

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING: (BAM Insured) S&P: AA/Stable**

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes, the Bonds are exempt from property taxation in the State of Arkansas and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code). In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. See **LEGAL MATTERS, Tax Exemption.***

**\$2,130,000  
JAMES FORK REGIONAL WATER DISTRICT  
WATER REVENUE BONDS  
SERIES 2024**

Dated: Date of Delivery

Due: June 1, as described below

The Bonds will be secured by and payable from a pledge of the revenues and other resources of the James Fork Regional Water District (the "Issuer") pursuant to the terms of a Trust Indenture between the Issuer and Bank OZK, Little Rock, Arkansas (the "Trustee"). The pledge of revenues and other resources in favor of the Bonds is on a parity with the pledge in favor of the Issuer's Water Revenue Bond, dated July 6, 2017, the Issuer's Water Revenue Refunding Bonds, Series 2020A, the Issuer's Water Revenue Refunding Bonds, Series 2021 and the Issuer's Water Refunding and Improvement Revenue Bonds, Series 2023. The Issuer has no taxing power. See **THE BONDS, Security.**

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2025, and the Bonds mature (on June 1 of each year), bear interest and are priced to yield as follows:

**MATURITY SCHEDULE**

\$185,000	3.000%	Term Bonds due June 1, 2029 to Yield 3.000%
\$260,000	3.500%	Term Bonds due June 1, 2034 to Yield 3.500%
\$305,000	4.000%	Term Bonds due June 1, 2039 to Yield 3.950%*
\$370,000	4.000%	Term Bonds due June 1, 2044 to Yield 4.100%
\$455,000	4.125%	Term Bonds due June 1, 2049 to Yield 4.250%
\$555,000	4.250%	Term Bonds due June 1, 2054 to Yield 4.350%

The Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



The Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Stephens Inc.**

Dated: September 24, 2024

\* Priced to first optional redemption date, June 1, 2030.

No dealer, broker, salesman or any other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the Issuer since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the Issuer. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Bonds.

The investor, by its purchase of the Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under BOND INSURANCE and Exhibit B - Specimen Municipal Bond Insurance Policy.

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## OFFICIAL STATEMENT

**\$2,130,000**  
**JAMES FORK REGIONAL WATER DISTRICT**  
**WATER REVENUE BONDS**  
**SERIES 2024**

### INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibit hereto. A full review should be made of the entire Official Statement, as well as the Trust Indenture described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by James Fork Regional Water District (the "Issuer"), of its Water Revenue Bonds, Series 2024, in the aggregate principal amount of \$2,130,000 (the "Bonds"). The Bonds are being issued to finance a portion of the costs of betterments and improvements to the Issuer's water system (the "Improvements"), to pay premiums for the Insurance Policy (hereinafter defined) and the Reserve Policy (hereinafter defined) and to pay expenses of issuing the Bonds. See **THE BONDS, Purposes for Bonds**.

The Issuer is a public facilities board organized under the laws of the State of Arkansas (the "State"). The Issuer is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 137 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE ISSUER**.

The Bonds will be issued pursuant to a resolution adopted by the Issuer and secured under a Trust Indenture between the Issuer and Bank OZK, Little Rock, Arkansas, as trustee and paying agent (the "Trustee"), dated as of the date of the Bonds (the "Indenture"). See **THE TRUST INDENTURE**.

The Bonds are payable from, and secured by a pledge of, the Issuer's revenues and other resources including particularly, without limitation, the revenues derived from the operation of the Issuer's water system (the "System") and a lien on and security interest in certain of its properties. The pledge, lien and security interest in favor of the Bonds is on a parity with the pledge in favor of the Issuer's Water Revenue Bond, dated July 6, 2017, the Issuer's Water Revenue Refunding Bonds, Series 2020A, the Issuer's Water Revenue Refunding Bonds, Series 2021 and the Issuer's Water Refunding and Improvement Revenue Bonds, Series 2023 (collectively, the "Parity Bonds"). See **THE BONDS, Security**. The Issuer is authorized to issue other obligations on a parity of security with the Bonds. See **THE BONDS, Additional Bonds and Parity Obligations**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable on June 1, 2025, and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of the Trustee in Little Rock, Arkansas. Interest is payable by the Trustee by check or draft to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only

upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit B. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P") will assign a rating of "AA/Stable" to the Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **MISCELLANEOUS, Rating**.

The Bonds are subject to optional redemption on and after June 1, 2030 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds are subject to mandatory sinking fund redemption prior to maturity as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax, (iii) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) interest on the Bonds is exempt from State income tax and (v) the Bonds are not subject to property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about October 15, 2024, through the facilities of The Depository Trust Company in New York, New York.

The Issuer and the Trustee will enter into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Indenture and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 1720, Little Rock, Arkansas 72201, Attention: Public Finance.

## **THE BONDS**

**Book-Entry Only System.** The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the Issuer make any representation or warranty regarding the accuracy or completeness thereof.

**So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The Issuer and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.**

Generally. The Bonds are dated, mature, bear interest and interest is payable on the Bonds as set forth on the cover page hereof.

The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Bond is mutilated, lost or destroyed, the Issuer shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Indenture.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the Issuer and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the Issuer nor the Trustee shall be required to make transfers of registration with respect to any Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.



The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(2) Optional Redemption. The Bonds are subject to redemption at the option of the Issuer from funds from any source, in whole or in part at any time, on and after June 1, 2030, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the Issuer in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on June 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing June 1, 2029

<u>Year</u>	<u>Principal Amounts</u>
2025	\$10,000
2026	40,000
2027	45,000
2028	45,000
2029 (maturity)	45,000

Bonds Maturing June 1, 2034

<u>Year</u>	<u>Principal Amounts</u>
2030	\$50,000
2031	50,000
2032	50,000
2033	55,000
2034 (maturity)	55,000

Bonds Maturing June 1, 2039

<u>Year</u>	<u>Principal Amounts</u>
2035	\$55,000
2036	60,000
2037	60,000
2038	65,000
2039 (maturity)	65,000

Bonds Maturing June 1, 2044

<u>Year</u>	<u>Principal Amounts</u>
2040	\$70,000
2041	70,000
2042	75,000
2043	75,000
2044 (maturity)	80,000

Bonds Maturing June 1, 2049

<u>Year</u>	<u>Principal Amounts</u>
2045	\$85,000
2046	85,000
2047	90,000
2048	95,000
2049 (maturity)	100,000

Bonds Maturing June 1, 2054

<u>Year</u>	<u>Principal Amounts</u>
2050	\$105,000
2051	105,000
2052	110,000
2053	115,000
2054 (maturity)	120,000

In case any outstanding Bond is in a denomination greater than \$5,000, each \$5,000 of face value of such Bond shall be treated as a separate Bond of the denomination of \$5,000.

The Trustee shall give notice of the call for redemption by first class mail or other standard means, including electronic or facsimile communication, sent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption. After the date specified in such call, the Bond or Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

Purposes for Bonds. The Bonds are being issued to finance a portion of the costs of the Improvements, to pay the premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and to pay costs of issuing the Bonds.

The Improvements include particularly, without limitation, the acquisition of real property to provide additional water storage for the System.

The proceeds of the Bonds are estimated to be used as follows:

**SOURCES:**

Principal Amount of Bonds	\$2,130,000
Net Original Issue Discount	<u>(22,095)</u>
Total Sources	\$2,107,905

**USES:**

Improvement Costs	\$2,000,000
Cost of Issuance, Insurance Policy Premium and Reserve Policy Premium	70,630
Underwriter's Discount	<u>37,275</u>
Total Uses	\$2,107,905

The payment of Underwriter's discount Insurance Policy premium, Reserve Policy premium and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount. The Issuer will deposit the principal amount of the Bonds plus any original issue premium and less any original issue discount, Underwriter's discount, certain issuance costs, Insurance Policy premium and Reserve Policy premium into a special fund in the Trustee designated "2024 Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of issuing the Bonds and for the Improvements. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and a statement to the effect that the disbursement is for a proper expense of or pertaining to the Improvements or expenses of issuing the Bonds. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE TRUST INDENTURE, Investment of Funds.**

Security. The Bonds are secured by a pledge of the revenues and other resources of the Issuer, including particularly without limitation, System revenues and a lien on and security interest in certain of its properties. The pledge in favor of the Bonds is on a parity with the pledge in favor of the Parity Bonds. The Issuer has no taxing power. Under the Indenture, the Issuer grants to the Trustee in order to secure the payment of the principal of, premium, if any, and interest on the Bonds, a lien on and security interest in the following:

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature now located thereon or therein situated in Sebastian County and Scott County, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned by the Issuer.

(b) All other properties of whatever nature now owned by the Issuer and not covered by the properties described in (a) above, including, without limitation, all assets, franchises, rights, privileges, licenses, equipment, machinery, furnishings and fixtures.

(c) All revenues and income received by the Issuer, including particularly, the income received by the Issuer from all other persons, firms, associations, corporations or organizations of any nature from the operation of the System.

(d) All moneys in the Bond Fund, the Debt Service Reserve Fund, the Construction fund and any other fund established under the Indenture that contains proceeds of the Bonds and all investments therein and earnings thereon.

(e) Replacement properties (as described in the Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the Issuer or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Indenture.

For a schedule of annual debt service requirements for the Bonds and the Parity Bonds, see **DEBT SERVICE REQUIREMENTS**. The Bonds are secured under the Indenture. For a summary of the terms of the Indenture, see **THE TRUST INDENTURE**.

The 2024 Account of the Debt Service Reserve Fund will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual debt service requirement on the Bonds (based on a year ending June 1) (the "Required Level"). The 2024 Account of the Debt Service Reserve Fund only secures the Bonds. See **THE INDENTURE**, Debt Service Reserve Fund.

Additional Bonds and Parity Obligations. The Issuer has reserved the right to issue additional bonds on a parity of security with the Bonds ("Additional Bonds").

