OFFICIAL STATEMENT

<u>NEW ISSUE</u> **RATING: S&P: "AA" (STABLE OUTLOOK) INSURED**
SEE "RATINGS" HEREIN

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes, subject to the condition that the District comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds, and the Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. 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 imposed on individuals and corporations, although it is included in book income in calculating the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. Bond Counsel expresses no other opinions with regard to federal tax consequences arising from ownership of the Bonds. See "TAX EXEMPTION" herein.

$9,565,000
JAMES FORK REGIONAL WATER DISTRICT
WATER REVENUE REFUNDING BONDS
SERIES 2020A

The Bonds are being issued to provide funds to: (i) finance the current refunding of the District's Water Revenue Refunding Bonds, Series 2013, dated April 30, 2013; (ii) retire United States Department of Agriculture, Rural Development ("USDA") debt; and (iii) to pay the costs of issuing the Bonds. The Bonds do not constitute an indebtedness for which the faith and credit of the State of Arkansas or any political subdivision thereof are pledged. The James Fork Regional Water District (the "District"), a public facilities board under Arkansas law, has no taxing power. The payment of principal of and interest on the Bonds is secured by and payable from a pledge of the District's revenues and other resources pursuant to the terms of a Trust Indenture between the District and Bank OZK, as Trustee (the "Trustee").

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 ("BAM").

BAM
BUILD AMERICA MUTUAL

The Bonds will be issued on parity with the District's Water Revenue Bond issued to USDA which is projected to have an outstanding balance of approximately $1,079,942 and on parity with the District's Water Revenue Refunding Bonds, Series 2015, dated March 30, 2015, with a current balance of $10,145,000. Other debt in the amount of $179,148 to the Arkansas Natural Resources Commission is unsecured and will, therefore, be subordinated to the secured position established herein.

The Bonds will be initially issued in book-entry form as a single bond for each maturity 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. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2021. The bonds mature on June 1 in the years and in the amounts, bear interest at the rates and are priced to yield as shown above. Principal is payable at the corporate trust office of Bank OZK in Little Rock, Arkansas. Interest is payable by check mailed to the registered owner as of the applicable record date at his address as shown on the bond registration book maintained by the Trustee. The Bonds are subject to optional, extraordinary and sinking fund redemption prior to maturity as described herein.

(FOR THE MATURITY SCHEDULES, SEE THE INSIDE FRONT COVER)

The Bonds are offered when, as and if issued, subject to approval as to legality by Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Bonds is expected on or about December 2, 2020.

Stephens Inc.

Dated: October 30, 2020.

Dated: Date of Delivery **Due: June 1, as shown below**

MATURITY SCHEDULE

Serial Bonds

Due June 1	Principal Amount	Interest Rate	Yield	CUSIP[1]
2021	$135,000	2.000%	0.650%	47030A CB6
2022	380,000	2.000%	0.700%	47030A CC4
2023	380,000	2.000%	0.800%	47030A CD2
2024	390,000	2.000%	0.900%	47030A CE0
2025	395,000	2.000%	1.000%	47030A CF7
2026	405,000	2.000%	1.200%	47030A CG5
2027	415,000*	2.000%	1.350%	47030A CH3
2028	420,000*	2.000%	1.500%	47030A CJ9
2029	310,000*	2.000%	1.650%	47030A CK6
2030	300,000*	2.000%	1.750%	47030A CL4

Term Bonds

$1,620,000 2.125% Term Bonds, Maturing June 1, 2035 to Yield 2.200% CUSIP 47030A CM2
$1,060,000 2.250% Term Bonds, Maturing June 1, 2038 to Yield 2.320% CUSIP 47030A CN0
$1,120,000 2.375% Term Bonds, Maturing June 1, 2041to Yield 2.500% CUSIP 47030A CP5
$1,145,000 2.500% Term Bonds, Maturing June 1, 2044 to Yield 2.650% CUSIP 47030A CQ3
$1,090,000 2.750% Term Bonds, Maturing June 1, 2050 to Yield 2.750% CUSIP 47030A CR1

*Priced to first optional call date

1 CUSIP® (Committee on Uniform Securities Identification Procedures) is a registered trademark of the American Bankers Association ("ABA"). CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included solely for the convenience of the registered owners of the Bonds. The Board and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Board on the Bonds and by the Underwriters on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or any other person has been authorized by the District or Stephens Inc. (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 District. 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 affairs of the District 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 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.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the Authority. 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.

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 the heading "Bond Insurance" and "Exhibit C - Specimen Municipal Bond Insurance Policy".

CONTENTS OF OFFICIAL STATEMENT

STATEMENT

$9,565,000
JAMES FORK REGIONAL WATER DISTRICT
WATER REVENUE REFUNDING BONDS
SERIES 2020A

INTRODUCTION

This Official Statement is furnished to prospective investors in connection with the sale by the James Fork Regional Water District (the "District" or "James Fork") of its Water Revenue Refunding Bonds, Series 2020A, in the principal amount of $9,565,000 (the "Bonds" or the "2020A Bonds"). The District is a public facilities board created under the Arkansas Public Facilities Board Act, as amended and supplemented, and codified at Arkansas Code Annotated §14-137-101 *et seq*. (the "Act"). The Bonds mature and bear interest as shown on the cover page.

The Bonds are being issued to provide funds to: (i) finance the current refunding of the District's Water Revenue Refunding Bonds, Series 2013, dated April 30, 2013 (the "2013 Bonds"); (ii) retire five of the District's Water Revenue Bonds issued to the United States Department of Agriculture, Rural Development ("USDA") (the "USDA Bonds" which together with the 2013 Bonds are referred to herein as the "Refunded Bonds"); (iii) to fund a debt service reserve fund; and (iv) to pay the costs of issuing the Bonds including the costs of a municipal bond insurance policy and reserve fund policy.

The Bonds will be issued pursuant to a Resolution adopted by the Board of Directors (the "Board") of the District and secured under a Trust Indenture between the District and Bank OZK, as Trustee (the "Indenture") (see THE INDENTURE).

Payment of principal of the Bonds will be made at the corporate trust office of the Trustee, which is located in Little Rock, Arkansas. Payment of interest on the Bonds shall be by check or draft to the registered owners of the Bonds as of the record date for such payment as shown on the bond registration books of the District maintained by the Trustee. The record date for payment of interest on the Bonds shall be the fifteenth (15th) day of the calendar month next preceding each interest payment date.

The Bonds are primarily payable from, and secured by a pledge of, the District's revenues and other resources, including particularly revenues derived from the sale of water. The Bonds will be issued on a parity with the District's outstanding obligations. (See: SECURITY FOR THE BONDS and THE DISTRICT).

This Official Statement contains brief descriptions of the Bonds, security for the Bonds, the District, and the Indenture. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document or statute for the complete details of all terms and conditions. Terms not defined herein shall have the meanings set forth in the respective documents and statutes.

AUTHORITY

The Bonds are being issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendment 65 to the Constitution of the State of Arkansas and the Act. The Board of Directors of the District has authorized by resolution the issuance of the Bonds and the execution and delivery of the Trust Indenture (the "Resolution").

THE BONDS

The Bonds shall be payable solely from the revenues of the System as hereinafter set out. Principal on the Bonds is payable at the corporate trust office of Bank OZK, Little Rock, Arkansas, the Trustee. Interest on the Bonds is payable annually on June 1 in each year, commencing June 1, 2021, by check or draft of the Trustee mailed to the registered owner thereof. The Bonds will be issued only in book-entry form, and individual purchasers of the Bonds will not receive physical delivery of bond certificates.

REDEMPTION

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part, in inverse order of maturities (less than all of the Bonds of a single maturity to be selected by lot by the Trustee in such manner as it may determine) from funds from any source at any time on or after June 1, 2026, at par.

***Mandatory Sinking Fund Redemption*.** The Bonds maturing June 1, 2035 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on June 1, in the years and principal amounts as follows:

June 1	Principal Amount
2031	$310,000
2032	315,000
2033	325,000
2034	330,000
2035(maturity)	340,000

The Bonds maturing June 1, 2038 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on June 1, in the years and principal amounts as follows:

June 1	Principal Amount
2036	$345,000
2037	355,000
2038(maturity)	360,000

The Bonds maturing June 1, 2041 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on June 1, in the years and principal amounts as follows:

June 1	Principal Amount
2039	$365,000
2040	375,000
2041(maturity)	380,000

The Bonds maturing June 1, 2044 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on June 1, in the years and principal amounts as follows:

June 1	Principal Amount
2042	$395,000
2043	400,000
2044(maturity)	350,000

The Bonds maturing June 1, 2050 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on June 1, in the years and principal amounts as follows:

June 1	Principal Amount
2045	$200,000
2046	210,000
2047	200,000
2048	195,000
2049	185,000
2050(maturity)	100,000

Order of Redemption. Optional redemption shall be in inverse order of maturities and by lot (in such manner as the Trustee shall determine) within a maturity.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, at least 30 days, but no more than 60 days, before the redemption date to each registered owner of the Bonds to be redeemed in whole or in part at his last address appearing on the Register, but no defect in or failure to give such notice of redemption will affect the validity of the redemption as to any registered owner to whom proper notice was mailed. So long as the Bonds are in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee of DTC, as registered owner of the Bonds, and the Trustee will not mail redemption notice directly to the Beneficiary Owners of the Bonds. See "Book-Entry Only" below. All Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been duly deposited with the Trustee, and thereafter the registered owners of such Bonds called for redemption will have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's 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"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The 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 shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 District or Agent, on 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

SECURITY FOR THE BONDS

The Bonds are secured by a pledge of the District's revenues, water contracts and other assets.

Bond Insurance. Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. A specimen of the form of the Policy to be issued is attached as Appendix C.

See the caption "BOND INSURANCE" herein.

Debt Service Reserve Fund. The Indenture requires that, upon the delivery of the Bonds, there shall be deposited with the Trustee for deposit in the Debt Service Reserve Fund an amount equal to one-half maximum annual debt service (the "Required Level"), or, in lieu thereof, a surety bond or other credit facility, in an amount equal to the Required Level. The District has elected to meet the Required Level by the purchase of a Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Policy") in the amount of $295,687.51 from the BAM. A specimen of the form of the Reserve Policy to be issued is attached as Appendix D.

Additional Bonds. The District has reserved the right to issue additional bonds. Additional bonds may be issued under the Indenture if the parity requirements set out below are met ("Additional Bonds"). Otherwise, any additional bonds will be subject and subordinate to the Bonds.

Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following, as appropriate:

(i) A copy, certified by the Secretary of the District, 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 District stating that no event of default specified in the Indenture has happened and is then continuing;

(iii) An opinion of counsel selected by the District 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 District secured by the Indenture on a parity with previously issued Bonds secured thereby.

(iv) A certificate to the effect that "adjusted gross revenues" of the District (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

(a) to pay all operation and maintenance expenses of the District for the immediately preceding fiscal year; and

(b) to make all payments into the funds of the District 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 combined average annual principal and interest requirements during the current or any subsequent fiscal year of the District for (A) the then outstanding Bonds, (B) the Additional Bonds then held by the Trustee for Delivery and (C) any then outstanding Parity Obligations (defined below).

The Additional Bonds shall be dated, interest shall be payable semiannually on the dates, the principal shall mature as serial bonds or as term bonds, or as a combination thereof, and they may contain provisions for redemption prior to maturity as well as other provisions, all as shall be set forth in the resolution authorizing their issuance. The authorizing resolution shall set forth the details concerning the Additional Bonds, which shall be embodied in a supplemental indenture by and between the District and the Trustee. All such Additional Bonds shall be issued on a parity with all other Bonds issued hereunder.

The term "adjusted gross revenues," means:

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

(2) Any additional revenues (as projected 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 during such fiscal year if such rate increase had been in effect throughout the fiscal year; plus

(3) Any additional annual revenues as projected (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 District may issue bonds or other obligations of indebtedness other than under the Indenture. Such obligations may be issued 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, other obligations shall be subject and subordinate to all Bonds then outstanding or thereafter issued under the Indenture.

BOND INSURANCE

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 obligations of 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, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: 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 Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the 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 of the Bonds 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 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, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.7 million, $143.6 million and $345.1 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, 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".

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 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. 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 of or the underwriter for the Bonds, 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.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended December 31 2019 and 2018. Such financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety together with any notes and supplemental information attached thereto.

Set forth in Appendix B is an unaudited statement of revenues and expenses of the System for the eight month periods ended August 31, 2020 and 2019.

The following is a summary of the audited financial statements of the System for the fiscal years ended June 30, 2016 through 2019 and the unaudited statement of revenues and expenses of the System for the nine month periods ended September 30, 2020 and 2019:

					Nine Month Period	
	Fiscal years Ended December 31				Ended September 30	
	Audited 2019	Audited 2018	Audited 2017	Audited 2016	Unaudited 2020	Unaudited 2019
Operating Revenues	$3,373,109	$3,346,434	$3,396,746	$3,371,075	$2,436,459	$2,363,673
Interest & Other Income	124,339	110,792	104,499	234,622	181,078	184,081
Total Operating Income	3,497,448	3,457,226	3,501,245	3,605,697	2,617,537	2,547,754
Operating Expenses	(2,914,911)	(2,816,559)	(2,875,650)	(2,878,681)	(2,311,060)	(2,125,657)
Net Operating Income	582,537	640,667	625,595	727,016	306,477	422,097
Add Back: Depreciation	1,036,610	1,004,939	1,052,332	1,053,459	831,731	742,129
Net Revenues Available For Debt Service	1,619,147	1,645,606	1,677,927	1,780,475	1,138,208	1,164,226

OTHER DEBT

Parity Debt. After the Bonds are issued, the District's Water Revenue Refunding Bonds, Series 2015 (the "2015 Bonds"), and the District's Water Revenue Bond dated July 6, 2017 which was purchased by USDA (the "2017 Bond"), will remain outstanding and will be on parity with the 2020A Bonds (collectively the 2015 Bonds and the 2017 Bond are referred to as the "Parity Bonds"). They are as follows:

2015 Bonds: The 2015 Bonds dated March 30, 2015 and issued in the original principal amount of $11,900,000 have a final maturity of June 1, 2040. The current outstanding principal amount of 2015 Bonds is $10,145,000 consisting of serial and term maturities with interest rates ranging from 3.00% to 3.75%.

2017 Bond: The 2017 Bond evidences a loan from USDA in the original principal amount of $1,100,000. The 2017 Bond matures in 2057 and bears interest at the rate of 3.25%. Loan repayments are made monthly and it is estimated that the 2017 Bond will have an outstanding principal balance of approximately $1,079,942 when the 2020A Bonds are issued.

Subordinate Debt

ANRC Loan: In addition, the District will have outstanding a subordinate loan from the ANRC (the "ANRC Loan" or the "Subordinate Debt") dated August 27, 2017 was made in the original principal amount of $206,000 and is expected to have an outstanding principal balance of $179,148 when the 2020A Bonds are issued. The ANRC Loan bears interest at the rate of 5.00% and matures in December 2036. The ANRC Loan is subject and subordinate to the lien, pledge and security interest of the Indenture under which the 2020A Bonds are issued.

SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Bonds	$9,565,000.00
Refunded Bonds Fund Transfers	338,581.10
Net Reoffering Premium	25,699.40
TOTAL	$9,929,280.50

Uses of Funds:

Current Refunding of Refunded Bonds	$9,705,882.55
Underwriter's Discount	114,780.00
Municipal Bond Insurance Premium	54,693.07
Reserve Policy Premium	7,392.19
Costs of Issuance	46,532.69
TOTAL	$9,924,834.90

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DEBT SERVICE REQUIREMENTS*

The following tables set forth the amounts required to pay scheduled principal and interest on the 2020A Bond, the Parity Bonds and the Subordinate Debt during the fiscal periods ending on the dates indicated.

	2020A Bonds						
June 1	Principal	Interest	Total 2020A Bonds Debt Service	Parity Bonds Debt Service	Total 2020A and Parity Bond Debt Service	Subordinate Bond Debt Service	Total 2020A Bonds, Parity Bonds and Subordinate Debt Service
2021	$135,000.00	$106,442.84	$241,442.84	$859,086.63	$1,10,529.47	$16,530.00	$1,117,059.47
2022	380,000.00	211,375.02	591,375.02	767,093.50	1,358,468.52	16,530.00	1,374,998.52
2023	380,000.00	203,775.02	583,775.02	765,693.50	1,349,468.52	16,530.00	1,365,998.52
2024	390,000.00	196,175.02	586,175.02	768,993.50	1,355,168.52	16,530.00	1,371,698.52
2025	395,000.00	188,375.02	583,375.02	766,843.50	1,350,218.52	16,530.00	1,366,748.52
2026	405,000.00	180,475.02	585,475.02	769,393.50	1,354,868.52	16,530.00	1,371,398.52
2027	415,000.00	172,375.02	587,375.02	766,493.50	1,353,868.52	16,530.00	1,370,398.52
2028	420,000.00	164,075.02	584,075.02	767,193.50	1,351,268.52	16,530.00	1,367,798.52
2029	310,000.00	155,675.02	465,675.02	767,406.00	1,233,081.02	16,530.00	1,249,611.02
2030	300,000.00	149,475.02	449,475.02	767,131.00	1,216,606.02	16,530.00	1,233,136.02
2031	310,000.00	143,475.02	453,475.02	765,156.00	1,218,631.02	16,530.00	1,235,161.02
2032	315,000.00	136,887.52	451,887.52	767,656.00	1,219,543.52	16,530.00	1,236,073.52
2033	325,000.00	130,193.78	455,193.78	769,456.00	1,224,649.78	16,530.00	1,241,179.78
2034	330,000.00	123,287.52	453,287.52	765,556.00	1,218,843.52	16,530.00	1,235,373.52
2035	340,000.00	116,275.02	456,275.02	765,437.26	1,221,712.28	16,530.00	1,238,242.28
2036	345,000.00	109,050.00	454,050.00	769,593.50	1,223,643.50	16,530.00	1,240,173.50
2037	355,000.00	101,287.50	456,287.50	767,843.50	1,224,131.00	16,529.00	1,240,660.00
2038	360,000.00	93,300.00	453,300.00	765,368.50	1,218,668.50		1,218,668.50
2039	365,000.00	85,200.00	450,200.00	766,368.50	1,216,568.50		1,216,568.50
2040	375,000.00	76,531.26	451,531.26	766,431.00	1,217,962.26		1,217,962.26
2041	380,000.00	67,625.02	447,625.02	50,556.00	498,181.02		498,181.02
2042	395,000.00	58,600.00	453,600.00	50,556.00	504,156.00		504,156.00
2043	400,000.00	48,725.00	448,725.00	50,556.00	499,281.00		499,281.00
2044	350,000.00	38,725.00	388,725.00	50,556.00	439,281.00		439,281.00
2045	200,000.00	29,975.00	229,975.00	50,556.00	280,531.00		280,531.00
2046	210,000.00	24,475.00	234,475.00	50,556.00	285,031.00		285,031.00
2047	200,000.00	18,700.00	218,700.00	50,556.00	269,256.00		269,256.00
2048	195,000.00	13,200.00	208,200.00	50,556.00	258,756.00		258,756.00
2049	185,000.00	7,837.50	192,837.50	50,556.00	243,393.50		243,393.50
2050	100,000.00	2,750.00	102,750.00	50,556.00	153,306.00		153,306.00
Total	**$9,565,000.00**	**$3,154,318.16**	**$12,719,318.16**	**$15,939,754.39**	**$28,659,072.55**	**$281,009.00**	**$28,940,081.55**

*Includes the December 1, 2020 interest payment on the 2013 Bonds being refunded by the 2020A Bonds.

ESTIMATED DEBT SERVICE COVERAGE

Based on its 2019 audited financial statements the District has calculated net revenues available for debt service as follows:

	2019
Operating Revenues:	
Water Sales	$3,225,533
Tap Charges	49,800
Other Revenue	97,776
Settlement Income	91,105
Interest Income	33,234
Total Operating Revenue:	$3,497,448
Less: Operating Expenses:	($2,914,911)
Operating Income:	$582,537
Add Back:	
Depreciation & Amortization	$1,036,610
Net Revenues Available for Debt Service:	$1,619,147

Assuming debt service on the 2020A Bonds and the Parity Bonds as shown in the tables under the caption "Debt Service Requirements" the following table illustrates the estimated debt service coverage on the 2020A Bonds and the Parity Bonds.

Net Revenues Available for Debt Service	$1,619,147
Maximum Annual Debt Service on the 2020A Bonds and the Parity Bonds	$1,358,469
Coverage	1.19 X

Assuming debt service on the 2020A Bonds, the Parity Bonds and the Subordinate Debt as shown in the tables under the caption "Debt Service Requirements" the following table illustrates the estimated debt service coverage on the 2020A Bonds and the Parity Bonds.

