JAMES FORK REGIONAL WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

JAMES FORK REGIONAL WATER DISTRICT
DECEMBER 31, 2025 AND 2024

CONTENTS

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 James Fork Regional Water District, as of and for the years ended December 31, 2025 and 2024, 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 James Fork Regional Water District as of December 31, 2025 and 2024, 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 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.

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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 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 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 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, 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. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information for cost-sharing pension plans on pages 28-29 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 July 31, 2026, on our consideration of 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 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 James Fork Regional Water District's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 31, 2026

FINANCIAL STATEMENTS

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 812,659	$ 1,060,157
Restricted checking and savings accounts	807,087	736,490
Certificates of deposits	1,245,257	1,225,949
Restricted investments	510,022	837,263
Accounts receivable, net of allowance for doubtful accounts	373,279	474,317
Prepaid expenses	218,195	193,031
Total Current Assets	3,966,499	4,527,207
Net Capital Assets	25,884,892	26,023,720
Total Assets	29,851,391	30,550,927
Deferred Outflows		
Deferred amount on refunding of debt, net of amortization	873,860	931,092
Deferred outflows of resources related to pension	171,569	194,317
Total Deferred Outflows	1,045,429	1,125,409
Total Assets and Deferred Outflows	$ 30,896,820	$ 31,676,336
Liabilities		
Current Liabilities		
Accounts payable	$ 30,773	$ 28,784
Accrued payroll and related liabilities	25,298	30,971
Sales tax payable	-	6,361
Accrued compensated absences	58,789	29,769
Accrued interest	68,040	63,644
Unearned revenue	282,019	282,019
Customer meter deposits	363,623	321,463
Current portion of long-term debt	1,003,508	947,917
Total Current Liabilities	1,832,050	1,710,928
Noncurrent liabilities:		
Long-term debt, net of unamortized bond discounts	22,217,086	23,222,862
Net pension liability	817,883	925,221
Total Noncurrent Liabilities	23,034,969	24,148,083
Total Liabilities	24,867,019	25,859,011
Deferred Inflows		
Deferred inflows of resources related to pension	78,815	39,617
Total Deferred Inflows	78,815	39,617
Net Position		
Net investment in capital assets	3,973,398	3,553,298
Restricted	822,356	743,098
Unrestricted	1,155,232	1,481,312
Total Net Position	5,950,986	5,777,708
Total Liabilities, Deferred Inflows, and Net Position	$ 30,896,820	$ 31,676,336

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,	2025	2024
Operating Revenue		
Metered water sales, net of bad debts	$ 4,885,699	$ 4,459,779
Tap charges	141,295	80,500
Other revenue	51,006	151,053
Total Operating Revenue	5,078,000	4,691,332
Operating Expenses		
Chemical purchases	522,085	469,545
Tap expense	87,966	69,965
Telemetry expense	7,615	67,278
Billing services	69,872	59,955
Utilities and telephone	212,699	190,858
Salaries	1,088,399	870,588
Depreciation	1,219,500	1,202,855
Insurance	322,705	290,396
Operating supplies	66,702	41,210
Professional services	41,727	44,566
Computer services	13,970	36,799
Taxes - payroll	80,579	68,299
Licenses and permits	13,336	8,266
Pension plan expense	110,823	175,077
Service contracts	9,647	356
Repairs and maintenance	287,529	296,421
Office supplies	9,514	11,435
Postage	756	2,907
Dues and subscriptions	3,669	1,157
Rent	19,706	3,075
Miscellaneous administration expense	14,605	3,312
Truck expense	75,488	78,303
Travel	10,764	7,453
Uniforms	5,438	-
Total Operating Expenses	4,295,094	4,000,076
Operating Income	782,906	691,256
Nonoperating Revenue (Expenses)		
Interest income	84,074	160,086
Capital grant proceeds	-	788,619
Gain on disposition of assets	32,000	500
Bond issue costs	-	(78,472)
Interest expense, inclusive of amortization of bond premium and amortization of deferred amount on advance refunding	(725,702)	(659,521)
Total Nonoperating Revenue (Expenses)	(609,628)	211,212
Change In Net Position	173,278	902,468
Beginning of Year Net Position	5,777,708	4,875,240
End of Year Net Position	$ 5,950,986	$ 5,777,708