Before any Additional Bonds can be issued, there must be filed with the Trustee the following:

(i) A copy, certified by the Secretary of the Issuer, of the resolution authorizing the Additional Bonds and directing their delivery to or upon the order of purchasers therein named upon payment of the purchase price therein set forth;

(ii) A certificate of the Chairman of the Issuer stating that no event of default specified in the Indenture has happened and is continuing;

(iii) An opinion of counsel selected by the Issuer but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds has been taken and that, when executed, authenticated and delivered, such Bonds will be valid, binding and enforceable obligations of the Issuer secured by the Indenture on a parity with Parity Bonds, Parity Obligations and previously issued Bonds; and

(iv) A certificate of an independent certified public accountant to the effect that "adjusted gross revenues" of the Issuer for the fiscal year immediately preceding the delivery of the Additional Bonds were sufficient in amount:

(a) to pay all operation and maintenance expenses of the Issuer (exclusive of depreciation and debt service expenses) for the immediately preceding fiscal year;

(b) to make all payments into the funds of the Issuer created by the Indenture (exclusive of the Operation and Maintenance Fund and the Bond Fund) required by the provisions of the Indenture to be made during the immediately preceding fiscal year; and

(c) to leave a balance equal to not less than 115% of the average annual principal and interest requirements, during the current or any subsequent fiscal year of the Issuer, for (1) the then outstanding Bonds (exclusive of any bonds to be deemed paid pursuant to the Indenture upon delivery of the Additional Bonds), (2) the then outstanding Parity Bonds, (3) the Additional Bonds then held by the Trustee for delivery and (4) any then outstanding Parity Obligations (exclusive of any Parity Obligations that are to be refunded upon the delivery of the Additional Bonds). There shall be added to the amount of the annual principal and interest requirements any amounts owed in connection with the Reserve Policy or other debt service reserve fund insurance policies.

The term "adjusted gross revenues," means:

(1) The gross revenues actually received by the Issuer during the fiscal year immediately preceding the delivery of the Additional Bonds; plus

(2) Any additional revenues (as projected by the accountant executing the certificate as to adjusted gross revenues, on the basis of actual water sales) that would have been derived from a rate increase actually placed into effect after the first day of such fiscal year if such rate increase had been in effect throughout the fiscal year; plus

(3) Any additional annual revenues as projected in a certificate of an independent consulting engineer (on the basis of the then current water rates) to be derived from new customers to be served upon completion of improvements then under construction or to be financed from the proceeds of the Additional Bonds delivered to the Trustee.

The Issuer may issue other obligations on a parity with bonds issued under the Indenture subject to meeting the requirements for the issuance of Additional Bonds, as described above ("Parity Obligations"). Otherwise, all other obligations of the Issuer shall be subject and subordinate to all bonds then outstanding or thereafter issued under the Indenture ("Subordinate Obligations").

## **THE ISSUER**

**Generally.** The Issuer is a public facilities board established by Sebastian County, Arkansas pursuant to Ordinance No. 93-5 adopted April 20, 1993, as amended by Ordinance No. 2005-22 adopted August 23, 2005, of the Quorum Court of Sebastian County, Arkansas, and organized under the laws of the State. The Issuer is authorized and empowered under the laws of the State, including particularly, the Authorizing Legislation, to operate the System, which provides water service to customers in all of Sebastian County, south of the City of Fort Smith, Arkansas and Fort Chaffee, Arkansas, and in all of Scott County, Arkansas except the City of Waldron, Arkansas (collectively, the "Service Area").

In 1993, the Issuer was formed, and the assets of the South Sebastian County Water Users Association, Inc. (as described below under The System), including particularly the System, were transferred to the Issuer. In 2004, the Issuer expanded water service to customers in Scott County. Effective January 1, 2006, the Issuer changed its name to James Fork Regional Water District to reflect that the Issuer served customers in more than one county.

[Remainder of page intentionally left blank]

Members. The Issuer consists of five members who serve staggered five year terms. The current members of the Issuer, their occupations and the date their terms expires are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Year Term Expires</u>
Stanhope Wilkinson	Banker	December 31, 2024
Steve Roberts	Retired	December 31, 2025
Shirley Walters	Retired	December 31, 2026
Terry Duboise	Rancher	December 31, 2027
Gene Wahl	Retired	December 31, 2028

The officers of the Issuer are the following:

<u>Name</u>	<u>Office</u>
Terry Duboise	Chairman
Stanhope Wilkinson	Secretary/Treasurer

The System. The South Sebastian County Water Users Association, Inc., the predecessor to the Issuer, was formed in 1967 as an Arkansas non-profit corporation. The System became operational in 1968 and initially had approximately 480 users.

The System's source of water is James Fork Lake. The lake is a 232 acre reservoir with a clay, earth fill dam on James Fork and Posey Creeks in Sebastian County with a 5.4 MGD water treatment plant.

The dam is approximately 2,080 feet in length with a top elevation at 890.0, the toe at an approximate elevation of 806.0, a normal water surface election of 877.0, and a surface area of 232 acres at normal foot. The height of the dam is approximately 84 feet. The dam is rated "high risk" under the rules of the Arkansas Natural Resources Commission because of the amount of property and the population located in the drainage area below the dam. In an inspection report dated June 20, 2024, the Issuer determined that the dam was in "good condition." The drainage area is 6,528 acres, or 10.20 square miles.

The water treatment plant consists of two solids contact up flow clarifiers and dual or mixed media filters with approximate chemical feeders, laboratory, office space, clearwell, and a furnished water pump station.

The water treatment plant is a sedimentation/filtration plant. The chlorination system is designed so that application can be made at several different points to provide adequate disinfection wherever needed.

The distribution system consists of approximately 680 miles of line throughout the System.

In 2001, the Issuer purchased 600 acres adjacent to James Fork Lake in order to construct a new reservoir. The new reservoir would include the construction of a new 230-acre lake, two earthen dams, a principal spillway and an emergency spillway. The depth of the new lake would be approximately 45 feet. The new lake would provide an additional water source for the System and would store approximately 1,490,000,000 gallons. James Fork Lake currently holds approximately 1,580,000,000 gallons. The Issuer has obtained a permit for construction of the new lake from the United States Army Corps of Engineers and has purchased all of the land credits. The Issuer does not have an expected date to begin construction of the new lake.

The Improvements to be financed with the proceeds of the Bonds consist of the acquisition of approximately 1,806 acres of land, which includes a 27-acre lake that could provide 150 days of back-up water supply to the System.

The General Manager of the System is Jeff Pyles. Mr. Pyles has been managing the System for 1.5 years and has 28 years of experience as the Plant Manager. Donna Strozier is the Assistant Manager. The System has 17 employees.

Water Sales. The Issuer has contracts to sell water on a wholesale basis to the following entities: Milltown-Washburn Public Water Authority of the State of Arkansas ("Milltown-Washburn PWA"), Sebastian Lake Estates, and the Cities of Bonanza, Greenwood, Hackett, Hartford, Huntington and Mansfield, Arkansas (each an "Entity" and collectively, the "Entities"). The wholesale water contracts with the Entities require them to purchase a minimum amount of water and their terms expire as follows:

<u>Entity</u>	<u>Required Minimum Amount</u>	<u>Contract Expiration Date</u>
Milltown-Washburn PWA	70% of the Entity's water needs	May 1, 2035
Sebastian Lake Estates	100% of the Entity's water needs	May 1, 2035
Bonanza	100% of the Entity's water needs	September 29, 2046
Greenwood	15,000,000 gallons per month	March 12, 2042
Hackett	100% of the Entity's water needs	April 28, 2035
Hartford	100% of the Entity's water needs	June 8, 2035
Huntington	100% of the Entity's water needs	April 21, 2035
Mansfield	100% of the Entity's water needs	April 28, 2035

The average daily water use for the System and the total water use annually in gallons for the last five years was as follows:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Total Water Use For Year in Gallons</u>
2019	1,858,751	678,444,154
2020	1,854,395	676,854,282
2021	1,875,014	684,380,025
2022	1,919,197	700,506,899
2023	1,937,173	707,068,050

The volume of water sold by the Issuer for the past five years was as follows:

<u>Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>
2019	249,395,400	429,395,400	678,444,154
2020	248,719,682	428,134,600	676,854,282
2021	257,707,150	426,672,875	684,380,025
2022	276,538,350	423,968,549	700,506,899
2023	267,377,450	439,690,600	707,068,050

The volume of water sold by the Issuer in each County in the Service Area for the past five years was as follows:

<u>Year</u>	<u>Sebastian County</u>	<u>Scott County</u>	<u>Total</u>
2019	605,970,900	72,473,254	678,444,154
2020	620,199,860	56,654,422	676,854,282
2021	622,371,875	62,008,150	684,380,025
2022	626,670,099	73,836,800	700,506,899
2023	636,154,658	70,913,392	707,068,050

Water Rates. The monthly water rates are determined based on water consumption per 1,000 gallons. The rates are as follows:

<u>Residential Customers</u> <sup>(1)</sup>		<u>Rates</u>
First 1,000 gallons		\$31.50 (minimum bill)
Next 4,000 gallons		5.78 per 1,000 gallons
Next 5,000 gallons		5.51 per 1,000 gallons
Next 40,000 gallons		5.25 per 1,000 gallons
Over 50,000 gallons		5.20 per 1,000 gallons
 <u>2 Inch Meter</u> <sup>(1)</sup>		
First 1,000 gallons		\$34.50 (minimum bill)
Next 4,000 gallons		5.78 per 1,000 gallons
Next 5,000 gallons		5.51 per 1,000 gallons
Next 40,000 gallons		5.25 per 1,000 gallons
Over 50,000 gallons		5.20 per 1,000 gallons
 <u>3 Inch Meter</u> <sup>(1)</sup>		
First 1,000 gallons		\$38.70 (minimum bill)
Next 4,000 gallons		5.78 per 1,000 gallons
Next 5,000 gallons		5.51 per 1,000 gallons
Next 40,000 gallons		5.25 per 1,000 gallons
Over 50,000 gallons		5.20 per 1,000 gallons
 <u>Contract Users</u> <sup>(2)</sup>		<u>Rates</u>
First 100,000 gallons		\$1,000.00 (minimum bill)
Next 150,000 gallons		3.80 per 1,000 gallons
Next 500,000 gallons		3.00 per 1,000 gallons
Next 750,000 gallons		2.70 per 1,000 gallons
Over 1,500,000 gallons		2.60 per 1,000 gallons

Customers. The approximate or average number of water users by category for each of the past five years are as follows:

<u>Year</u>	<u>Retail</u>	<u>Wholesale</u> <sup>(3)</sup>	<u>Total</u>
2019	4,836	12	4,848
2020	4,968	12	4,980
2021	5,074	12	5,086
2022	5,316	12	5,328
2023	5,269	12	5,281

[Remainder of page intentionally left blank]

<sup>(1)</sup> Effective as of September 1, 2022

<sup>(2)</sup> Effective as of October 1, 2023

<sup>(3)</sup> There are 8 wholesale customers. See **THE ISSUER, Water Sales**. Several wholesale customers have more than one meter.