Net Revenues Available for Debt Service	$1,619,147
Maximum Annual Debt Service on the 2020A Bonds, Parity Bonds and Subordinate Debt	$1,374,999
Coverage	1.18 X

THE DISTRICT

The District was created by the Sebastian County, Arkansas Quorum Court as a public facilities board known as the South Sebastian County Water Users Association by Ordinance No. 93-5 on April 20, 1993. The District changed its name to the James Fork Regional Water District on January 6, 2006. The District was created in order to purchase the assets of the South Sebastian County Water Users Association, Inc., an Arkansas non-profit corporation (the "Corporation") which was incorporated on July 5, 1967. The District serves all of Sebastian County, Arkansas south of Fort Smith, Arkansas and Fort Chaffee, and all of Scott County, Arkansas except the City of Waldron. The Corporation began construction of what has become the District's water storage, treatment and distribution system (the "System") in 1967. The Farmers Home Administration (now USDA Rural Development) financed the initial construction of the System. Today, the District's primary operations and service areas are located in Sebastian County, Arkansas ("Sebastian County") and Scott County, Arkansas ("Scott County"). The population of the area served is approximately 37,751.

The District is governed by a five-member Board of Directors. Names of present members of the Board of Directors are:

Members	Term Expires
Terry Duboise, Chairman	December 31, 2022
Stanhope Wilkinson, Secretary/Treasurer	December 31, 2024
Steve Roberts	December 31, 2020
Shirley Walters	December 31, 2021
Gene Wahl	December 31, 2023

Management. The System is managed on a day-to-day basis by Donnie Sandifer. Mr. Sandifer attended Arkansas Tech University in Russellville, Arkansas, and has 29 years' experience managing water systems. Kendall Cox is the Director of Field Operations. Donna Strozier is the Assistant Manager.

Users. The System has grown through good design, management, hard work and customers who realize the need of an adequate guaranteed supply of high quality water for present and future needs.

Since 1968, the number of meters in the original service area has increased from 450 to approximately 4,900 in 2020, and the total distribution infrastructure extends for approximately 680 miles.

In addition to serving the unincorporated areas of South Sebastian County and Scott County, the System serves Milltown-Washburn, a public water authority, the cities of Greenwood, Hackett, Huntington, Mansfield, Hartford, Bonanza, and the subdivision Sebastian Lake Estates. As of January 2020, there is a total of approximately 12,970 water meters within the service area of the System. The System has long-term contracts with the cities of Greenwood (2030), Hackett (2035), Huntington (2035), Mansfield (2035), Hartford (no duration term), Bonanza (2046), the Milltown-Washburn Public Water Authority (2035), and the subdivision Sebastian Lake Estates (2035). The duration date is in the parenthesis following the name of the contracting party. The System does not own the distribution systems in those areas.

The City of Greenwood connected to the System in September 2006. At the present time, Greenwood operates its own water treatment plant and supplements its production from District's reservoir at James Fork Lake. The District's contract with the City of Greenwood is a "take or pay contract" which requires the City to purchase 15,000,000 gallons per month from the System.

On February 7, 2007, the System connected to the Milltown-Washburn Public Water Authority. Its service area is east of Greenwood, Arkansas, and has 1,580 customers. Milltown-Washburn is also served by the City of Booneville.

In 2004, the System began borrowing monies from USDA Rural Development in order to commence service to Scott County, Arkansas. Since 2004 the System has obtained six grants in the total amount of $4,122,037 and loans in the amount of $4,242,743 to finance the Scott County portion of the System's transmission and storage facilities.

Population and Meter Update.

Wholesale Users	Population	Total # of Meters
Mansfield	1,200	938
Hartford	772	269
Huntington	688	253
Hackett	825	397
Sebastian Lake Est.	400	260
Bonanza	566	234
Milltown-Washburn	3,900	1,580
Greenwood	9,400	3,784
Direct Customers		
Scott County	8,000	1,174
James Fork	12,000	4,900
	37,751	12,889

Source of Water. 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 3.25 million gallons per day ("MGD") water treatment plant. Average MGD at the plant for 2018 was 2,396,214.

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 in a "high risk" category under rules of the Arkansas Natural Resources Commission ("ANRC") because of the amount of property and population in the drainage area below the dam, but in an inspection report from the Natural Resources Division of the Arkansas Department of Agriculture dated October 2, 2020, the dam was characterized as "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 plant has the capacity to meet the 1986 Safe Drinking Water Standards.

The distribution system consists of approximately 680 miles of line throughout the System. The System has the capacity to store 5,128,000 gallons of "finished" water.

Total Water Sold.

Year		% Increase (Decrease)	Daily Average
2010	723,677,900	24.0%	1,980,890
2011	802,712,000	10.9%	2,198,167
2012	849,191,000	5.8%	2,319,083
2013	879,486,000	3.6%	2,409,551
2014	905,463,000	3.0%	2,480,721
2015	691,294,465	(23.7%)	1,893,957
2016	690,441,866	(0.1%)	1,891,622
2017	681,434,067	(1.3%)	1,866,943
2018	683,568,268	0.3%	1,872,790
2019	678,444,154	(0.8%)	1,858,751

Water Rates. The District's current water rates are:

Rate Code	W-5 Residential Customers:		
First	1,000 gallons	$25.00	(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	4.99	per 1,000 gallons
Over	50,000 gallons	4.46	per 1,000 gallons

Rate Code	W-2 (2" Meter):		
First	1,000 gallons	$28.00	(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	4.99	per 1,000 gallons
Over	50,000 gallons	4.46	per 1,000 gallons

Rate Code	W-3 (3" Meter):		
First	1,000 gallons	$32.20	(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	4.99	per 1,000 gallons
Over	50,000 gallons	4.46	per 1,000 gallons

Rate Code	W-9 Contract User:		
First	1,000 gallons	$1,000.00	(Minimum bill)
Next	4,000 gallons	5.25	per 1,000 gallons
Next	5,000 gallons	4.73	per 1,000 gallons
Next	40,000 gallons	3.94	per 1,000 gallons
Over	50,000 gallons	3.41	per 1,000 gallons
Remainder	1.39	per 1,000 gallons	

Largest Users of the System. In fiscal year 2019, one user of the System accounted for more than 5% of System revenues as set forth below:

User	Percentage of Total Gross Water Revenues	Average Dollar Amount Per Month
City of Greenwood	8.21%	$23,082

The five largest users of the System for fiscal 2019 were:

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

Litigation with the City of Fort Smith. On March 14, 2005, James Fork and the City of Fort Smith, Arkansas entered into a Settlement and Release Agreement (the "Agreement"). The Agreement settled an Arkansas state court action by the City of Fort Smith against the District, a federal court action by the District against the City of Fort Smith and the ANRC, and an administrative appeal by the City of Fort Smith and the ANRC. Pursuant to the Agreement, James Fork released 12,000 acres of its northernmost service area to the City of Fort Smith. In consideration for taking James Fork's service area, which resulted in a loss of revenues, Fort Smith paid $3,200,000 to James Fork as partial consideration, $3,000,000 of which James Fork used to reduce indebtedness. Commencing on January 2, 2006, Fort Smith has paid James Fork $30,000 per month. These payments were paid for sixty (60) months for a total of $1,800,000. The last payment was made in December 2010.

Since December 2010, a Financial Review Committee has determined the amount of payments made by the City of Fort Smith to James Fork. The initial period of these payments commenced in January 2011 and ended December 2014. The annual payment during this time varied depending on Fort Smith's collections from customers in the transferred area. During 2013 the monthly payment was $22,247, and it declined yearly with the 2015 monthly payment set at $18,802. The second period commenced on January 1, 2016 and ends December 31, 2020. Payments have been determined during this period after a review of James Fork operations by the Financial Review Committee. Payments for this period currently are $7,592.11 per month. The third and final period commences on January 2021 and ends December 2025. Payments will be determined during this period after a new review of James Fork operations by the Financial Review Committee.

COVID-19 Impacts. In anticipation of potential economic stress from the effects of COVID-19 among its customers, the District loosened its collection policy, but adverse effects from the virus have not materialized. Delinquencies have not materially increased among the District's customers. Neither has the District experienced operational difficulties resulting from the disease.

Future Plans. In 2001, the System purchased six hundred acres adjacent to James Fork Lake for a new reservoir. The reservoir would consist of 230 acres (James Fork Lake is 232 acres) and would store 1,490,000,000 gallons (James Fork Lake stores 1,580,000,000 gallons). The commencement of construction requires a permit from the United States Corps of Engineers. The application for that permit has been completed and James Fork awaits action by the Corps to continue its development plans.

SEBASTIAN COUNTY

Generally.

Population figures, according to the United States Census, are as follows:

Year	County Population
1970	79,237
1980	95,172
1990	99,590
2000	115,071
2014	126,733
2015	127,385
2016	127,385
2017	127,786
2018	127,570
2019	127,827

Source: U.S. Census Bureau, Population Division

Government. Sebastian County has the County Judge-Quorum Court form of government, under which the County is governed by a Quorum Court and a County Judge. The County Judge and members of the Quorum Court serve a 2-year term. The current County Judge and Quorum Court members are as follows:

County Judge	David Hudson
Quorum Court Members	Johnny Hobbs
	Jackie Davis
	Shawn Looper
	James W. Butler
	John K. Spradlin
	Danny W. Aldridge
	Jim Medley
	Valeria J. Robinson
	Rhonda Royal
	Dickie Lee Robertson
	Linda W. Murry
	Stephen Schwartz
	Karla Reedy
County Clerk	Sharon Brooks

Economic Data. Sebastian County is served by fifteen banks with total deposits as follows:

Year	Amount
2019	$3,013,188,000
2018	2,889,251,000
2017	2,866,014,000
2016	2,847,804,000
2015	2,648,623,000
2014	2,464,980,000

Source: FDIC

Per capita income figures for Sebastian County and the State of Arkansas according to Economic Research Center at the University of Arkansas at Little Rock are as follows:

Year	County	State of Arkansas
2018	$42,110	$43,233
2017	40,486	41,520
2016	39,627	40,148
2015	39,547	39,343
2014	38,552	38,260
2013	40,934	36,678
2012	41,150	36,423
2011	38,672	34,089
2010	35,187	32,017

Source: Bureau of Economic Analysis

Unemployment figures for Sebastian County, according to the Arkansas Employment Security Department are as follows:

Year	% Unemployed
2019	3.3%
2018	3.5
2017	3.6
2016	3.7
2015	4.8
2014	5.7
2013	7.6
2012	7.4
2011	8.1
2010	7.3

Source: AR Department of Workforce Services

Employment and Industry. Major employers in Sebastian County are set forth below:

Company	Product	Employees (Appx.)
Mercy Hospital	Health care	2,500 +
Baldor Electric Company	Motors & generators	1,000 – 2,499
OK Foods, Inc.	Poultry processing plants	1,000 – 2,499
Wal-Mart	Retail	1,000 – 2,499
Fort Smith School District	Public Schools	1,000 – 2,499
ARCBest Corporation	Trucking	1,000 – 2,499
Sparks Health System	Health care	1,000 – 2,499

Rheem Air Conditioning Division	Air conditioning equipment	500 – 999
Gerber Products Company	Infant cereal, baby foods	500 – 999
The Trane Company	Air conditioning	300 – 499
Kraft Heinz (Planters Co.)	Nuts and snacks	300 – 499

Source: AR Economic Development Commission

SCOTT COUNTY

Generally.