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2025	2024
Cash Flows From Operating Activities		
Cash receipts from customers and other sources	$ 5,214,837	$ 4,668,334
Cash payments to suppliers for goods and services	(2,061,435)	(1,888,855)
Cash payments to employees for services	(1,059,379)	(895,809)
Net Cash Provided By Operating Activities	2,094,023	1,883,670
Cash Flows From Capital and Related Financing Activities		
Cash paid for property, plant, and equipment	(1,080,672)	(5,004,561)
Proceeds from disposition of assets	32,000	500
Capital grant proceeds	-	788,619
Net proceeds from issuance of bonds	-	2,045,379
Bond issuance costs paid	-	(41,198)
Principal paid on long-term debt	(947,915)	(857,342)
Interest paid on long-term debt	(666,344)	(614,326)
Net Cash Used By Capital and Related Financing Activities	(2,662,931)	(3,682,929)
Cash Flows From Investing Activities		
Net investment activity	327,241	1,649,818
Reinvestment of certificate of deposit earnings	(19,308)	(20,896)
Interest income	84,074	160,086
Net Cash Provided By Investing Activities	392,007	1,789,008
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(176,901)	(10,251)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,796,647	1,806,898
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 1,619,746	$ 1,796,647
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 812,659	$ 1,060,157
Restricted checking and savings accounts	807,087	736,490
Total Cash, Cash Equivalents and Restricted Cash	$ 1,619,746	$ 1,796,647

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2025	2024
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 782,906	$ 691,256
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,219,500	1,202,855
Changes in:		
Accounts receivable	101,038	(35,958)
Prepaid expenses	(25,164)	13,291
Deferred outflows of resources related to pension	22,748	120,680
Accounts payable	1,989	(25,100)
Accrued payroll and related liabilities	(5,673)	11,355
Sales tax payable	(6,361)	(1,225)
Accrued compensated absences	29,020	(25,221)
Unearned revenue	-	-
Customer meter deposits	42,160	14,185
Net pension liability	(107,338)	(112,339)
Deferred outflows of resources related to pension	39,198	29,891
Net Cash Provided By Operating Activities	$ 2,094,023	$ 1,883,670

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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, as well several nearby cities and towns. 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.

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are presented at fair value. Investments, consist primarily certificates of deposit, project fund accounts, 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 $39,659 and $56,999 at December 31, 2025 and 2024, 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 and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Buildings and improvements	7 - 40 years
Distribution system	10 - 40 years
Equipment	5 - 20 years
Office furniture and fixtures	3 - 10 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.

Right-of-Use Assets / Leases

The District determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date.

The District has elected not to record operating leases with a term of twelve months or less on the the Statement of Net Position. The payments are recognized on a straight-line basis over the lease term.

1. Summary of Significant Accounting Policies (continued)

Right-of-Use Assets / Leases (continued)

The District monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure any right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The District does not have any SBITA's in excess of one year.

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.

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, 2025 and 2024, the District had $58,789 and $29,769, respectively, 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.

1. Summary of Significant Accounting Policies (continued)

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 is not included in the calculation of investment in capital assets, net of related debt.

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.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment 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.

1. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain 2024 amounts have been reclassified in order to conform with the 2025 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standard which became effective during the District's fiscal year.

GASB Statement No. 102, *Certain Risk Disclosures* . The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement requires a government to assess whether a concentration or constraint makes the government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally the statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

This statement 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.

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, 2025 and 2024, the carrying value of the District's deposits was $$1,619,745 and $1,796,647, respectively, and the bank balances were $1,669,733 and $1,844,111, respectively. The balances were covered by federal depository insurance or pledged securities held by the District's agents in the District's name

2. Deposits with Financial Institutions (continued)

Deposits (continued)

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

As Of December 31,		2025		2024
Cash and cash equivalents	$	812,659	$	1,060,157
Restricted checking and savings accounts		807,087		736,490
Total	$	1,619,746	$	1,796,647

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, 2025		Market	Weighted Avg. Maturity	Credit Rating
Government mutual fund:				
Bond funds	$	75,312	45 days	AAA
Project funds		434,710	45 days	AAA
Certificates of Deposit		1,245,257	264 days	N/A
Total	$	1,755,279		