The number of retail customers for each County in the Service Area, as determined by the number of meters, for the past five years are as follows:

<u>Year</u>	<u>Sebastian County</u>	<u>Scott County</u>	<u>Total</u>
2019	3,668	1,168	4,836
2020	3,739	1,129	4,968
2021	3,808	1,266	5,074
2022	4,025	1,291	5,316
2023	4,025	1,244	5,269

The City of Greenwood, Arkansas ("Greenwood") is the largest user of the System. For the year ended December 31, 2023, Greenwood accounted for approximately 10% of System revenues and paid an average of \$32,795 per month. No other user of the System accounts for more than 5% of the revenues of the System. The top five customers of the System for 2023 were:

1. Greenwood
2. Milltown-Washburn PWA
3. Mansfield
4. Hackett
5. Huntington

Litigation. There is no litigation or regulatory proceeding pending or threatened against the Issuer or the System.

### **THE COUNTIES**

Generally. The Issuer's Service Area includes portions of Sebastian County, Arkansas and Scott County, Arkansas (collectively, the "Counties") which are located in Western Arkansas. The county seats of Sebastian County are the Cities of Fort Smith and Greenwood, Arkansas. Fort Smith is approximately 159 miles west of Little Rock, Arkansas, and Greenwood is approximately 160 miles northwest of Little Rock, Arkansas. The county seat of Scott County is the City of Waldron, Arkansas, which is approximately 139 miles west of Little Rock, Arkansas.

The municipalities in Sebastian County and their populations are as follows:

<u>Municipality</u>	<u>Population*</u>
Barling	5,215
Bonanza	608
Central City	466
Fort Smith	89,770
Greenwood	9,671
Hackett	845
Hartford	497
Huntington	489
Lavaca	2,514
Mansfield	1,052
Midland	225

The municipalities in Scott County and their populations are as follows:

<u>Municipality</u>	<u>Population*</u>
Mansfield	1,052
Waldron	3,361

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\* Estimate as of July 1, 2023

Population. Since 1980, the population trends for the Counties, according to the U.S. Census Bureau, are as follows:

<u>Year</u>	<u>Sebastian County Population</u>	<u>Scott County Population</u>
1980	95,172	9,685
1990	99,590	10,205
2000	115,071	10,996
2010	125,744	11,233
2020	127,799	9,836
2023*	129,098	9,851

\*Estimate as of July 1, 2023

Transportation. The Counties are served by U.S. Highways Nos. 64, 71 and 271 as well as Interstate Nos. 40, 540 and 49. Several motor freight carriers make daily shipments from the Counties to major cities across the United States. The City of Fort Smith is located on the Arkansas River and has available a public port with a barge-rail terminal. The Fort Smith Municipal Airport, located in Sebastian County, is served by one mainline commercial carrier with 60,669 enplanements for the year ended December 31, 2023.

Medical Facilities. Sebastian County is served by Baptist Health-Fort Smith and Mercy Hospital Fort Smith, which have 492 beds and 360 beds, respectively. Mercy Hospital Waldron is a 24-bed critical access hospital serving Scott County.

Education. Primary and secondary education for the Counties are provided by public school systems. The University of Arkansas - Fort Smith is located in Fort Smith. The University of Arkansas - Rich Mountain has a satellite campus in Waldron.

Economy. Set forth below are the characteristics of the major employers in Sebastian County:

<u>Company</u>	<u>Product or Service</u>	<u>Number of Employees</u>
OK Foods, Inc.	Poultry plants	3,235
Mercy Hospital	Health care	2,300
ARCBest Corporation	Trucking	2,055
ABB	Motors and generators	1,942
Fort Smith School District	Public schools	1,773
Baptist Health-Fort Smith	Health care	1,578
City of Fort Smith	Government	1,020
University of Arkansas-Fort Smith	Education	968
Rheem Air Conditioning Division	Air conditioning equipment	900
Bost, Inc.	Mental health services	813
Foundever <sup>(1)</sup>	Marketing, sales and service	650
Choctaw – Pocola	Casino	580
Shared Services Center	Business office support	580
Gerdau	Manufacturing	550
Greenwood School District	Education	511
Gerber Products Company	Infant cereal, baby foods	488
Arvest Bank (Main Branch)	Banking	461
USA Truck, Inc. <sup>(2)</sup>	Trucking	411
Area Agency On Aging of Western AR, Inc.	Health services	400
188th Wing	Military	300

<sup>(1)</sup> Sykes and Sitel Group merged and became known as Foundever.

<sup>(2)</sup> USA Truck, Inc. was bought and is now owned by DB Schenker.

Set forth below are the characteristics of the major employers in Scott County:

<u>Company</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Tyson Foods	Poultry	963
Waldron School District	Education	283
West Fraser Inc.	Sawmills	145
Mansfield School District	Education	134
Scott County	Government	85
Waldron SNF Operations LLC	Nursing Care Facilities	82
WeighTech Inc.	Manufacturing	65
Mercy Hospital (Waldron)	Health Care	63
Harps Food Stores	Grocery Store	53
US Forrest Service	Government	42
City of Waldron	Government	35
Dalton's Place Assisted Living	Long term care facility	35
STI Cems Services, LLC	Manufacturing	33

Additional Economic Data. Total personal income estimates for the Counties are as follows:<sup>(1)</sup>

<u>Year</u>	<u>Sebastian County Total Personal Income</u>	<u>Scott County Total Personal Income</u>
2018	\$5,208,676,000	\$321,052,000
2019	5,466,457,000	313,552,000
2020	5,785,033,000	333,388,000
2021	6,143,094,000	371,120,000
2022	6,244,050,000	391,170,000

Per capita personal income estimates for the Counties are as follows:<sup>(1)</sup>

<u>Year</u>	<u>Sebastian County Per Capita Personal Income</u>	<u>Scott County Per Capita Personal Income</u>
2018	\$40,789	\$32,108
2019	42,768	31,688
2020	45,266	33,922
2021	47,834	37,889
2022	48,381	39,895

The annual average unemployment rates for the Counties and the State since 2019 are as follows, according to the Arkansas Department of Workforce Services.

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		<u>State</u>
	<u>Sebastian County</u>	<u>Scott County</u>	
2019	3.2	3.3	3.5
2020	6.1	4.6	6.2
2021	3.7	3.4	4.0
2022	3.0	2.7	3.2
2023	3.4	3.0	3.3
2024*	3.6	3.6	3.7

\*As of June, 2024

<sup>(1)</sup> Source: U.S. Bureau of Economic Analysis.

## BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as an Exhibit to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the Issuer on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address

provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds. The Bonds have been designated *BAM GreenStar Bonds* because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

*The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the Indenture or any security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this Official Statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.*

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided

on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the Issuer or the Underwriter, and the Issuer and Underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

#### *Additional Information Available from BAM*

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <http://www.buildamerica.com/videos>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the Issuer or the Underwriter, and the Issuer and Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## THE TRUST INDENTURE

The following is a brief summary of the Indenture pursuant to which the Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee. Unless the content provides otherwise, all references to Bonds shall be deemed to include the Bonds and Additional Bonds issued under the Indenture on a parity of security with the Bonds offered hereby. See **THE BONDS, Additional Bonds and Parity Obligations**.

Rights of Insurer. Various rights of the Issuer and owners of the Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

Rate Covenant. Under the Indenture, the Issuer covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Issuer which shall produce total revenues in each fiscal year sufficient to (1) pay the Issuer's operation, repair and maintenance expenses (excluding depreciation), (2) make all required deposits to the Debt Service Reserve Fund and the Depreciation Fund, (3) pay any amounts owed in connection with the Reserve Policy or other debt service reserve fund insurance policies and (4) leave a balance equal to 115% of the debt service requirements for that fiscal year of all outstanding obligations payable from revenues of the System ("System Obligations"). The Issuer covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the Issuer fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Issuer complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total revenues in each of these fiscal years is sufficient to make the payments and deposits provided for in clauses (1) and (2) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding System Obligations.

Revenue Fund. All revenues and income received by the Issuer shall be paid upon receipt into a special fund designated "Gross Receipts Fund" (the "Revenue Fund").

Bond Fund. (a) There shall be paid from the Revenue Fund into a special fund created by the Indenture and designated "Bond Fund" (the "Bond Fund"), on the first business day of each month, commencing in December 2024, an amount equal to the sum of:

(1) one-sixth (1/6) of the next installment of interest on the outstanding Bonds, plus an amount sufficient to provide for Trustee's and Paying Agent's fees (the required payments for the months after delivery, and before the first interest payment date, of any series of Bonds shall be adjusted if necessary, so that the deposits made and any accrued interest from the sale of the Bonds will be sufficient to cover the interest due and Trustee's and Paying Agent's fees); plus

(2) one-twelfth (1/12) of the next installment of principal on the outstanding Bonds (whether at maturity or upon maturity redemption prior to maturity); provided, however, the monthly deposits under this paragraph for the months after delivery and before the first principal payment date, of any series of Bonds shall be adjusted if necessary so that the deposits made will be sufficient to cover the principal due. The additional deposits required in the event of the issuance of Additional Bonds need not commence until the time necessary to accumulate the first principal maturity of the Additional Bonds in twelve monthly installments.

(b) The Issuer shall receive a credit against required monthly deposits into the Bond Fund for any moneys placed into the Bond Fund other than pursuant to paragraph (a).

(c) If for any reason the funds in the Bond Fund shall at any time be insufficient to meet any required payment, then the amount of any such deficiency shall be paid immediately from the Revenue Fund into the Bond Fund.

(d) When the moneys in the Bond Fund, together with moneys in the Debt Service Reserve Fund shall be and remain sufficient to pay the principal of and interest on all outstanding Bonds issued under the Indenture when due at maturity or at redemption prior to maturity, and the Trustee's and Paying Agent's fees, there shall be no obligation to make any further payments into the Bond Fund.

(e) The moneys in the Bond Fund shall be used solely for the payment of the principal of and the interest on the Bonds and the Trustee's and Paying Agent's fees and for no other purpose except as specifically mentioned in the Indenture.