Population figures, according to the United States Census, are as follows:

Year	County Population
1970	8,207
1980	9,685
1990	10,205
2000	10,996
2014	10,686
2015	10,561
2016	10,332
2017	10,369
2018	10,339
2019	10,281

Source: U.S. Census Bureau, Population Division

Government. Scott County has the County Judge-Quorum Court form of government, under which the County is governed by a Quorum Court and a County Judge. The County Judge and members of the Quorum Court serve a 2-year term. The current County Judge and Quorum Court members are as follows:

County Judge	James Forbes
Quorum Court Members	Bobby Hattabaugh
	Bill Bates
	Scott Thompson
	Linda Vaughn
	Tom Wagner
	Tommy Roberson
	Tammie Luttrell
	Donald Hill
	Larry "Bear" Brigance
County Clerk	Barbara Whiteley

Economic Data. Scott County is served by four banks with total deposits as follows:

Year	Amount
2019	$137,743,000
2018	128,621,000
2017	128,212,000
2016	128,694,000
2015	166,710,000
2014	166,734,000

Source: FDIC

Per capita income figures for Scott County and the State of Arkansas according to the State Data Center at the University of Arkansas at Little Rock are as follows:

Year	County	State of Arkansas
2018	$31,401	$43,233
2017	30,330	41,520
2016	28,340	40,148
2015	27,973	39,343
2014	27,992	38,260
2013	27,118	36,678
2012	25,361	36,423
2011	23,241	34,089
2010	27,580	32,017

Source: Bureau of Economic Analysis

Unemployment figures for Scott County, according to the Arkansas Employment Security Division are as follows:

Year	% Unemployed
2019	3.4%
2018	3.6
2017	3.5
2016	3.7
2015	4.8
2014	5.0
2013	6.4
2012	6.6
2011	7.0
2010	6.9

Source: AR Department of Workforce Services

Employment and Industry. Major employers in Scott County are set forth below:

Company	Product	Employees (Appx.)
Tyson Foods	Poultry processing	1,000 – 2,499
Waldron School District	Public schools	200 – 299
Wal-Mart Stores, Inc.	Retail department store	50 – 99
Mercy Hospital (Waldron)	Health care	50 – 99
Waldron Nursing Center	Nursing Home	50 – 99
McDonald's Corporation	Restaurants	11 – 49

Source: Arkansas Economic Development Commission

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.

Security for the Bonds. Under the Indenture, the District 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 Scott County and Sebastian County, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned by the District.

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

(c) All revenues and income received while any bonds issued under the Indenture are outstanding, including particularly, the income received by the District and all other persons, firms, Districts, corporations or organizations of any nature.

(d) All properties included in the District.

(e) Replacement properties (as described in Section 409 of 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 District 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.

Rate Covenant. Under the Indenture, the District covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the District which shall produce total revenues in each fiscal year sufficient to (1) pay the District's operation, repair and maintenance expenses, (2) make all required deposits to the Debt Service Reserve Fund, (3) leave a balance equal to 115% of the debt service requirements for that fiscal year for this issue and Parity Obligations, and (4) service all second lien debt. The Board of Directors of the District covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

Funds. The following Funds are to be established under the Indenture. The Gross Receipts Fund and the Operation and Maintenance Fund will be held by the District. The Bond Fund, Debt Service Reserve Fund and Rebate Fund will be maintained by the Trustee for the benefit of the holders of the Bonds (the "Bondholders").

Gross Receipts Fund. All revenues and income received by the District from any source whatever shall be paid upon receipt into a special fund designated "Gross Receipts Fund." After monthly payments for operation and maintenance, moneys will be deposited into the Bond Fund.

Operation and Maintenance Fund. Under the Indenture, after the required deposit has been made in the Bond Fund, there is required to be paid from the Gross Receipts Fund into a fund designated "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 the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance of the properties of the District for such month, and, to the extent determined by the District, to pay costs of betterments and improvements to the properties of the District, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and 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 District during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. Money in the Bond Fund shall be applied in the following manner:

(a) There shall be paid from the Gross Receipts Fund into the Bond Fund, by the twentieth day of each month, 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; 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 District 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 Gross Receipts 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, 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 the interest on the Bonds and the Trustee's and Paying Agent's fees and for no other purpose.

Debt Service Reserve Fund. The Indenture provides for the establishment of a Debt Service Revenue Fund in the amount of one-half maximum annual debt service in the future (the "Required Level"). The System retains the right to reduce the amount to one-half maximum annual debt service in the future.

(a) Upon the issuance of the Bonds, there shall be deposited $295,687.51 in the Debt Service Reserve Fund.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be used for payment of principal of and interest on Bonds for which Bond Fund moneys are not available and for no other purpose except as specifically permitted herein. If the amount held in the Debt Service Reserve Fund shall never be less than the Required Level, the Fund shall be restored in twelve (12) equal monthly installments.

(c) Moneys held for the credit of the Debt Service Reserve Fund which exceed the Required Level shall be withdrawn from the Debt Service Reserve Fund and deposited into the Bond Fund.

(d) In lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond in the principal amount equal to the requirement, or portion, being satisfied. The surety bond must be issued by an insurance company rated AA or better by A. M. Best and must provide for payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

Gross Receipts Fund Surplus. Any surplus remaining in the Gross Receipts Fund, on the first business day of each month, after making full provisions for the other funds described above, may be used for any lawful purpose, or to call Bonds after June 1, 2026. The monthly surplus shall be withdrawn and deposited in such fund or account as specified by the Board of Directors of the District.

Depositories of Funds. The Bond Fund, the Debt Service Reserve Fund and the Rebate Fund shall be established and maintained by the Trustee. The Gross Receipts Fund and the Operation and Maintenance Fund shall be established in such banks or trust companies that are from time to time designated by the District, provided each must be a member of the Federal Deposit Insurance Corporation.

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities or invested as authorized by the Indenture.

Parity Obligation Payments. The Trustee and the District acknowledge that Parity Obligations may be issued by the District. Therefore, the District shall make payments as due with respect to such Parity Obligations. If there are insufficient moneys in the Gross Receipts Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and make monthly payments with respect to outstanding parity Obligations (and debt service reserves therefor), the District shall make payments from the Gross Receipts Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

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 District 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.

Determination and Payment of Rebate. The Trustee shall comply with the requirements of Section 148(f) of the Code and the regulations pertaining thereto. The Trustee shall rebate to the United States, not later than sixty (60) days after the end of the five-year period ending June 1, 2025, and not later than sixty (60) days after the end of the five year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment of 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. Any Rebate Amount shall be paid from the Bond Fund, and any deficiency created therein shall be paid immediately from the Gross Receipts Fund into the Bond Fund.

Investment of Funds. Moneys held as part of the funds under the Indenture shall be invested in "Eligible Investments" pursuant to the terms of the Indenture.

(a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the District, be invested and reinvested by the Trustee in Eligible Investments maturing (except in the case of money market funds) within ten (10) years from the date of investment, or for more than ten (10) years if the investment can be redeemed at par.

(b) Moneys held for the credit of the Rebate Fund shall be invested and reinvested by the Trustee in Government Securities which shall mature not later than the date or dates on which the money held for the credit of the Rebate Fund will be required for the purposes intended.

(c) Moneys held for the credit of any other fund under the Indenture may be invested and reinvested, as directed by the Board of Directors of the District, 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 District.

(d) 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.

(e) "Eligible Investments," as used in Section 701 of the Indenture, include only:

(1) Government Securities;

(2) Money market funds comprised exclusively of Government Securities, provided such funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by Standard & Poor's Rating Agency, a Division of McGraw Hill, Inc. of AAAm-G, AAAm or AAm, or by Moody's Investors Service of P-1 or P-2; and

(3) Certificates of Deposit issued by banks that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities having a market value, at all times while the Certificate of Deposit is outstanding, at least equal to the principal and interest to become due on the Certificate of Deposit. The pledged securities must be delivered to the District or the depository making the investment.

(f) The Trustee shall determine the market value of all investments on December 10 of each year and shall report the market value to the District and to the Underwriter. The District shall cooperate with the Trustee by providing the necessary information about investments of moneys not held by the Trustee.

<u>Events of Default</u>. 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 and the continuance thereof for a period of thirty (30) days;

(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 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, and the continuance thereof for a period of sixty (60) days after written notice to the District by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds.

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

The term "default" shall mean default by the District in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, or in the Bonds, exclusive of any period of grace required to constitute a default an "event of default."

<u>Acceleration</u>. 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 District, 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.

Remedies. (a) ***Right of Entry***. Upon the occurrence of any event of default, the District, upon demand of the Trustee, 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 District 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 District, 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.

(b) ***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.

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) of this Section.

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 Trustee has been notified as provided in the Indenture, or of which it is 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 District 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 District 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.

Supplemental Indentures Requiring Consent of Bondholders. The 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 District and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the District 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 other than the lien and pledge created and authorized by the Indenture or 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

In the past five years, the District has been a party to two (2) continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the District to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time period set forth in the agreements. The following summarizes a non-exhaustive discussion of the District’s compliance with its continuing disclosure obligations over the past five years.

The audited financial statements of the District for fiscal year ended December 31, 2018 was filed 61 days late in connection with the 2013 bonds. A notice concerning such late filing was not filed on EMMA. Furthermore, the December 31, 2018 audited financial statements filed on EMMA were incomplete. On October 1, 2020, the December 31, 2018 audited financial statements were uploaded to EMMA.