As of December 31, 2024		Market	Weighted Avg. Maturity	Credit Rating
Government mutual fund:				
Bond funds	$	68,506	40 days	AAA
Project funds		768,757	40 days	AAA
Certificates of Deposit		1,225,949	264 days	N/A
Total	$	2,063,212		

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

As Of December 31,		2025		2024
Current Assets:				
Certificates of deposit	$	1,245,257	$	1,225,949
Restricted investments		510,022		837,263
Total	$	1,755,279	$	2,063,212

2. Deposits with Financial Institutions (continued)

Investments (continued)

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, 2025 and 2024, the District has $510,022 and $837,263 in a government mutual fund account 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 $1,245,257 and $1,225,949 invested in certificates of deposit at December 31, 2025 and 2024, 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.

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, 2025:

	Level 1	Level 2	Level 3	Total
Government mutual fund	$ 510,022	$ -	$ -	$ 510,022
Certificates of deposit	1,245,257	-	-	1,245,257
Total	$ 1,755,279	$ -	$ -	$ 1,755,279

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

2. Deposits with Financial Institutions (continued)

The following table represents the District's investments that are measured at fair value on a recurring basis at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Government mutual fund	$ 837,263	$ -	$ -	$ 837,263
Certificates of deposit	1,225,949	-	-	1,225,949
Total	$ 2,063,212	$ -	$ -	$ 2,063,212

The government mutual fund is valued at market value as reported by the external account manager. Certificates of deposit are valued at cost plus interest earned.

3. Restricted Accounts

Restricted accounts consists of the following:

As Of December 31,	2025	2024
Cash and cash equivalents:		
Depreciation Funds	$ 142,693	$ 141,274
2020 Bond Fund	300,337	282,991
2021 Bond Fund	329,848	311,712
2024 Project Fund	529	508
2024 Bond Fund	33,680	5
Total Restricted Checking and Savings	$ 807,087	736,490
Investments:		
2023 Project Fund	$ 434,710	$ 768,757
2023 Bond Fund	75,312	68,506
Total Restricted Investments	$ 510,022	$ 837,263

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 2020, 2021 2023, and 2024 Series bonds.

Project Fund - 2023 and 2024 bond proceeds restricted for capital improvements

The Rural Development Loan resolution specifies for its loan to have a minimum debt service reserve account totaling $32,494 and $27,430 at December 31, 2025 and 2024, respectively. This is based upon the maximum annual principal and interest due in any future period following the latest loan issue. In addition, the Rural Development Loan resolution and the 2020, 2023 and 2024 Bond Trust Indentures each require short-lived/depreciation accounts requiring monthly deposits totaling $8,539. These accounts can be used anytime for repairs and maintenance, therefore there is no specific required balance.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

3. Restricted Accounts (continued)

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, 2025	Additions	Retirements	December 31, 2025
Capital assets not being depreciated				
Land	$ 3,768,623	$ 560,641	$ -	$ 4,329,264
Construction in process	1,890,348	383,011	1,742,117	531,242
Total capital assets not being depreciated	5,658,971	943,652	1,742,117	4,860,506
Capital assets being depreciated				
Buildings and improvements	591,869	32,920	-	624,789
Distribution system	42,014,076	1,742,117	-	43,756,193
Equipment	3,379,592	104,100	65,565	3,418,127
Office furniture and fixtures	318,533	-	-	318,533
Total capital assets being depreciated	46,304,070	1,879,137	65,565	48,117,642
Total capital assets	51,963,041	2,822,789	1,807,682	52,978,148
Less accumulated depreciation				
Buildings and improvements	340,059	17,616	-	357,675
Distribution system	23,055,794	1,048,896	-	24,104,690
Equipment	2,227,069	150,854	65,565	2,312,358
Office furniture and fixtures	316,399	2,134	-	318,533
Total accumulated depreciation	25,939,321	1,219,500	65,565	27,093,256
Net Capital Assets	$ 26,023,720	$ 1,603,289	$ 1,742,117	$ 25,884,892

