

JEFFERSON PUBLIC WATER AUTHORITY
FINANCIAL STATEMENTS
December 31, 2025 and 2024

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management and Board of Directors
of Jefferson Public Water Authority

We have performed the procedures enumerated below for the Jefferson Public Water Authority, ("the Organization"), the year ended December 31, 2025. The Organization's management is responsible for accounting records.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

Finding: *Upon review of the monthly cash reconciliations, we noted that reconciliations were completed for each month tested. However, the ending cash balances reported on certain reconciliations were inaccurate, and the reconciled cash balances did not agree to the corresponding bank statement balances.*

Cause: *Management transitioned to a new accounting software system at the end of 2024. During the implementation and conversion process, issues related to data migration, system configuration, and report generation affected the accuracy of cash balances used in the monthly reconciliation process.*

Effect: *Although monthly cash reconciliations were performed, the inaccuracies in the cash balances prevented the reconciliations from properly agreeing to bank statement balances. As a result, we were unable to verify the completeness and accuracy of cash balances for the periods tested.*

Recommendation: *We recommend that management perform a comprehensive review of the cash balances carried over during the system conversion and reconcile any discrepancies between the accounting records and bank statements. In addition, management should establish procedures to verify the accuracy of beginning and ending cash balances each month and work with the software vendor, as necessary, to resolve any remaining system-related reporting issues.*

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

Findings: *No findings identified.*

Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

Findings: *Upon review of the monthly operating billing system reports, we noted that 9 of 12 months tested had ending accounts receivable balances that did not agree to the subsequent month's beginning accounts receivable balance.*

Cause: *Management elected to transition to a new billing software system at the end of 2024. During 2025, management devoted significant time to learning the new system and resolving reporting issues affecting the proper roll-forward of accounts receivable balances from month to month.*

Effect: *We were unable to verify the accounts receivable activity was accurately recorded from month to month. As a result, the completeness and accuracy of accounts receivable balances could not be fully substantiated.*

Recommendation: *We recommend that management develop and implement a monthly reconciliation process to ensure that ending accounts receivable balances agree to the subsequent month's beginning balances. Any differences identified should be investigated, documented, and resolved in a timely manner. In addition, management should work with the software vendor, as necessary, to correct reporting issues and ensure the billing system generates accurate and consistent month-to-month accounts receivable reports.*

Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

Findings: *No findings identified.*

Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

Findings: *No findings identified.*

Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

Findings: *No findings identified.*

General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

Findings: *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.



Searcy & Associates, LLC
Monticello, Arkansas
June 1, 2026

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
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To the Board of Directors of the
Jefferson Public Water Authority

Management is responsible for the accompanying financial statements of the Jefferson Public Water Authority, ("the Organization"), which comprised the statement of net position as of December 31, 2025 and 2024, and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the years then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, no provide any assurance on these financial statements.

Management has omitted the Management's Discussion and Analysis and Budget to Actual Comparison required by accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context.

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management, the supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Monticello, Arkansas
June 1, 2026

JEFFERSON PUBLIC WATER AUTHORITY
STATEMENT OF NET POSITION
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 805,269	\$ 868,953
Accounts receivable (net)	61,146	73,455
Other current assets	<u>5,103</u>	<u>5,103</u>
Total current assets	871,518	947,511
<u>Restricted cash and investments</u>		
Meter deposits	23,067	23,243
Depreciation reserve fund	<u>250,729</u>	<u>231,797</u>
Total restricted cash and investments	273,796	255,040
<u>Fixed assets, net of accumulated depreciation</u>	<u>2,338,381</u>	<u>2,431,332</u>
<u>Deferred outflow of resources related to pension</u>	<u>130,240</u>	<u>209,271</u>
Total assets	<u><u>\$ 3,613,935</u></u>	<u><u>\$ 3,843,154</u></u>
<u>Liabilities and Net Position</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 30,894	\$ 24,706
Accrued interest	100	100
Other accrued expenses	11,856	11,856
Current portion of note payable	<u>68,846</u>	<u>67,650</u>
Total current liabilities	111,696	104,312
<u>Long term liabilities</u>		
Note payable, net of current amount	625,070	702,264
Pension liability	232,181	276,241
Customer deposits	<u>23,067</u>	<u>23,243</u>
Total long term liabilities	880,318	1,001,748
<u>Deferred inflow of resources related to pension</u>	23,045	11,294
<u>Net position</u>		
Invested in capital assets, net of related debt	1,742,664	1,759,617
Restricted	250,729	231,797
Unrestricted	<u>605,483</u>	<u>734,386</u>
Total net position	<u><u>2,598,876</u></u>	<u><u>2,725,800</u></u>
Total liabilities and net position	<u><u>\$ 3,613,935</u></u>	<u><u>\$ 3,843,154</u></u>