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 is executed and delivered by the District and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriters 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 any Annual Report provided by the District 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 any Bonds (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 District 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 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 Board.

"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 Report. (a) The District shall, or cause the Dissemination Agent to, not later than 180 days after the end of the System's fiscal year (presently June 30), commencing with the report after the end of the 2020 fiscal year, provide to the MSRB, through its continuing disclosure service portal 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 filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The 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 System 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 thirty (30) days after receipt thereof by the District.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is not the District) 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 District and the Dissemination Agent to determine if the District 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 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 to the Insurer.

Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) The financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

(b) Any or all of the items listed in (a) above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been filed with the

MSRB's internet website or submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District 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 District.

13. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.

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

(c) After the occurrence of a Listed Event (excluding a Listed Event described in (a)(8) above), the District shall file, or 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 Trustee (if the Trustee is not the Dissemination Agent) and to the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Material Event" and 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 subsection (a)(8), 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 Obligation. The District's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

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

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the District 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 an obligated person 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 Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance 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 District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of 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 District. 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 District 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 District 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 District 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 District, the Trustee or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Insurer, the Trustee, the District or any Beneficial Owner may (and the Trustee, at the request of the Underwriters 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 District or the Dissemination Agent, 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 Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the District or the Trustee) and the Trustee shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the District 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 District, the Trustee, the Dissemination Agent, the Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

TAX EXEMPTION

In the opinion of Rose Law Firm a Professional Association, Little Rock, Arkansas, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District and the Trustee comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage and the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements of the Code.

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 fifteen 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 District has designated or deemed designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the System 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 with the exception of "deemed designated" qualified tax exempt obligations, the District and its subordinate entities have not and do not reasonably 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 Section 145 of the Code)) during the calendar year 2020.

As shown on the front cover 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 front cover 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 on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excludable 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.

Owners of Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to Discount Bonds as of any date, with respect to the accrual of original issue discount for such Discount Bonds purchased in the secondary markets and with respect to the state and local tax consequences of owning Discount Bonds.

It is not an event of default of 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 purposes.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel.

LITIGATION

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 District to execute and deliver the Indenture or to issue the Bonds.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Trust Indenture authorizing the Bonds 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 of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws. 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 Trust Indenture authorizing the Bonds 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.

RATINGS

Based on the Municipal Bond Insurance Policy issued by BAM, S&P Global Rating Services, a division of the McGraw Hill Companies, Inc. (S&P) is expected to assign a rating of “AA” Stable Outlook to the Bonds. The District did not apply for any other ratings related to the Bonds.

Such rating reflects only the views of S&P. Any desired explanation of the significance of such ratings should be obtained from S&P. Certain information and materials not included in this Official Statement were furnished by the District to BAM. There is no assurance the rating will continue for any period of time or that the rating will not be reviewed, downgraded or withdrawn entirely if, in the judgment of S&P circumstances so warrant. The Underwriter has undertaken no responsibility to bring to the attention of the Bondholders any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of a rating could have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the District at a price of $9,475,919.40, which equal to the par amount of the Bonds ($9,565,000), plus a net original issue premium of $25,699.40, less an underwriter’s discount of $114,780.00. 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.

MISCELLANEOUS

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

JAMES FORK REGIONAL WATER DISTRICT

By: /s/ Terry Duboise
Chairman

Appendix A

Audited Financial Statement of James Fork Regional Water District for the year ended December 31, 2019

JAMES FORK REGIONAL WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

JAMES FORK REGIONAL WATER DISTRICT
DECEMBER 31, 2019 AND 2018

CONTENTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the James Fork Regional Water District, (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Fort Smith, Arkansas 72901
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the James Fork Regional Water District as of December 31, 2019 and 2018, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 4-7 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the James Fork Regional Water District taken as a whole. The schedule of bonds outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of bonds outstanding is the responsibility of management and was derived from and relate 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

JAMES FORK REGIONAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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, 2019 with a net position balance of $6,255,326.
- The change in net position or net income of the District was an increase of $105,629.
- The District expended $470,483 toward capital assets during the year compared to $555,549 in 2018.
- The statement of cash flows identifies sources and uses of cash activity for the calendar year. For calendar year 2019, cash, cash equivalents and restricted cash decreased by $285,629. Cash provided from the day-to-day operations totaled $1,467,020. Cash provided by investing activities totaled $20,317. Cash used by capital and related financing activities totaled $1,864,071. Of this amount, a total of $470,483 was spent on capital assets and $1,477,637 was spent for debt service. Grant proceeds of $69,549 were received from Rural Development. Furthermore, cash flows with noncapital & related financing activities consisted of $91,105 which represents the amounts received from the City of Fort Smith.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic 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, 2019. 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 Statements 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, 2019

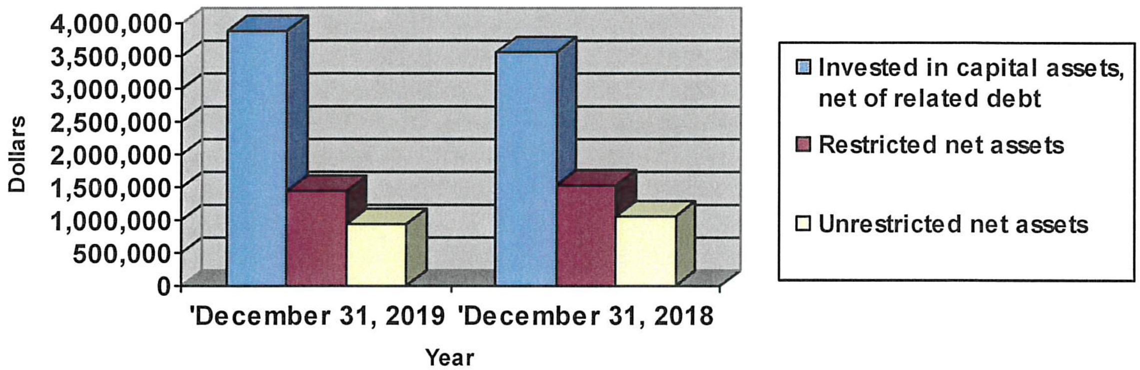
CONDENSED FINANCIAL INFORMATION

Condensed financial information from the statement of net position as of December 31, 2019 and 2018 and the statement of revenues, expenses and changes in net position for the years then ended are as follows:

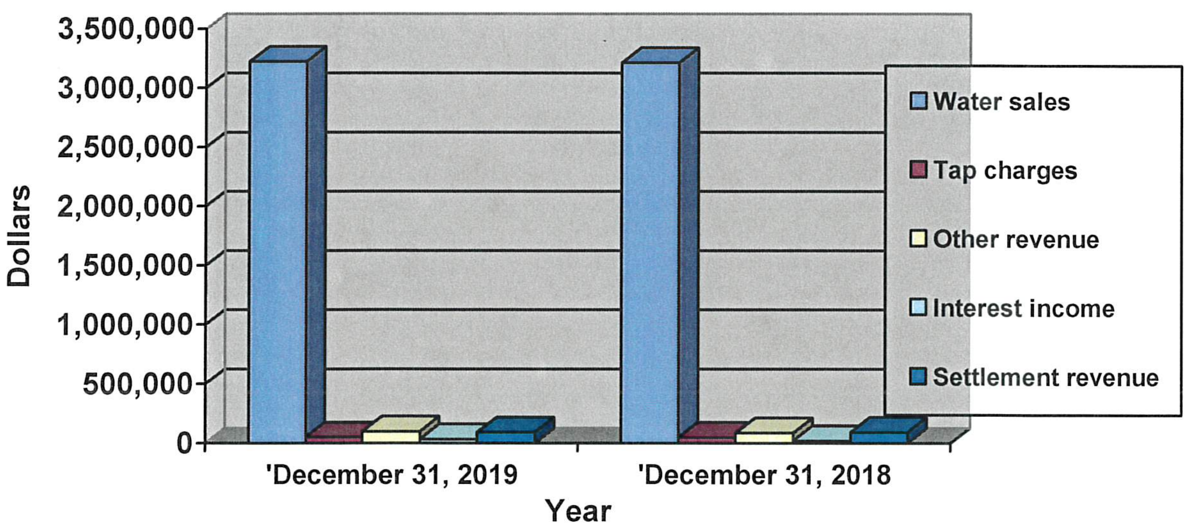
	December 31, 2019	December 31, 2018
Current assets	$ 2,800,647	$ 3,049,817
Restricted Assets	558,136	558,323
Capital assets, net	24,478,369	24,723,196
Total assets	27,837,152	28,331,336
Deferred Outflows	1,301,865	1,457,000
Current liabilities	915,045	1,069,761
Noncurrent liabilities	21,857,205	22,535,874
Total liabilities	22,772,250	23,605,635
Deferred Inflows	111,441	33,004
Net position:		
Net investment in capital assets	3,884,341	3,549,939
Restricted	1,431,799	1,540,175
Unrestricted	939,186	1,059,583
Total net position	$ 6,255,326	$ 6,149,697
Operating revenues	$ 3,373,109	$ 3,346,434
Operating expenses, excluding depreciation	1,878,301	1,811,620
Depreciation	1,036,610	1,004,939
Total operating expenses	2,914,911	2,816,559
Operating income	458,198	529,875
Nonoperating revenues and (expenses)	(352,569)	329,103
Change in net position	105,629	858,978
Beginning of year net position	6,149,697	5,290,719
End of year net position	$ 6,255,326	$ 6,149,697

CONDENSED FINANCIAL INFORMATION (CONTINUED)