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

4. Capital Assets (continued)

As Of	January 1, 2024	Additions	Retirements	December 31, 2024
Capital assets not being depreciated				
Land	$ 657,742	$ 3,110,881	$ -	$ 3,768,623
Construction in process	965,101	1,725,866	800,619	1,890,348
Total capital assets not being depreciated	1,622,843	4,836,747	800,619	5,658,971
Capital assets being depreciated				
Buildings and improvements	549,869	42,000	-	591,869
Distribution system	41,193,659	820,417	-	42,014,076
Equipment	3,304,739	106,016	31,163	3,379,592
Office furniture and fixtures	318,533	-	-	318,533
Total capital assets being depreciated	45,366,800	968,433	31,163	46,304,070
Total capital assets	46,989,643	5,805,180	831,782	51,963,041
Less: accumulated depreciation				
Buildings and improvements	324,034	16,025	-	340,059
Distribution system	22,006,756	1,049,038	-	23,055,794
Equipment	2,125,231	133,001	31,163	2,227,069
Office furniture and fixtures	311,608	4,791	-	316,399
Total accumulated depreciation	24,767,629	1,202,855	31,163	25,939,321
Net Capital Assets	$ 22,222,014	$ 4,602,325	$ 800,619	$ 26,023,720

Construction in progress is for the following:

As Of	Balance 12/31/2025	Balance 12/31/2024	(Estimated) Total Cost	(Estimated) Completion
High service pump replacement	$ -	$ 1,122,200	$ 1,129,200	Complete
Reservoir expansion project	300,821	300,821	50,000,000	3 to 5 years
Pump station 4B upgrade	-	252,855	612,917	Complete
Witcherville and Sugarloaf tanks painting, maintenance and mixer	230,421	214,472	670,000	July 2026
Total	$ 531,242	$ 1,890,348	$ 52,412,117	

The District plans to apply for funding for the reservoir expansion project once all approvals and permits are complete. The other projects were and/or will be funded primarily using the proceeds from the 2023 and 2024 bond issues.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

5. Right-to-Use Assets / Leases

In 2023, the District commenced a five year lease for space on a tower for wireless telemetry equipment for the pump stations. In 2025, the District paid off the lease and early terminated. Total rent paid during under the lease during the years ended December 31, 2025 and 2024, was $19,706 and $3,075, respectively.

The District has an operating lease agreement that renews annually with the USDA Forestry Service for its water reservoir and water transmission pipelines. Total lease expense was $4,005 and $3,924 for the years ending December 31, 2025 and 2024, respectively.

6. Long-Term Debt

On October 15, 2024, the District issued Water Revenue Bonds, Series 2024 in the amount of $2,130,000. Proceeds from the bonds were used to finance a portion of the costs of betterments and improvements to the District's water system, and pay expenses of issuing the bonds and other fees.

Long-term debt of the District consists of:

As of December 31,	2025	2024
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.	$ 994,620	$ 1,012,535
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.	7,885,000	8,280,000
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.	7,835,000	8,280,000
Water Refunding and Improvement Revenue Bonds, Series 2023, issued October 17, 2023 in the amount of $4,435,000. Principal payments are due annually and interest is due semi-annually at rates varying between 3.625% and 4.625%. The bonds are secured by revenues and certain properties and will mature on June 1, 2053.	4,340,000	4,420,000

6. Long-Term Debt (continued)

As of December 31,	2025	2024
Water Revenue Bonds, Series 2024, issued October 15, 2024 in the amount of $2,130,000. Principal payments are due annually and interest is due semi-annually at rates varying between 4.00% and 4.25%. The bonds are secured by revenues and a lien on and security interest certain assets, and will mature on June 1, 2054.	2,120,000	2,130,000
Total long-term debt	23,174,620	24,122,535
Less current maturities	1,003,508	947,917
Long-term debt	22,171,112	23,174,618
Plus unamortized bond premium	147,952	153,873
Less unamortized bond discount	(101,978)	(105,629)
Long-term debt, net	$ 22,217,086	$ 23,222,862

Debt is scheduled to be repaid as follows:

