP- 2006 weighted generational  mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP- 2006 weighted generational  mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP- 2006 weighted generational  mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP- 2014 weighted generational  mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP- 2014 weighted generational  mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	Based on RP- 2000 Combined healthy  mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP- 2000 Combined healthy  mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP- 2000 Combined healthy  mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP- 2000 Combined healthy  mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditor's report.



***ADDITIONAL SUPPLEMENTARY INFORMATION***

# JAMES FORK REGIONAL WATER DISTRICT

## SCHEDULE OF BONDS OUTSTANDING

### WATER REVENUE REFUNDING BONDS, SERIES 2020A

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**DECEMBER 31, 2022**

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Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2023	\$ 380,000	2.000	\$ 101,888	\$ 98,088	\$ 579,976
2024	390,000	2.000	98,088	94,188	582,275
2025	395,000	2.000	94,188	90,238	579,425
2026	405,000	2.000	90,238	86,188	581,425
2027	415,000	2.000	86,188	82,038	583,225
2028	420,000	2.000	82,038	77,838	579,875
2029	310,000	2.000	77,838	74,738	462,575
2030	300,000	2.000	74,738	71,738	446,475
2031	310,000	2.125	71,738	68,444	450,181
2032	315,000	2.125	68,444	65,097	448,541
2033	325,000	2.125	65,097	61,644	451,741
2034	330,000	2.125	61,644	58,138	449,781
2035	340,000	2.125	58,138	54,525	452,663
2036	345,000	2.250	54,525	50,644	450,169
2037	355,000	2.250	50,644	46,650	452,294
2038	360,000	2.250	46,650	42,600	449,250
2039	365,000	2.375	42,600	38,266	445,866
2040	375,000	2.375	38,266	33,813	447,078
2041	380,000	2.375	33,813	29,300	443,113
2042	395,000	2.500	29,300	24,363	448,663
2043	400,000	2.500	24,363	19,363	443,725
2044	350,000	2.500	19,363	14,988	384,350
2045	200,000	2.750	14,988	12,238	227,225
2046	210,000	2.750	12,238	9,350	231,588
2047	200,000	2.750	9,350	6,600	215,950
2048	195,000	2.750	6,600	3,919	205,519
2049	185,000	2.750	3,919	1,375	190,294
2050	100,000	2.750	1,375	-	101,375
	\$ 9,050,000		\$ 1,418,251	\$ 1,316,363	\$ 11,784,613

See independent auditor's report.

# JAMES FORK REGIONAL WATER DISTRICT

## SCHEDULE OF BONDS OUTSTANDING

### WATER REVENUE REFUNDING BONDS, SERIES 2021

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DECEMBER 31, 2022

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Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2023	\$ 425,000	2.000	\$ 92,500	\$ 88,250	\$ 605,750
2024	435,000	2.000	88,250	83,900	607,150
2025	445,000	2.000	83,900	79,450	608,350
2026	455,000	2.000	79,450	74,900	609,350
2027	460,000	2.000	74,900	70,300	605,200
2028	470,000	2.000	70,300	65,600	605,900
2029	480,000	2.000	65,600	60,800	606,400
2030	490,000	2.000	60,800	55,900	606,700
2031	500,000	2.000	55,900	50,900	606,800
2032	510,000	2.000	50,900	45,800	606,700
2033	520,000	2.000	45,800	40,600	606,400
2034	530,000	2.000	40,600	35,300	605,900
2035	540,000	2.000	35,300	29,900	605,200
2036	555,000	2.000	29,900	24,350	609,250
2037	565,000	2.125	24,350	18,700	608,050
2038	575,000	2.125	18,700	12,591	606,291
2039	585,000	2.125	12,591	6,375	603,966
2040	600,000	2.125	6,375	0	606,375
	\$ 9,140,000		\$ 936,116	\$ 843,616	\$ 10,919,731

See independent auditor's report.



***ADDITIONAL 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***

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To the Board of Directors  
James Fork Regional Water James Fork Regional Water District  
Greenwood, 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 James Fork Regional Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise James Fork Regional Water District's financial statements, and have issued our report thereon dated March 1, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered James Fork Regional Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of James Fork Regional Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of James Fork Regional Water District'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether James Fork Regional Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the 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.

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is fluid and cursive, with a slight flourish at the end.

**Przybysz & Associates, CPAs, P.C.**

**Fort Smith, Arkansas**

**March 1, 2023**