Operation and Maintenance Fund. After the required deposit has been made into the Bond Fund, there is required to be paid from the Revenue Fund into a fund designated "Operation and Maintenance Fund" (the "Operation and Maintenance Fund") on the first business day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of such fund, to pay the reasonable monthly expenses of operation, repair and maintenance of the properties of the Issuer for such month, and, to the extent determined by the Issuer, to pay costs of betterments and improvements to properties of the Issuer, and from which disbursements shall be made only for those purposes. Fixed annual charges, such as insurance premiums, the cost of major repair and maintenance expenses and costs of betterments and improvements may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the Issuer during the next succeeding four (4) months, such surplus may be transferred and deposited in the Revenue Fund.

Debt Service Reserve Fund. (a) Pursuant to the Indenture, there is created a special fund to be designated "Debt Service Reserve Fund" for the purpose of providing a reserve for payment of principal of and interest on one or more issue of Bonds. The Debt Service Reserve Fund shall be comprised of accounts, each of which shall be identified by the Trustee and shall be dedicated to the security of no more than one issue of Bonds. The required level of each Debt Service Reserve Fund account shall be established and fixed for each issue of Bonds; however, a Debt Service Reserve Fund account is not required to be established for each issue of Bonds.

(b) There shall be deposited into the 2024 Account of the Debt Service Reserve Fund the Reserve Policy issued by the Insurer, which shall be in an amount equal to the Required Level. See **THE BONDS**, Security.

(c) No account in the Debt Service Reserve Fund shall secure any Parity Obligations or Subordinate Obligations and each account established in the Debt Service Fund shall only secure the issue of Bonds for which such account was established.

(d) Moneys held for the credit of an account in the Debt Service Reserve Fund shall be used for payment of principal of and interest on the Bonds for which created and for which Bond Fund moneys are not available and for no other purpose except as specifically permitted.



Parity Bonds and Parity Obligation Payments. The Issuer shall make payments as due with respect to the Parity Bonds and any Parity Obligations prior to making any payments into the Depreciation Fund (as hereinafter defined). If there are insufficient moneys in the Revenue Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and make monthly installments with respect to outstanding Parity Bonds and Parity Obligations (and debt service reserves therefor), the Issuer shall make payments from the Revenue Fund with respect to the Bonds and outstanding Parity Bonds and Parity Obligations pro rata based upon the outstanding principal amount of the Bonds, Parity Bonds and Parity Obligations.

Depreciation Fund. There shall be deposited into a fund designated "Depreciation Fund" (the "Depreciation Fund") on the first business day of each month, a monthly payment of \$2,000. Payments into the Depreciation Fund shall be made after and subordinate to the required monthly deposits from the Revenue Fund into the Bond Fund, the Operation and Maintenance Fund and the Debt Service Reserve Fund and after making any payments with respect to the Parity Bonds and any Parity Obligations. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs and replacements made necessary by the depreciation of the properties of the Issuer.

Revenue Fund Surplus. Any surplus remaining in the Revenue Fund, on the first business day of each month, after making all payments with respect to any outstanding Parity Bonds, any outstanding Parity Obligations and into the funds described above, may be used for any lawful purpose. The monthly surplus shall be withdrawn and deposited in such fund or account as specified by the Issuer.

Depositories of Funds. The Bond Fund, the Debt Service Reserve Fund, the Construction Fund and the Rebate Fund shall be established and maintained in the Trustee. The Revenue Fund, the Operation and Maintenance Fund and the Depreciation Fund shall be established in such banks or trust companies that are from time to time designated by the Issuer, provided each must be a member of the Federal Deposit Insurance Corporation (the "FDIC").

All moneys in any of the above funds in excess of the amount insured by the FDIC shall be secured by perfected pledges of direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form) ("Government Securities") or shall be invested as authorized by the Indenture.

Nonpresentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if there shall have been deposited with the Paying Agent for the purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, together with all interest unpaid and due thereon, to the date of maturity thereof, or to the date fixed for redemption thereof, as the case may be, for the benefit of the holder thereof, all liability of the Issuer to the holder thereof for the payment of the principal thereof and interest thereon shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of the Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

Rebate Fund. The Rebate Fund shall be held in trust by the Trustee and, except as provided below, shall be held for the benefit of the United States of America. The Rebate Fund shall not be held for the benefit of the Bondholders or the Trustee.

The Issuer shall, unless and until the Issuer delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Code and the regulations pertaining thereto. The Issuer shall rebate to the United States, not later than sixty (60)

days after the end of the five-year period ending on the date set forth in the Indenture, and not later than sixty (60) days after the end of each five-year period thereafter, an amount which ensures that at least ninety percent (90%) of the Rebate Amount (as defined in the Indenture) at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Bonds, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto.

Upon receipt by the Trustee of a written request of the Issuer certifying that certain amounts in the Rebate Fund are not subject to rebate and an opinion of Bond Counsel to the effect that failure to rebate such amounts will not cause interest on the Bonds to become includable in gross income of the owners thereof for federal income tax purposes under existing laws, regulations, rulings and decisions, the Trustee shall transfer any such amounts to the credit of the Bond Fund. Except as provided in the previous sentence, moneys in the Rebate Fund shall be applied solely to meet the Issuer's rebate obligations.

Notwithstanding the foregoing, in the event the Trustee is furnished with a written opinion of Bond Counsel, to the effect that it is not necessary under existing laws, regulations, rulings and decisions to pay any portion of earnings on investments held under the Indenture or otherwise to the United States in order to assure the exclusion from gross income for federal income tax purposes of interest on the Bonds, all amounts at the time on deposit in the Rebate Fund shall be transferred as specified in such opinion.

Investment of Funds. (a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the Issuer, and in the Trustee's discretion in the absence of such direction by the Issuer, be invested and reinvested by the Trustee in Eligible Investments maturing (except in the case of money market funds) within five (5) years from the date of investment.

(b) Moneys held for the credit of any other fund held by the Trustee under the Indenture may be invested and reinvested as directed by the Issuer, and in the Trustee's discretion in the absence of such direction by the Issuer, in Eligible Investments which shall mature (except in the case of money market funds) not later than the date or dates on which the money held for the credit of the particular fund will be required for the purposes intended as determined by the Issuer.

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times a part of such fund and the interest accruing thereon and any profit realized from such investment, shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(d) "Eligible Investments," as used in the Indenture, include only:

(1) Government Securities;

(2) Direct obligations of an agency, instrumentality or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government;

(3) Money market funds comprised exclusively of Government Securities, investments described in (2) above or other securities authorized by State law to secure public deposits; and

(4) Certificates of deposit or demand deposits issued by banks, including the Trustee, that are members of the FDIC and, to the extent not insured

by FDIC, secured by a valid and enforceable pledge of Government Securities or other securities authorized by State law to secure public funds.

(e) The Trustee shall determine the market value of all investments each year and shall report the market value to the Issuer. The Issuer shall cooperate with the Trustee by providing the necessary information about investments of moneys not held by the Trustee.

Events of Default. Each of the following is an event of default under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond or other System Obligation;

(b) Default in the due and punctual payment of any moneys required to be paid to the Trustee under the provisions of the Indenture and the continuation thereof for a period of thirty (30) days;

(c) Default in the due and punctual payment of the principal of any Bond or other System Obligation whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds or in any other System Obligation or in any document securing a System Obligation and the continuance thereof for a period of sixty (60) days after written notice to the Issuer by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds; or

(e) Any other "event of default" as defined in a System Obligation or a document securing a System Obligation.

The term "default" (except as described above) shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, or in the Bonds or in any other System Obligation or in any document securing any System Obligation, exclusive of any period of grace required to constitute a default an "event of default" as hereinabove provided, or as provided in a System Obligation or a document securing a System Obligation.

Remedies.

(a) Acceleration. Subject to the rights of the Insurer, upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

(b) Right of Entry. Upon the occurrence of any event of default, the Issuer, upon demand of the Trustee and subject to the rights of the Insurer, shall forthwith surrender to it the actual possession of all or any part of the mortgaged properties with the books, papers and accounts of the Issuer pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all

proper costs and expenses of so taking, holding and managing the properties, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee, and all taxes, assessments and other charges prior to the lien of the Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever all that is due upon such Bonds and installments of interest under the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Issuer, its successors or assigns.

While in possession of such property, the Trustee shall render annually to the registered owners a summarized statement of income and expenditures in connection therewith.

(c) Other Remedies. Upon the occurrence of an event of default the Trustee may, as an alternative, proceed either after entry or without entry, to pursue any available remedy by suit at law or equity to enforce the payment of the principal of and interest on the Bonds then outstanding, including, without limitation, foreclosure and mandamus.

If an event of default shall have occurred, and if the Trustee shall have been requested so to do by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and shall have been indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

(d) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture. No event of default may be waived without the Insurer's written consent.

Bondholders' Right to Direct. Anything in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds outstanding shall have the right, at any time, by any instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Appointment of Receiver. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the mortgaged property and of the tolls, rents, revenues, issues earnings, income, products and profits thereof, pending such proceedings with such powers as the court making such appointment shall confer.

Application of Moneys. Available moneys shall be applied by the Trustee as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: to the payment of the interest on and the principal of the Bonds, and to the redemption of Bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Limitation of Bondholder Rights. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy, unless a default has occurred of which the Insurer and the Trustee have been notified as provided in the Indenture, or of which they are deemed to have notice, nor unless such default shall have become an event or default and the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy.

Waivers by Trustee. The Trustee may in its discretion waive any event of default under the Indenture and its consequences and rescind any declaration or maturity of principal, and shall do

so upon the written request of the holders of fifty percent (50%) in principal amount of all Bonds outstanding (of all series but not necessarily of each series); provided, however, that there shall not be waived (a) any event of default in the payment of principal of any Bonds outstanding at the date of maturity specified therein or (b) any default in the payment of the interest or of deposits into the Bond Fund unless prior to the waiver or rescission all arrears of interest, with interest at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of Bond Fund payments, as the case may be, and all expenses of the Trustee shall have been paid or provided for and in case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the Issuer and the Bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Bondholders. The Insurer and Issuer and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds or (d) with the prior written consent of the Insurer, to make any other change determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change requiring consent of specific Bondholders.