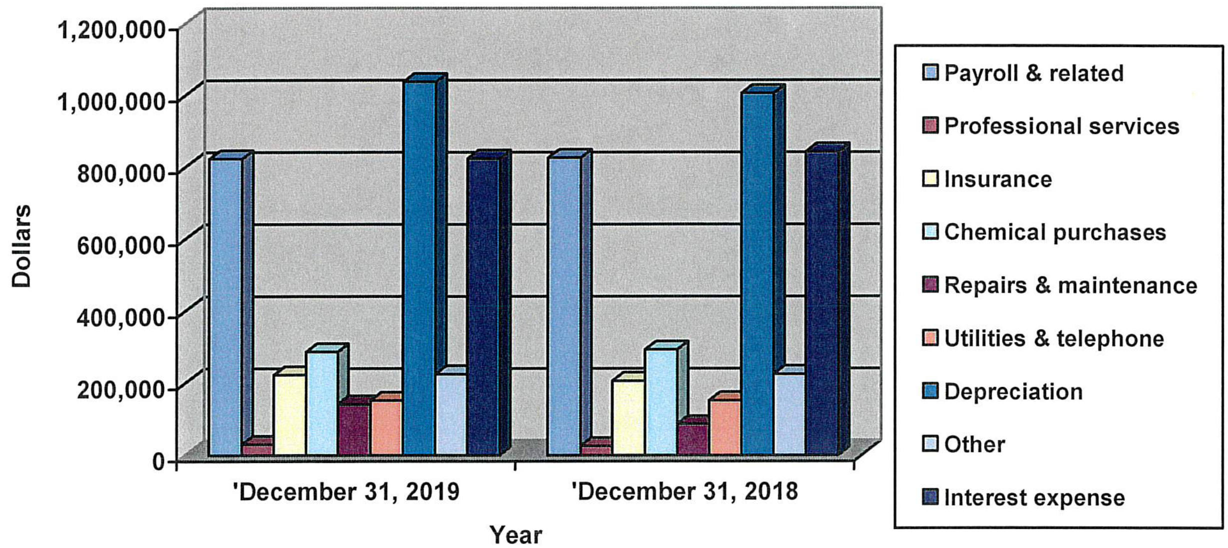
Classifications of net assets presented in a graph format



Sources of operating and nonoperating revenues in a graph format



Expenses of the District presented in a graph format



CAPITAL ASSETS

The District's capital assets as of December 31, 2019 and 2018 amounted to $44,857,093 and $44,238,636 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 $791,783 consisted of $335,224 spent to complete the Scott County East 80 project, $70,782 to complete the Byers Road Pump Station, an additional $52,653 for the anticipated reservoir expansion project, $128,200 to upgrade the telemetry system, $172,061 for two trucks and a backhoe and $32,863 on other assets.

LONG-TERM DEBT

As of December 31, 2019, the District had $21,815,929 in outstanding debt compared to $22,452,291 as of December 31, 2018. Scheduled debt service consisted of $408,716 and $713,688 on the 2013 and 2015 Series Bonds respectively. Debt service on the Rural Development loans totaled $315,403. The District incurred additional long-term debt of $58,833 during the year to finance the backhoe purchase.

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,		2019		2018
Assets				
Current Assets				
Cash and cash equivalents	$	647,997	$	819,202
Restricted checking and savings accounts		506,115		620,539
Certificates of deposits		868,869		860,946
Restricted investments		412,961		407,967
Accounts receivable, net of allowance for doubtful accounts		332,078		306,585
Prepaid expenses		32,627		34,578
Total Current Assets		2,800,647		3,049,817
Noncurrent Assets				
Restricted investments		558,136		558,323
Capital Assets				
Land		657,742		657,742
Buildings		424,283		415,208
Fixtures and equipment		1,598,605		1,576,081
Clarifier		667,826		667,826
Backwash tank		339,754		339,754
Distribution system		41,055,461		37,381,062
Construction in process		113,422		3,200,963
Total		44,857,093		44,238,636
Less accumulated depreciation		20,378,724		19,515,440
Net Capital Assets		24,478,369		24,723,196
Total Noncurrent Assets		25,036,505		25,281,519
Total Assets		27,837,152		28,331,336
Deferred Outflows				
Deferred amount on refunding of debt, net of amortization		1,052,425		1,101,811
Deferred outflows of resources related to pension		249,440		355,189
Total Deferred Outflows		1,301,865		1,457,000
Total Assets and Deferred Outflows	$	29,139,017	$	29,788,336

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,		2019		2018
Liabilities				
Current Liabilities				
Accounts payable		21,485		30,393
Accrued payroll and related liabilities		18,091		-
Sales tax payable		5,701		25,024
Accrued compensated absences		7,985		6,604
Accrued interest		55,547		71,885
Customer meter deposits		269,047		266,114
Current portion of long-term debt		537,189		669,741
Total Current Liabilities		915,045		1,069,761
Noncurrent liabilities:				
Long-term debt, net of unamortized bond discounts		21,109,264		21,605,327
Net pension liability		747,941		930,547
Total Noncurrent Liabilities		21,857,205		22,535,874
Total Liabilities		22,772,250		23,605,635
Deferred Inflows				
Deferred inflows of resources related to pension		111,441		33,004
Total Deferred Inflows		111,441		33,004
Net Position				
Net investment in capital assets		3,884,341		3,549,939
Restricted		1,431,799		1,540,175
Unrestricted		939,186		1,059,583
Total Net Position		6,255,326		6,149,697
Total Liabilities, Deferred Inflows, and Net Position	$	29,139,017	$	29,788,336

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Operating Revenue		
Metered water sales, net of bad debts	$ 3,225,533	$ 3,212,548
Tap charges	49,800	48,850
Other revenue	97,776	85,036
Total Operating Revenue	3,373,109	3,346,434
Operating Expenses		
Chemical purchases	286,879	292,751
Tap expense	54,891	44,770
Utilities and telephone	151,403	151,964
Salaries	665,553	621,499
Miscellaneous administration expense	1,873	975
Travel	4,108	4,835
Dues and subscriptions	2,759	3,996
Operating supplies	62,980	73,564
Office supplies	9,153	7,816
Postage	3,187	1,720
Professional services	29,231	25,221
Computer services	21,088	14,608
Taxes - payroll	54,041	48,564
Licenses and permits	6,761	1,846
Depreciation	1,036,610	1,004,939
Pension plan expense	102,978	155,276
Uniforms	534	2,798
Service contracts	5,847	4,350
Repairs and maintenance	140,978	85,586
Insurance	222,593	205,975
Truck expense	51,464	63,506
Total Operating Expenses	2,914,911	2,816,559
Operating Income	458,198	529,875
Nonoperating Revenue (Expenses)		
Interest income	33,234	19,687
Capital grant proceeds	69,549	598,726
Portion of project administered by Scott County	262,467	461,440
Settlement income	91,105	91,105
Gain on disposition of assets	14,500	-
Unrealized gain (loss) on investments	(187)	170
Interest expense, inclusive of amortization of bond discount and amortization of deferred amount on advance refunding	(823,237)	(842,025)
Total Nonoperating Revenue (Expenses)	(352,569)	329,103
Change In Net Position	105,629	858,978
Beginning of Year Net Position	6,149,697	5,290,719
End of Year Net Position	$ 6,255,326	$ 6,149,697

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,		2019		2018
Cash Flows From Operating Activities				
Cash receipts from customers and other sources	$	3,331,226	$	3,351,646
Cash payments to suppliers for goods and services		(1,200,034)		(1,109,463)
Cash payments to employees for services		(664,172)		(626,446)
Net Cash Provided By Operating Activities		1,467,020		1,615,737
Cash Flows From Investing Activities				
Net investment activity		(4,994)		(28,003)
Reinvestment of certificate of deposit earnings		(7,923)		(3,480)
Interest income		33,234		19,687
Net Cash Provided (Used) By Investing Activities		20,317		(11,796)
Cash Flows From Noncapital and Related Financing Activities				
Proceeds from settlement agreement		91,105		91,105
Net Cash Provided By Noncapital and Related Financing Activities		91,105		91,105
Cash Flows From Capital and Related Financing Activities				
Cash paid for property, plant, and equipment		(470,483)		(555,549)
Proceeds from disposition of assets		14,500		-
Capital grant proceeds		69,549		598,726
Principal paid on long-term debt		(695,195)		(635,192)
Interest paid on long-term debt		(782,442)		(781,638)
Net Cash Used By Capital and Related Financing Activities		(1,864,071)		(1,373,653)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		(285,629)		321,393
Cash, Cash Equivalents and Restricted Cash, Beginning of Year		1,439,741		1,118,348
Cash, Cash Equivalents and Restricted Cash, End of Year	$	1,154,112	$	1,439,741
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	$	647,997	$	819,202
Restricted checking and savings accounts		506,115		620,539
Total Cash, Cash Equivalents and Restricted Cash	$	1,154,112	$	1,439,741

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 458,198	$ 529,875
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,036,610	1,004,939
Changes in:		
Accounts receivable	(25,493)	(11,654)
Prepaid expenses	1,951	(1,612)
Deferred outflows of resources related to pension	105,749	12,370
Accounts payable	(8,908)	20,852
Accrued payroll and related liabilities	18,091	-
Sales tax payable	(19,323)	8,521
Accrued compensated absences	1,381	(4,947)
Customer meter deposits	2,933	8,345
Net pension liability	(182,606)	70,728
Deferred outflows of resources related to pension	78,437	(21,680)
Net Cash Provided By Operating Activities	$ 1,467,020	$ 1,615,737

Supplemental Schedule of Noncash Capital and Related Financing Activities		
Cost of acquisition and construction of capital assets	$ 791,783	$ 1,016,989
Less: portion of project administered by Scott County	(262,467)	(461,440)
Less: equipment purchased through direct financing	(58,833)	-
Cash paid for acquisition and construction of capital assets	$ 470,483	$ 555,549

See accompanying notes to financial statements.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Nature of Operations

James Fork Regional Water District (the District) is a Sebastian County, Arkansas Public Facilities Association which provides water to residents in South Sebastian County and portions of Scott County, Arkansas.

1. Summary of Significant Accounting Policies

a. 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.

b. 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.

c. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that took effect during the fiscal year. The following is a description of the new pronouncements applicable to the District:

GASB Statement No. 83, *Certain Asset Requirement Obligations.* The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement. The District adopted this statement during the year and it had no impact on the financial statements.

1. Summary of Significant Accounting Policies (continued)

c. New Accounting Pronouncements (continued)

GASB Statement No. 84, *Fiduciary Activities.* The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The District adopted the statement during the year and it had no impact on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and* Direct Placements. The purpose of this statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District adopted this statement during the year and added the appropriate disclosures in the footnotes.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District adopted this statement during the year and it had no impact on the financial statements.

d. Income Tax Status

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

e. 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 excluding restricted cash.

f. Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. Accounts receivable are recorded net of estimated collectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information and is $57,632 and $57,762 on December 31, 2019 and 2018, respectively.

1. Summary of Significant Accounting Policies (continued)

g. 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.

h. Capital Outlays and Depreciation

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

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

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.

i. 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.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

j. 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, 2019 and 2018, the District had $7,985 and $6,604 accrued for compensated absences.

k. 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.

l. Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

m. Operating Revenues and Expenses

Operating revenues and expenses consist of these revenues and expensesthat result from the ongoing principal operations of the District. Operating revenues consist primarily of water sales and fees for miscellaneous services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

n. 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.

2. Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2019 and 2018, the District had no deposits that were uninsured. The bank balances and carrying amount of the District's deposits held were as follows:

	At December 31, 2019		At December 31, 2018	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	1,790,704	1,772,481	2,070,071	2,050,187
Cash on hand	-	500	-	500
Total	$ 2,040,704	$ 2,022,981	$ 2,320,071	$ 2,300,687

2. Cash Deposits (continued)

Deposits as reported in the following statement of net position captions:

As Of December 31,		2019		2018
Cash and cash equivalents	$	647,997	$	819,202
Restricted checking and savings accounts		506,115		620,539
Certificates of deposits		868,869		860,946
Total	$	2,022,981	$	2,300,687

The District does not believe that there is any significant risk associated with the concentrations or credit nor has the District experienced any losses in such accounts.

3. Restricted Assets

Restricted checking and savings accounts consists of the following:

As Of December 31,		2019		2018
Depreciation fund (1993 project fund)	$	335,168	$	323,294
ANRC bond payment fund		151,733		150,882
Scott County Phase III		-		127,232
Rural Development reserve fund		19,214		19,131
Total	$	506,115	$	620,539

Depreciation fund (1993 project fund)
The trust indenture requires the establishment of a depreciation fund. Monthly payments of $2,000 into the project fund are required by the indenture. Moneys in the Project Fund are to be used solely for repair and replacement costs made necessary by the depreciation of properties of the District.

Arkansas Natural Resources Commission bond payment fund
The bond payment fund was establish to fund the semi-annual payments to Arkansas Natural Resources Commission.

Scott County Phase III
This fund was established to deposit the loan and grant proceeds from Rural Development, and to pay expenditures relating to the Scott County Phase III project.

Rural Development reserve fund
This fund was established per Rural Development and to be used solely for repair and replacement costs made necessary by the depreciation of properties of the District.

3. Restricted Assets (continued)

Restricted investments are reported at fair market value and consist of the following:

As Of December 31,		2019		2018
Bond Funds	$	412,961	$	407,967
Debt Service Reserve Funds		558,136		558,323
Total	$	971,097	$	966,290

4. Investments

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

State statutes authorize the District to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the Board to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state or the District of Columbia.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. Investments (continued)

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

As of December 31, 2019		Cost		Market Value
Bond Funds				
Bank of the Ozarks Rnt DDA Inst Money Mkt	$	412,961	$	412,961
Debt Service Reserve Funds				
Bank of the Ozarks Rnt DDA Inst Money Mkt		558,136		558,136
Total	$	971,097	$	971,097

As of December 31, 2018		Cost		Market Value
Bond Funds				
Bank of the Ozarks Rnt DDA Inst Money Mkt	$	407,967	$	407,967
Debt Service Reserve Funds				
Stifel Bank and Trust CD		245,000		244,733
Bank of the Ozarks Rnt DDA Inst Money Mkt		313,590		313,590
Total	$	966,557	$	966,290

Investments as reported in the following statement of net position captions:

As Of December 31,		**2019**		**2018**
Current Assets:				
Restricted investments	$	412,961	$	407,967
Noncurrent Assets:				
Restricted investments		558,136		558,323
Total	$	971,097	$	966,290

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments are unrated, but institutional money market accounts generally invest in U.S. Treasury bills, federal agency notes, certificates of deposit and commercial paper which are all investments permitted by Arkansas statutes.

5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

All investments of the District are valued using Level 1 inputs. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2019.

The following table represents the District's investments that are measured at fair value on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Bank of the Ozarks Rnt DDA Institutional Money Market	$ 971,097	$ -	$ -	$ 971,097
Total	$ 971,097	$ -	$ -	$ 971,097

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

6. Property, Plant and Equipment

Activity of capital assets consists of the following:

As Of	January 1, 2019	Additions	Retirements	December 31, 2019
Land	$ 657,742	$ -	$ -	$ 657,742
Buildings	415,208	9,075	-	424,283
Fixtures and equipment	1,576,081	195,850	173,326	1,598,605
Clarifier	667,826	-	-	667,826
Backwash tank	339,754	-	-	339,754
Distribution system	37,381,062	3,674,399	-	41,055,461
Construction in process	3,200,963	458,658	3,546,199	113,422
Total	$ 44,238,636	$ 4,337,982	$ 3,719,525	$ 44,857,093

As Of	January 1, 2018	Additions	Retirements	December 31, 2018
Land	$ 657,742	$ -	$ -	$ 657,742
Buildings	415,208	-	-	415,208
Fixtures and equipment	1,545,278	30,803	-	1,576,081
Clarifier	667,826	-	-	667,826
Backwash tank	339,754	-	-	339,754
Distribution system	37,381,062	-	-	37,381,062
Construction in process	2,214,777	986,186	-	3,200,963
Total	$ 43,221,647	$ 1,016,989	$ -	$ 44,238,636

Construction in progress is for the following:

Project	Balance at 12/31/19	Balance at 12/31/18	Total Cost	Status
Scott County East 80	$ -	$ 2,970,787	$ 3,306,011	completed
Byers road Pump Station	-	169,407	240,188	completed
Reservoir Expansion	113,422	60,769	10,000,000	in progress
Total	$ 113,422	$ 3,200,963	$ 13,546,199	

The Scott County East 80 project was funded through grants from Rural Development, the Arkansas Economic Development Commission and the Arkansas Natural resources Commission and a loan of $1,100,000 from Rural Development.

The reservoir expansion project is still in the early planning stages. The total estimated cost of the project is approximately $10 million and there is no time frame for completion as of the financial statement date.

7. Long-Term Debt

Long-term debt of the District consists of:

As of December 31,	2019	2018
Arkansas Natural Resources Commission - loan dated August 7, 2007. Payments deferred until 2017 at which time the first payment of $8,919 is due. After that, annual payments of $16,530 will be made including interest of 5.00%. The loan is secured by properties and equipment in the project and is due to mature in December 1, 2036.	$ 186,360	$ 193,229
Rural Development - loan dated December 12, 2007. Payments are made monthly in the amount of $1,125 and include interest of 4.125%. The loan is secured by properties and equipment of the District and is scheduled to mature December 12, 2047.	223,016	227,222
Rural Development - loan dated February 18, 2009. Payments are made monthly in the amount of $1,013 and include interest of 4.125%. The loan is secured by properties and equipment of the District and is scheduled to mature February 18, 2049.	205,152	208,765
Rural Development - loan dated May 27, 2009. Payments are made monthly in the amount of $8,209 and include interest of 4.375%. The loan is secured by properties and equipment of the District and is scheduled to mature May 27, 2049.	1,624,038	1,650,858
Rural Development - loan dated January 15, 2010. Payments will be made monthly in the amount of $2,475 beginning February 2012 and will include interest of 3.250%. The loan is secured by revenues, properties and equipment of the District and is schedule to mature January 15, 2050.	567,448	578,511
Rural Development - loan dated October 5, 2010. Payments are made monthly in the amount of $8,727 and include interest of 3.00%. The loan is secured by revenues, properties and equipment of the District and is scheduled to mature October 5, 2050.	2,102,731	2,143,706

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

7. Long-Term Debt (continued)

As of December 31,		2019		2018
Rural Development - loan dated July 6, 2017. Interest only payments for the first two years. Principal payments will be made monthly in the amount of $4,213 beginning August 2019 and will include interest of 3.250%. The loan is secured by revenues, properties and equipment of the District and is scheduled to mature July 6, 2057.		1,093,884		1,100,000
Arvest Equipment Finance - loan dated May 1, 2019 in the amount of $58,833. Principal payments will be made monthly in the amount of $1,757 including interest at 4.75%. The loan is secured by equipment purchased and is scheduled to mature May 1, 2022.		33,300		-
Water Revenue Refunding Bonds, Series 2013, issued April 30,2013. Principal payments are due annually and interest is due semi-annually at rates varying between 1.00% to 4.20%. The bonds are secured by the District's revenues. Final maturity of the bond is June 1, 2044.		5,275,000		5,495,000
Water Revenue Refunding Bonds, Series 2015, issued March 30, 2015. Principal payments are due annually and interest is due semi-annually at rates varying between 2.00% to 3.75%. The bonds are secured by the District's revenues. Final maturity of the bond is June 1, 2040.		10,505,000		10,855,000
Total long-term debt		21,815,929		22,452,291
Less current maturities		537,189		669,741
Long-term debt		21,278,740		21,782,550
Less unamortized discounts on bonds		169,476		177,223
Long-term debt, net	$	21,109,264	$	21,605,327

Debt is scheduled to be repaid as follows:

	Bonds				Notes from Direct Borrowings		
December 31,	Principal		Interest		Principal		Interest
2020	580,000	$	537,189	$	132,177	$	212,035
2021	590,000		521,344		129,743		209,541
2022	610,000		504,689		120,642		205,033
2023	620,000		487,159		125,078		200,597
2024	650,000		468,607		129,682		195,992
2025-2029	3,415,000		2,027,328		723,875		904,495
2030-2034	3,410,000		1,455,107		868,485		759,885
2035-2039	4,090,000		765,385		991,061		587,718
2040-2044	1,815,000		129,721		1,148,710		397,010

7. Long-Term Debt (continued)

	Bonds		Notes from Direct Borrowings	
December 31,	Principal	Interest	Principal	Interest
2045-2049	-	-	1,252,894	173,780
2050-2054	-	-	295,962	38,415
2055-2057	-	-	117,620	4,843
Total	$ 15,780,000	$ 6,896,526	$ 6,035,929	$ 3,889,342

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

As Of	**January 1, 2019**	**Additions**	**Retirements**	**December 31, 2019**
Arkansas Natural Resources Comm.	$ 193,229	$ -	$ 6,869	$ 186,360
Rural Development	5,909,062	-	92,793	5,816,269
2013 Series Bonds	5,495,000	-	220,000	5,275,000
2015 Series Bonds	10,855,000	-	350,000	10,505,000
Arvest Equipment Finance	-	58,833	25,533	33,300
Net pension liability	930,547	-	182,606	747,941
Total	$ 23,382,838	$ 58,833	$ 877,801	$ 22,563,870

As Of	**January 1, 2018**	**Additions**	**Retirements**	**December 31, 2018**
Arkansas Natural Resources Comm.	$ 199,770	$ -	$ 6,541	$ 193,229
Rural Development	5,992,713	-	83,651	5,909,062
2013 Series Bonds	5,700,000	-	205,000	5,495,000
2015 Series Bonds	11,195,000	-	340,000	10,855,000
Net pension liability	859,819	70,728	-	930,547
Total	$ 23,947,302	$ 70,728	$ 635,192	$ 23,382,838

The District's outstanding bonds contain a provision that in the event of default, all outstanding principal and interest become immediately due and payable.