	Direct Placements		Direct Borrowings	
December 31,	Principal	Interest	Principal	Interest
2026	$ 985,000	$ 602,228	$ 18,508	$ 32,048
2027	1,005,000	580,522	19,119	31,437
2028	1,025,000	558,350	19,749	30,807
2029	930,000	536,669	20,401	30,155
2030	940,000	515,419	21,074	29,482
2031-2035	5,035,000	2,234,660	116,268	136,512
2036-2040	5,725,000	1,586,959	136,753	116,027
2041-2045	2,955,000	975,738	160,847	91,933
2046-2050	2,365,000	504,925	189,188	63,592
2051-2055	1,215,000	93,309	222,520	30,260
2056-2057	-	-	70,193	1,627
Total	$ 22,180,000	$ 8,188,779	$ 994,620	$ 593,880

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.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

7. Changes in Long-Term Liabilities

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

As Of	January 1, 2025	Additions	Retirements	December 31, 2025	Due Within One Year
Rural Development	$ 1,012,535	$ -	$ 17,915	$ 994,620	$ 18,508
2020A Series Bonds	8,280,000	-	395,000	7,885,000	405,000
2021 Series Bonds	8,280,000	-	445,000	7,835,000	455,000
2023 Series Bonds	4,420,000	-	80,000	4,340,000	85,000
2024 Series Bonds	2,130,000	-	10,000	2,120,000	40,000
Net pension liability	925,221	-	107,338	817,883	-
Total	$ 25,047,756	$ -	$ 1,055,253	$ 23,992,503	$ 1,003,508

As Of	January 1, 2024	Additions	Retirements	December 31, 2024	Due Within One Year
Rural Development	1,029,877	-	17,342	1,012,535	17,917
2020A Series Bonds	8,670,000	-	390,000	8,280,000	395,000
2021 Series Bonds	8,715,000	-	435,000	8,280,000	445,000
2023 Series Bonds	4,435,000	-	15,000	4,420,000	80,000
2024 Series Bonds	-	2,130,000	-	2,130,000	10,000
Net pension liability	1,037,560	-	112,339	925,221	-
Total	$ 23,887,437	$ 2,130,000	$ 969,681	$ 25,047,756	$ 947,917

8. Bond Premium / 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, 2025 and 2024 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 bond discount incurred in connection with the 2023 Water Refunding and Improvement Revenue Bonds and 2024 Water Revenue Bonds are being amortized using the straight-line method over the life of the bond. Amortization of the bond discount totaled $3,651 and $3,160 for the years ended December 31, 2025 and 2024, respectively, and is included with interest expense on the Statement of Revenues, Expenses and Changes in Net Position. The unamortized bond discount balance is subtracted from long-term debt.

8. Bond Premium / Bond Discount / Deferred Refunding (continued)

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of $873,860 and $931,092 as of December 31, 2025 and 2024, 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 $57,232 and $57,231 for the years ended December 31, 2025 and 2024, respectively, and is included with interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

9. Rate Covenant

The Trust Indenture of the 2024, 2023, 2021 and 2020A Series Bonds contains a provision (the Rate which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, Covenant) repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve and Depreciation Funds, (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, 2025 and 2024, the District had sufficient revenues to meet the covenant.

10. 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.

10. Pension Plan (continued)

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.

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 7/1/207	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.

10. Pension Plan (continued)

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. The employee contribution rates were 5.75% and 5.50% for the Plan fiscal years ending June 30, 2025 and 2024, respectively. 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 both Plan fiscal years ended June 30, 2025 and 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the District were $159,584 and $133,239 for the years ended December 31, 2025 and 2024, 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, 2025, 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, 2025 and 2024 was 0.03896928% and 0.03718550%, respectively.

There were no changes between the measurement date of June 30, 2025 and the System's report ending date of December 31, 2025, 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, 2025. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Pension Plan (continued)

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	4 year smoothed market; 25% corridor
Discount Rate	7.00%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
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, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, 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 the 10-year period from 2025 to 2034 were based upon GRS' 2025 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Estate	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
	100%	

10. Pension Plan (continued)

Long-Term Rate of Return (continued)

Total Real Rate of Return	5.02%
Plus: Price Inflation - Actuary's Assumption	2.50%
Net Expected Return	7.52%

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, 2025 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 5.20% (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 7.00%.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using a single discount rate of 7.00%, as well as what the Utility's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	$ 1,526,285	$ 817,883	$ 233,727

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Pension Plan (continued)