Supplemental Indentures Requiring Consent of Bondholders. The Insurer and holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding (of all series but not necessarily each series) shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that no supplemental indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon the mortgaged properties or a pledge of the revenues pledged to Bonds issued under the Indenture which purports to be prior to the lien and pledge created and authorized by the Indenture or which purports to be on a parity with the lien and pledge created by and authorized by the Indenture other than as authorized by the original indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

## **CONTINUING DISCLOSURE AGREEMENT**

Past Compliance. During the past five years, the Issuer has been party to five Continuing Disclosure Agreements (collectively, the "Agreements") entered into in connection with its outstanding bonds. Over the past five years, the Issuer has been in compliance in all material respects with its obligations pursuant to each Agreement.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of

the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean an Annual Report provided by the Issuer pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bond (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in the 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Issuer.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports. (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Issuer's fiscal year (presently December 31) commencing with the report after the end of the 2024 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Issuer. If the fiscal year of the Issuer changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Report, below), has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and the Insurer.

Content of Annual Report. Each of the Issuer's Annual Reports shall contain or incorporate by reference the following:

(1) Information of the type set forth in the Official Statement under the caption **THE ISSUER** with respect to (i) average daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the volume of water sold by the Issuer for the preceding fiscal year and the four previous years; (iii) the approximate or average number of water users by category for the preceding fiscal year and the four previous fiscal years; and (iv) a list of the top five water users of the System and a statement as to which users, if any, accounted for 5% or more of revenues of the Issuer for the preceding fiscal year; and

(2) The audited financial statements of the Issuer prepared in accordance with accounting principles generally accepted in the United States of America, which shall be audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.



10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the Issuer shall promptly notify the Dissemination Agent (if other than the Issuer) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the Issuer shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Insurer and the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligations. The Issuer's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Bonds.

Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under a Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to a Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of a Continuing Disclosure Agreement, the Issuer and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Bonds in the same manner as provided in the Indenture for the affected Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report with respect to that issue, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the Issuer shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer and the Issuer or any Beneficial Owner may (and the Trustee, at the request of the Underwriter, or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustees and Dissemination Agents and Rights of Indemnity. The Dissemination Agent (if other than a Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but

excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Insurer, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

### FINANCIAL INFORMATION

Attached hereto as Exhibit A are the audited financial statements of the Issuer for the fiscal years ended December 31, 2023 and 2022. Operating revenues and expenses of the Issuer are summarized as follows for the fiscal years ended December 31, 2019-2023; such information is based upon the audited financial statements of the Issuer for such fiscal years:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$4,309,705	\$3,834,795	\$3,514,737	\$3,394,693	\$3,373,109
Operating Expenses	<u>(2,782,274)</u>	<u>(2,421,195)</u>	<u>(1,982,622)</u>	<u>(2,076,069)</u>	<u>(1,878,301)</u>
Operating Income (Before Interest, Depreciation and Amortization Expenses)	1,527,431	1,413,600	1,532,115	1,318,624	1,494,808
Depreciation	(1,187,127)	(1,130,989)	(1,129,366)	(1,119,676)	(1,036,610)
Interest Expense	(511,208)	(488,997)	(517,552)	(793,965)	(823,237)
Interest Income	59,878	10,471	3,303	16,536	33,234
Other Non-Operating Revenue (Expenses)	<u>(54,497)<sup>(1)</sup></u>	<u>36,554</u>	<u>(105,292)</u>	<u>(68,719)</u>	<u>437,434<sup>(2)</sup></u>
Net Income	<u>(\$165,523)</u>	<u>(\$159,361)</u>	<u>(\$216,792)</u>	<u>(\$647,200)</u>	<u>\$105,629</u>

<sup>(1)</sup> For the year ended December 31, 2023, the Issuer received income in the amount of \$79,112 from the City of Greenwood, Arkansas for the sale of water rights.

<sup>(2)</sup> The Issuer received grant income for the year ended December 31, 2019 in the amount of \$69,549. The Issuer also received contributions from Scott County for its portion of a project for the year ended December 31, 2019 in the amount of \$262,467.

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## DEBT SERVICE COVERAGE

The following table shows the net revenues expected to be available for debt service, maximum annual amount of debt service expected to be due and the extent to which debt service is covered by such funds:

Operating Revenue <sup>(1)</sup>	\$4,309,705
Operating Expense <sup>(1)(2)</sup>	(2,782,274)
Interest Income <sup>(1)</sup>	59,878
Plus: Additional Revenue from Rate Increases <sup>(3)</sup>	371,000
Estimated Funds Available for Debt Service <sup>(A)</sup>	1,958,309
Maximum Annual Debt Service Requirements for the Bonds and the Parity Bonds <sup>(4)(B)</sup>	1,637,784
Debt Service Coverage <sup>(A/B)</sup>	1.20x

<sup>(1)</sup>Based upon the audited financial statements of the Issuer for the fiscal year ended December 31, 2023.

<sup>(2)</sup>Excludes depreciation, interest and amortization expenses.

<sup>(3)</sup>The Issuer increased water rates in 2023. See **THE ISSUER, Water Rates**. Based on calculations performed by EDM Consultants, Inc., Fort Smith, Arkansas, the Additional Revenues shown here are the additional revenues that would have been received by the Issuer if such rate increases had been in effect throughout the fiscal year ended December 31, 2023.

<sup>(4)</sup>Using a year ending December 31.

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## DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds during each year ending December 31:

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2025	\$ 10,000	\$ 94,590.39	\$104,590.39
2026	40,000	83,106.26	123,106.26
2027	45,000	81,831.26	126,831.26
2028	45,000	80,481.26	125,481.26
2029	45,000	79,131.26	124,131.26
2030	50,000	77,581.26	127,581.26
2031	50,000	75,831.26	125,831.26
2032	50,000	74,081.26	124,081.26
2033	55,000	72,243.76	127,243.76
2034	55,000	70,318.76	125,318.76
2035	55,000	68,256.26	123,256.26
2036	60,000	65,956.26	125,956.26
2037	60,000	63,556.26	123,556.26
2038	65,000	61,056.26	126,056.26
2039	65,000	58,456.26	123,456.26
2040	70,000	55,756.26	125,756.26
2041	70,000	52,956.26	122,956.26
2042	75,000	50,056.26	125,056.26
2043	75,000	47,056.26	122,056.26
2044	80,000	43,956.26	123,956.26
2045	85,000	40,603.13	125,603.13
2046	85,000	37,096.88	122,096.88
2047	90,000	33,487.51	123,487.51
2048	95,000	29,671.88	124,671.88
2049	100,000	25,650.00	125,650.00
2050	105,000	21,356.25	126,356.25
2051	105,000	16,893.75	121,893.75
2052	110,000	12,325.00	122,325.00
2053	115,000	7,543.75	122,543.75
2054	120,000	2,550.00	122,550.00
<b>TOTAL</b>	<b>\$2,130,000</b>	<b>\$1,583,437.48</b>	<b>\$3,713,437.48</b>

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Set forth below are the annual debt service requirements for the Bonds and the Parity Bonds for each year ending December 31:

<u>Year</u> <u>(Ending December 31)</u>	<u>Bonds</u>	<u>Parity</u> <u>Bonds</u>	<u>Total</u>
2025	\$104,590.39	\$1,509,668.52	\$1,614,258.91
2026	123,106.26	1,514,677.90	1,637,784.16
2027	126,831.26	1,509,246.65	1,636,077.91
2028	125,481.26	1,508,424.77	1,633,906.03
2029	124,131.26	1,393,093.52	1,517,224.78
2030	127,581.26	1,378,393.52	1,505,974.78
2031	125,831.26	1,378,199.77	1,504,031.03
2032	124,081.26	1,377,359.15	1,501,440.41
2033	127,243.76	1,380,959.15	1,508,202.91
2034	125,318.76	1,378,927.90	1,504,246.66
2035	123,256.26	1,381,262.27	1,504,518.53
2036	125,956.26	1,382,765.38	1,508,721.64
2037	123,556.26	1,383,431.00	1,506,987.26
2038	126,056.26	1,378,162.26	1,504,218.52
2039	123,456.26	1,371,606.02	1,495,062.28
2040	125,756.26	1,373,993.52	1,499,749.78
2041	122,956.26	767,090.39	890,046.65
2042	125,056.26	770,749.76	895,806.02
2043	122,056.26	768,593.51	890,649.77
2044	123,956.26	706,452.88	830,409.14
2045	125,603.13	551,002.88	676,606.01
2046	122,096.88	551,693.51	673,790.39
2047	123,487.51	537,037.26	660,524.77
2048	124,671.88	527,124.76	651,796.64
2049	125,650.00	511,956.01	637,606.01
2050	126,356.25	422,631.01	548,987.26
2051	121,893.75	325,271.63	447,165.38
2052	122,325.00	323,709.13	446,034.13
2053	122,543.75	321,684.13	444,227.88
2054	122,550.00	50,556.00	173,106.00
2055	-	50,556.00	50,556.00
2056	-	50,556.00	50,556.00
2057	-	22,874.00	22,874.00
<b>TOTAL</b>	<b>\$3,713,437.48</b>	<b>\$29,859,710.16</b>	<b>\$33,573,147.64</b>

### LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the Issuer to execute and deliver the Indenture or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income tax and the Bonds are exempt from property taxation in the State.

Also in the opinion of Bond Counsel, interest on the Bonds under existing law (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds, the System and the Improvements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements in the Indenture.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The Issuer has designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the Improvements and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds" within the meaning of the Code, and has represented that the Issuer and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under the Section 145 of the Code)) during calendar year 2024.

Prospective purchasers of the Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth inside the front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.



Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

## MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the Issuer at a purchase price of \$2,070,629.85 (principal amount less Underwriter's discount of \$37,275 and less net original issue discount of \$22,095.15). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

Rating. S&P is expected to assign a credit rating of "AA/Stable" to the Bonds with the understanding that the scheduled payment of principal of and interest on the Bonds will be guaranteed under the Insurance Policy to be issued by the Insurer.

An explanation of the significance of such rating may be obtained from S&P. The Issuer furnished to S&P the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such material and information, as well as their own investigations, studies, assumptions, and policies. It should be noted that ratings may be changed at any time and that no assurance can be given that they will not be revised or withdrawn by the rating agencies if, in their respective judgments, circumstances should warrant such action. Any downward revision or withdrawal of the rating could have an adverse effect on market prices of the Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the Issuer has been authorized by the Issuer.

JAMES FORK REGIONAL  
WATER DISTRICT

By /s/ Terry Duboise  
Chairman

Dated: As of the Cover Page hereof.