Each of the District's outstanding 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.

8. Bond Discount / Deferred Refunding

The bond issue discount represents the additional interest (over and above any cash interest) over the term of the bonds. The original issue discounts, related to the 2013 and 2015 Series Water Revenue Refunding Bonds, are being amortized using the straight-line method over the life of the bonds. Amortization of the bond discount for both of the years ended December 31, 2019 and 2018 was $7,747. These amounts were charged as a component of interest expense. The unamortized bond discount balance is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of $1,052,425 and $1,101,811 as of December 31, 2019 and 2018, 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 $49,386 for both years ended December 31, 2019 and 2018, and is included in interest expense in the statement of revenues, expenses and changes in net position.

9. Debt Service Reserve

The Rural Development Loan resolution specified for loans 91-14, 91-15, 91-17, 91-19, 91-21, and 91-22 with balances totaling $5,816,269 have minimum debt service reserve accounts totaling $213,410 at at December 31, 2019. This is based upon the maximum annual principal and interest due in any future period following the latest loan issue. Loan 91-22 also requires an account referred to as a short-lived asset account requiring $2,539 per month deposited. This account can be used anytime for repairs and maintenance, therefore a required balance is not possible to arrive at. The District currently does not have specific minimum reserve accounts set up for these Rural Development loans. However, the district has enough unrestricted cash balances to cover these reserves at December 31, 2019.

10. Rate Covenant

The Trust Indenture of the 2013 and 2015 Series Bonds contains a provision (the Rate Covenant) which requires the District to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, (3) leave a balance equal to 110% 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, 2019 and 2018, the District had sufficient revenues to meet the covenant.

11. Pension Plan

Plan Description

The District participates in the Arkansas Public Employees Retirement Departments (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 APERS is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

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 and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/207	2.00%
Non-Contributory	1.72%

11. Pension Plan (continued)

Benefits Provided (continued)

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.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. 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% and 14.75% of compensation for the fiscal years ended June 30, 2018 and 2017, respectively. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the District were $99,077 and $93,822 for the years ended December 31, 2019 and 2018, respectively. Employees are not required to contribute to the plan.

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.

11. Pension Plan (continued)

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2018, 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 was 0.03390585%

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, 2018 and the District's report ending date of December 31, 2019, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (9.6 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	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

All other actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2012, and were applied to all prior periods included in the measurement.

11. Pension Plan (continued)

Investment 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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 to 2027 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.54%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
	100%	
Total Real Rate of Return		4.71%
Plus: Price Inflation - Actuary's Assumption		2.50%
Net Expected Return		7.21%

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, 2018 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 3.62% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

11. Pension Plan (continued)

Discount Rate (continued)

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the District's net pension liability, calculated using a single discount rate of 7.15%, as well as what the District's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	$ 1,222,846	$ 747,941	$ 356,182

Pension Expense, and Deferred Inflows / Outflows of Resources

The District had an accrued pension liability on December 31, 2019 of $2,323 for the District's legally required contribution. The District's proportionate share of pension expense was $102,429 for the year ended December 31, 2019. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,895	$ 7,852
Changes in assumptions	85,100	46,254
Net difference between projected and actual earnings on pension plan investments		18,926
Change in proportion	4,797	38,409
District contributions subsequent to the measurement date	147,648	-
Total	$ 249,440	$ 111,441

11. Pension Plan (continued)

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

$147,648 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, 2020, 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
2020	$ 41,410
2021	14,922
2022	(47,979)
2023	(18,002)
	$ (9,649)

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 $91,905 from the City during both years ended December 31, 2019 and 2018. The District anticipates receiving an additional $91,105 during the year ended December 31, 2020. A Financial Review Committee will meet to determine the amounts owed the District for the final payments due in the years 2021 through 2025.

13. 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.

14. 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.

JAMES FORK REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 through March 13, 2020, the date the financial statements were available to be issued. The spread of the COVID-19 coronavirus has caused global ecomomic uncertainty. The impact on the Organization will likely be an increase in bad debt expense due to the inability of customers to pay their utility bills caused by increased unemployment. However, the related financial impact of the pandemic cannot be reasonably estimated at this time.

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, 2019

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.03390585%	0.03600991%	0.03595543%	0.03522433%	0.03749347%
District's proportionate share of the net pension liability	$ 747,941	$ 930,547	$ 859,819	$ 648,738	$ 531,999
District's covered-employee payroll	$ 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	117.77%	143.38%	131.99%	103.81%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions Last Fiscal Year

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 93,676	$ 94,106	$ 94,460	$ 92,245	$ 98,638
Contributions in relation to the contractually required contribution	$ (93,676)	$ (94,106)	$ (94,460)	$ (92,245)	$ (98,638)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 635,089	$ 649,010	$ 651,450	$ 624,933	$ 662,890
Contributions as a percentage of covered-employee payroll	14.75%	14.50%	14.50%	14.76%	14.88%

See independent auditors' 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, 2019

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate Source: 20-Bond GO Index	3.62%	3.56%	2.85%	3.80%	4.29%
Remaining Amortization Period	25 Years	25 Years	21 Years	25 Years	23 years
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	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 auditors' report.

ADDITIONAL SUPPLEMENTARY INFORMATION

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REVENUE REFUNDING BONDS, SERIES 2013

DECEMBER 31, 2019

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2020	$ 220,000	2.15	$ 93,258	$ 90,893	$ 404,151
2021	220,000	2.30	90,893	88,363	399,256
2022	230,000	2.50	88,363	85,488	403,851
2023	230,000	2.70	85,488	82,383	397,871
2024	245,000	2.88	82,383	78,861	406,244
2025	250,000	3.00	78,861	75,111	403,972
2026	260,000	3.25	75,111	70,886	405,997
2027	265,000	3.25	70,886	66,580	402,466
2028	270,000	3.25	66,580	62,193	398,773
2029	160,000	3.70	62,193	59,233	281,426
2030	150,000	3.70	59,233	56,458	265,691
2031	155,000	3.70	56,458	53,590	265,048
2032	160,000	3.70	53,590	50,630	264,220
2033	170,000	4.00	50,630	47,230	267,860
2034	175,000	4.00	47,230	43,730	265,960
2035	180,000	4.00	43,730	40,130	263,860
2036	190,000	4.00	40,130	36,330	266,460
2037	200,000	4.13	36,330	32,205	268,535
2038	205,000	4.13	32,205	27,977	265,182
2039	215,000	4.13	27,977	23,543	266,520
2040	220,000	4.13	23,543	19,005	262,548
2041	225,000	4.20	19,005	14,280	258,285
2042	240,000	4.20	14,280	9,240	263,520
2043	245,000	4.20	9,240	4,095	258,335
2044	195,000	4.20	4,095	-	199,095
	$ 5,275,000		$ 1,311,692	$ 1,218,434	$ 7,805,126

See independent auditors' report.

JAMES FORK REGIONAL WATER DISTRICT

SCHEDULE OF BONDS OUTSTANDING

WATER REVENUE REFUNDING BONDS, SERIES 2015

DECEMBER 31, 2019

Year	Principal	Interest Rate	Interest June 1,	Interest December 1,	Total
2020	$ 360,000	3.00	$ 179,219	$ 173,819	$ 713,038
2021	370,000	3.00	173,819	168,269	712,088
2022	380,000	3.00	168,269	162,569	710,838
2023	390,000	3.00	162,569	156,719	709,288
2024	405,000	3.00	156,719	150,644	712,363
2025	415,000	3.00	150,644	144,419	710,063
2026	430,000	3.00	144,419	137,969	712,388
2027	440,000	3.00	137,969	130,819	708,788
2028	455,000	3.00	130,819	123,425	709,244
2029	470,000	3.25	123,425	115,788	709,213
2030	485,000	3.25	115,788	107,300	708,088
2031	500,000	3.25	107,300	98,550	705,850
2032	520,000	3.25	98,550	89,450	708,000
2033	540,000	3.50	89,450	80,000	709,450
2034	555,000	3.50	80,000	69,941	704,941
2035	575,000	3.50	69,941	59,519	704,459
2036	600,000	3.50	59,519	48,644	708,163
2037	620,000	3.625	48,644	37,406	706,050
2038	640,000	3.625	37,406	25,406	702,813
2039	665,000	3.625	25,406	12,938	703,344
2040	690,000	3.75	12,938	-	702,938
	$ 10,505,000		$ 2,272,810	$ 2,093,591	$ 14,871,400

See independent auditors' report.

ADDITIONAL REPORT

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the James Fork Regional Water District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated March 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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www.selectlanding.com

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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 13, 2020

Appendix B

Comparative unaudited statement or revenues and expenses of James Fork Regional Water District for the eight months ended August 31, 2019 and August 31, 2020

JAMES FORK REGIONAL WATER DISTRICT

INCOME STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 31,	2020	2019
Operating Revenue		
Metered water sales, net of bad debts	$ 2,436,459	$ 2,363,673
Tap charges	39,300	38,400
Other revenue	64,316	69,505
Total Operating Revenue	2,540,075	2,471,578
Operating Expenses		
Chemical purchases	236,724	225,569
Tap expense	39,616	40,963
Utilities and telephone	122,651	112,416
Salaries and payroll taxes	554,572	519,906
Miscellaneous administration expense	1,831	136
Travel	-	2,236
Dues and subscriptions	596	856
Operating supplies	50,239	42,708
Office supplies	5,162	5,184
Postage	2,338	2,371
Professional services	17,010	18,814
Computer services	8,764	11,108
Advertising	693	-
Licenses and permits	3,869	2,302
Depreciation	831,731	742,129
Pension plan expense	67,938	63,398
Uniforms	1,146	534
Service contracts	4,000	4,350
Repairs and maintenance	146,120	108,180
Insurance	192,150	184,436
Truck expense	23,910	38,061
Total Operating Expenses	2,311,060	2,125,657
Operating Income	229,015	345,921
Nonoperating Revenue (Expenses)		
Interest income	9,133	7,847
Settlement income	68,329	68,329
Interest expense	(561,918)	(566,048)
Total Nonoperating Revenue (Expenses)	(484,456)	(489,872)
Net Loss	(255,441)	(143,951)

<u>Appendix C</u>

Specimen Municipal Bond Insurance Policy

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

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)