Pension Liabilities and Deferred Outflows/Inflows of Resources

The District had accrued pension liabilities on December 31, 2025 and 2024, totaling $7,503 and $3,739, respectively, for the District's legally required contribution. The District's proportionate share of pension expense was $114,193 and $171,471 for the Plan years ended June 30, 2025 and 2024, respectively. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,340	$ 24,558
Changes in assumptions	14,191	-
Net difference between projected and actual earnings on pension plan investments	-	54,257
Changes in proportion	49,235	-
District contributions subsequent to the measurement date	82,803	-
Total	$ 171,569	$ 78,815

$82,803 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, 2026, 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:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2026	$ 133,010
2027	(49,765)
2028	(43,257)
2029	(30,037)
	$ 9,951

12. Sale of Water Rights / Unearned Revenue

In 2023, the District made an agreement with the City of Greenwood which included, among other things, the sale of certain customer accounts for $282,019, and the sale of water rights associated with undeveloped 35.96 acres of land for $79,112. The sale of customer accounts has been deferred until the City of Greenwood connects their own water line to commence service and the District ceases service of the accounts. Subsequent to year-end, the District discontinued service of the accounts.

13. Concentrations Of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The District sells to businesses and individuals in the south Sebastian County, and northern Scott County, Arkansas area as well as neighboring cities and towns. The credit risk is considered minimal as the balance is spread amongst a large number of customers. No events have occurred through the date of the financial statements regarding this concentration that would negatively impact the District.

14. 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.

15. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2025 through July 31, 2026, 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, 2025

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

	APERS June 30, 2025	APERS June 30, 2024	APERS June 30, 2023	APERS June 30, 2022	APERS June 30, 2021	APERS June 30, 2020	APERS June 30, 2019	APERS June 30, 2018	APERS June 30, 2017	APERS June 30, 2016
District's proportion of the net pension liability	0.03896928%	0.03718550%	0.03560376%	0.03485862%	0.03525294%	0.03454420%	0.03313783%	0.03390585%	0.03600991%	0.03595543%
District's proportionate share of the net pension liability	$ 817,883	$ 925,221	$ 1,037,560	$ 939,922	$ 271,036	$ 989,202	$ 799,460	$ 747,941	$ 930,547	$ 859,819
District's covered-employee payroll	$ 932,888	$ 844,747	$ 766,295	$ 743,146	$ 703,962	$ 674,019	$ 634,140	$ 635,089	$ 649,010	$ 651,450
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.67%	109.53%	135.40%	126.48%	38.50%	146.76%	126.07%	117.77%	143.38%	131.99%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

Schedule of Required Contributions Last Fiscal Year

	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Contractually required contribution	$ 159,584	$ 133,239	$ 121,079	$ 116,539	$ 108,361	$ 108,187	$ 99,077	$ 93,822	$ 92,806	$ 96,228
Contributions in relation to the contractually required contribution	$ (159,584)	$ (133,239)	$ (121,079)	$ (116,539)	$ (108,361)	$ (108,187)	$ (99,077)	$ (93,822)	$ (92,806)	$ (96,228)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,041,678	$ 869,707	$ 790,337	$ 760,701	$ 707,319	$ 706,186	$ 646,718	$ 623,831	$ 634,383	$ 663,642
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.04%	14.63%	14.50%

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, 2025

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. Changes in benefits:

June 30, 2025 valuation
- Amends laws concerning survivor benefits for the dependent child, effective July 1, 2025

None: June 30, 2022 through June 30, 2024

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

None: June 30, 2016 through June 30, 2020

2. Changes in actuarial assumptions:

Single Discount Rate:	June 30, 2023 through 2025	7.00%
	June 30, 2017 through June 30, 2022	7.15%
	June 30, 2016	7.50%
Investment Rate of Return:	June 30, 2017 through June 30, 2025	7.15%
	June 30, 2016	7.50%

Municipal Bond Rate	June 30, 2025	5.20%	June 30, 2020	3.13%
Source:	June 30, 2024	3.97%	June 30, 2019	3.62%
20-Bond GO Index	June 30, 2023	3.86%	June 30, 2018	3.56%
	June 30, 2022	3.69%	June 30, 2017	2.85%
	June 30, 2021	1.92%	June 30, 2016	3.80%

Inflation	June 30, 2016 through June 30, 2025	3.25% wage 2.50% price
Salary Increases	June 30, 2016 through June 30, 2025	3.25% - 9.85%
Mortality Table	June 30, 2018 through June 30, 2025	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
	June 30, 2016 through June 30, 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

See independent auditor's report.