**EXHIBIT A**

**Audited Financial Statements of the Issuer for the  
Fiscal Years Ended December 31, 2023 and 2022**

**JAMES FORK REGIONAL  
WATER DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**



**JAMES FORK REGIONAL WATER DISTRICT**  
**DECEMBER 31, 2023 AND 2022**

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## **Independent Auditor's Report**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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***

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 May 8, 2024 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, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**May 8, 2024**



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

**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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, 2023 with a net position balance of \$4,921,452.
- The change in net position or net income of the District was a net loss of \$165,523.
- The District expended \$1,830,151 toward capital assets during the year compared to \$212,247 in 2022.
- The statement of cash flows identifies sources and uses of cash activity for the calendar year. For calendar year 2023, cash, cash equivalents and restricted cash increased by \$162,414. Cash provided from the day-to-day operations totaled \$1,893,612. Cash provided by capital and related financing activities totaled \$940,199. Of this amount a total of \$4,229,213 were proceeds from the 2023 bond issuance. This was offset by capital expenditures totaling \$1,830,151, and debt service expenditures totaling \$1,407,042. Cash used in investing activities totaled \$2,750,509. This is primarily due to the unspent bond proceeds being placed (“purchased”) in a government money market account, plus the purchase of two additional certificates of deposit. Furthermore, cash flows with noncapital & related financing activities consisted of \$79,112 which represents the amounts received from the City of Greenwood for water rights.

**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, 2023. 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, 2023**

**CONDENSED FINANCIAL INFORMATION**

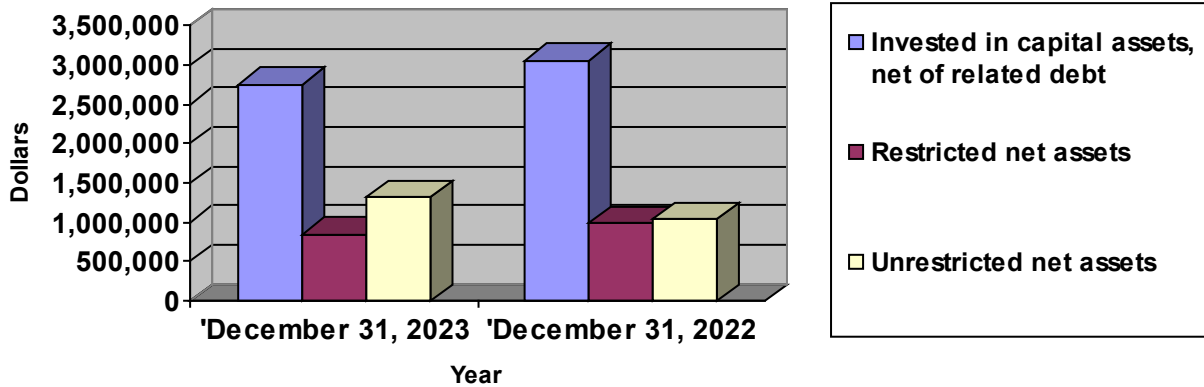
Condensed financial information from the statement of net position as of December 31, 2023 and 2022 and the statement of revenues, expenses and changes in net position for the years then ended are as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current assets	\$ 6,118,462	\$ 3,078,139
Capital assets, net	22,222,014	21,578,990
Total assets	<u>28,340,476</u>	<u>24,657,129</u>
Deferred Outflows	<u>1,303,320</u>	<u>1,342,435</u>
Current liabilities	1,609,425	1,218,624
Noncurrent liabilities	23,103,193	19,675,787
Total liabilities	<u>24,712,618</u>	<u>20,894,411</u>
Deferred Inflows	<u>9,726</u>	<u>18,178</u>
Net position:		
Net investment in capital assets	2,751,156	3,058,540
Restricted	849,835	982,922
Unrestricted	1,320,461	1,045,513
Total net position	<u>\$ 4,921,452</u>	<u>\$ 5,086,975</u>
Operating revenues	<u>\$ 4,309,705</u>	<u>\$ 3,834,795</u>
Operating expenses, excluding depreciation	2,782,274	2,421,195
Depreciation	1,187,127	1,130,989
Total operating expenses	<u>3,969,401</u>	<u>3,552,184</u>
Operating income	340,304	282,611
Nonoperating revenues and (expenses)	<u>(505,827)</u>	<u>(441,972)</u>
Change in net position	(165,523)	(159,361)
Beginning of year net position	5,086,975	5,246,336
End of year net position	<u>\$ 4,921,452</u>	<u>\$ 5,086,975</u>

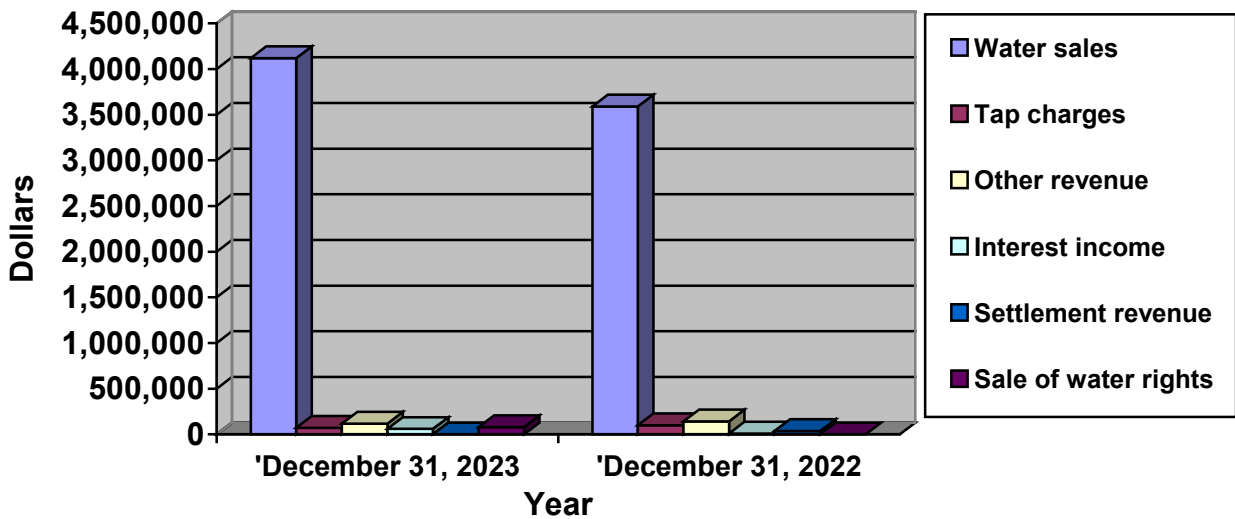
**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**CONDENSED FINANCIAL INFORMATION (CONTINUED)**

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

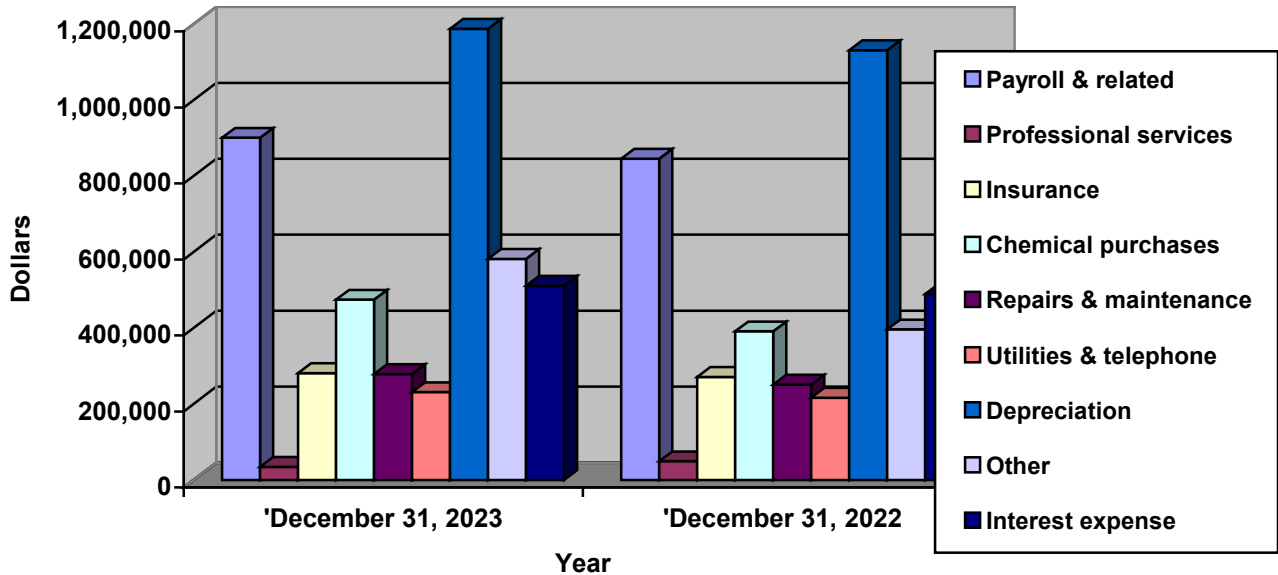


**Sources of operating and nonoperating revenues in a graph format**



**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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



**CAPITAL ASSETS**

The District’s capital assets as of December 31, 2023 and 2022 amounted to \$46,989,643 and \$45,236,222 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 \$1,830,151 primarily consisted of completion of the Backbone and Midland Tank upgrades totaling \$816,120, \$515,617 for the Midland water line relocation project in progress, \$183,853 for the purchase of four trucks, and an additional \$93,142 spent on the continuation of the reservoir expansion project.

**LONG-TERM DEBT**

As of December 31, 2023, the District had \$22,849,877 in outstanding debt compared to \$19,400,290 as of December 31, 2022. In 2023, the District issued Water Refunding and Improvement Revenue Bonds in the amount of \$4,435,000. Proceeds from the bonds are to fund various capital improvement projects as well as payoff a loan with the Arkansas Natural Commission that had an outstanding principal balance of \$163,624. The total costs to issue the bonds were \$134,709. Total debt service on the 2021 bonds, 2020 bonds, Rural Development and Arkansas Natural Resources Commission loans totaled \$1,407,072 which was comprised of \$985,413 of principal and \$421,659 of interest.