JEFFERSON PUBLIC WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025 and 2024

	2025	2024
<u>Operating revenues</u>		
Water services	\$ 592,235	\$ 626,501
Water connection fees	2,200	7,800
Penalties and late fees	26,186	11,758
Other operating revenue	7,667	16,808
Total operating revenue	628,288	662,867
<u>Operating expenses</u>		
Plant operations and distribution	315,008	376,806
General and administrative	281,834	316,092
Depreciation	92,951	91,844
Total operating expenses	689,793	784,742
Income / (loss) from operations	(61,505)	(121,875)
<u>Other revenue / (expenses)</u>		
Interest income	2,777	4,204
Cost sharing pension income (expenses)	(46,722)	(2,842)
Interest expense	(21,474)	(16,856)
Total other revenue / (expenses)	(65,419)	(15,494)
<u>Change in net position</u>	(126,924)	(137,369)
<u>Net position, beginning of year</u>	2,725,800	2,863,169
Change in net invested in capital assets	(16,953)	34,161
Change in restricted assets	18,932	28,091
Change in unrestricted assets	(128,903)	(199,621)
Change in net position	(126,924)	(137,369)
<u>Net position, end of year</u>	\$ 2,598,876	\$ 2,725,800

JEFFERSON PUBLIC WATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 640,597	\$ 639,026
Payments for salaries and benefits	(338,094)	(336,941)
Payments for operating supplies	(252,560)	(344,304)
Net cash provided by (used for) operating activities	<u>49,943</u>	<u>(42,219)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	-	(72,629)
Interest income	2,777	4,204
Net cash provided by (used for) investing activities	<u>2,777</u>	<u>(68,425)</u>
<u>Cash flows from financing activities</u>		
Principal payments	(75,998)	(53,376)
Change in pension liability	(90,782)	163,644
Change in deferred outflows / inflows	90,782	(96,634)
Interest payments	(21,474)	(16,856)
Change in customer deposits	(176)	525
Net cash provided by (used for) financing activities	<u>(97,648)</u>	<u>(2,697)</u>
<u>Change in cash and cash equivalents</u>	(44,928)	(113,341)
<u>Cash and cash equivalents, beginning of year</u>	1,123,993	1,237,334
<u>Cash and cash equivalents, end of year</u>	<u>1,079,065</u>	<u>1,123,993</u>
<u>Cash and cash equivalents</u>	805,269	868,953
<u>Restricted cash and cash equivalents</u>	273,796	255,040
	<u>\$ 1,079,065</u>	<u>\$ 1,123,993</u>
	2025	2024
<u>Reconciliation of operating income to</u>		
<u>net cash from operating activities:</u>		
Operating income (loss)	\$ (61,505)	\$ (121,875)
Adjustments to reconcile operating income to		
net cash from operating activities:		
Depreciation	92,951	91,844
Changes in assets and liabilities:		
Accounts receivable	12,309	(23,841)
Other current assets	-	(1,982)
Accounts payable	6,188	8,751
Accrued expenses	-	4,884
Total adjustments	<u>111,448</u>	<u>79,656</u>
Net cash provided by (used for) operating activities	<u>\$ 49,943</u>	<u>\$ (42,219)</u>

**JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Jefferson Public Water Authority (the "Authority") has been designated a public water authority by the state of Arkansas. The Authority filed for the change from a 501(c)12 non-profit water association to a public water authority in June 2022. The Authority is operated by an independent board of directors for the purpose of distributing water to customers in the surrounding area of Jefferson, Arkansas. The Authority has adopted the provisions of Statement 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority is not a component unit of another entity. The Authority is not financially accountable for any other organization.

B. Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Authority. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Authority.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Authority applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

C. Use of Estimates

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 1 (continued)

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit, and deposits can be offset against the receivable. The allowance for doubtful accounts for years ended December 31, 2025 and 2024 was \$22,392.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Authority's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$1,000.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

E. Reclassification

Certain accounts in prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

F. Date of Management's Review

The Authority evaluated its December 31, 2025 financial statements for subsequent events through June 1, 2026, the date the financial statements were available to be issued. The Authority is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it.

The schedule below is designed to disclose the level of custodial credit risk assumed by the Authority based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2024.

Category 1 – Insured FDIC or secured with securities held by the Authority (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust department in the Authority's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust department or agent in the Authority's name, or collateralized with no written or approved collateralized agreement.

The level of Security for the Authority's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 813,156	\$ 813,156	\$ -	\$ -
Bank B	147,926	147,926	-	-
Bank C	119,295	119,295	-	-
Total	<u>\$ 1,080,377</u>	<u>\$ 1,080,377</u>	<u>\$ -</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Authority's general ledger balances

The Authority has certain amounts of its cash accounts restricted at December 31, 2025 as follows:

Meter deposits	\$ 23,067
Debt reserve requirements	186,981
Total restricted cash	<u>\$ 210,048</u>

Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Authority or for off-setting any amounts owed by the customer upon departure.

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 3 – CHANGES IN FIXED ASSETS

Changes in fixed assets for the years ended December 31, 2025 and 2024 are as follows:

	Balance December 31, 2023	Transfers/ Additions	Disposals	Balance December 31, 2024
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
Buildings and Improvements	460,875	5,802	-	466,677
Dollarway road project	38,374	-	-	38,374
Furniture, fixtures, & equipment	524,989	31,227	-	556,216
Harper road project	40,895	-	-	40,895
NCTR road project	192,855	-	-	192,855
Water plant	2,866,250	35,600	-	2,901,850
Intangible assets	20,397	-	-	20,397
	<u>4,158,835</u>	<u>72,629</u>	<u>-</u>	<u>4,231,464</u>
Depreciation & amortization	<u>(1,708,288)</u>	<u>(91,844)</u>	<u>-</u>	<u>(1,800,132)</u>
	<u>\$ 2,450,547</u>	<u>\$ (19,215)</u>	<u>\$ -</u>	<u>\$ 2,431,332</u>

	Balance December 31, 2024	Transfers/ Additions	Disposals	Balance December 31, 2025
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
Buildings and Improvements	466,677	-	-	466,677
Dollarway road project	38,374	-	-	38,374
Furniture, fixtures, & equipment	556,216	-	-	556,216
Harper road project	40,895	-	-	40,895
NCTR road project	192,855	-	-	192,855
Water plant	2,901,850	-	-	2,901,850
Intangible assets	20,397	-	-	20,397
	<u>4,231,464</u>	<u>-</u>	<u>-</u>	<u>4,231,464</u>
Depreciation & amortization	<u>(1,800,132)</u>	<u>(92,951)</u>	<u>-</u>	<u>(1,893,083)</u>
	<u>\$ 2,431,332</u>	<u>\$ (92,951)</u>	<u>\$ -</u>	<u>\$ 2,338,381</u>

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 4 – LONG-TERM DEBT

2020 Water Revenue Bond

On December 1, 2021, the Authority financed the long-term debt by obtaining a bond payable from Arkansas Natural Resource Commission in the amount of \$700,300 with an interest rate of 2.55%. The proceeds were used to pay for the construction and betterment of the Authority's water system. The bond is for a period 20 years with minimum monthly payments of principal and interest of \$3,728. The bond is secured by the Authority's revenues.