ADDITIONAL SUPPLEMENTARY INFORMATION

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REVENUE REFUNDING BONDS, SERIES 2020A

DECEMBER 31, 2025

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2026	$ 405,000	2.000	$ 90,238	$ 86,188	$ 581,426
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
	$ 7,885,000		$ 1,124,088	$ 1,033,850	$ 10,042,938

See independent auditor's report.

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REVENUE REFUNDING BONDS, SERIES 2021

DECEMBER 31, 2025

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
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
	$ 7,835,000		$ 671,466	$ 592,016	$ 9,098,481

See independent auditor's report.

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2023

DECEMBER 31, 2025

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2026	$ 85,000	3.625	$ 94,944	$ 93,403	$ 273,347
2027	85,000	3.625	93,403	91,863	270,266
2028	90,000	3.625	91,863	90,231	272,094
2029	95,000	4.000	90,231	88,331	273,563
2030	100,000	4.000	88,331	86,331	274,663
2031	100,000	4.000	86,331	84,331	270,663
2032	105,000	4.000	84,331	82,231	271,563
2033	110,000	4.000	82,231	80,031	272,263
2034	115,000	4.125	80,031	77,659	272,691
2035	120,000	4.125	77,659	75,184	272,844
2036	125,000	4.125	75,184	72,606	272,791
2037	130,000	4.125	72,606	69,925	272,531
2038	135,000	4.125	69,925	67,141	272,066
2039	140,000	4.375	67,141	64,078	271,219
2040	145,000	4.375	64,078	60,906	269,984
2041	155,000	4.375	60,906	57,516	273,422
2042	160,000	4.375	57,516	54,016	271,531
2043	170,000	4.375	54,016	50,297	274,313
2044	175,000	4.625	50,297	46,250	271,547
2045	185,000	4.625	46,250	41,972	273,222
2046	190,000	4.625	41,972	37,578	269,550
2047	200,000	4.625	37,578	32,953	270,531
2048	210,000	4.625	32,953	28,097	271,050
2049	220,000	4.625	28,097	23,009	271,106
2050	230,000	4.625	23,009	17,691	270,700
2051	245,000	4.625	17,691	12,025	274,716
2052	255,000	4.625	12,025	6,128	273,153
2053	265,000	4.625	6,128	-	271,128
	$ 4,340,000		$ 1,686,729	$ 1,591,785	$ 7,618,513

See independent auditor's report.

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REVENUE BONDS, SERIES 2024

DECEMBER 31, 2025

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2026	$ 40,000		$ 41,853	$ 41,253	$ 123,106
2027	45,000		41,253	40,578	126,831
2028	45,000		40,578	39,903	125,481
2029	45,000		39,903	39,228	124,131
2030	50,000		39,228	38,353	127,581
2031	50,000		38,353	37,478	125,831
2032	50,000		37,478	36,603	124,081
2033	55,000		36,603	35,641	127,244
2034	55,000		35,641	34,678	125,319
2035	55,000		34,678	33,578	123,256
2036	60,000		33,578	32,378	125,956
2037	60,000		32,378	31,178	123,556
2038	65,000		31,178	29,878	126,056
2039	65,000		29,878	28,578	123,456
2040	70,000		28,578	27,178	125,756
2041	70,000		27,178	25,778	122,956
2042	75,000		25,778	24,278	125,056
2043	75,000		24,278	22,778	122,056
2044	80,000		22,778	21,178	123,956
2045	85,000		21,178	19,425	125,603
2046	85,000		19,425	17,672	122,097
2047	90,000		17,672	15,816	123,488
2048	95,000		15,816	13,856	124,672
2049	100,000		13,856	11,794	125,650
2050	105,000		11,794	9,563	126,356
2051	105,000		9,563	7,331	121,894
2052	110,000		7,331	4,994	122,325
2053	115,000		4,994	2,550	122,544
2054	120,000		2,550	-	122,550
	$ 2,120,000		$ 765,350	$ 723,497	$ 3,608,847

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*

To the Board of Directors
James Fork Regional Water
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, 2025, 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 July 31, 2026.

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.

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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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 31, 2026