**JAMES FORK REGIONAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**CHANGE IN NET POSITION**

For the year ended December 31, 2023, the District's change of net position was a decrease of \$165,523. Operating revenues of \$4,309,705 increased by \$474,910 (12.4%) from prior year, primarily due to an increase in water rates that took effect late in 2022. Operating expenses of \$3,969,401 increased by \$406,469 (11.7%) from prior year. This was mostly driven by non-controllable APERS pension expense which increased \$91,163, an increase in depreciation totaling \$56,138 an increase in chemicals usage and rates totaling \$83,360, and an overall increase due to continued rising costs nationwide. Net nonoperating expenses of \$505,827 increased by \$63,855 mainly due to the bond issuance costs incurred in connection with the 2023 bonds.

**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,	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 909,721	\$ 629,164
Restricted checking and savings accounts	897,177	1,015,320
Certificates of deposits	1,205,053	881,747
Restricted investments	2,487,081	-
Accounts receivable, net of allowance for doubtful accounts	438,359	417,637
Prepaid expenses	181,071	134,271
<b>Total Current Assets</b>	<b>6,118,462</b>	<b>3,078,139</b>
<b>Capital Assets</b>		
Land	657,742	657,742
Buildings and improvements	499,694	424,283
Distribution system	41,244,910	41,196,037
Equipment	3,304,739	2,381,496
Office furniture and fixtures	317,457	317,457
Construction in process	965,101	259,207
Total	46,989,643	45,236,222
Less accumulated depreciation	24,767,629	23,657,232
<b>Net Capital Assets</b>	<b>22,222,014</b>	<b>21,578,990</b>
<b>Total Assets</b>	<b>28,340,476</b>	<b>24,657,129</b>
<b>Deferred Outflows</b>		
Deferred amount on refunding of debt, net of amortization	988,323	1,045,555
Deferred outflows of resources related to pension	314,997	296,880
<b>Total Deferred Outflows</b>	<b>1,303,320</b>	<b>1,342,435</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 29,643,796</b>	<b>\$ 25,999,564</b>

See accompanying notes to financial statements.



# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2023	2022
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 53,884	\$ 25,012
Accrued payroll and related liabilities	19,616	24,636
Sales tax payable	7,586	8,473
Accrued compensated absences	8,778	4,425
Accrued interest	72,919	35,410
Unearned revenue	282,019	-
Customer meter deposits	307,278	290,528
Current portion of long-term debt	857,345	830,140
<b>Total Current Liabilities</b>	<b>1,609,425</b>	<b>1,218,624</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, net of unamortized bond discounts	22,065,633	18,735,865
Net pension liability	1,037,560	939,922
<b>Total Noncurrent Liabilities</b>	<b>23,103,193</b>	<b>19,675,787</b>
<b>Total Liabilities</b>	<b>24,712,618</b>	<b>20,894,411</b>
<b>Deferred Inflows</b>		
Deferred inflows of resources related to pension	9,726	18,178
<b>Total Deferred Inflows</b>	<b>9,726</b>	<b>18,178</b>
<b>Net Position</b>		
Net investment in capital assets	2,751,156	3,058,540
Restricted	849,835	982,922
Unrestricted	1,320,461	1,045,513
<b>Total Net Position</b>	<b>4,921,452</b>	<b>5,086,975</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 29,643,796</b>	<b>\$ 25,999,564</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,	2023	2022
<b>Operating Revenue</b>		
Metered water sales, net of bad debts	\$ 4,118,593	\$ 3,591,085
Tap charges	73,344	101,000
Other revenue	117,768	142,710
<b>Total Operating Revenue</b>	<b>4,309,705</b>	<b>3,834,795</b>
<b>Operating Expenses</b>		
Chemical purchases	474,572	391,212
Tap expense	56,628	75,849
Telemetry expense	49,947	32,738
Billing services	66,797	23,594
Utilities and telephone	231,102	216,634
Salaries	835,907	785,442
Depreciation	1,187,127	1,130,989
Insurance	281,141	270,929
Operating supplies	51,607	33,344
Professional services	34,403	49,275
Computer services	30,771	21,650
Taxes - payroll	64,735	60,197
Licenses and permits	1,796	2,394
Pension plan expense	193,008	101,845
Service contracts	8,802	-
Repairs and maintenance	278,618	251,260
Office supplies	20,227	8,925
Postage	2,754	2,132
Dues and subscriptions	2,414	2,169
Miscellaneous administration expense	5,867	865
Truck expense	79,130	87,608
Travel	7,862	2,840
Uniforms	4,186	293
<b>Total Operating Expenses</b>	<b>3,969,401</b>	<b>3,552,184</b>
<b>Operating Income</b>	<b>340,304</b>	<b>282,611</b>
<b>Nonoperating Revenue (Expenses)</b>		
Interest income	59,878	10,471
Settlement income	-	35,554
Sale of water rights	79,112	-
Gain on disposition of assets	1,100	1,000
Bond issue costs	(134,709)	-
Interest expense, inclusive of amortization of bond premium and amortization of deferred amount on advance refunding	(511,208)	(488,997)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(505,827)</b>	<b>(441,972)</b>
<b>Change In Net Position</b>	<b>(165,523)</b>	<b>(159,361)</b>
<b>Beginning of Year Net Position</b>	<b>5,086,975</b>	<b>5,246,336</b>
<b>End of Year Net Position</b>	<b>\$ 4,921,452</b>	<b>\$ 5,086,975</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers and other sources	\$ 4,586,865	\$ 3,782,719
Cash payments to suppliers for goods and services	(1,861,699)	(1,640,017)
Cash payments to employees for services	(831,554)	(784,675)
<b>Net Cash Provided By Operating Activities</b>	<b>1,893,612</b>	<b>1,358,027</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Proceeds from settlement agreement	-	35,554
Proceeds from sale of water rights	79,112	-
<b>Net Cash Provided By Noncapital and Related Financing Activities</b>	<b>79,112</b>	<b>35,554</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Cash paid for property, plant, and equipment	(1,830,151)	(212,247)
Proceeds from disposition of assets	1,100	1,000
Net proceeds from issuance of bonds	4,229,213	-
Bond issuance costs paid	(52,891)	-
Principal paid on long-term debt	(985,413)	(824,204)
Interest paid on long-term debt	(421,659)	(439,658)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<b>940,199</b>	<b>(1,475,109)</b>
<b>Cash Flows From Investing Activities</b>		
Net investment activity	(2,487,081)	519,935
Purchase of certificates of deposit	(586,000)	-
Net redemption of certificates of deposit	271,674	-
Reinvestment of certificate of deposit earnings	(8,980)	(2,528)
Interest income	59,878	10,471
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>(2,750,509)</b>	<b>527,878</b>
<b>Net Increase in Cash, Cash Equivalents and Restricted Cash</b>	<b>162,414</b>	<b>446,350</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,644,484	1,198,134
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 1,806,898</b>	<b>\$ 1,644,484</b>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 909,721	\$ 629,164
Restricted checking and savings accounts	897,177	1,015,320
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ 1,806,898</b>	<b>\$ 1,644,484</b>

See accompanying notes to financial statements.

# JAMES FORK REGIONAL WATER DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 340,304	\$ 282,611
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,187,127	1,130,989
Changes in:		
Accounts receivable	(20,722)	(65,321)
Prepaid expenses	(10,253)	4,875
Deferred outflows of resources related to pension	(18,117)	(204,679)
Accounts payable	28,872	4,219
Accrued payroll and related liabilities	(5,020)	5,121
Sales tax payable	(887)	2,970
Accrued compensated absences	4,353	767
Unearned revenue	282,019	-
Customer meter deposits	16,750	10,275
Net pension liability	97,638	668,886
Deferred outflows of resources related to pension	(8,452)	(482,686)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 1,893,612</b>	<b>\$ 1,358,027</b>

### Supplemental Schedule of Noncash Capital and Related Financing Activities

Bond issuance costs paid directly from settlement	\$ 118,365	\$ -
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See accompanying notes to financial statements.

# **JAMES FORK REGIONAL WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **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.

#### **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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

#### 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 \$57,337 and \$57,359 at December 31, 2023 and 2022, 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	10 - 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.

#### 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.

The District monitors changes in circumstances that would require a remeasurement of its leases, 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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

#### 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, 2023 and 2022, the District had \$8,778 and \$4,425 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 investment 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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

#### **Net Position (continued)**

*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.

#### **Reclassifications**

Certain 2022 amounts have been reclassified in order to conform with the 2023 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 standards which became effective during the District's fiscal year.



# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

#### New Accounting Pronouncements (continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

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.

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, 2023 and 2022, 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, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	1,112,676	1,056,398	939,319	893,984
Cash on hand	-	500	-	500
Total	\$ 1,862,676	\$ 1,806,898	\$ 1,689,319	\$ 1,644,484

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

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

<b>As Of December 31,</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 909,721	\$ 629,164
Restricted checking and savings accounts	897,177	1,015,320
<b>Total</b>	<b>\$ 1,806,898</b>	<b>\$ 1,644,484</b>

### 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.

<b>As of December 31, 2023</b>	<b>Market</b>	<b>Weighted Avg. Maturity</b>	<b>Credit Rating</b>
Government mutual fund:			
Bond funds	\$ 23,284	40 days	AAA
Project funds	2,463,797	40 days	AAA
Certificates of Deposit	1,205,053	305 days	N/A
<b>Total</b>	<b>\$ 3,692,134</b>		

<b>As of December 31, 2022</b>	<b>Market</b>	<b>Weighted Avg. Maturity</b>	<b>Credit Rating</b>
Certificates of Deposit	\$ 881,747	177 days	N/A
<b>Total</b>	<b>\$ 881,747</b>		

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

<b>As Of December 31,</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Certificates of deposit	\$ 1,205,053	\$ 881,747
Restricted investments	2,487,081	-
<b>Total</b>	<b>\$ 3,692,134</b>	<b>\$ 881,747</b>

### 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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

#### Investments (continued)

##### Credit Risk

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

At December 31, 2023, the District has \$2,463,965 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 \$1,205,053 and \$881,747 invested in certificates of deposit at December 31, 2023 and 2022, 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, 2023:

	Level 1	Level 2	Level 3	Total
Government mutual fund	\$ 2,487,081	\$ -	\$ -	2,487,081
Certificates of deposit	1,205,053	-	-	1,205,053
Total	\$ 3,692,134	\$ -	\$ -	3,692,134

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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 3. Restricted Accounts

Restricted accounts consists of the following:

<b>As Of December 31,</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents:		
Depreciation Funds	\$ 338,293	\$ 337,039
ANRC Bond Fund	-	152,580
2020 Bond Fund	266,962	250,681
2021 Bond Fund	291,922	275,020
<b>Total Restricted Checking and Savings</b>	<b>\$ 897,177</b>	<b>1,015,320</b>
Investments:		
2023 Project	\$ 2,463,797	\$ -
2023 Bond Fund	23,284	-
<b>Total Restricted Investments</b>	<b>\$ 2,487,081</b>	<b>\$ -</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, 2021 and 2023 Series bonds.