Meter Replacement Bond

On September 15, 2019, the Authority financed the long-term debt by obtaining a bond payable from Arkansas Natural Resource Commission in the amount of \$368,000 with an interest rate of 0.50%. The proceeds were used to pay for new meters for the Authority. The bond is for a period 10 years with minimum semi-annual payments of principal and interest of \$18,887. The bond is secured by the Authority's revenue.

Changes in long term debt for the years ended December 31, 2025 and 2024 are as follows:

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024	Amounts Due Within One Year
Arkansas Natural Resource 2020 water revenue bond	\$ 600,721	\$ -	\$ (35,477)	\$ 565,244	\$ 30,854
Arkansas Natural Resource meter replacement bond	222,569	-	(17,899)	204,670	36,796
Bond payable	<u>\$ 823,290</u>	<u>\$ -</u>	<u>\$ (53,376)</u>	<u>\$ 769,914</u>	<u>\$ 67,650</u>

	Balance December 31, 2024	Increases	Decreases	Balance December 31, 2025	Amounts Due Within One Year
Arkansas Natural Resource 2020 water revenue bond	\$ 565,244	\$ -	\$ (39,202)	\$ 526,042	\$ 31,865
Arkansas Natural Resource meter replacement bond	204,670	-	(36,796)	167,874	36,981
Bond payable	<u>\$ 769,914</u>	<u>\$ -</u>	<u>\$ (75,998)</u>	<u>\$ 693,916</u>	<u>\$ 68,846</u>

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 4 (continued)

Annual debt service requirements to maturity based on current interest rates for long-term debt are as follows for the year ending:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 68,846	\$ 13,798	\$ 82,644
2027	69,853	12,791	82,644
2028	70,883	11,761	82,644
2029	71,935	10,709	82,644
2030	54,118	9,645	63,763
2031-2035	190,548	33,994	224,542
2036-2040	167,733	8,722	176,455
2041-2045	-	-	-
	<u>\$ 693,916</u>	<u>\$ 101,420</u>	<u>\$ 795,336</u>

NOTE 5 – PENSION

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

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 the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the 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 Organization of Finance and Administration, and four additional board positions that were added in Act 686 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 5 (continued)

Benefits Provided

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

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

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)).

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 5 (continued)

Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$2,098,789,001 was measured as of June 30, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for your employer are as follows:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 7,194	\$ (6,972)
Changes in proportion and differences between employer contributions and proportionate share of contribution	89,943	(671)
Changes of assumptions	4,029	-
Contributions subsequent to measurement date	29,074	-
Net difference between projected and actual earnings on pension plan investments	-	(15,402)
Total	<u>\$ 130,240</u>	<u>\$ (23,045)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in your financial statements as follows:

<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Thereafter</u>
\$91,728	\$ 9,362	\$(14,443)	\$(8,526)	\$ -	\$ -

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 5 (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2025, 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 of Percent 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	14 years (4.6 years for District Judges New Plan/Paid Off Old Plan and 12 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
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)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017. Base on the PubG-2010 Amount-Weighted Below-Median Income General Retiree mortality tables for males and females. Mortality rates are multiplied by 114% for males and 132% for females and are adjusted for fully generational mortality improvements using Scale MP-2021.
Average Service Life of All Members	3.6130

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 5 (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2025 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Assets	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
Total	100%	
Total Real Rate of Return		5.02%
Plus: Price Inflation- Actuary Assumption		2.50%
Net Expected Return		7.52%

Discount Rate

A single discount rate of 7% 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%. 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

Sensitivity of Discount Rate		
1% Lower 6%	Discount Rate 7%	1% Higher 8%
\$433,283	\$ 232,181	\$ 66,351

JEFFERSON PUBLIC WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 7 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Authority from the financial statements which are required by GAAP.

SUPPLEMENTARY INFORMATION

JEFFERSON PUBLIC WATER AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Plant operations and distributions</u>		
Salaries, wages, and benefits	\$ 126,892	\$ 125,706
Supplies	54,119	97,396
Utilities	39,417	35,531
Insurance	33,540	30,656
Payroll taxes	8,277	7,814
Dues, subscriptions, licenses	4,640	4,732
Repairs and maintenance	12,189	2,117
Travel expenses	5,787	9,617
Retirement	16,575	39,590
Communication	6,977	6,852
Contract labor	6,360	11,894
Other expenses	235	4,901
Total plant operations and distributions	<u>315,008</u>	<u>376,806</u>
<u>General and administrative</u>		
Salaries, wages, and benefits	190,338	188,558
Supplies	6,013	10,822
Utilities	2,075	1,870
Insurance	8,385	7,664
Professional services	8,500	7,500
Payroll taxes	12,415	11,720
Retirement	24,862	59,386
Dues, subscriptions, licenses	4,640	4,732
Repairs and maintenance	642	111
Travel expenses	305	506
Office supplies	20,752	12,430
Communication	2,326	2,284
Bad debt	346	3,608
Other expenses	235	4,901
Total general and administrative	<u>281,834</u>	<u>316,092</u>
<u>Depreciation & amortization</u>	<u>92,951</u>	<u>91,844</u>
Total operating expenses	<u>\$ 689,793</u>	<u>\$ 784,742</u>

JEFFERSON PUBLIC WATER AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Years Ended December 31, 2025 and 2024

	2025	2024	2023 *
Proportion of the net pension liability	0.011%	0.011%	0.004%
Proportionate share of the net pension liability	\$232,181	\$276,241	\$109,755
Covered - employee payroll	\$281,318	\$289,346	\$244,204
Proportionate share of the net pension liability as percentage of covered - employee payroll	82.53%	95.47%	44.94%
Plan's fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%

* Fiscal Year 2023 was the first year of implementation, and is based on actuarial valuation as of June 30, 2022, therefore only three years are shown.

JEFFERSON PUBLIC WATER AUTHORITY
SCHEDULE OF CONTRIBUTIONS
For the Years Ended December 31, 2025 and 2024

	2025	2024	2023 *
Contractually required contribution	\$ 40,572	\$ 38,639	\$ 12,788
Contributions in relation to the contractually required contribution	\$ (40,572)	\$ (38,639)	\$ (12,788)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Department's covered - employee payroll	\$281,318	\$289,346	\$244,204
Contributions as a percentage of covered - employee payroll	14.42%	13.35%	5.24%

* Fiscal Year 2023 was the first year of implementation, therefore only three years are shown. Information in this schedule has been determined as of the most recent fiscal year-end.

JEFFERSON PUBLIC WATER AUTHORITY
SCHEDULE OF SYSTEM INFORMATION
For the Year Ended December 31, 2025

Number of Water Users	1,110
Annual billable gallons of water	88,736,199
Date of last rate study:	October 1, 2025
Next required date:	October 1, 2030
Met the Board/Council training requirements:	Yes

Debt Service Coverage Ratio (1.05 minimum required)

Net Income (loss)	\$ (126,924)
Add: Depreciation	92,951
Add: Interest expense	21,474
Add: GASB 68 pension expense adjustment	46,722
Subtract: Interest income	<u>(2,777)</u>
Total	\$ 31,446
Divided by next year principal & interest	<u>\$ 82,644</u>
Debt service coverage ratio	<u><u>0.38</u></u>

Free Cash Flow Determination

Total unrestricted cash	\$ 805,269
One twelfth of total expenses	<u>57,483</u>
Excess / (deficient) cash	<u><u>\$ 747,786</u></u>