**Project Fund** - 2023 bond proceeds restricted for capital improvements

The Rural Development Loan resolution specifies for its loan to have a minimum debt service reserve account totaling \$22,366 and \$17,256 at December 31, 2023 and 2022, 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, 2020 and 2023 Bond Trust Indentures require short-lived/depreciation accounts requiring monthly deposits of \$2,539, \$2,000 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.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023
Land	\$ 657,742	\$ -	\$ -	\$ 657,742
Buildings and improvements	424,283	75,411	-	499,694
Distribution system	41,196,037	48,873	-	41,244,910
Equipment	2,381,496	999,973	76,730	3,304,739
Office furniture and fixtures	317,457	-	-	317,457
Construction in process	259,207	757,422	51,528	965,101
Total	\$ 45,236,222	\$ 1,881,679	\$ 128,258	\$ 46,989,643
Less accumulated depreciation	23,657,232	1,187,127	76,730	24,767,629
Capital assets, net	\$ 21,578,990	\$ 694,552	\$ 51,528	\$ 22,222,014

As Of	January 1, 2022	Additions	Retirements	December 31, 2022
Land	\$ 657,742	\$ -	\$ -	\$ 657,742
Buildings and improvements	424,283	-	-	424,283
Distribution system	41,196,037	-	-	41,196,037
Equipment	2,296,263	113,799	28,566	2,381,496
Office furniture and fixtures	317,457	-	-	317,457
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

Construction in progress is for the following:

As Of	Balance 12/31/2023	Balance 12/31/2022	(Estimated) Total Cost	Estimated Completion
Midland water line relocation	\$ 515,617	\$ -	\$ 626,603	July 2024
Reservoir expansion project	300,821	207,679	\$ unknown - in planning stages	
High service pump replacement	66,093	-	1,095,551	July 2024
Witcherville and Sugarloaf tanks painting, maintenance and mixer	36,660	-	597,500	end of 2024
Pump station 4B upgrade	33,910	-	unknown - in planning stages	
Creek Crossing project	12,000	-	unknown - in planning stages	
Backbone and Midland tank upgrades	-	43,288	816,220	complete
Wildwood pump station upgrade	-	8,240	11,773	complete
Total	\$ 965,101	\$ 259,207	\$ 3,147,647	

The projects will be funded primarily using the proceeds from the 2023 bond issue.

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 5. Right-to-Use Assets / Liabilities

In 2023, the District commenced leasing space on a tower for wireless telemetry equipment for the pump stations. The lease is for one year with the option to continue until cancelled by either party. Because the District has elected to record leases with a term of twelve months or less straight-line over the lease term, no right-of use asset or liability for this lease has been recorded in the accompanying financial statements. The District has no plans to terminate either lease in the near future. Rental expense on the lease totaled \$750 for the year ended December 31, 2023.

### 6. Long-Term Debt

On June 1, 2023, the District issued Water Refunding and Improvement Revenue Bonds, Series 2023 in the amount of \$4,435,000. Proceeds from the bonds were used to pay the District's outstanding loan with the Arkansas Natural Commission that had an outstanding principal balance totaling \$163,624, finance all or 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:

<b>As of December 31,</b>	<b>2023</b>	<b>2022</b>
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 was paid early in 2023 using proceeds from the 2023 bond issue.	\$ -	\$ 163,624
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.	1,029,877	1,046,666
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.	8,670,000	9,050,000

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

As of December 31,	2023	2022
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.	8,715,000	9,140,000
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.	4,435,000	-
Total long-term debt	22,849,877	19,400,290
Less current maturities	857,345	830,140
Long-term debt	21,992,532	18,570,150
Plus unamortized bond premium	159,794	165,715
Less unamortized bond discount	(86,693)	-
Long-term debt, net	\$ 22,065,633	\$ 18,735,865

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
2024	\$ 840,000	\$ 581,114	\$ 17,345	\$ 33,211
2025	920,000	539,113	17,917	32,639
2026	945,000	519,122	18,508	32,048
2027	960,000	498,691	19,119	31,437
2028	980,000	477,869	19,749	30,807
2029-2033	4,570,000	2,085,225	108,960	143,820
2034-2038	5,120,000	1,531,769	128,158	124,622
2039-2043	3,870,000	929,253	150,738	102,042
2044-2048	2,115,000	505,531	177,297	75,483
2049-2053	1,500,000	152,472	208,534	44,245
2054-2057	-	-	163,552	9,381
Total	\$ 21,820,000	\$ 7,820,159	\$ 1,029,877	\$ 659,735

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 7. Changes in Long-Term Liabilities

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

As Of	January 1, 2023	Additions	Retirements	December 31, 2023	Due Within One Year
ANRC	\$ 163,624	\$ -	\$ 163,624	\$ -	\$ 0
Rural Development	1,046,666	-	16,789	1,029,877	17,345
2020A Series Bonds	9,050,000	-	380,000	8,670,000	15,000
2021 Series Bonds	9,140,000	-	425,000	8,715,000	435,000
2023 Series Bonds	-	4,435,000	-	4,435,000	390,000
Net pension liability	939,922	668,886	668,886	939,922	-
<b>Total</b>	<b>\$ 20,340,212</b>	<b>\$ 5,103,886</b>	<b>\$ 1,654,299</b>	<b>\$ 23,789,799</b>	<b>\$ 857,345</b>

As Of	January 1, 2022	Additions	Retirements	December 31, 2022	Due Within One Year
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	-
<b>Total</b>	<b>\$ 20,495,530</b>	<b>\$ 668,886</b>	<b>\$ 824,204</b>	<b>\$ 20,340,212</b>	<b>\$ 830,140</b>

### 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, 2023 and 2022 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 is being amortized using the straight-line method over the life of the bond. Amortization of the bond discount totaled \$729 for the year ended December 31, 2023 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.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$988,323 and \$1,045,555 as of December 31, 2023 and 2022, 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 for both years ended December 31, 2023 and 2022, 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, 2023 AND 2022

### 9. Rate Covenant

The Trust Indenture of the 2023, 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 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, 2023 and 2022, 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.

#### 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, 2023 AND 2022

### 10. 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, 2023 AND 2022

### 10. 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 both Plan fiscal years ended June 30, 2023 and 2022. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the District were \$121,079 and \$116,539 for the years ended December 31, 2023 and 2022, 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, 2023, 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, 2023 was 0.03560376%

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, 2023 and the District's report ending date of December 31, 2023, 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, 2023. 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	7.00%
Wage Inflation Rate	3.25%

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 10. 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, 2023, 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 each major asset class included in the APERS target asset allocation as of June 30, 2023 are summarized in the table below:

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

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 10. 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, 2023 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.86% (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 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 (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease	Current Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	\$ 1,653,777	\$ 1,037,560	\$ 529,855

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

The District had accrued pension liabilities on December 31, 2023 and 2022, totaling \$3,089 and \$3,696, respectively, for the District's legally required contribution. The District's proportionate share of pension expense was \$195,646 for the Plan year ended June 30, 2023. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

# JAMES FORK REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 10. Pension Plan (continued)

#### Pension Expense, and Deferred Inflows / Outflows of Resources (continued)

The District had accrued pension liabilities on December 31, 2023 and 2022, totaling \$3,089 and \$3,696,

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,568	\$ 5,700
Changes in assumptions	48,778	-
Net difference between projected and actual earnings		
on pension plan investments	129,139	-
Changes in proportion	16,200	4,026
District contributions subsequent to the measurement date	62,312	-
Total	\$ 314,997	\$ 9,726

\$62,312 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, 2024, 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
2023	\$ 61,767
2024	29,603
2025	160,305
2026	(8,716)
	\$ 242,959

### 11. 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.

### 12. 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 its final payment of \$35,554 from the City during the year ended December 31, 2022.

# **JAMES FORK REGIONAL WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

### **13. 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.

### **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, 2023 through May 8, 2024, 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, 2023

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

	June 30, 2023	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	0.03560376%	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	\$ 1,037,560	\$ 939,922	\$ 271,036	\$ 989,202	\$ 799,460	\$ 747,941	\$ 930,547	\$ 859,819	\$ 648,738	\$ 531,999
District's covered-employee payroll	\$ 766,295	\$ 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	135.40%	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	77.94%	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, 2023	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	\$ 117,396	\$ 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	\$ (117,396)	\$ (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	\$ 766,295	\$ 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%	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, 2023

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

1. Changes in benefits: None: June 30, 2014 through June 30, 2020  
June 30, 2021 and 2022 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, 2023

2. Changes in actuarial assumptions:

	June 30, 2023	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	7.00%	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%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	3.86%	3.69%	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	3.25% wage 2.50% price	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%	3.25% - 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-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

**DECEMBER 31, 2023**

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2024	\$ 390,000	2.000	\$ 98,088	\$ 94,188	\$ 582,276
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
	\$ 8,670,000		\$ 1,316,363	\$ 1,218,275	\$ 11,204,638

See independent auditor's report.

# JAMES FORK REGIONAL WATER DISTRICT

## SCHEDULE OF BONDS OUTSTANDING

### WATER REVENUE REFUNDING BONDS, SERIES 2021

**DECEMBER 31, 2023**

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
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
	\$ 8,715,000		\$ 843,616	\$ 755,366	\$ 10,313,981

See independent auditor's report.

# JAMES FORK REGIONAL WATER DISTRICT

## SCHEDULE OF BONDS OUTSTANDING

### WATER REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2023

**DECEMBER 31, 2023**

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2024	\$ 15,000	3.625	\$ 120,295	\$ 96,394	\$ 231,689
2025	80,000	3.625	96,394	94,944	271,338
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
	\$ 4,435,000		\$ 1,903,417	\$ 1,783,122	\$ 8,121,539

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  
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, 2023, 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 May 8, 2024.

**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.



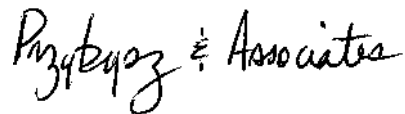
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**May 8, 2024**

**EXHIBIT B**

**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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